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

36th SESSION

30 October – 1 November 2019
Room XIX, Palais des Nations, Geneva

Wednesday, 30 October 2019
Morning Session

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

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WBCSD ISAR 36 Session

Oct 2019

Rapidly changing context





Economically
risky



Environmentally
stupid

Business as usual is...



Socially
unacceptable



Legally
dangerous



We need to transform towards sustainable capitalism



TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

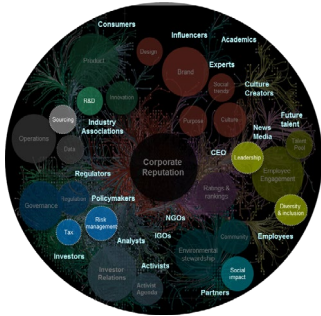
Disclosures



FUTURE OF CAPITALS

Cost of capital

RV's focus to date has been on **creating solutions**



Business decision-making

We aim to *improve internal processes* to incorporate hidden costs and benefits as they relate to environmental, social and governance (ESG) issues

Projects:

- [Enterprise Risk Management](#)
- [Governance & Internal Oversight](#)
- [Assess & Manage Performance \(upcoming\):](#)
 - [Measurement & Valuation](#)
 - [Integrated Performance Management](#)



External disclosure

We help companies *communicate decision-useful information* on growth prospects, risks and how both are managed for a more accurate valuation by market participants

Projects:

- [Reporting matters](#)
- [The Reporting Exchange](#)
- [Purpose-driven Disclosure](#)
- [Assurance & Internal Controls](#)
- [TCFD Preparer Forums](#)



Investor decision-making

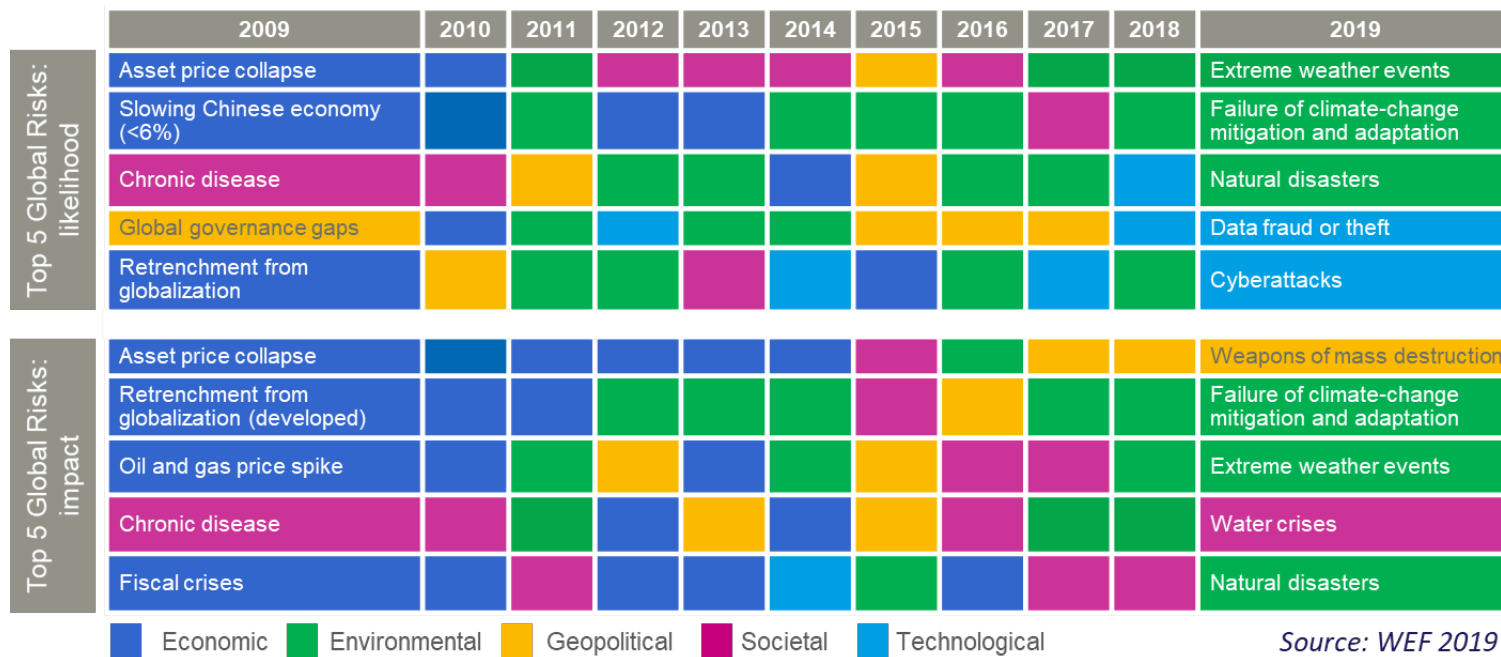
We help companies *demonstrate the investment case* for inclusive, sustainable business practices to their internal teams and external stakeholders, help them take advantage of emerging financing mechanisms, and mobilize their own investments

