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

35th SESSION
24 - 26 October 2018
Room XVII, Palais des Nations, Geneva

Thursday, 25 October 2018
Morning Session

Agenda Item 3.
Enhancing comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

Presented by

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Enhancing comparability of sustainability reporting

SDGs

Perspectives from an assurance practitioner

Presenter:

Jose Luis Blasco

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Thirty-fifth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

October 25th, 2018 | Geneve

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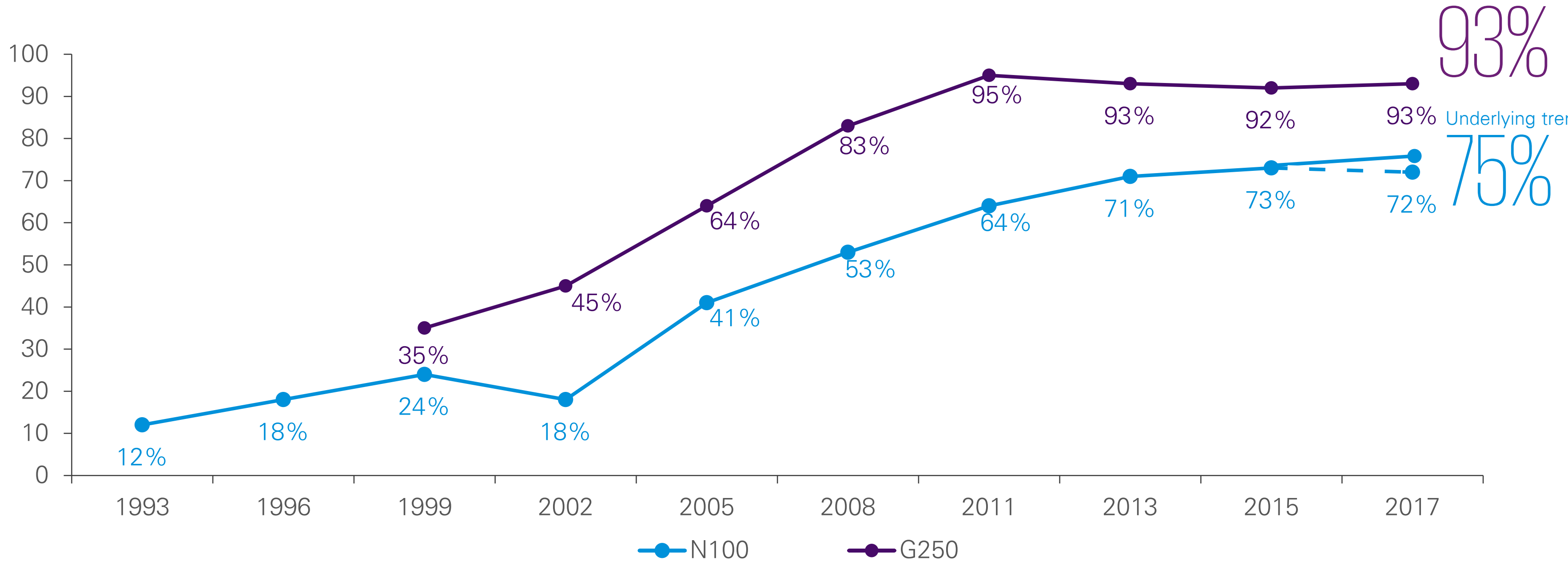
Three ideas for discussion

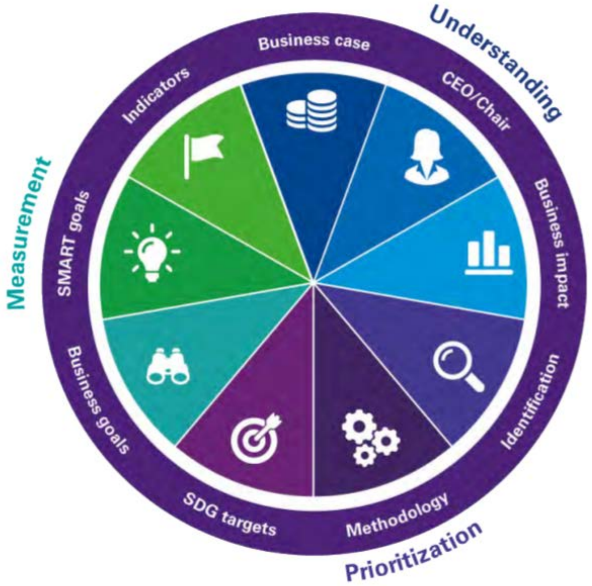
1. SDGs Reporting practices
2. Impact reporting is the next frontier
3. Challenges for assurance

Sustainability reporting

This survey finds N100 companies continue to catch up steadily with the G250.

