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**International Standards of Accounting and Reporting**  
Thirty-sixth session  
Geneva, 30 October–1 November 2019


**Report of the Intergovernmental Working Group of Experts  
on International Standards of Accounting and Reporting on  
its thirty-sixth session**

Held at the Palais des Nations, Geneva, from 30 October to 1 November 2019

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## Introduction

The thirty-sixth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was held at the Palais des Nations in Geneva, from 30 October to 1 November 2019.

### I. Agreed conclusions

#### A. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies

(Agenda item 3)

*The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,*

*Underlining* that sound enterprise accounting and reporting is a key factor in enabling the investment environment, as it plays an essential role in the attainment of the Sustainable Development Goals, facilitation of investment and finance for sustainable development, promotion of responsible business practices and enhancement of transparency and good governance,

*Taking note* of recent trends in enterprise reporting, including the growing demand of users for sustainability information and increasing emphasis on the integration of sustainability information into companies' reporting cycles,

*Acknowledging* an increasing role of enterprise sustainability and Sustainable Development Goal reporting for risk identification, assessment and mitigation, both for financial and non-financial risks and in internal control systems,

*Recognizing* that the harmonization and comparability of companies' reporting on sustainability issues facilitates its usefulness for decision-making by stakeholders, including investors, the wider society and government agencies responsible for monitoring Sustainable Development Goal implementation at the national level,

*Emphasizing* the lack of standardization in the area of sustainability and Sustainable Development Goal reporting by companies; the need for common metrics in measuring the contribution of the private sector to the implementation of the Sustainable Development Goals, including to facilitate the convergence of diverse reporting frameworks; and the need to align companies' sustainability reporting with Sustainable Development Goal monitoring indicators at the national level,

*Recalling* the UNCTAD mandate to advance its work in the area of sustainability reporting, as articulated in the Nairobi Maafikiano,

1. *Commends* the UNCTAD secretariat for its work on Sustainable Development Goal reporting, as outlined in document TD/B/C.II/ISAR/89, and in particular for finalizing and publishing during the intersessional period the *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* as a useful toolkit for organizations to provide comparable baseline data on their contribution to the implementation of the Sustainable Development Goals, and as a means to facilitate the comparability of companies' reporting on sustainability issues in alignment with the 2030 Agenda for Sustainable Development;

2. *Notes* the usefulness of the pilot case studies conducted by the UNCTAD secretariat on the implementation of the core indicators on Sustainable Development Goal reporting by companies, as a means to validate the practical applicability of the core indicators and availability of the underlying accounting data, and commends the quality of materials and richness of discussions on this matter;

3. *Requests* the UNCTAD secretariat to conduct further case studies, including in francophone countries in Africa, among others, on the implementation of the guidance on

core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals, including for small and medium-sized enterprises, to facilitate wider use, raising awareness and dissemination of the guidance, as well as training and capacity-building, including in cooperation with relevant training institutions;

4. *Welcomes* the work of the UNCTAD secretariat in assisting Governments in measuring the contribution of the private sector to the implementation of the Sustainable Development Goals, through the implementation of the activities of the Development Account project entitled “Enabling policy frameworks for enterprise sustainability and Sustainable Development Goal reporting in Africa and Latin America” and exhorts UNCTAD to share lessons learned and best practices with member States;

5. *Welcomes* the reclassification of Sustainable Development Goal indicator 12.6.1 (number of companies publishing sustainability reports) as a tier II indicator;

6. *Encourages* the UNCTAD secretariat to conduct further work required for the implementation of metadata guidance for Sustainable Development Goal indicator 12.6.1, in coordination with the United Nations Environment Programme as co-custodian of this indicator;

7. *Requests* the UNCTAD secretariat, in coordination with other agencies of the United Nations addressing issues of measuring the private sector contribution to the implementation of the 2030 Agenda for Sustainable Development, to convene a meeting with a view to facilitating the standardization of companies’ reporting on their contribution to the implementation of the Sustainable Development Goals;

8. *Calls upon* the UNCTAD secretariat to continue facilitating the identification and sharing of national and international best practice in enterprise reporting on sustainability and the Sustainable Development Goals, in partnership with other relevant stakeholders, including as part of the Honours initiative of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting that was launched during its thirty-fifth session in 2018.

*Closing plenary meeting  
1 November 2019*

## **B. Review of current developments in international standards of accounting and reporting in the public and private sectors**

(Agenda item 4)

*The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,*

*Acknowledging* that high-quality and internationally comparable financial reporting in the public and private sectors plays an important role in strengthening the stability of financial architecture at the global and national levels and is essential for the implementation of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, the enhancement of financial inclusion and reduction of barriers faced by companies to access finance,

*Recognizing* that public and private sector entities around the world are in the process of implementing issued International Financial Reporting Standards and International Public Sector Accounting Standards,

1. *Commends* the UNCTAD secretariat for the richness of the panel discussions and very good quality of the background document TD/B/C.II/ISAR/90 it prepared for consideration by the session;

2. *Requests* the UNCTAD secretariat to continue monitoring issues that arise in the practical implementation of international standards of accounting and reporting in the public and private sectors and identifying good practices for addressing implementation challenges with a view to assisting developing countries and countries with economies in transition in their capacity-building efforts towards high-quality and internationally

comparable financial reporting, including for small and medium-sized enterprises, in support of sustainable development.