Project:

- [Aligning Retirement Assets](#)

The global risk landscape **is shifting**

Over the past decade, the focus of top risk impacts and likelihood has moved toward Environmental



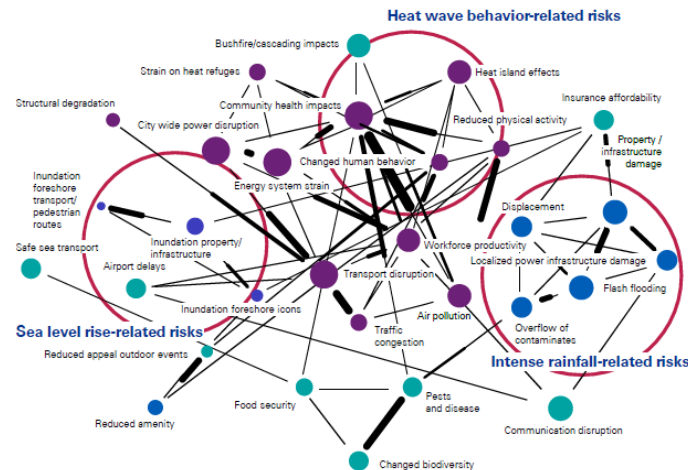
Source: WEF 2019

How companies are **implementing?**

Dynamic Risk Assessment



- ▶ We are seeing more sophisticated approaches to assessing risks
- ▶ We are working with a KPMG to on a pilot study for member firms
- ▶ Applied in the Food & Agriculture sector to assess ESG and climate risks



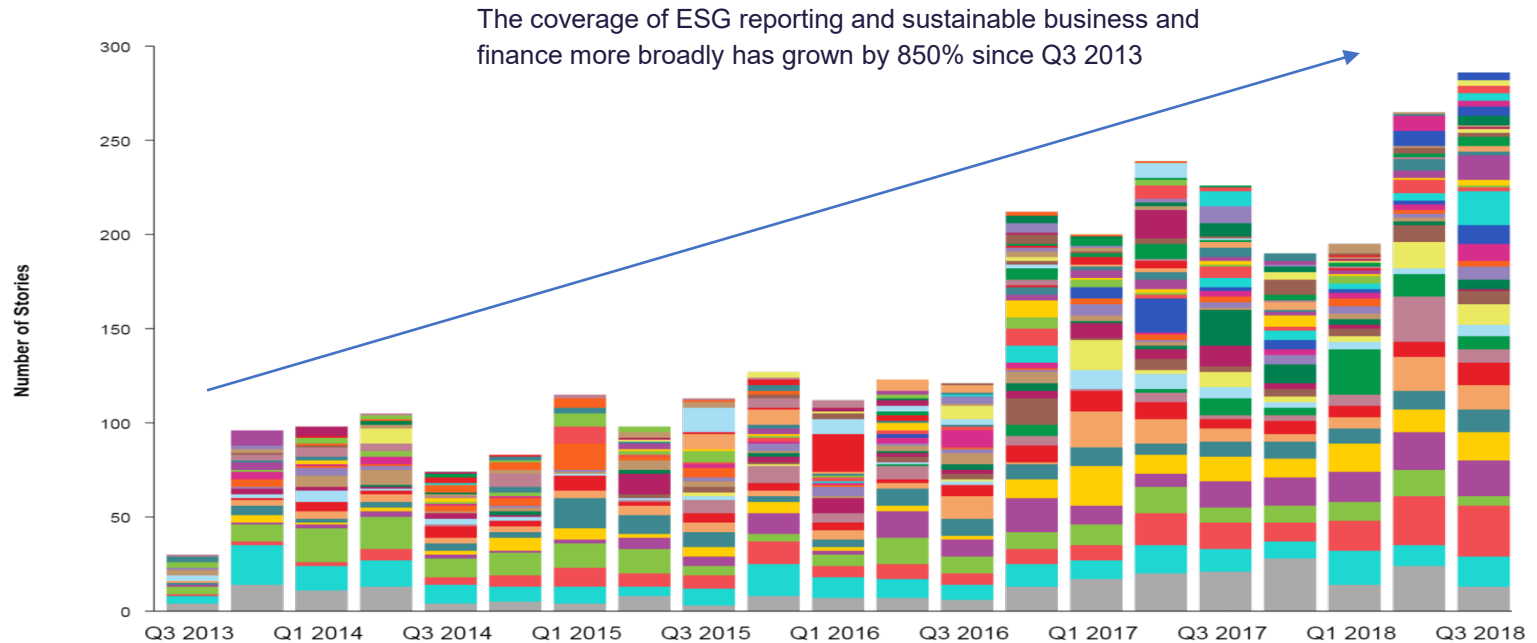
The thickness of the connecting lines in the diagram illustrates the strength of the connections between the individual risks.²