Growth in global CR reporting rates since 1993





Base: 1765 N100 companies that report carbon reduction targets, 156 G250 companies that report carbon reduction targets

Note: The underlying trend of 75 percent applies when looking at the same sample of countries in 2015 and 2017. The overall N100 rate in 2017 is 72 percent due to the inclusion of 5 new countries with relatively low reporting rates in the 2017 research.

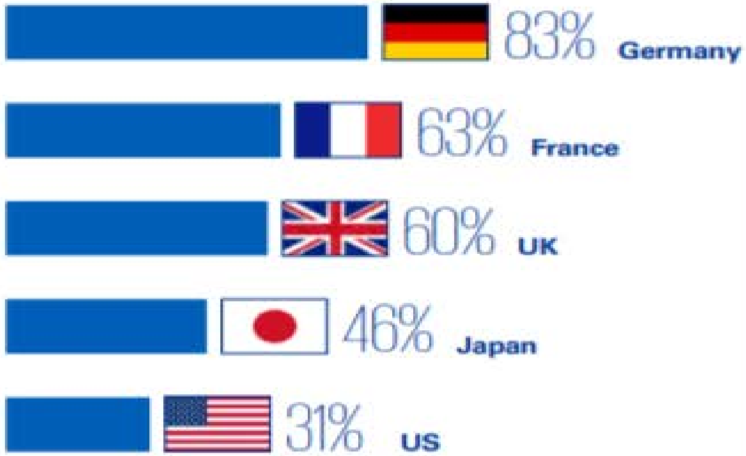
Source: KPMG Survey of Corporate Responsibility Reporting 2017

Executive summary

Key statistics on SDG reporting by the world's largest companies:

Four in ten (40%) of the world's 250 largest companies currently discuss the SDGs in their corporate reporting

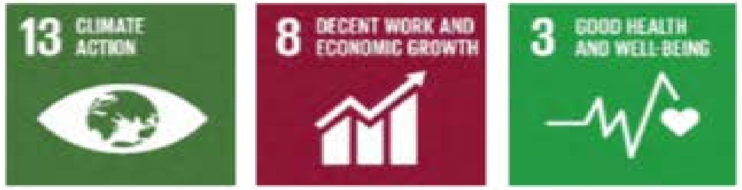
Large companies in Germany, France and the UK are significantly more likely to report on the SDGs than companies in other countries[7]



Large companies in consumer facing sectors such as Utilities and Automotive are more likely to report on the SDGs than those in heavy industry sectors like Manufacturing and Oil & Gas[8]

- 58% Utilities
- 58% Automotive
- 57% Retail
- 56% Technology, Media & Telecommunications
- 47% Healthcare
- 37% Financial Services
- 30% Industrials, Manufacturing & Metals
- 28% Oil & Gas

Companies are paying the most attention to the following three SDGs (prioritized by 55 percent or more of reporting companies):



Companies are paying the least attention to the following three SDGs (prioritized by 26 percent or less of reporting companies):

SUSTAINABLE DEVELOPMENT GOALS

7,8 KPMG Survey of Corporate Responsibility Reporting 2017

Executive summary

SDG reporting by the G250: a report card

	Reporting quality criteria	Grade	Comments
Understanding the SDGs *Further information, examples of good practice and recommendations* Page 8	Reporting the business case for SDG action	D	This is an important area for improvement – less than one in ten reporting companies currently makes the business case
	Discussing the SDGs in the CEO/Chair's message	C	Discussing the SDGs in leadership messages is still some way from being standard practice. This is a relatively simple way for many companies to improve their reporting.
	Assessing the business's impacts on the SDGs	A (-)	Most reporting companies discuss their SDG impacts but reporting is largely unbalanced, focusing on the positive but not the negative. Credible reporting requires better balance, hence the A minus grade.
Prioritizing the SDGs *Further information, examples of good practice and recommendations* Page 10	Prioritizing the most relevant SDGs for the company	A	A majority of companies do prioritize the SDGs they consider most relevant to their business. However, a quarter identify all 17 SDGs as priorities. It can be challenging for businesses to plan and implement meaningful action on such a wide range of goals. KPMG professionals encourage clients to focus attention on a smaller number of SDGs where they can have the biggest impact.
	Disclosing the method used to prioritize the SDGs	B	Just over half the reporting companies explain how they prioritize the SDGs so there is room for improvement here.
	Identifying specific SDG targets relevant to the business	D	Only one in five companies has gone beyond the 17 overall SDGs to identify the underlying targets they will focus on.
Measuring SDG performance *Further information, examples of good practice and recommendations*	Setting SDG performance goals for the business	C	Reporting cycles may account to some extent for the lower performance in this area. However, the research suggests that many companies are finding it challenging to translate well-intentioned support for the SDGs into specific, actionable and measurable business goals.
	Setting SMART performance goals	D	
	Disclosing the indicators used to measure SDG performance	D	