*Closing plenary meeting  
1 November 2019*

## **C. Other business**

(Agenda item 5)

### **Accounting Development Tool implementation experiences**

*The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,*

*Recalling* the mandate of UNCTAD in the Nairobi Maafikiano requesting UNCTAD to promote best practices in corporate transparency and accounting, including by utilizing the Accounting Development Tool,

*Acknowledging* the relevance and effectiveness of the Accounting Development Tool as a key capacity-building initiative to assess national accounting infrastructures and strengthen the enterprise-reporting environment at the country level,

*Welcoming* the feedback shared at the session by member States that applied the Accounting Development Tool,

1. *Requests* the UNCTAD secretariat to continue its efforts on the implementation of the Accounting Development Tool in interested countries with a view to assisting them in strengthening their regulatory, institutional and human capacity in an integrated and comprehensive manner and with a view to achieving high-quality financial reporting, as well as reporting on environmental, social and governance issues by enterprises;

2. *Encourages* the UNCTAD secretariat to continue its fundraising efforts to extend the implementation of the Accounting Development Tool to additional countries and to further raise awareness of the role of reporting in sustainable and inclusive growth;

3. *Calls upon* the UNCTAD secretariat to monitor developments in the standard-setting arena that have implications for the Accounting Development Tool, with a view to updating the Tool in the coming years, as relevant.

*Closing plenary meeting  
1 November 2019*

## **II. Chair's summary**

### **A. Opening plenary meeting**

1. The Chair of the thirty-fifth session of ISAR opened the meeting and said that non-financial reporting had become the new normal. In this respect, the body played an essential role on a global scale, and its pioneering guidance on core indicators for reporting on contributions towards the Sustainable Development Goals was becoming a valuable component of a toolkit for those organizations looking to demonstrate their efforts.

2. In his opening remarks, the Secretary-General of UNCTAD outlined recent developments that would affect how companies raised capital and designed their products. Enterprise reporting had a critical role to play in this regard, for inadequate corporate information could lead to the mispricing of assets and misallocation of money. Countries had made commitments towards the reduction of carbon emissions at the United Nations Climate Action Summit held in September 2019 in New York. The UNCTAD publication, *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation*

of the Sustainable Development Goals, could facilitate behavioural change among companies.<sup>1</sup> When properly implemented, these indicators could contribute effectively to the attainment of the Sustainable Development Goals. These developments, along with the work on International Financial Reporting Standards (IFRSs) and government accounting, were essential priorities of ISAR.

3. The Director of the Division on Investment and Enterprise stated that sustainability reporting was becoming a mainstream activity of companies. There had been a shift from a proliferation of standards towards harmonization and from voluntary to mandatory compliance. Owing to the Sustainable Development Goals, environmental, social and governance issues had taken on new importance (“environmental, social and governance issues plus”), and there was a focus on how to mobilize financial resources to investments that generated sustainable impact. The core indicators constituted a landmark in sustainability reporting.

4. In a recorded video message, the President of the Economic and Social Council said that what was not measured could not be managed. Some 60 per cent of company reports included information on environmental, social and governance issues but consistency was lacking. Reporting should be meaningful, comparable and integrated, with linkages to the Sustainable Development Goals and current key indicators and targets. She noted that the Global Investors for Sustainable Development Alliance, comprised of 30 influential chief executive officers, considered that the harmonization of sustainability standards and impact measurement were essential priorities; in addition, these would benefit greatly from the guidance on core indicators.

*Impact of sustainability and the 2030 Agenda on Sustainable Development on financial and non-financial enterprise reporting*

5. A high-level panel discussed the impact of sustainability and the 2030 Agenda on Sustainable Development on financial and non-financial enterprise reporting. The panel was composed of representatives of the Department of Trade and Industry of South Africa, Department of Trade and Industry of the United Kingdom of Great Britain and Northern Ireland, European Commission, Global Reporting Initiative, International Organization of Securities Commissions, Ministry of Finance of Belarus, Sustainability Accounting Standards Board of the United States of America and World Business Council for Sustainable Development.

6. One panellist said that his country was engaged in ongoing cooperation with UNCTAD and had made improvements in accounting and reporting infrastructure. Regulatory changes had been made, and institutional and cooperation mechanisms set up. Yet there was a need to introduce environmental, social and institutional indicators as well, and to strengthen the infrastructure for high-quality corporate reporting.

7. Another panellist described the transition towards mandatory sustainability guidelines. In her country, the national priority master plan included a Development Account project entitled “Enabling policy frameworks for enterprise sustainability and Sustainable Development Goal reporting in Africa and Latin America”, to be conducted with UNCTAD. She discussed challenges in sustainability reporting; good practices, such as building sustainability into business strategies; support at the senior level and reporting on relevant issues; and the use of data to inform leadership about related risks and opportunities. Further, she noted the important role of trendsetters and regulators, suggesting that Sustainable Development Goal performance should be included within the scope of internal audit reports and companies’ integrated reports.

8. In the view of one panellist, balancing accountability between shareholders and other stakeholders was an essential component of company reporting, and non-financial reporting issues were becoming more prominent. New regulatory measures had been

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<sup>1</sup> UNCTAD, 2019, *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* (United Nations publication, Sales No. E.19.II.D.11, Geneva).

recently introduced in the European Union<sup>2</sup> and the United Kingdom (streamlined energy and carbon reporting requirements<sup>3</sup> and a revised stewardship code<sup>4</sup>). Companies could use any relevant framework to report against requirements. In the United Kingdom, for example, corporate reporting requirements included reporting on progress in contributing to the achievement of the Sustainable Development Goals.

