ISAR 33

Item 4: Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of the environmental, social and governance information into companies' reporting

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2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

SDG AND ENTERPRISE REPORTING

- **Enterprise reporting** has a critical role in the SDG agenda. It **can enrich and enhance the SDG monitoring** mechanisms by providing governments, enterprises, society and other stakeholders with **means to assess the economic, environmental and social impact of companies on sustainable development**

- However, to achieve this objective further efforts are needed to ensure its **coherence with existing reporting frameworks and practices** as well as **comparability of information** and data provided by companies

- SDG agenda creates further **demand for harmoinization of sustainability reporting** and related guidance

KEY REPORTING INITIATIVES

UNCTAD/ISAR agenda on the SDG reporting

- The 32nd session of ISAR proposed as one of the two main agenda items for its 33rd *session: "Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into companies' reporting".* It also requested UNCTAD to facilitate efforts towards harmonization of sustainability reporting.

- UNCTAD joined forces with UNEP and GoFP 47 to evaluate the existing sustainability reporting frameworks, establish key principles for SDGs reporting, and suggest the selection of core SDGs Reporting Indicators.

- ISAR convened a Consultative Group (CG) comprised of key leading international experts and organizations in the area of corporate reporting to discuss this topic. The first meeting of the CG was held on 4 March 2016. The webinar was organized on 20 June 2016.

- ISAR held High-Level Policy Dialogue on Sustainability Reporting within UNCTAD XIV and World Investment Forum 2016 on 21 July in Nairobi, Kenya where UNCTAD launched its *initiative on selecting a limited number of core indicators responsive to the SDG agenda and in alignment with the SDG monitoring framework and its indicators.*

- An Issue note has been prepared to facilitate further discussions on this matter by the ISAR 33 session.

MAIN CHALLENGES IN SUSTIANABILITY REPORTING

- Lack of coordination, comparability and harmonization in sustainability reporting;

- Need for consistent integration of sustainability information into a reporting cycle and consistency of sustainability and Goals-related reporting with existing financial reporting frameworks;

- Need to address a new dimension of the materiality principle by considering common needs of a broader range of users of sustainability reports;

- Mandatory versus voluntary requirements;

- Scope of the application and relevance of requirements for the non-listed and small and medium-sized enterprises sector, including within a company value chain;

- Independent verification and assurance;

- Compliance, monitoring and enforcement of sustainability reporting;

- Lack of resources, particularly in developing countries and countries with economies in transition.

SDG AGENDA PROVIDES A USEFUL FRAMEWORK FOR HARMONIZATION OF SUSTAINABILITY REPORTING

Goal:12

Target number: 12.6

Indicator Number and Name: 12.6.1
Number of companies publishing sustainability reports

AREAS RELEVANT FOR COMPANIES REPORTING

KEY AREAS

Economic	Environmental	Social	Institutional
Economic value	Energy	Health and safety	Accountability
Economic performance	Water	Human rights and fair trade	Governance
Financial performance	Greenhouse gases	Gender equality	Anti-corruption
Local purchasing and supplier development	Waste	Employment creation and labor practices	
SDG related investment	Chemicals	Human resource development	
Research and Development		Donations	

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UNCTAD INITIATIVE ON THE SDG REPORTING

Select a limited number of core indicators for the Goals that would be universal and relevant to all corporations and single companies regardless of the type of business, industry or geography, to facilitate the comparability and consistency of sustainability/SDG reporting. SDGs global monitoring framework and its indicators reflected a consensus already reached by Member States with regard to what constituted universal requirements for sustainable development, and that this could be a good starting point to identify universal sustainability indicators in company reports. The selection of indicators should be based on existing sustainability reporting initiatives, requirements and company practices. The aim was not to invent new requirements, but to encourage the use of existing approaches and methodologies in a harmonized manner.
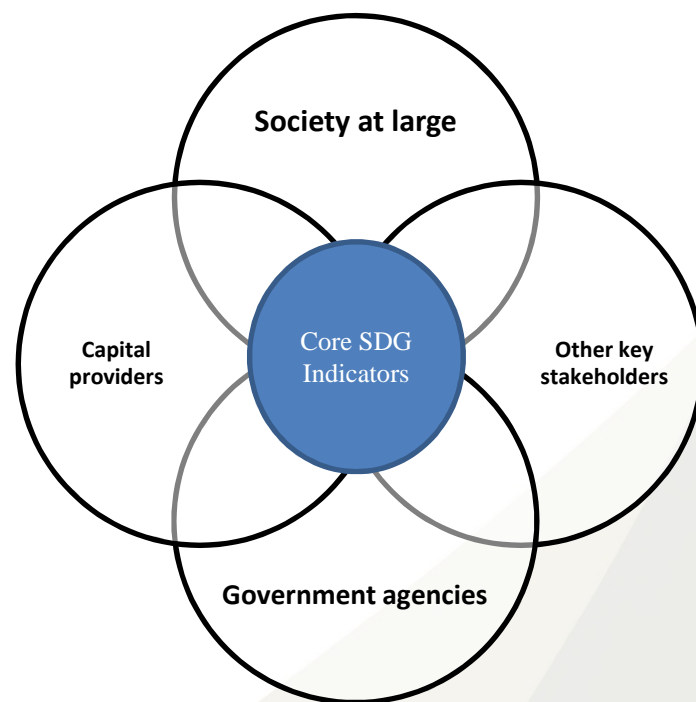
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SUGGESTED MAIN PRINCIPLES ON THE SDG/SUSTAINABILITY REPORTING