²Graphic adapted from: [RPS \(2016\), City of Sydney Climate Risk and Adaptation Project Report](#)

Source: *Understanding social and environmental risk*, [kpmg.com/sustainability](https://www.kpmg.com/sustainability)

**Better data, more
useful information**

The conversation around **ESG reporting and business and investor decision-making** has exploded

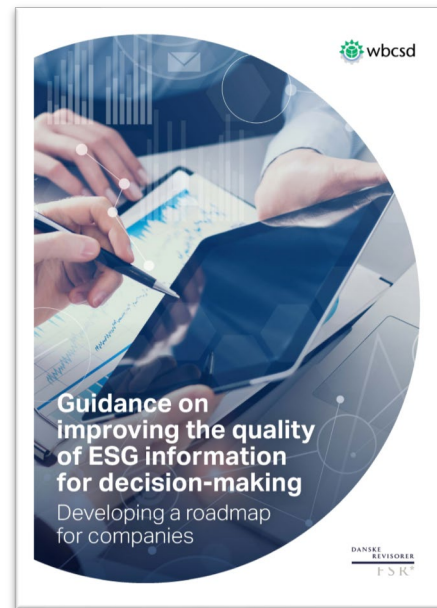


Source (both graphics): Quid, text analysis 2013-2018 ("ESG" OR "sustainable" OR "sustainability" OR "responsible") AND ("business" OR "finance" OR "investing" OR "investment") OR (" council" OR "coalition" OR "forum" OR "group")

