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

32nd SESSION
4 - 6 November 2015
Room XVIII, Palais des Nations, Geneva

Thursday, 5 November 2015
Afternoon Session

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

Presented by

David Szafran
Past Chair ISAR 30th Session

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Sustainable Development & (Non-)Financial Reporting

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Avocat

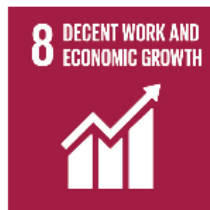
Past Chair ISAR 30th Session

5 November 2015





SUSTAINABLE DEVELOPMENT GOALS



Consumer pressure

SDGs influence buying behaviour

Q. If you knew that an organisation had signed up to the UN's Sustainable Development Goals, would that make you more or less likely to use their goods or services? (% responding likely or very likely)

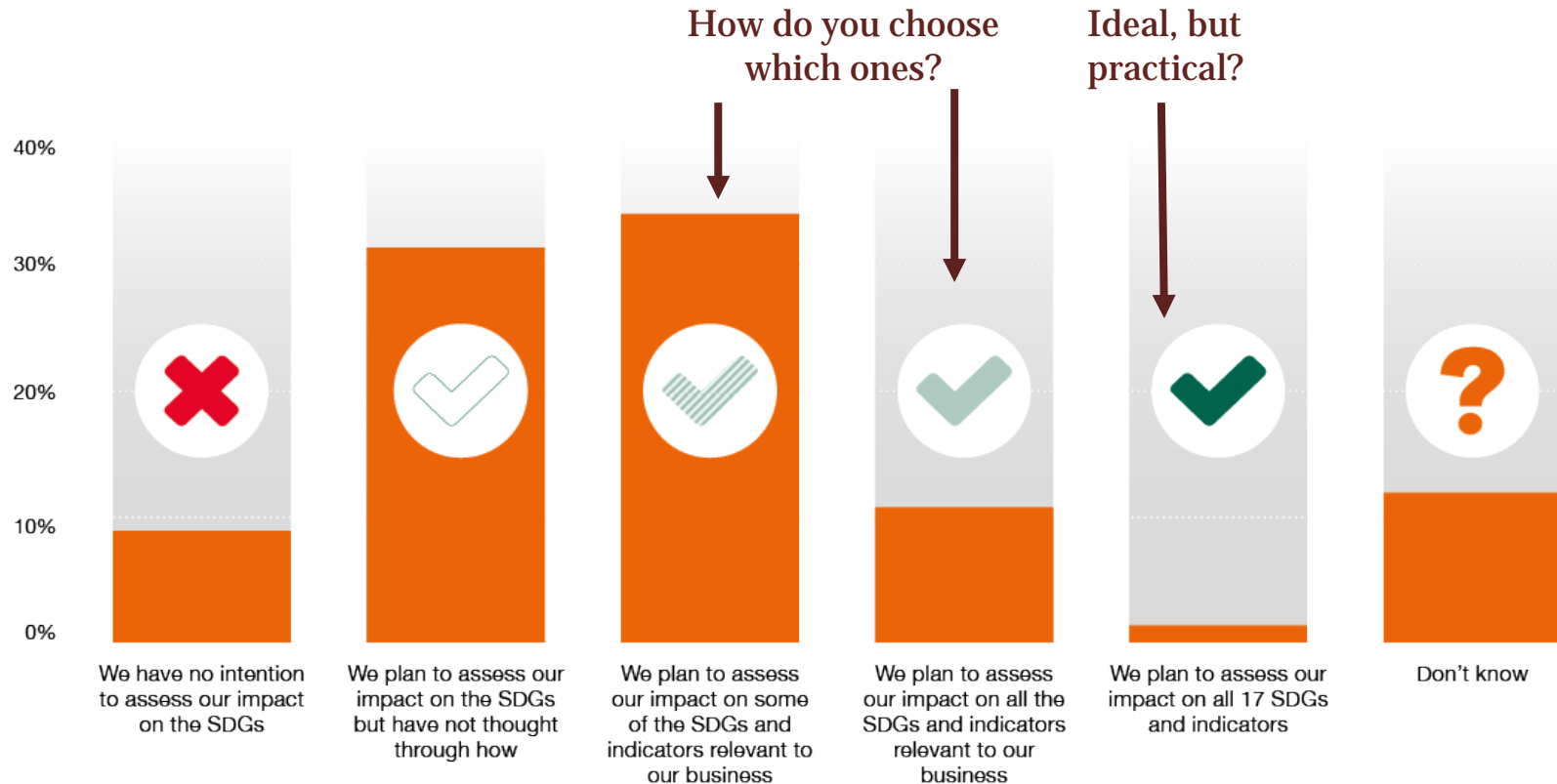


78% citizens say they are likely or very likely to use the good and services from companies signed up to the SDGs – in many countries it's even higher

Source: PwC SDG Engagement Survey, 2015

Assessing SDGs: where to start

80% business plans to assess its impact, but most have only some of the SDGs in mind



Source: PwC SDG Engagement Survey, 2015

New EU Disclosures Requirements

Today's annual Report

- Large companies
 - Main Risks & Uncertainties
 - KPI environmental & social issues
- Listed companies
 - Corporate governance
 - Risk Management
 - Internal Control