9. Another panellist said that an action plan comprising 10 priority actions for financing sustainable growth had been launched in the European Union in 2018. Key priorities included reorienting capital flows towards more sustainable investments, mainstreaming sustainability in risk management and fostering transparency and long-termism, a trend that was also indicated by another panellist. The European Union Green Deal extended priorities beyond climate, moving sustainable finance to centre stage. The European Union was considering risk through supply-chain emissions and was planning to organize best-practice platforms and promote them across and within sectors. He said that the UNCTAD core indicators were an important step forward.

10. One panellist described a sustainable finance network to share experiences. His organization had published a statement on the disclosure of environmental, social and governance matters by issuers and had made recommendations for member jurisdictions when issuing regulation guidance on such matters. Although the disclosure of sustainability information had become mainstreamed into legislation, it was necessary to improve its quality and relevance. He suggested linking the information to companies' business models, value creation and risk, and said that there was a need for quantitative and more standardized information and quality assurance.

11. Another panellist said that the integrated reporting framework aimed to break down silos and bring natural, social and human capital to the mainstream. Through integrated reporting, emphasis had shifted from financial reporting towards value creation, and some companies were linking the latter to the Sustainable Development Goals. The Corporate Reporting Dialogue was a meaningful initiative aimed at lending coherence to corporate reporting.

12. In the eyes of one panellist, it was necessary to focus on reducing social inequalities and addressing environmental issues. Accounting must be adapted, and environmental, social and governance issues must be integrated into the decision-making process. The World Business Council for Sustainable Development, for example, had developed guidance to improve the quality of environmental, social and governance data. A survey recently conducted by the Council showed that company reporting was improving; 39 per cent of companies had prepared integrated reports, and 87 per cent of companies in the sample had implemented the Global Reporting Initiative. Other findings indicated that governance was being strengthened and more and more companies were using digital technology.

13. Another panellist said that the Management Commentary was a non-mandatory part of IFRS, though it could be mandated by national standard setters. The new exposure draft, expected to be issued during the second half of 2020, focused on the need to make more disclosures on intangibles and share more direct information on environmental, social and governance matters. The Management Commentary Practice Statement would be complementary to regulations issued in countries. It would contribute to achieving the Sustainable Development Goals, as it covered sustainability and environmental, social and governance issues.

14. One panellist noted that the global risk profile had shifted from economic to environmental and social challenges. There was an increase in non-financial risks reporting, which, however, lacked quality and comparability. The Sustainability Accounting

<sup>2</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

<sup>3</sup> The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

<sup>4</sup> United Kingdom Stewardship Code 2020.

Standards Board had issued 77 industry-specific sustainability standards. In other developments, the Task Force on Climate-related Financial Disclosures, Climate Disclosures Standards Board and Sustainability Accounting Standards Board had developed a comprehensive approach to the disclosure of climate risks and opportunities.

## **B. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies**

(Agenda item 3)

15. Introducing the agenda item, the Head of the Enterprise Branch of the Division on Investment and Enterprise of UNCTAD drew attention to document TD/B/C.II/ISAR/89. She said that Sustainable Development Goal indicator 12.6.1 had been reclassified as a tier II indicator, a measure aimed at encouraging companies to adopt sustainable practices and sustainability reporting. She noted that the UNCTAD guidance on core indicators had been designed to assist Governments in collecting information on the contribution of the private sector to the implementation of the Sustainable Development Goals, based on a limited number of core indicators. Case studies had been carried out in various industries and countries to determine their relevance and applicability. Most companies had provided data on most of the indicators. The study findings showed that the key reporting issues were centred on environmental and social indicators and the main reasons for non-disclosure were non-collection of data and non-existence of related activities. An UNCTAD training manual on core sustainable development goal indicators (forthcoming) would provide further technical guidance on the implementation of the guidance on core indicators.

### *Panel discussions*

16. The first panel of experts presented the outcomes of the case studies on the practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals. The panel was composed of representatives from Ernst and Young Colombia; TGB Consulting; The American University in Cairo; and University of Dayton School of Business, United States.

17. One expert said that the findings of a survey on the UNCTAD core indicators, based on publicly available sustainability reports of 30 large companies whose share prices had been included in calculating the Dow Jones Industrial Average Index, indicated that core indicators on gender equality, climate change and community required further incentives for disclosure. The litigious nature of the corporate environment in the United States and the fear of negative publicity were possible reasons for hesitant disclosure. Other factors included inconsistency in location and the way information on core indicators was presented.

18. Another expert stated that the survey results on the development and initiation of the Sustainable Development Goals in Egypt were based on publicly available information of companies listed on the Egyptian stock exchange. Economic indicators were the most commonly disclosed, while environmental indicators were the most difficult to report. Given that many Egyptian companies were unaware of Sustainable Development Goal disclosure requirements, there was an urgent need for training in sustainability reporting, which could introduce them to the benefits of reporting on implementation of the Sustainable Development Goals.

19. Citing a case study on a private sector company in Colombia, one expert said that the guidance on core indicators could become a tool that would allow firms to reveal sustainability information when aligning their strategic planning with the core indicators. While the company had disclosed information on many indicators, reporting on social and environmental indicators had proved challenging. In this case, the UNCTAD training manual offering guidance on the core indicators had been particularly helpful. Acknowledging the challenge posed by environmental indicators, another expert suggested that the reporting process could be improved through training and the use of tools for implementation. The presenter said that it was important for the public and private sectors to collaborate with civil society to ensure successful implementation.