- Relevance of the IFRS conceptual framework to sustainability reporting

- Relationship between Universality and Materiality

- Consistency in measurement methodology and data comparability

- Clarity of reporting boundaries

- Consolidated accounts vs legal entity reporting

- Incremental approach

KEY CRITERIA FOR THE SDG MACRO-INDICATORS

➢ Universal, integrated and interrelated in nature and covering the three dimensions of sustainable development

➢ Voluntary and country-led

➢ Longer term oriented

➢ Open, inclusive, participatory and transparent for all people

➢ People-centered and gender-sensitive, with respect for human rights and a particular focus on the poorest, most vulnerable and those furthest behind

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BASED ON COMMON NEEDS OF KEY USERS OF THE SDG REPORTING

Society at large

Capital providers

Core SDG Indicators

Other key stakeholders

Government agencies

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ALIGNMENT OF REPORTING INDICATORS WITH THE SDG FRAMEWORK (EXAMPLE)

SDG	Target	Indicator proposed by IAEG	Indicator proposed
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.5. by 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	8.5.1.Average hourly earnings of female and male employees, by occupation, age group amd persons with disabiltiies 8.5.2 Unemployment rate, by sex, age group and persons with disabilities	Total workforce with breakdown by employment type, contract and gender
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.5 enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, particularly developing countries, including by 2030 encouraging innovation and increasing the number of R&D workers per one million people by x% and public and private R&D spending	9.5.1 Research and development expenditure as a percentage of GDP	Expenditure on research and development as a proportion to turnover
Goal 4. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all	4.3 by 2030 ensure equal access for all women and men to affordable quality technical, vocational and tertiary education, including university	4.3.1 Participation rate of youth and adults in formal and non-formal education and training in the last 12 months	Average hours of training per year per employee broken down by employee category

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PROPOSED INDICATORS

- ECONOMIC AREA
- ENVIRONMENT INDICATORS
- SOCIAL RESPONSIBILITY
- INSTITUTIONAL/GOVERNANCE

PROPOSED INDICATORS: ECONOMIC AREA

- In the economic area the following indictors have been suggested:

    - A.1: Revenue and/or value added

    - A.2: Taxes and other payments to the Government

    - A.3: Total new investment

    - A.4: Local purchasing and supplier development

PROPOSED INDICATORS: ENVIRONMENT AREA

- The following indicators have been proposed in this area, based on UNEP research and on comprehensive reporting of environmental information:

  - B.1: Water consumption

  - B.2: Waste generated

  - B.3: Greenhouse gas emissions

  - B.4: Chemicals

  - B.5: Energy consumption

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PROPOSED INDICATORS: SOCIAL AREA

- C.1. Total workforce

- C.2. Expenditure on research and development

- C.3. Average hours of training per year per employee

- C.4. Percentage of employees covered by collective agreements

- C.5. Cost of employee health and safety

- C.6. Work days lost

- C.7. Human rights

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PROPOSED INDICATORS: INSTITUTIONAL AREA

- ## D.1. Governance indicators

  - D.1.1. Number of board meetings and attendance rate

  - D.1.2. Women board members

  - D.1.3. Board members divided by age-range

  - D.1.4. Existence of Audit Committee, number of meetings, and attendance rate

  - D.1.5. Compensation total and compensation per member of the board and executives

- ## D.2. Donations
- ## D.3. Anti-corruption

KEY CONSIDERATIONS

- The approach should be based on **core universal** indicators that are relevant across sectors. It is our understanding that specific industries / sectors will complement the list of core indicators with sector specific ones; and companies will be still reporting on other areas relevant to their activities.

- Indicators should be based on **existing** practices and requirements.

- Coordination of all main initiatives on sustainability reporting and cooperation of **all major stakeholders**, including in areas such as accounting and reporting, statistics, environmental, social and governance.

ISSUES TO DISCUSS - CONCEPTS AND PRINICPLES

➢ What role corporate reporting plays in the SDG agenda and how it can contribute to the attaining of the SDG goals and its monitoring framework?

➢ Is there a need for comparability and harmonization of sustainability reporting for better corporate governance, decision making and monitoring of the SDG implementation process?

➢ What are the main challenges in achieving such harmonization? Would the SDG monitoring indicators facilitate such harmonization?

➢ What are the main challenges in aligning enterprise reporting indicators a micro level with the SDG monitoring framework at a macro level? Are there good practices to be shared?

➢ What would be main principles of sustainability/SDG reporting? Could and should it be aligned with the IFRS reporting framework? Whether and how it will affect the materiality principle?

ISSUES TO DISCUSS - REPORTING AREAS AND POSSIBLE INDICATORS

- What would be the main areas on which companies could report for the SDG agenda?

- Is it possible to identify a limited number of core and universal indicators for companies reporting on the SDG agenda?

- What would be key criteria for the selection of such indicators?

- What are the prevailing indicators already reported by companies?

- Is there a business case for sustainability/SDG reporting?

- What could be a way forward?