EU Directive 2014/95/EC

- Large PIEs (500 employees+ balance sheet 20mio€ or net turnover 40mio€)
 - Environmental
 - Social
 - Human Rights
 - Anti-bribery
- Listed companies
 - Diversity

Comply or explain

- Policies
- Risks
- Outcomes
- KPIs

UN Global Compact



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 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

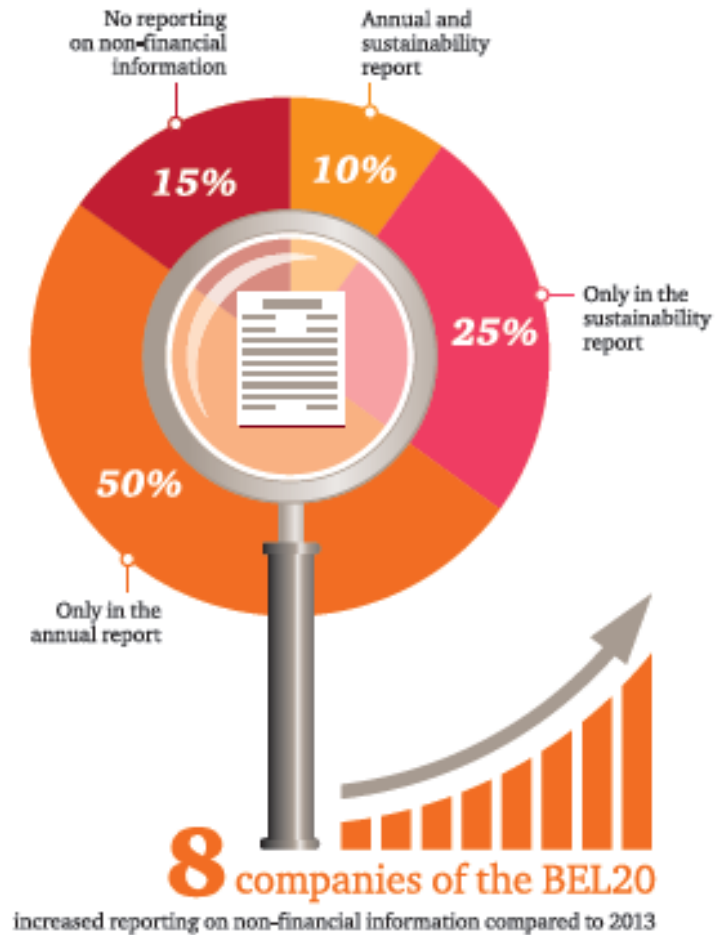
- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.



BEL 20 Readiness Assessment

Non-financial disclosure

% of BEL20 companies disclosing non-financial information



Method

we looked at the most recently available annual and sustainability reports (as of July 2015), and

we analysed the maturity of BEL20 companies against the new reporting requirements.

Source: Ready for new EU non-financial disclosure requirements? Results of the readiness assessment on non-financial disclosure, PwC - Law Square, 2015

BEL 20 Readiness Assessment

Non-financial disclosure

Strengths



- Description of the business model
- Sharing insight on environmental matters
- Disclosure on social & employee-related matters

Improvements

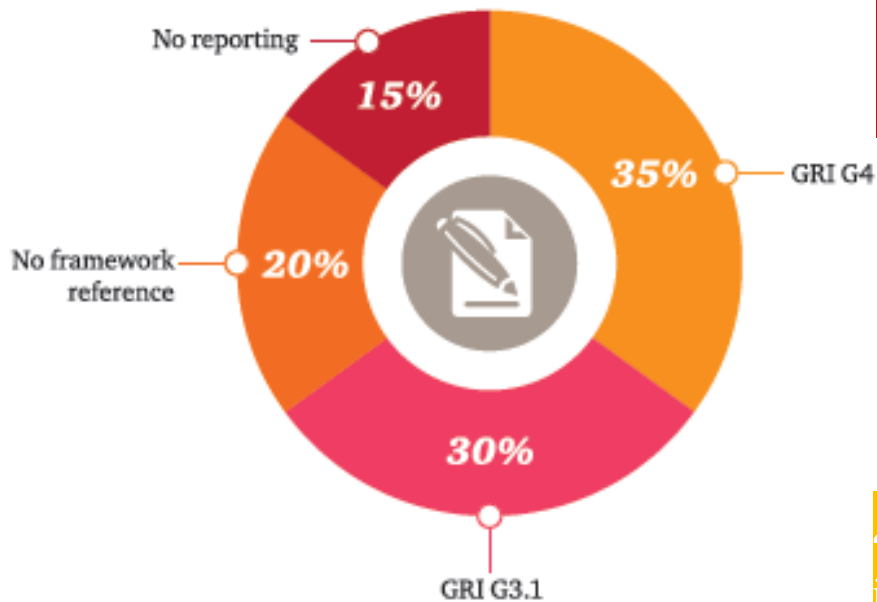


- Description of diversity in management
- Disclosure of information on human rights
- Communication on anti-corruption and bribery

Source: Ready for new EU non-financial disclosure requirements? Results of the readiness assessment on non-financial disclosure, PwC - Law Square, 2015

BEL 20 Readiness Assessment

Non-financial disclosure



65% of BEL20 companies report using the reporting framework provided by the Global Reporting Initiative, of which 35% report in accordance with GRI G4, a significant increase from 10% compared to 2013

40% of BEL20 companies align their strategies and operations to the UN Global Compact guiding principles.