20. In the discussion that followed, one expert emphasized the need for data harmonization to enhance comparability. The guidance on core indicators provided a solution for small and medium-sized enterprises and developing countries when faced with the challenges of Sustainable Development Goal reporting. He said there was a need to increase implementation capacities and focus on the indicators that had proved difficult to report on but that the overall results of the case studies had been positive.

21. Another panel discussed the findings of the case studies and surveys. The panel was composed of representatives of the following entities: the Association of Chartered Certified Accountants; *Autorité des marchés financiers*, France; Brazilian Development Bank, Brazil; Centre for Corporate Social Responsibility, Guatemala; Climate Disclosure Standards Board; Global AI [Artificial Intelligence] Corporation, United States; National Planning Department, Colombia; and Technical Public Accounting Council, Colombia.

22. One expert highlighted the importance of the standardization of indicators for the private sector, regulations in Sustainable Development Goal reporting and a culture that encouraged voluntary reporting. In his view, a major challenge lay in the linkage of the private sector with the 2030 Agenda for Sustainable Development.

23. Another expert said that the guidance on core indicators, applicable to entities of different sizes and industries, facilitated corporate social responsibility reporting of the private sector in Colombia, which consisted mainly of micro entities. To implement sustainability reporting in that country, it was necessary to facilitate access to guidelines and international best practices; collect data at all levels; develop implementation strategies and policies tailored to the needs on the ground; and improve interinstitutional coordination, internal oversight and monitoring.

24. Outlining some key initiatives of materiality-based corporate social responsibility reporting in France, one expert said that corporate asset managers and financial intermediaries were key players in sustainable finance. In her view, regulators were under pressure to meet high expectations, thus requiring new expertise and information in this area. Implementation of the guidance on core indicators required the sharing of good practices and guidelines and awareness of sustainable finance when dealing with mainstream financial corporates.

25. According to another expert, financial and non-financial entities should cooperate to ensure consistency in corporate reporting. Education, regulation and spreading awareness of the benefits of sustainability reporting were key for the implementation of the guidance on core indicators, based on the examples of Colombia and Guatemala. Further, ISAR played a prominent role in contributing to the realization of the Sustainable Development Goals through enhanced transparency and sustainability standards for companies and the guidance on core indicators.

26. One expert said it was important to consider the demand for quality data and cooperation between multi-stakeholders and reporting channels when integrating sustainability information into mainstream reporting. She suggested that the usefulness of the core indicators should be clearly conveyed and disseminated and that the private sector could benefit from sharing lessons learned from implementation of the guidance.

27. Another expert said that his organization promoted sustainability and voluntary regulations in Guatemala. In his view, the application of the guidance on core indicators for small and medium-sized enterprises could help increase the number of sustainability reports in that country, and government incentives would build a culture of sustainability reporting.

28. Presenting the utilization of natural language processing and machine-learning techniques to evaluate the completeness of sustainability reports, one expert highlighted the relevance of the guidance for Governments, especially for national statistics offices and regulators, and corporations and investors in monitoring factors that influenced investment allocation and strategies.

29. In the eyes of another expert, the guidance on core indicators provided an understanding of non-financial risks and a common language for Sustainable Development Goal reporting. Impact measurement and the integration of data science were important to implement sustainability reporting.

30. A group of experts relayed the findings of other case studies. Representatives of the following private sector entities took part in the presentations: Academy of Financial Management, Ukraine; China Metallurgical Group Corporation, China; DS Smith, United Kingdom; FBK Grant Thornton, Russian Federation; and Nor Nickel, Russian Federation.

31. One expert presented the findings of a case study that had been undertaken to examine the practical implementation of the UNCTAD guidance on core indicators for reporting on the Sustainable Development Goals. The study showed that the company concerned had reported on 29 out of 33 core indicators of the guidance in 2018 and that the number of reported indicators would increase to 30 in 2019. In this context, it was clear that the guidance was a key step towards measuring impact on the Sustainable Development Goals as a framework to assess business ethics in economic matters.

32. Another expert said that a leading Russian mining company had incorporated the relevant Sustainable Development Goals into the company's strategy and performance indicators. The UNCTAD resource person presented the results of the case study of the company regarding its contribution to implementing the Sustainable Development Goals in line with the UNCTAD guidance on core indicators, indicating that that 32 indicators out of 33 had been fully or partly disclosed in 2018. In agreement with previous speakers, he said that the guidance on core indicators was an important tool for promoting business reporting on the contribution towards the achievement of the Sustainable Development Goals.

33. With regard to the key challenges related to reporting on companies' sustainable development in Ukraine, one expert stated that more rigorous private sector reporting would also help to measure Sustainable Development Goal indicator 12.6.1. To do so, efforts should be taken not only at the country and company levels, but also between States and indicators, to ensure coordination at mega, macro-, meso- and micro-levels with respect to the achievement of the Sustainable Development Goals. The guidance on core indicators employed a practical approach that could be used to evaluate the economic and social potential of business entities in Ukraine and elsewhere.

34. Another expert outlined a company perspective on non-financial reporting. Reporting non-financial data posed several reporting challenges and offered new opportunities, which led to setting the new key performance indicators, driving value adding conversations with stakeholders and considering risks and opportunities in a more holistic way. It was important to help companies understand what distinguished the Sustainable Development Goal indicators from other reporting indicators and made them more significant than others.

