Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

32nd SESSION
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Thursday, 5 November 2015
Afternoon Session

Review of good practices on enhancing the role of corporate reporting in attaining Sustainable Development Goals

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ISAR 32\textsuperscript{nd} Session
Corporate Reporting and SDGs

November 2015
UNCTAD, Geneva
Agenda

1. A little about CDSB
2. What we know now?
3. Gaps, challenges, dilemmas
4. What could we do?
5. Imminent and unique opportunities
1. CDSB
To provide decision-useful environmental information to markets via the mainstream corporate report
The Climate Disclosure Standards Board

Consortium has created common framework for reporting of environmental information in mainstream reports.

Technical Working Group
- Big 5 accounting firms and major accounting associations
- Business
- NGOs
- Academia
- Subject experts
CDSB’s offerings

1. Creation of common framework for mainstream reporting to financial markets

- Climate Change Reporting Framework
- Stranded assets
- Environmental information & natural capital

2. Analysis of enabling environment for consistency gaps and opportunities

- Report: Consistency in climate change reporting
- Mapping the reporting landscape
2. What do we know now?
A LOT!

» ISAR paper and activities

» Research, commentaries, etc. etc.

» What companies are doing – CDP reports hot off press

» Objectives and content are essentially agreed ✔
# Making the Connections

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<th>Relevance and materiality</th>
<th>Faithful representation</th>
<th>Connected with other information</th>
<th>Consistent and comparable</th>
<th>Clear and understandable</th>
<th>Verifiable</th>
<th>Forward looking</th>
<th>Policy, strategy and targets</th>
<th>Risks and opportunities</th>
<th>Governance</th>
<th>Sources of environmental impact</th>
<th>Performance and comparative analysis</th>
<th>Organisational boundary</th>
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| IIRC <IR> Framework | § 3.17-3.23, 3.24-3.29, 4.41-4.42, 4.44, 4.50 | § 3.39-3.53 | § 3.6-3.9, 4.51 | 3.54-3.57 | § 3.36-3.38, 4.52 | § 3.39-3.48 | § 4.34-4.39, 4.57-4.59 | § 3.3-3.5, 3.10-3.16, 4.27-4.29, 4.53-4.56 | 3.4, 4.23-4.28, 4.45 | § 1.20, 3.4, 4.5-4.9 | § 1.11, 3.4, 4.14, 4.53 | § 4.30-4.39, 4.57-4.62 | § 3.30-3.35, 4.4-4.7, 4.10-4.13, 4.16-4.22 |

| SASB Principles | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | |
System elements

Requirement generators
Reporting requirements
Reporting content
Support mechanisms
Reporting routes
Audiences
3. Gaps, challenges, dilemmas
Types of challenge

- Technical
  - Boundaries
  - Characterisation
  - Metrics
- Operational
  - Choices and trade offs
  - Communications
- Organisational
  - System
- Aspirational (but with a level playing field!)
Add the SDGs…

The following diagram illustrates the dilemma

Legally imposed requirements (regulatory and compliance)

Company determined targets (based on corporate strategy, stakeholder feedback and company determined materiality)

SDG determined goals based on societal & planetary need and UN determined materiality

Corporate performance
The behavioural objectives of SDGs and company reported information make most sense when

(a) the objectives are clearly defined; and

(b) the expectation of corporate contribution to those objectives is clear; and

(c) companies’ reported information about their contributions can be assessed in aggregate against SDGs.

At the moment, the business case for action and reporting on sustainability and the objectives of the SDGs might not match in all respects - will the required indicators?
4. What could we do?
Ideas..

- Decide on the outcome we want and show what it looks like;
- Examine precedents and achievements of counterparts dealing with similar challenges;
  - Consider relevant historical precedents for broader public-private cooperation to advance progress:
    - Financial reporting standards (IASB)
    - Corporate governance codes (FRC)
    - Management control and risk reporting frameworks (COSO)
- Build and publicise reciprocity;
- Consult – UK example;
- Find a home;
- Use the power of information we DO have;
- Be ambitious
The power of information..

- On a like-for-like basis, direct emissions from the companies analysed by CDP grew 7% between 2010 and 2015. Indirect emissions, associated with purchased electricity, grew 11%.
- The majority of businesses were still setting only short-term targets for the next few years.
- Lack of certainty about policy - many businesses will be awaiting the outcome of the Paris climate talks before committing to longer-term targets.
- When asked if their board of directors would support a global climate change agreement to limit warming to below 2°C, 805 companies said yes, while 111 said no. But there was a large number of respondent companies (1,075) that stated they had no opinion, and 331 did not answer the question.
- Board uncertainty or policy uncertainty?
5. Imminent and unique opportunities
Finance community involvement

The tragedy of the horizons
COP21
Paris
December 2015
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