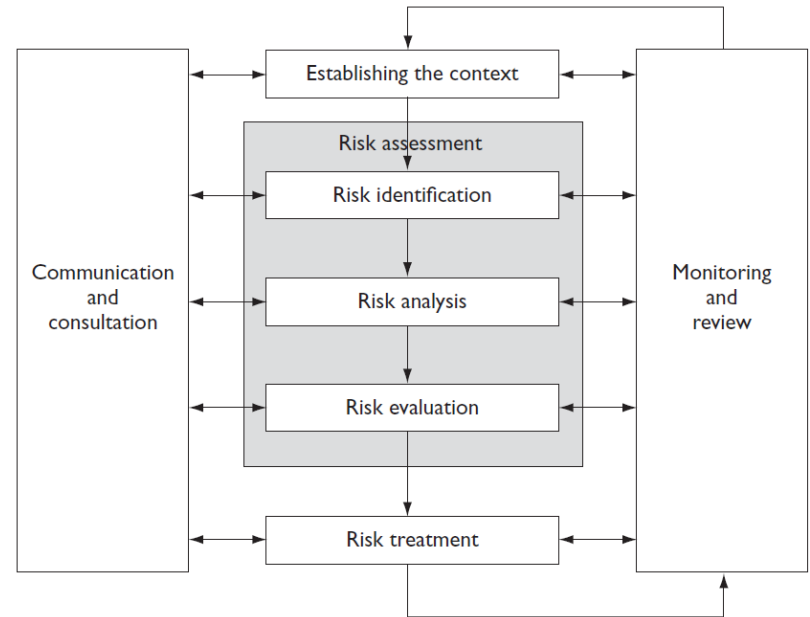
40% of BEL20 companies are seeking independent assurance services in accordance with ISAE 3000 on (aspects of) their non-financial reporting

Source: Ready for new EU non-financial disclosure requirements? Results of the readiness assessment on non-financial disclosure, PwC - Law Square, 2015

Methodological approach

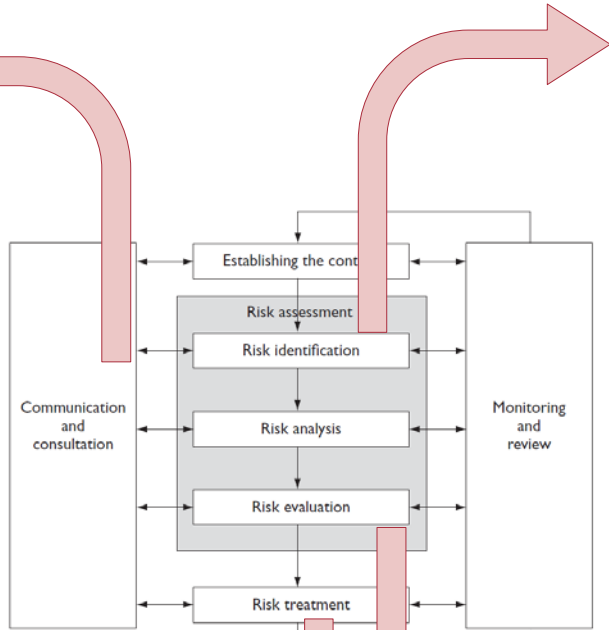
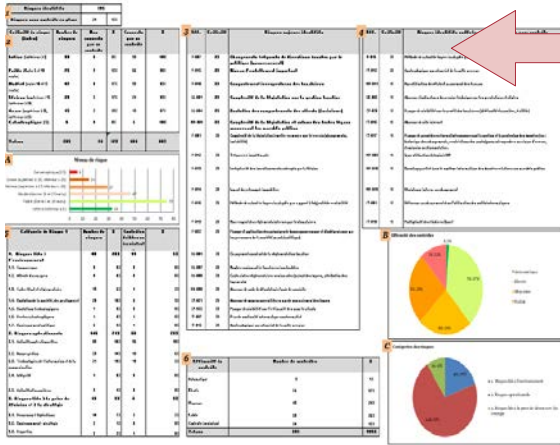