35. One expert shared an experience from the viewpoint of an auditor on assurance activities. There was an increasing demand for assurance on a broader range of non-financial metrics that were deemed material to stakeholder decision-making. In addition, fundamental questions needed to be addressed on the following issues: how to define materiality, whether non-financial reporting should be voluntary or mandatory and whether the same audit should be performed for non-financial and financial statements.

36. Another expert presented the view on non-financial reporting from an investor perspective. She said that investors and their clients were subject to strong regulatory pressure. Further, investing in environmental, social and governance issues relied on non-financial reporting. She stressed the materiality of issues such as climate change, biodiversity and human rights, and said it was important to overcome short-term thinking based on the need to create markets that would lead to a sustainable outcome.

37. With regard to non-financial reporting in the United Kingdom, one expert noted trends such as improved corporate transparency, the balance between materiality and relevance, the comparability of reporting, and alignment with the Sustainable Development Goals. Although most companies mentioned the Goals in their annual sustainability reports, only a few disclosed targets with a quantitative ambition, which could lead to "Sustainable Development Goal washing" without tangible action being taken by companies.

38. Another expert shared the prospects of company reporting frameworks in the United Kingdom. Non-financial reporting was becoming increasingly vital to investors' decision-making. Owing to new legislation in that country, the number of companies that published non-financial reporting information had more than doubled. Major challenges included the

need to standardize non-financial reporting and ensure alignment with the Sustainable Development Goals – the guidance on core indicators would be especially useful in addressing such challenges.

39. One expert requested that documentation be translated into French to enable francophone countries to engage deeper in the discussion. Referring to a previous presentation on reporting standards that applied only to listed companies, he said that 90 per cent of business in Côte d'Ivoire was carried out by non-listed companies; this could also have a significant impact on the environment. Further, the environmental dimensions of the guidance on core indicators required sectoral adaptation.

40. Another expert noted the presence at the session of representatives of the whole reporting chain – regulators, auditors and standard setters. He wished to be apprised of the fund profile managed by a private sector company in terms of reporting ranking. In reply, one of the panellists said she had referred to the 10 largest investment funds, where there was no common approach in implementing sustainability indicators to support investment decisions. To the query concerning how one private sector firm incorporated additional cost for recycling in its cost-accounting model, the representative of the firm replied that the package was a value added service that was not included in the price of the raw material.

41. The second panel was composed of representatives of the following entities: Arabesque Partners; Bocconi University, Italy; Department of Economic and Social Affairs; Statistics Denmark; United Nations Research Institute for Social Development; and World Benchmarking Alliance.

42. In his presentation, one panellist discussed the practical implementation of non-financial reporting from the perspective of official statistics. He spoke favourably of the guidance on core indicators, for it could greatly benefit environmental accounts, help measure companies' behaviour and contributions towards achieving the Sustainable Development Goals and improve the quality of Sustainable Development Goal statistics on the contribution of the private sector to the implementation of the Goals. Further, he said there was a need for increased cooperation between businesses, accounting communities, authorities and national statistics bureaus.

43. Another panellist stressed the importance of reporting by companies, including small and medium-sized enterprises, on the implementation of the guidance on core indicators that would require developing a proper legislation and establishing a regulatory mechanism. She expressed interest in promoting the visibility of such guidance through international platforms such as the Corporate Reporting Dialogue and the Better Alignment project, as well as the sharing of best practices. While it was important to strengthen technical capacity, the focus should be not solely on how to measure, but also on the reasons for aligning enterprise reporting with the Sustainable Development Goals.

44. One panellist said that business had a key role in leading the transformative change required to achieve the Sustainable Development Goals. In this respect, his organization was engaged in the development of benchmarks that measured and compared company performance on the Goals. Clearly, the interconnected and interdependent nature of the Goals called for transformational change and the active involvement of all stakeholders.

45. Another panellist said that global data companies were instrumental in creating benchmarks with information published by companies. The guidance on core indicators could be useful in engaging stakeholders and investors, as it provided a direct link between investors and companies and offered a baseline for private and public companies. To enhance transparency, he suggested that tools such as the guidance on core indicators be used as a central source of information at digital repositories to enhance transparency.

46. Another panellist said that there was a growing interest in sustainable investing, not based on pure philanthropy, but rather on the promotion of long-term value creation, with a direct relation between environmental, social and governance issues and financial performance. The guidance on core indicators helped define sustainable impact and proposed how to measure it.

47. In the view of one panellist, all stakeholders, including the private sector, should implement innovative methods and transformative approaches in measuring performance in

attaining the Sustainable Development Goals. Although the guidance on core indicators met the need to harmonize the reporting frameworks used by companies, the indicators also required further development.

48. In the discussion that followed, one expert said that the calculation of the guidance on core indicators was not a simple arithmetic exercise; it required the help of ISAR to spread awareness of the guidance and provide continuous support on its proper implementation.

49. Another expert wished to know how to ensure that the guidance on core indicators would promote sustainable practices and how to incentivize companies to prepare high-quality reporting. She suggested developing a taxonomy of sustainable practices by industries and incorporating core indicators into the framework.

50. One expert expressed willingness to educate national stakeholders on the benefits of implementing non-financial reporting practices in the country.