A = done by 70 percent or more of reporting companies, **B** = done by 50 percent or more, **C** = done by 30 percent or more, **D** = done by less than 30 percent

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Three ideas for discussion

1 SDGs Reporting practices

2 Impact reporting is the next frontier

Evolution of climate-related disclosures

Evolution

First Generation GHG inventory

Corporate Accounting and Reporting Standard. GHG protocol (2001)

Global standardized frameworks to measure and manage greenhouse gas emissions from operations, value chains and mitigation actions. Direct, indirect and induced emissions

Second Generation Integrating into the management

FSB Task Force on Climate-related Financial Disclosures (TCFD) (2017)

TCFD considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.
Governance – Risk – Strategy - Metrics

Third Generation IMPACT REPORTING

Next generation of climate disclosures

Indicators and information systems on climate impacts on companies are robust enough to assess the risks and opportunities of climate change in a similar way to other business risks.

Fourth Generation LONG TERM VALUE REPORTING

Future generation of climate disclosures

the information on the effects and the consequences of climate change provided by the companies allows purchaising/investment decision making by citizens.

Drivers

Report

Management

Contribution

Main Audiences

Sustainability functions

Voluntary disclosure

Company´s Management

Better understanding about risk and opportunities

Financial institutions

Requirement for specific sectors for better risk assessment

Stakeholders

Need to be part of the information embed in products/services

Focus

Materiality

Comparability

Three ideas for discussion

1. SDGs Reporting practices
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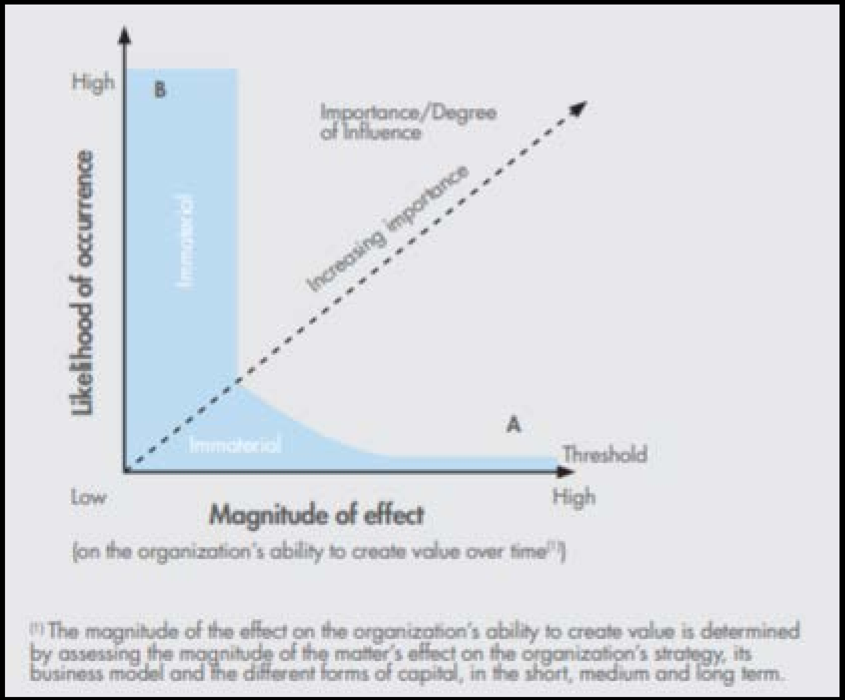
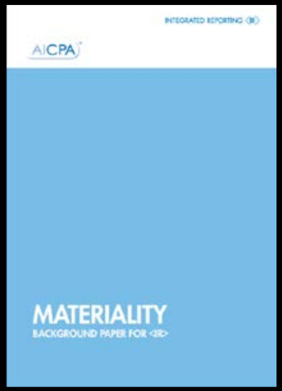
Challenges in non-financial reporting assurance…

