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**Agenda Item 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**

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A SURVEY OF THE DOW 30: REPORTING ON THE UNCTAD-ISAR GLOBAL CORE INDICATORS

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Scope

- Reviewed most recent publicly available sustainability report, 10-K, and proxy statement as of 30/July/2019.
- Primary objective was to ascertain whether companies disclosed each of the UNCTAC-ISAR Core Global Sustainable Development Indicators.
- Additionally we addressed whether available Dow 30 sustainability reports reference internationally recognized standards (i.e., GRI Framework, IIRC), reference the UN SDGs, identify priority SDGs, disclose meaningful Key Performance Indicators (KPIs) and/or targets related to the SDGs, and provide external assurance for specified disclosures.
 - For reports that include external assurance, we specify the scope of the assurance (i.e., broader than GHG emissions, limited to GHG emissions), where the assurance statement/reference is located, and the assurance provider.
- We also determined if the Chairman/CEO Statement in the sustainability report refers to the SDGs.
- Challenges included
 - Some companies provide ‘multiple’ sustainability related reports.
 - Companies provide substantial information linked from sustainability reports and/or sustainability website with ‘endless’ links.



Findings – references to international standards and UN in sustainability reports (Table 1)

- 80% (24) referenced GRI index.
 - Only 4 specifically referenced GRI comprehensive index.
- 1 noted that its 2018 business and sustainability report represented an initial move toward Integrated Reporting.
- 1 indicated that during 2018 the company continued to progress its integrated reporting strategy to include environmental, social and governance information in its 2018 annual report, proxy statement and investor relations website.
- 73% (22) referred to the UN SDGs.
 - 19 (63%) referenced both the GRI index and SDGs.
 - 7 CEOs/Chairmen referred to SDGs in their letter to shareholders.
- 10 are signatories to the UN Global Compact.
 - All 10 signatories and 2 additional Dow 30 companies (12) mentioned UN the Global Compact.



Findings - mapping to SDGs in Dow 30 sustainability reports (Table 1)

- 21 (70%) mapped their sustainability goals to UN SDGs.
- Based on a mapping and identification of key areas where companies believe they can best contribute to achievement of the UN SDGs, 17 (57%) set KPIs/targets.
 - Of these, all but 1 also reported on progress toward achieving their targets.



Example: Coca Cola and the SDGs

The Sustainable Development Goals (SDGs) were first launched in 2015 and are a core part of the agenda developed by the 193 member states of the United Nations to work towards the future we want, one where all people thrive within a healthy environment. The 17 goals—geared towards a 2030 timeframe—and their related 169 targets have become an important framework for companies to rally around as they address an array of complex, interrelated global issues.

We recognize that we cannot achieve any one of the SDGs on our own. Yet, as a global company with a wide supply chain and consumer reach, we have a potentially significant role to play in meeting many of these ambitious aims. We have taken a closer look at where we can make direct contributions to the SDGs, whether through collaboration with our partners and industry peers, supplier engagement, or in other places where we have leverage to amplify our positive impacts.

The following table outlines the SDG goals and specific targets to which we most directly contribute, with links to more information.



Goal 12. Ensure sustainable consumption and production patterns

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.a Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production

World Without Waste, [pp. 21-25](#)

Building on a Decade of Water Replenishment, [pp. 26-29](#)

Giving Back by Taking Back, [p. 50](#)



Findings - Disclosure of UNCTAD-ISAR global core indicators – Economic areas (Table 2)

Core Indicators		Disclosed/ Calculable	Percentage Disclosed/ Calculable
A.1 Revenue and/or (net) value added	A.1.1 Revenue	30	100%
	A.1.2 Value added	24	80%
	A.1.3 Net value added	12	40%
A.2 Payments to the Government	A.2.1 Taxes and other payments to Government	30	100%
A.3 New investment/ expenditures	A.3.1 Green investment	2	7%
	A.3.2 Community investment	24	80%
	A.3.3 Total expenditures on R&D	15	50%
A.4 Local supplier/ purchasing programmes	A.4.1 Percentage of local procurement	4	13%



Findings - Disclosure of UNCTAD-ISAR global core indicators – Environmental areas (Table 3)

Core Indicators		Disclosed/Calculable	Percentage Disclosed/ Calculable
B.1 Sustainable use of water	B.1.1 Water recycling/reuse	6	20%
	B.1.2 Water use efficiency	23	77%
	B.1.3 Water stress by source	12	40%
	B.1.3 Water stress by water scarce or water stressed area	7	43%
B.2 Waste management	B.2.1 Reduction of waste generation	20	67%
	B.2.2 Waste reused, re-manufactured and recycled	22	73%
	B.2.3 Hazardous waste	12	40%
	B.2.3 Hazardous waste treated	10	33%