### **C. Review of current developments in international standards of accounting and reporting in the public and private sectors**

(Agenda item 4)

51. Introducing the agenda item, the UNCTAD secretariat drew attention to document TD/B/C.II/ISAR/90, which served as a basis for discussion by two panels of experts. The first panel explored current developments in IFRS and considerations relating to their practical implementation. The panel was composed of representatives of the following entities: the Asian–Oceanian Standard-Setters Group, Copenhagen Business School, European Financial Reporting Advisory Group, Pan-African Federation of Accountants and University of Mannheim Business School.

52. Referring to recent developments in the standard-setting process, one panellist said that the International Accounting Standards Board had issued a revised conceptual framework for financial reporting in 2018 that would go into effect on 1 January 2020. In addition, work on the following topics was under way: IFRS 3 (business combinations), IFRS 7 (insurance contracts), interest rate benchmark reform, cost of fulfilling a contract, financial instruments with a characteristic of equity and a discussion paper issued by the Board suggesting principles to make the disclosure of financial statements more effective. There was a growing demand for sustainability information, with implications for the future development of IFRS.

53. With regard to the practical implementation of the standards, some panellists noted that different regions of the world were faced with similar challenges and that it was useful to share experiences in this respect. In the view of one panellist, it was important to make an early stage, evidence-based analysis of forthcoming standards of the International Accounting Standards Board. It was also necessary to assess the impact of a discussion paper of the Board on financial instruments with the characteristics of equity. Feedback from stakeholders had indicated that such an approach could contribute to a swifter endorsement at a later stage of the project and contribute to wider adoption of an evidence-based approach by the Board and other standard setters. Further, the inclusion of specific examples was useful in reducing uncertainty on the topic; and it was helpful to conduct a cost–benefit analysis and anticipate the implications on financial stability.

54. Regional organizations helped facilitate the consistent implementation of IFRS. For example, the Asian–Oceanian Standard-Setters Group shared implementation issues with its constituencies with respect to IFRS 9 (financial instruments), IFRS 15 (revenue from contracts with customers), IFRS 16 (leases) and IFRS 17 (insurance contracts). Such organizations also conducted joint research and organized outreach activities, including on education; coordinated input for the International Accounting Standards Board and liaised with other regional organizations. Further, the annual conference of the World Standard-Setters was an important platform for exchanging experiences among its members.

55. Financial statement preparers faced various challenges in implementing recent IFRS. These included quantifying the effect of forecasts of future economic conditions on credit losses, difficulty in determining the forward-looking adjustment for expected credit losses,

inadequate systems and capacity to formulate models and lack of appropriate skills to implement the standards. There were, however, certain benefits to be derived from such implementation – more realistic provisions for credit losses starting from the outset, improved underwriting and credit appraisal processes, and better comparability and transparency.

56. In his presentation, one panellist outlined the findings of recent research on the dynamics of the implementation of new IFRS. Deviations from their implementation as issued by the International Accounting Standards Board took different forms: not adopting a complete pronouncement; not adopting part of a pronouncement (carve-out); adding to the body of IFRS (carve-in); changing the scope or effective dates of a standard; using outdated versions of IFRS; gaps between the effective date of the Board and the jurisdiction; delays in making translations available at the implementing jurisdiction; and deviations in the use of the IFRS label, for example usage of hybrid or national labels, such as IFRS of the Republic of Korea.

57. Another panellist described a text-mining research approach to examining the inconsistent implementation of IFRS. Variations in their implementation resulted in processing costs to international users of financial statements. Text-mining tools facilitated the comparison of national versions of IFRS with those issued by the International Accounting Standards Board and made it possible to quantify the degree of convergence.

58. In another panel, experts discussed recent developments in International Public Sector Accounting Standards and whole-of-government accounting. The panel was composed of representatives from the Association of Chartered Certified Accountants; Her Majesty's Treasury, United Kingdom; International Public Sector Accounting Standards Board; and Institute of Certified Public Accountants, Russian Federation. One panellist reviewed major standard-setting and outreach activities undertaken by the International Public Sector Accounting Standards Board and highlighted the main elements of its 2019–2023 strategy and work plan. The Board had issued exposure draft 70 on revenue with performance obligations, in view of its finalization of IFRS 15 (revenue from contracts with customers). Upon completion of the project, the new International Public Sector Accounting Standards would replace International Public Sector Accounting Standard 9 (revenue from exchange transactions) and International Public Sector Accounting Standard 11 (construction contracts). The Board had organized four regional round tables comprised of representatives from 108 countries to discuss the aforementioned strategy and work plan of the Board.

59. Two panellists described the 25-year journey of the United Kingdom towards building financial reporting capacity in the public sector. Drivers of the timely preparation of financial reports in the public sector were political support and meeting expectations of Parliament and citizens, robust transactional controls, timely introduction of changes to the framework, midyear audit interventions, effective support from Treasury on issues of judgment, timely approval of transactions when required, clear deadlines for the provision of management information aligned with internal and Treasury reporting, and laying of central government accounts before summer recess.

60. In 2018, whole-of-government accounts in the United Kingdom had consolidated over 8,000 entities, representing £761 billion of income, £815 billion of expenditure, £2,014 billion of assets and £4,579 billion of liabilities. Some of the key benefits of such accounts were as follows: a consolidated balance sheet for the public sector supported the development of wisdom, such accounts provided a snapshot of the financial risk across the public sector; underlying data were used to improve official statistics and policy development; such accounts allowed scrutiny of the overall public financial position by Parliament and increased understanding of and emphasis on the balance sheet.