COSO ERM Framework



ISO 31000:2009 standard

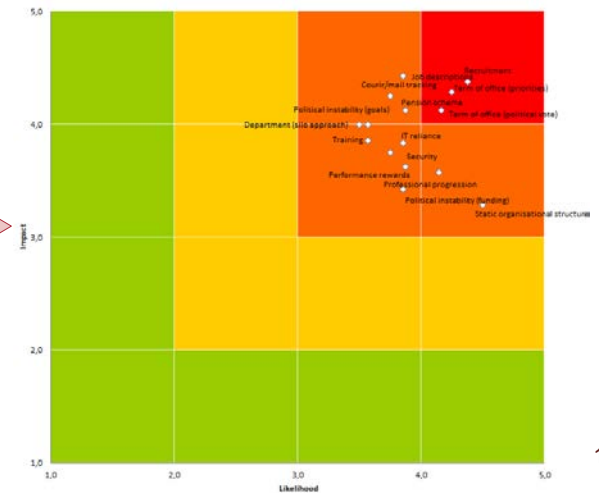
Risk management cycle



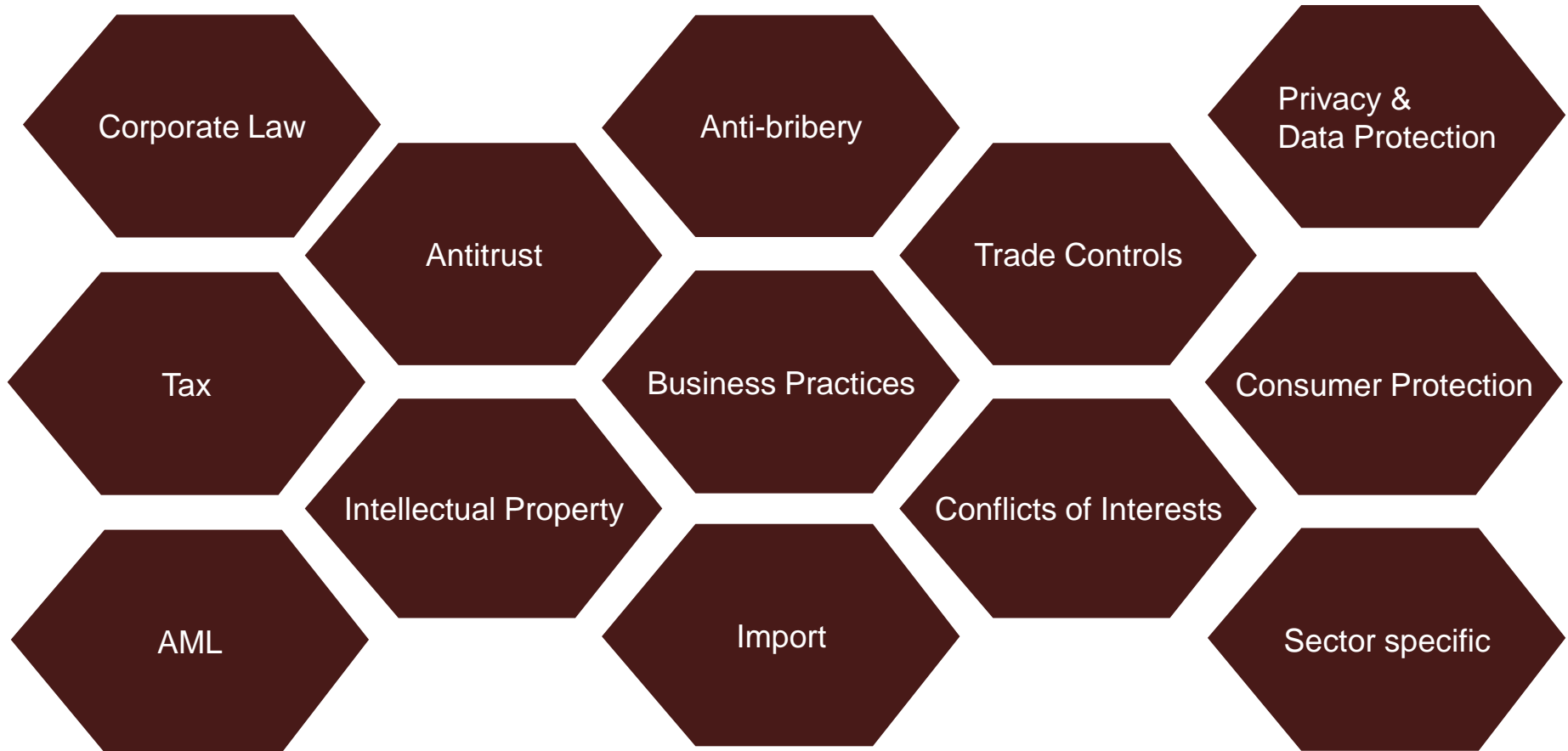
Risk category	Risk subcategory
Strategic	Clients, Competitors, Partners, Investors, Product portfolio,...
Operational	Infrastructure capacity, Production technology, Knowledge management, Sourcing, Supply chain,...
Financial	Financing, Liquidity, Currency, Taxes,...
Legal	Contracting, market abuse, anti-trust,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

#	Action plans	Owner	Implementation action / Recurrent / Project	% of completion	On track?
1	Capital requirements and the financial position which might have a large impact on the profitability are managed by the BoD and by the Asset & Liability Management Unit.		Recurrent	N/A - recurrent	On track
a)	Governance perspective: An integrated Compliance function has been established. A new Compliance Protocol and a new Compliance Charter are being prepared.		Project	20%	On track
	Organisational perspective: The Compliance & Risk department is addressing fraud & compliance risks, internal control & risk management. Bi-weekly, bilateral meetings are held. Compliance risk mgt unit set up fully dedicated to banking activities.		Recurrent	N/A - recurrent	On track
b)	Activities of compliance risk management unit:				
	1) Based upon a yearly compliance risk assessment, a Compliance Monitoring Program is developed and evaluated on a regular basis.		Recurrent	N/A - recurrent	Only 45% as per 09/2014
2	Education & training organised for				On track

