High-Level panel: Recent developments on financial and non-financial reporting and their implication for the SDGs

Presented by

David Szafran
Member of the Supervisory Board
Financial Services and Markets Authority of Belgium
SDGs & Non Financial Reporting
David Szafran
01/11/2017

Disclaimer: the author expresses his own views.
Content

Sustainable Development Goals  03

Legal Implementation      04

Standards & Guidance       08

Application in practice    11
## Legal Implementation

<table>
<thead>
<tr>
<th>Scope</th>
<th>EU (2014/95/EU)</th>
<th>Belgium (03.09.2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>PIEs (listed companies, banks, insurance)</td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>40 mio € turnover 20 mio € balance sheet 500 employees</td>
<td>34 mio € turnover 17 mio € balance sheet 500 employees</td>
</tr>
<tr>
<td>Board of directors</td>
<td>Annual report (chapter or separate report attached)</td>
<td></td>
</tr>
<tr>
<td>Framework</td>
<td>Internationally recognized standards (e.g. GRI, UN Global Compact, ISO 26000)</td>
<td></td>
</tr>
<tr>
<td>Statutory Auditor</td>
<td>Existence check (min.)</td>
<td>Existence &amp; consistency checks</td>
</tr>
<tr>
<td>External assurance</td>
<td>Optional (e.g. ISAE 3000)</td>
<td></td>
</tr>
</tbody>
</table>
## Annual Report

<table>
<thead>
<tr>
<th>Companies:</th>
<th>Small *</th>
<th>Medium &amp; Large</th>
<th>Very Large PIEs</th>
<th>Listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial information</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Main risks</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Environmental &amp; Social</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Non Financial Reporting</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Remuneration Report</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Diversity</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

*No annual report*
## Non Financial Reporting

<table>
<thead>
<tr>
<th></th>
<th>Environment</th>
<th>Social</th>
<th>Human Rights</th>
<th>Anti-corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>KPIs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Risks Management</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Outcome</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- “Comply or explain”
- Materiality
- Governance
- Stakeholders engagement
Institutions

Regulators

Corporate Reporting

Statutory Auditor

Management Directors Accountants

Stakeholders (employees, consumers, creditors)
Standards & Guidance

GUIDANCE
European Commission Communication (27.06.2017)

EC 27/06/2017
- Materiality
- Comparability
- Consistency

AUDITING
(IFAC)
- Existence & Consistency check (EU)
- ISAE 3000

CONTENT (e.g.)
-GRI 4
- UN SSE

REPORTING (e.g.)
ISO 26000
UN Global Compact

David Szafran
UN Global Compact
OECD Guidelines

Human Rights
Social
Environment
Anti-corruption

The Ten Principles of the United Nations Global Compact
The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

HUMAN RIGHTS
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2 They should make sure that they are not complicit in human rights abuses.

LABOUR
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4 The elimination of all forms of forced and compulsory labour;
Principle 5 The effective abolition of child labour; and
Principle 6 The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT
Principle 7 Businesses should support a precautionary approach to environmental challenges;
Principle 8 Undertake initiatives to promote greater environmental responsibility; and
Principle 9 Encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Published by the United Nations Global Compact Office
Contact: unglobalcompact@un.org
September 2013

David Szafran
Global Reporting Initiative

- Environmental: GRI 300
- Social: GRI 400
- Human Rights: GRI 412
- Anti-corruption: GRI 205
Enterprise Risks Management

Risk category | Risk subcategory
--- | ---
Strategic | Clients, Competitors, Partners, Investors, Product portfolio,…
Operational | Infrastructure capacity, Production technology, Knowledge management, Sourcing, Supply chain,…
Financial | Financing, Liquidity, Currency, Taxes,…
Legal | Contracting, market abuse, anti-trust, anti-corruption, privacy, corporate governance,…
External | Terrorism, Natural disaster, Country risk,…

Source: www.coso.org
Corruption Risk Response (sample)

- **Continuous Review**: High inherent risk, high control risk
- **Active Management**: Medium inherent risk, medium control risk
- **Periodic Review**: Low inherent risk, medium control risk
- **No Major Concern**: Low inherent risk, low control risk

Source: p.71
Conclusion

- Annual Report (PIEs)
  - Environment
  - Labour
  - Human Rights
  - Anti-corruption
  - + Diversity (listed companies)

- Guidance & Standards
  - Content
  - Reporting
  - Auditing

- Implementation in practice
  - Compliance & Risks Management
  - Governance & Reporting

Enhancing disclosure of non-financial information contributes to achieve the Sustainable Development Goals
Thank you!
Contact details:

David Szafran
Avocat - Attorney
+32 2 543 31 00
David.Szafran@eubelius.com

www.eubelius.com
SDGs & Non Financial Reporting
ISAR 34th Session

David Szafran