61. Another panellist discussed the role of professional accountancy organizations in implementing International Public Sector Accounting Standards in the Eurasian region. Good practices with regard to the practical implementation of such standards were as follows: developing a realistic project timeline; preparing a detailed road map; ensuring the support of all key stakeholders, including parliamentarians and senior civil servants; ensuring appropriate phasing of standards; and making use of the guidance provided in

International Public Sector Accounting Standards 33 (first-time adoption of International Public Sector Accounting Standards).

62. One panellist said that his organization had published studies on the public sector in 2019 and had developed a certificate programme for public sector financial management. In addition, there was a need to build human capacity to ensure the effective implementation of International Public Sector Accounting Standards.

63. In the discussion that followed, one expert said that practical implementation challenges were similar in different regions of the world and suggested that more should be done to facilitate the sharing of good practices. In Latin America, there were significant capacity- and institutional-building challenges following the legislative adoption of international standards such as IFRS. Developing appropriate certification mechanisms for the qualification of professional accountants required further work in the region. The establishment of oversight or supervisory bodies for the audit profession was another area that could benefit from institutional capacity-building. One panellist noted that regional accounting standard-setting bodies could promote good practices with respect to the implementation of the standards. Mentoring of emerging standard-setting bodies by mature ones was a good example of promoting the consistent implementation of IFRS across a region and worldwide.

64. Other experts expressed concern over the growing complexity of recent IFRS. Some were of the view that there was a tendency to issue more rules-based standards rather than principles-based ones when compared to IFRS issued by the International Accounting Standards Board in its earlier years. Others stated that IFRS were becoming more complex, and justifiably so. For example, when compared with the initial exposure draft, final standards had become more complex to balance the needs of different stakeholders. One expert said that recent IFRS catered more to the needs of auditors rather than to those of preparers.

65. One panellist noted that in comparison with International Accounting Standard 39 (financial instruments: recognition and measurement), IFRS 9 (financial instruments) was less complex and addressed most of the concerns that users had with the former. On the other hand, IFRS 17 (insurance contracts) was considered complex because the standard dealt with an area where no standard-setting developments had taken place in over 20 years. Addressing the general and variable fee models in one standard (IFRS 17) had added to the complexity inherent in the insurance business. Some experts expressed reservations about the revisions to the Due Process Handbook proposed by the International Accounting Standards Board. One expert said that about 70 per cent of the respondents to the exposure draft of the Board on this topic had not been in favour of the proposed revisions.

66. Some experts said that countries might need to adapt IFRS to meet their specific economic needs. By contrast, others stated that local adaptations defeated the main purpose of global standards such as IFRS – comparability across borders. One panellist said that there were real costs incurred in maintaining local accounting standards when compared with implementing IFRS without amendments. The Chair cited examples of costs incurred in implementing IFRS in her country as issued by the International Accounting Standards Board, in particular in the form of appraisal costs of loan loss provisions by banks. When her country implemented International Public Sector Accounting Standards, the International Public Sector Accounting Standards framework had to be developed, and local public sector accounting standards issued.

67. The Vice-Chair acknowledged that IFRS were not a magic bullet and suggested that one way to avoid deviations when implementing the standards was for countries to become involved in the early stages of the standard-setting process. She stressed the need for preparers to become engaged in the process by commenting on exposure drafts. Preparers should provide feedback to the International Accounting Standards Board on the practical implications of proposed standards to consider the specific economic circumstances and the business environment of implementing countries.

68. Endorsing previous comments on the need for early and close involvement in the standard-setting process, one delegate emphasized the importance of input from preparers, auditors and regulators. For example, should the United Kingdom leave the European

Union, it would set up an endorsement process for implementing IFRS in the country. Some 15,000 companies in the United Kingdom had applied IFRS, yet only 2,000 of them were listed companies. Private companies in that country had the option to either apply full IFRS or comply with generally accepted accounting practice in the United Kingdom, which was based on IFRS for small and medium-sized enterprises.

69. Two delegates discussed the implementation experiences of their respective countries and noted similar challenges. With regard to the advantages and disadvantages of establishing an endorsement mechanism for implementing IFRS, several delegates agreed that such a mechanism was necessary and beneficial, for it enabled countries to ensure that specific circumstances in their respective jurisdictions were considered before the standards became effective. Others, however, were of the view that endorsement mechanisms contributed to delays and deviations in the implementation process.

## **D. Other business**

(Agenda item 5)

### *Accounting Development Tool implementation experiences*

70. Introducing the agenda item, the Head of the Enterprise Branch of the Division on Investment and Enterprise said that the Accounting Development Tool, which had been launched in 2012, set a benchmark for countries and companies to produce high-quality financial and non-financial reports in compliance with international requirements and best practices. The tool offered a full list of requirements or elements that were important to have at the national level with a view to strengthening accounting and reporting infrastructures. Under this agenda item, representatives of the Ministry of Finance of Belarus and the Department of National Planning of Colombia shared their experiences on the implementation of the Accounting Development Tool in their respective countries.

71. In Belarus, the implementation of the Accounting Development Tool was conducted in cooperation with the UNCTAD secretariat. The selection of study participants was based on the contents of a questionnaire, which could be enhanced by including a question on the impact of digitalization on accounting and auditing systems. Several points concerning the questionnaire had been clarified through consultation with the UNCTAD secretariat.