Credibility = Relevance x Reliability

Content materiality
[the tragedy of …]

Internal control
[nature of metrics]





When evaluating the importance of relevant matters, consider:

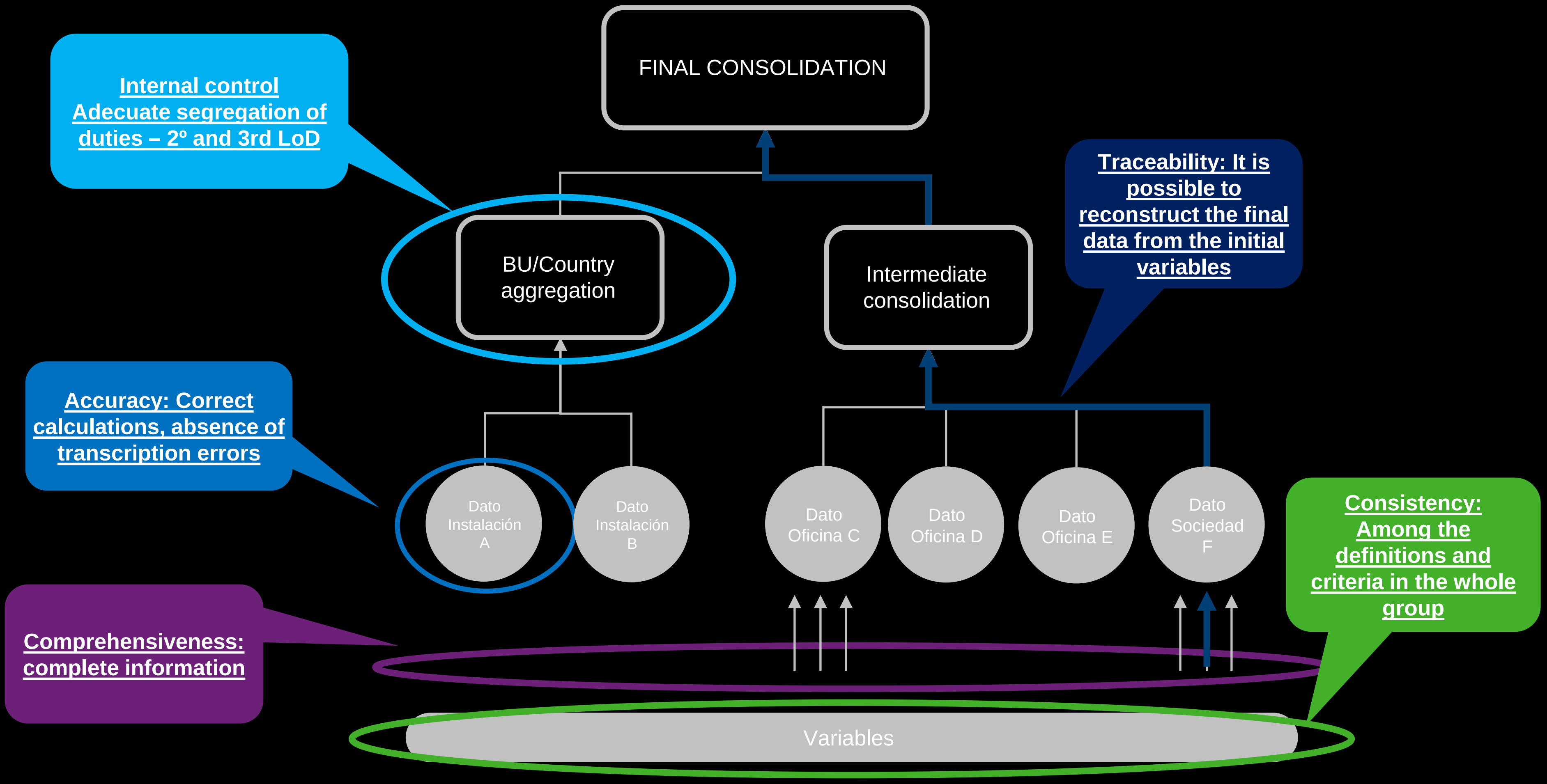
- Quantitative and qualitative effects
- The nature, area and time frame of effects
- The likelihood that effects will occur

AICPA **IFAC**

For the purposes of , a matter is material if it is of such relevance and importance that it could **substantively influence** the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium and long term.

Internal control is still weak, processes are mostly manual

My five most frequent findings in sustainability assurance engagements



Thank you

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