Consolidated Risks

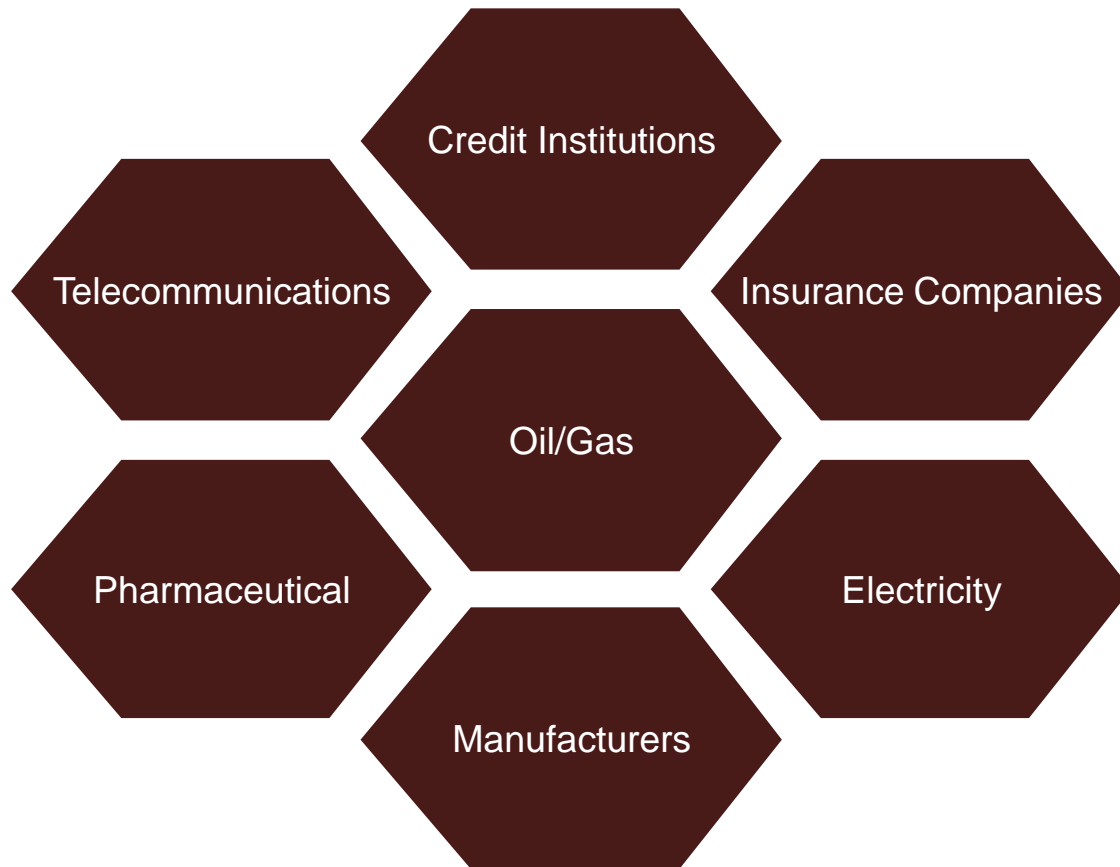


Legal Compliance (sample)



Legal Compliance

Sector specific (sample)

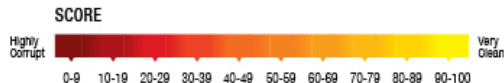
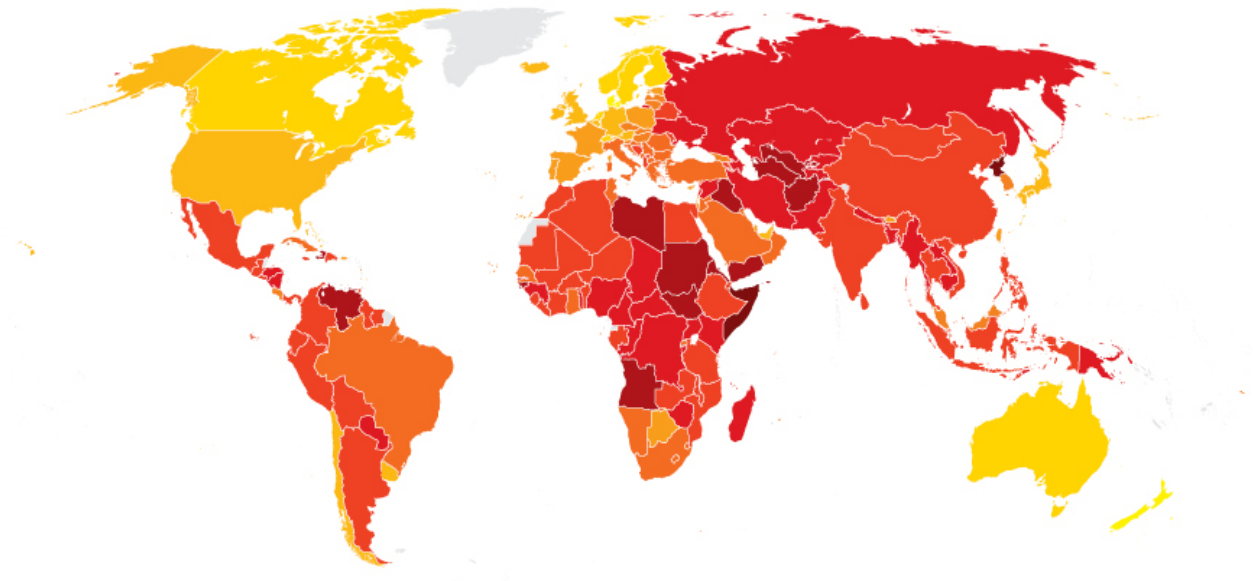