72. The country had been using IFRS in their unmodified form, which was required by the national regulatory system. The national regulatory framework for consolidated financial statements of public-interest entities covered the Conceptual Framework for Financial Reporting, IFRS and interpretations of the International Financial Reporting Interpretations Committee. In addition, implementation of the tool facilitated assessment by the Government and stakeholders of the current status of the accounting infrastructure, including national capacity for reporting on sustainable development. It also helped promote stakeholder dialogue and identify gaps and priorities for further action.

73. Belarus applied national standards for the audit of financial statements. Consolidated financial statements of public-interest entities prepared in line with IFRS were subject to mandatory audit. From 1 January 2020, the International Standards on Auditing would be required for statutory audit engagements.

74. During the implementation of the Accounting Development Tool, several issues had been raised, including the auditing of financial instruments and assurance engagements on greenhouse gas statements.

75. With regard to a national action plan on capacity-building, Belarus had no specific action plan to improve corporate reporting. However, the State programme on improving the national financial market contained a subprogramme on the regulation of accounting, reporting and auditing in the corporate sector.

76. In Colombia, the application of the Accounting Development Tool was carried out under the Development Account project being implemented by UNCTAD. The private sector in that country was divided into public-interest companies, small and medium-sized enterprises and microenterprises. The public sector was divided into government institutions, government companies that were not listed on the stock market and did not

manage public savings, and Government companies that were listed on the stock market and managed public savings. The challenge was how to coordinate developments in these different areas and how to link these with the Sustainable Development Goals.

77. With regard to the regulatory and legal framework in Colombia, there was a lack of institutional commitment to financial and sustainability reporting, as well as a lack of understanding of the functionality and usability of reporting. It was important to develop a monitoring system, strengthen institutional capacity-building, establish requirements for professional qualifications and continued professional development, and improve coordination to facilitate progress in corporate reporting.

78. Preliminary recommendations based on the application of the Accounting Development Tool in Colombia suggested that the tool should be customized to reflect the reality of the country, institutional capacity-building for corporate reporting and private sector strategies should be aligned with the 2030 Agenda for Sustainable Development and incentives should be created for the private sector. In this regard, technical capacity-building was key to making progress.

79. In the discussions that followed, some experts said that it was important not to focus unduly on IFRS. Further, there was a need to address issues of audit quality, align IFRS with Sustainable Development Goal reporting, make better use of technologies for financial data collection and maintain a geographical balance in preparing further case studies on the implementation of the guidance on core indicators.

### **III. Organizational matters**

#### **A. Opening of the session**

80. The thirty-sixth session of ISAR was opened on 30 October 2019 by Mr. Andrew Staines (United Kingdom), Chair of the thirty-fifth session.

#### **B. Election of officers**

(Agenda item 1)

81. At its opening plenary meeting, ISAR elected the following officers:

Chair: Ms. Arman Bekturova (Kazakhstan)

Vice-Chair-cum-Rapporteur: Ms. Vânia Maria da Costa Borgerth (Brazil)

#### **C. Adoption of the agenda and organization of work**

(Agenda item 2)

82. Also at its opening plenary meeting, ISAR adopted the provisional agenda for the session (TD/B/C.II/ISAR/88). The agenda was thus as follows:

1. Election of officers;
2. Adoption of the agenda and organization of work;
3. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies;
4. Review of current developments in international standards of accounting and reporting in the public and private sectors;
5. Other business;
6. Provisional agenda for the thirty-seventh session;
7. Adoption of the report.



**D. Outcome of the session**

83. At its closing plenary meeting on Friday, 1 November 2019, ISAR adopted the agreed conclusions of the session, agreed that the Chair would summarize the informal discussions and approved the provisional agenda for its thirty-seventh session (annex I).

**E. Adoption of the report**

(Agenda item 7)

84. In addition, ISAR agreed that the Vice-Chair-cum-Rapporteur, under the authority of the Chair, would finalize the report after the conclusion of the meeting.

## **Annex I**

### **Provisional agenda for the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting**

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies.
4. Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges.
5. Other business.
6. Provisional agenda for the thirty-eighth session.
7. Adoption of the report.

## Annex II

### Attendance\*

1. Representatives of the following States members of the Conference attended the session:

Afghanistan	Madagascar
Algeria	Malawi
Austria	Malaysia
Bahrain	Malta
Belarus	Morocco
Bolivia (Plurinational State of)	Mozambique
Brazil	Netherlands
Burkina Faso	Nigeria
Cambodia	Pakistan
Cameroon	Panama
China	Philippines
Colombia	Qatar
Côte d'Ivoire	Russian Federation
Democratic Republic of the Congo	Saudi Arabia
Dominican Republic	South Africa
Estonia	Spain
Gambia	Sri Lanka
Ghana	State of Palestine
Guatemala	Sudan
Hungary	Sweden
India	Syrian Arab Republic
Jamaica	Togo
Kazakhstan	United Kingdom of Great Britain and Northern Ireland
Kenya	Yemen
Kuwait	Zambia
Latvia	Zimbabwe
Lithuania	

2. The following intergovernmental organizations were represented at the session:

European Union

3. The following United Nations organs, bodies and programmes were represented at the session:

Board of Auditors  
Department of Economic and Social Affairs  
Economic Commission for Europe  
Panel of External Auditors  
United Nations Environment Programme  
United Nations Research Institute for Social Development

4. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations  
World Bank Group

5. The following non-governmental organizations were represented at the session:

*General category*

International Network for Standardization of Higher Education Degrees

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\* This list contains registered participants only. For the list of participants, see TD/B/C.II/ISAR/INF.12.