Guidance on **Improving quality of ESG data**

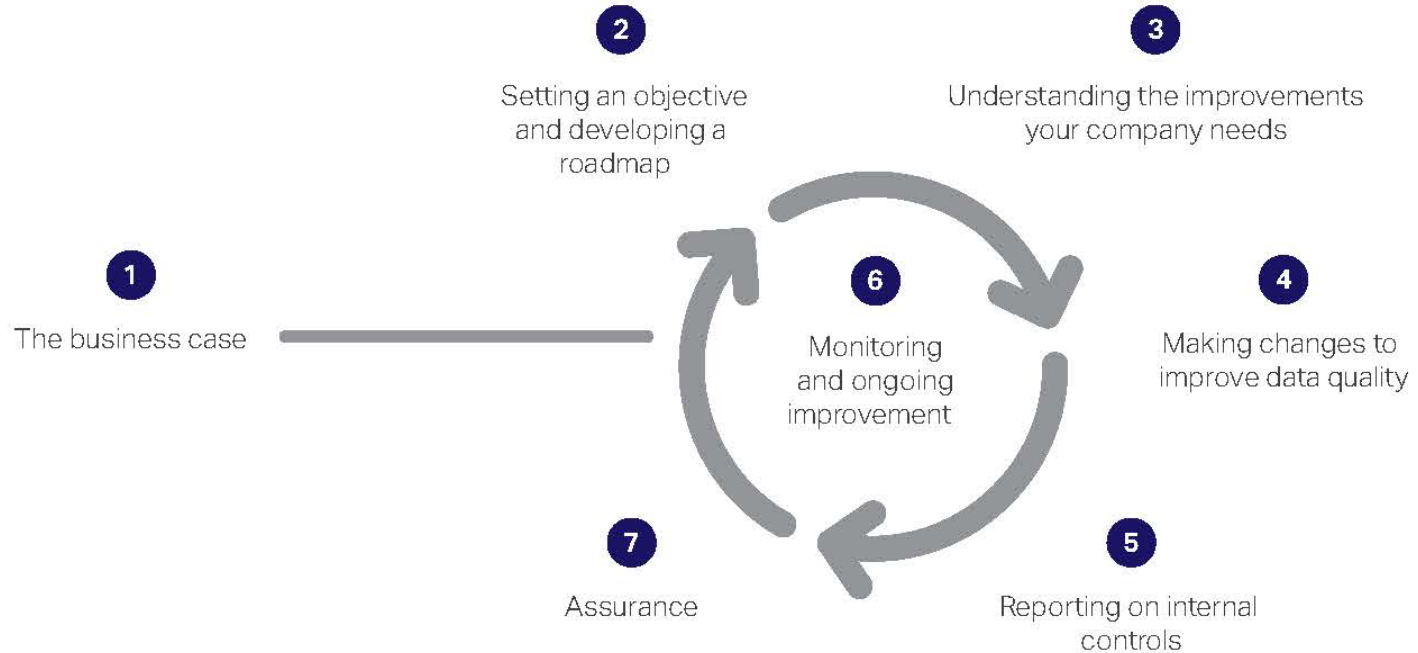
We developed the [guidance to](#)

- help companies produce investment grade ESG data by supporting robust control activities improving the process of data collection, analysis and reporting.
- support better decision-making and to facilitate better communication between companies and investors.



<https://www.wbcd.org/Programs/Redefining-Value/External-Disclosure/Assurance-Internal-Controls/Resources/Guidance-on-improving-the-quality-of-ESG-information-for-decision-making>

Guidance on improving the **quality of ESG information**



Reporting matters **Key findings**

Spanning 159 leading companies from 19 supersectors and 34 countries, this year's research points to continued progress in corporate environmental, social and governance (ESG) reporting and disclosure as well as a continued movement towards digital reporting.

1

Reporting is improving

88% of member companies in our benchmark have improved their *Overall* scores since baseline year 2015; **38%** have improved their *Materiality* score in this timespan.

2

The state of SDG reporting

95% of reports reviewed acknowledge the SDGs in some way; **86%** prioritize specific SDGs and present some evidence of alignment and contribution.

3

The state of integrated reporting

39% of reports reviewed combine financial and non-financial information, up from **26%** of our sample in 2015; **20%** are self-declared integrated reports.

4

The state of GRI reporting

87% of reports reviewed reference the Global Reporting Initiative (GRI); of those, **77%** claim to be in accordance at Core or Comprehensive level.

5

Governance is strengthening

37% of the 123 companies in our sample with ESG data on Bloomberg Terminals link sustainability performance and executive remuneration, broadly aligned with **39%** in our 2018 sample.

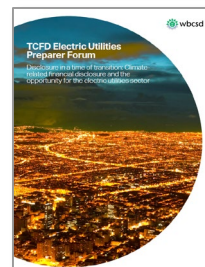
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The future is digital

23% of reports reviewed provide a digital-first experience; **64%** of members with an offline-first approach produce complementary online content (2017: **44%**).