Anti-bribery – Global issue

Corruption is an issue all over the world

- Corruption Perceptions Index 2014

Risk assessment per **country**, for each subsidiary/branch, taking into account specificities of your **local management** and staff



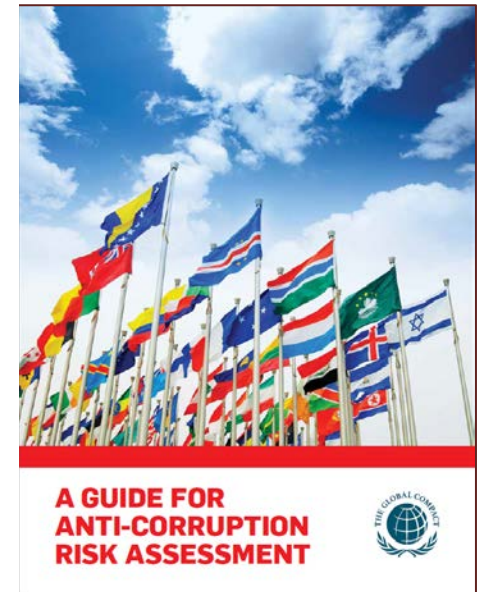
#cpi2014

www.transparency.org/cpi

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Probability Scoring Matrix (sample)

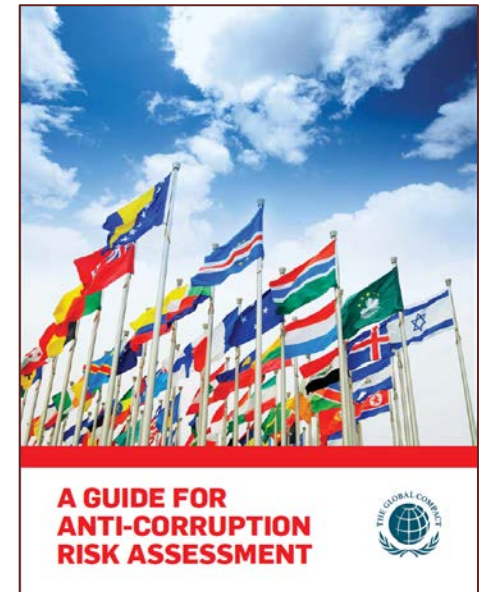
Probability	Quantitative	Status of Actual Case(s) of the Scheme	Complexity
Very low probability of corruption activity	1 < 10% chance	Root cause of incident has been remediated (reducing the chance of repeat occurrence).	Very difficult to perpetrate even without controls in place.
Little probability of corruption activity	2 10%–25% chance	Root cause of incident is in the process of being remediated.	Difficult to perpetrate even without controls in place.
Some probability of corruption activity	3 26%–50% chance	Incident has been contained.	Moderately complex to perpetrate without controls in place.
Considerable probability of corruption activity	4 51%–75% chance	Incident is in the process of being contained.	Easy to perpetrate without controls in place.
Very high probability of corruption activity	5 > 75% chance	Incident has been reported and is currently under investigation.	Very easy to perpetrate without controls in place.



Source: p.58

Impact Scoring Matrix (sample)

Potential Impact		Reputation	Financial	Legal / Compliance	Stakeholders – Customers	Stakeholders – Employees
Insignificant Impact	1	Minimal local media attention quickly contained, short term recoverability.	Financial impact is < 5% of selected budget item (e.g., revenue or income).	Notice of violation/warnings requiring administrative action and minimal penalties.	Minimal customer complaints and recovery costs.	Insignificant impact on ___ Department's ability to recruit and retain employees.
Minor Impact	2	Local market impact on Department's brand and reputation.	Financial impact is between 5% and 10% of selected budget item (e.g., revenue or income).	Routine governing body litigations subject to moderate fines and penalties may be subject to regulatory proceedings and/or hearings.	Minimal decline in customer relationships and some recovery costs.	Some impact on ___ Department's ability to recruit and retain employees.
Moderate Impact	3	Sustained local press coverage with escalating customer implications.	Financial impact is between 10% and 20% of selected budget item (e.g., revenue or income).	Routine litigation subject to substantial fines or penalties, subject to regulatory proceedings and/or hearings.	Loss or decline of customer relationships and moderate recovery costs.	Significant impact on ___ Department's ability to recruit and retain top performers.
Major Impact	4	National or sustained regional press coverage with long-term damage to public image.	Financial impact is between 20% and 30% of selected budget item (e.g., revenue or income).	Potentially a significant governing body scrutiny, investigations subject to substantial fines and penalties, which may include some criminal charges, subject to regulatory proceedings and/or hearings.	Strained key customer relationships and significant recovery costs and threat to future growth.	Major impact on ___ Department's ability to recruit top performers.
Catastrophic Impact	5	Global Media Coverage.	Financial impact is > 30% of selected budget item (e.g., revenue or income).	Major scrutiny, investigations subject to substantial fines and penalties including criminal charges, and/or cease-and-desist orders, possible regulatory action.	Loss of major customer relationships and serious threat to future growth.	Sustained impact on ___ Department's ability to recruit and retain top performers.



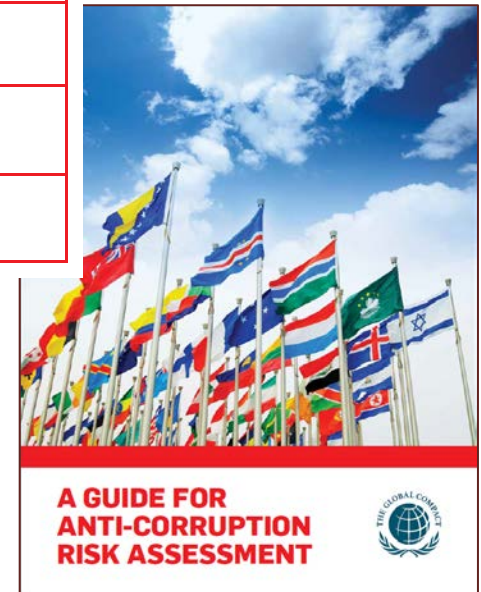
Source: p.59

Control Rating – Scoring Matrix

Qualitative Categorization	Numerical Categorization	Control Risk Rating
Excellent/Very Effective	5	Very Low
Good/Effective	4	Low
Fair/Neutral/Partially Effective	3	Medium
Poor/Somewhat Effective	2	High
Very Poor/Ineffective	1	Very High

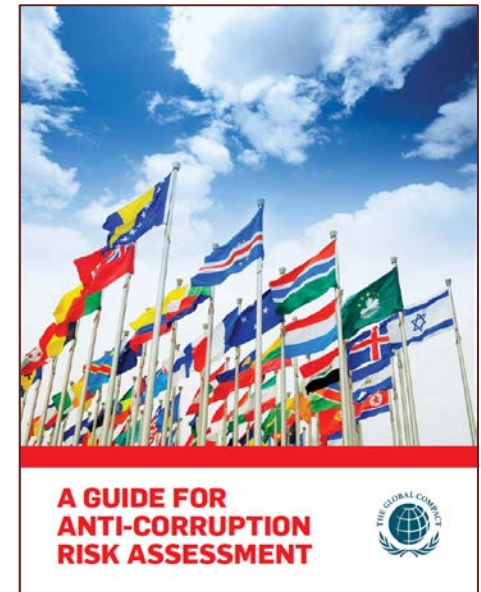
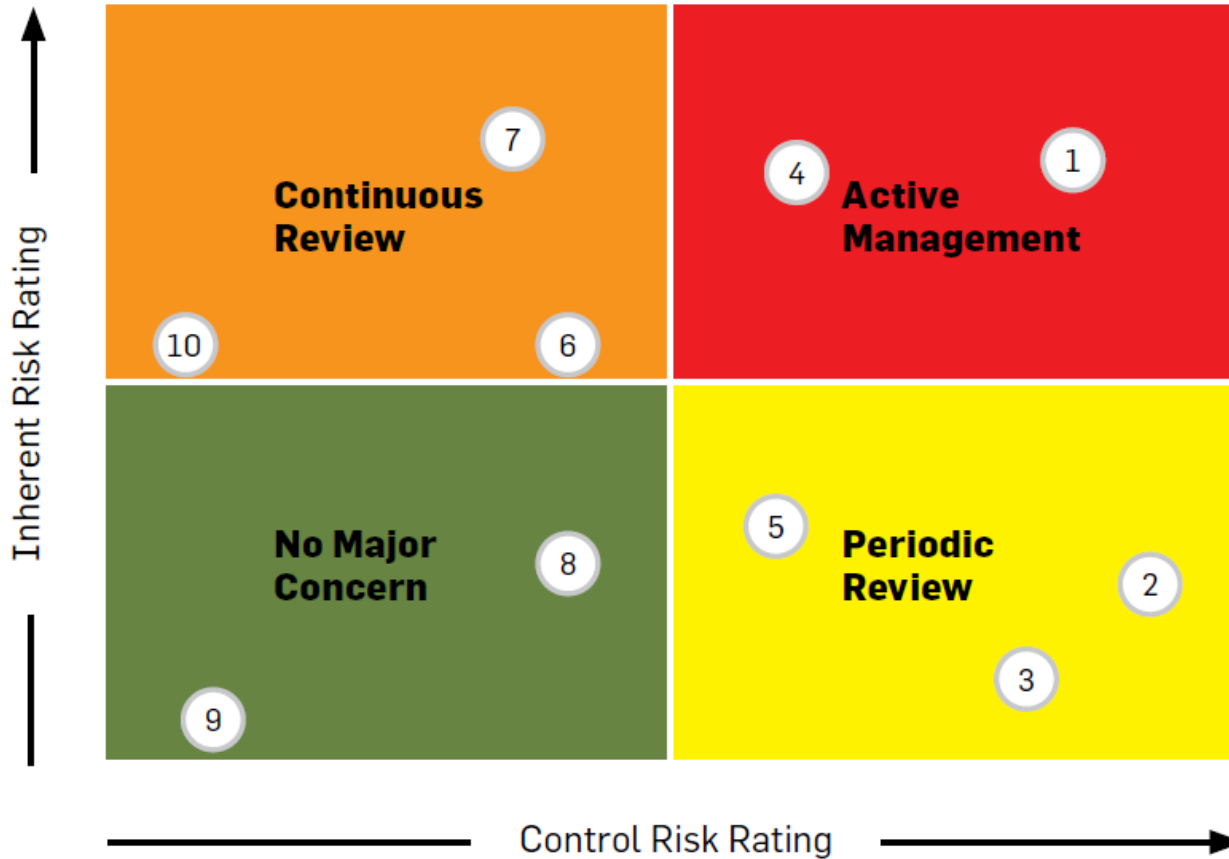
Controls on:

- Training
- Gift, Hospitality and Entertainment
- Policy
- ...

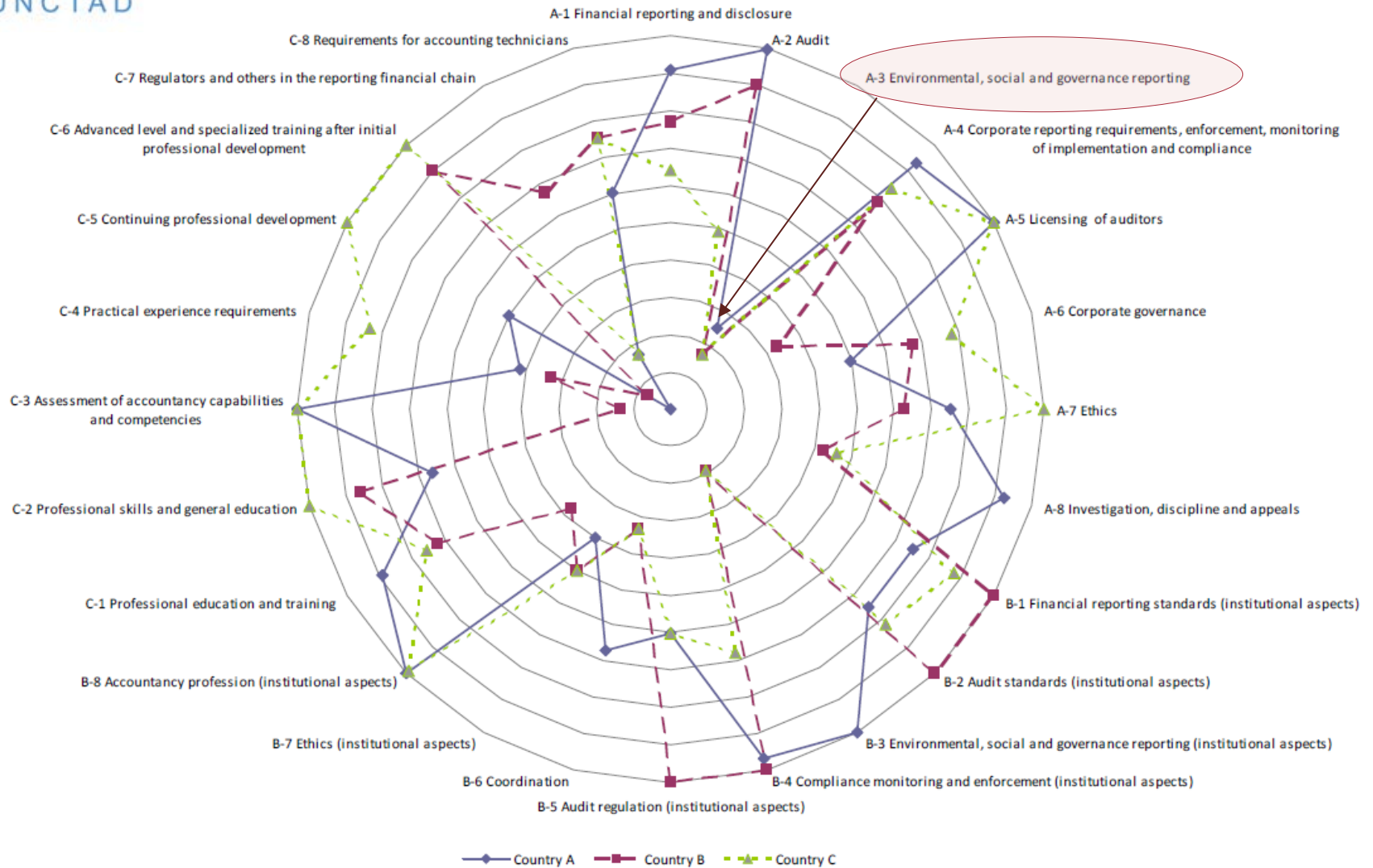


Source: p.63

Corruption Risk Response (sample)



Source: p.71



Conclusion

- Sustainable Development Goals
- New EU non-financial disclosure requirements
- Frameworks
 - UN Global
 - GRI
 - Assurance
- Accounting Development Tool (ADT)
- Monitoring, Compliance & Enforcement

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