TCFD Preparer Forums

- Outputs from TCFD [Electric Utilities](#) & [Chemicals](#) Preparer Forums added to [Oil and Gas](#), with a particular focus on scenarios, metrics & resilience.
- In October 2019 we convened with the [Japanese Ministry of Economy, Trade and Industry \(METI\)](#) the [first-ever TCFD Summit](#), providing an important forum for industrial and financial communities to come together to advance the TCFD's recommendations. Preparer Forums reference by Bank of England Governor Mark Carney.
- TCFD Preparer Forum work continues with Food, Agriculture & Forest Products and Construction & Building Materials. These reports will be published in Q1 2020. Also looking to establish Auto Preparer Forum.



Previous TCFD Preparer Forum members

Oil and Gas



Electric Utilities



Chemicals



Current TCFD Preparer Forum members

Construction & building materials

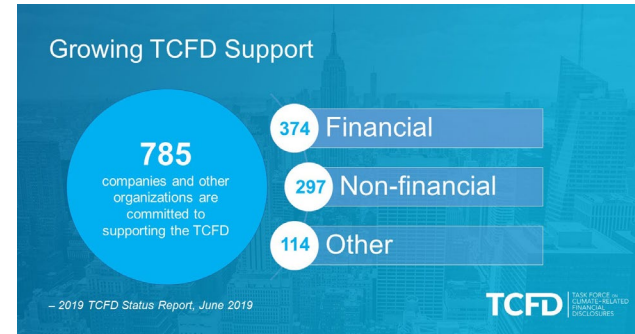


Food, Agriculture & Forest Products



TCFD progress & learnings

- **Four fifths of the top 1100 G20 companies** now disclosing climate-related financial risks in line with some of the TCFD recommendations
- **Three quarters of investors are now using TCFD disclosures** when investing and the same percentage report a marked improvement in the quality of climate disclosures
- More needed to support **quantity and quality** of disclosure, decision-useful **metrics** and assessment of **strategic resilience** (these are focus areas for WBCSD Preparer Forums)



Recommendation	Recommended disclosure	Banking	Insurance	Energy	Materials & Buildings	Transport	Agri, Food & Forest	Tech & Media	Consumer Goods
Governance	a. Board Oversight	48%	29%	38%	37%	25%	22%	19%	29%
	b. Management's Role	54%	35%	32%	35%	18%	26%	17%	40%
Strategy	a. Risks and Opportunities	51%	39%	57%	50%	39%	40%	38%	50%
	b. Impact on Organisation	55%	38%	52%	45%	35%	38%	32%	52%
	c. Resilience of Strategy	20%	12%	13%	12%	5%	4%	2%	6%
Risk Management	a. Risk ID and Assessment Processes	52%	30%	38%	41%	23%	24%	24%	22%
	b. Risk Management Processes	41%	22%	32%	38%	17%	20%	18%	23%
	c. Integration in Overall Risk Management	32%	16%	21%	18%	11%	9%	17%	21%
Metrics and Targets	a. Climate-Related Metrics	51%	27%	49%	63%	36%	45%	37%	55%
	b. Scope 1,2,3 GHG Emissions	42%	22%	39%	41%	28%	26%	29%	38%
	c. Climate-Related Targets	50%	24%	45%	53%	32%	30%	24%	51%

Purpose-Driven Disclosure (PDD)

- The ESG Disclosure Handbook offers guidance and process to help companies navigate the many choices associated with ESG reporting.
- Consultation draft was published in October 2018.
- 200 individuals contributed, with comments from IFAC, IIRC, GRI, A4S, Deloitte, PwC among others.



The Reporting Exchange

- During 2019 we have expanded the data coverage to include 71 countries and >2,000 provisions.
- In April 2019, an Indicator library was included with over 1,400 ESG indicators mapped from nine prominent voluntary reporting frameworks to help companies navigate relevant ESG indicators.



Buyer's guide to **assurance of non-financial information**

In partnership with ICAEW we are working to produce a procurement guide for buyers of assurance to better understand the process, available options and questions to ask of assurance providers before commissioning an assurance engagement.

Assurance of non-financial information can take many forms, as a result there is often a misunderstanding between what companies (and users) expect from an assurance engagement and what is provided, this has created an expectation gap.



Lead.
Transform.
Succeed.
2018.