Findings - Disclosure of UNCTAD-ISAR global core indicators – Environmental areas (Table 3)

Core Indicators		Disclosed/Calculable	Percentage Disclosed / Calculable
B.3 Greenhouse gas emissions	B.3.1 Greenhouse gas emissions (scope 1)	26	87%
	B.3.2 Greenhouse gas emissions (scope 2)	26	87%
B.4 Ozone-depleting substances and chemicals	B.4.1 Ozone-depleting substances and chemicals	7	23%
B.5 Energy consumption	B.5.1 Renewable energy	18	60%
	B.5.2 Energy efficiency	23	77%



Findings - Disclosure of UNCTAD-ISAR global core indicators - Social areas (Table 4)

	Core Indicators	Disclosed/ Calculable	Percentage Disclosed/ Calculable
C.1 Gender equality	C.1.1 Proportion of women in managerial positions	23	77%
C.2 Human capital	C.2.1 Average hours of training per year per employee	6	20%
	C.2.2 Expenditure on employee training per year per employee	4	13%
	C.2.3 Employee wages and benefits as a proportion of revenue	0	0%
	a) Employment Type b) Gender	0	0%



Alternative example: DOW Chemicals – Employment type and gender wage and benefit information

The 2018 pay equity study found no meaningful difference in base pay, performance award or long-term incentives between genders or between U.S. minorities and non-minorities. Pay differences were attributable to the legitimate factors listed above and were not related to gender or ethnicity. These results demonstrate that pay equity exists across Dow following the 2018 increases and that global pay-planning guidelines are being applied appropriately.

2018 Pay Equity Summary Results ¹	Base Pay ²	Performance Award ³	Long-Term Incentives ⁴
Global Female Pay as Percent of Male Pay	100.5%	100.0%	100.3%
U.S. Minority Pay as Percent of Non-Minority Pay	100.5%	99.9%	99.6%

As a continued commitment to pay equity, Dow signed the White House Equal Pay Pledge in June 2016. Beginning in 2019, Dow moved to conducting annual pay equity analyses across the full population, and is expanding the scope to include promotions, hiring and other activities.



Findings - Disclosure of UNCTAD-ISAR global core indicators - Social areas (Table 4)

Core Indicators		Disclosed / Calculable	Percentage Disclosed / Calculable
C.3 Employee health and safety	C.3.1 Expenditures on employee health and safety as a proportion of revenue	0	0%
	C.3.2 Frequency/incident rates of occupational injuries a) New Injuries Per Hour b) Lost Days	13	43%
		15	50%
C.4 Coverage by collective agreements	C.4.1 Percentage of employees covered by collective agreements	7	23%



Findings - Disclosure of UNCTAD-ISAR global core indicators - Institutional areas (Table 5)

Core Indicators		Alternative Measurements (if applicable)	Disclosed / Calculable	Percentage Disclosed / Calculable
D.1 Corporate governance disclosures	D.1.1 Number of board meetings and attendance rate	number of meetings	29	97%
		attendance rate	1	3%
	D.1.2 Number and percentage of women board members	number	30	100%
		percentage	30	100%
	D.1.3 Board members by age range		30	100%
	D.1.4 Number of meetings of audit committee and attendance rate	number of meetings	27	90%
attendance rate		2	7%	
D.1.5 Compensation: total compensation per board member (both executive and non-executive directors)		30	100%	
D.2 Anti-corruption practices	D.2.1 Amount of fines paid or payable due to settlements		1	3%
	D.2.2 Average number of hours of training on anti-corruption issues, per year per employee		0	0%



Findings – External assurance sustainability report (Table 6)

2018 Sustainability Reports of Dow 30 Providing External Assurance	Number of Dow 30	Percentage of Dow 30
Panel A: External assurance broad scope	14	47%
Full external assurance statement included in sustainability report	9	30%
External assurance referenced in sustainability report (e.g. brief statement or footnote)	1	3%
Link in sustainability report to full external assurance statement	4	13%
Assurance provider		
Big 4 Firm (i.e., EY, Deloitte)	3	10%
Other (i.e., Bureau Veritas, LSQR, ERMCVS, WSP, FraunhoferIZM)	10	33%
Not disclosed	1	3%
Panel B: External assurance scope limited to GHG emissions	8	27%
Full external assurance statement included in sustainability report	2	7%
External assurance referenced in sustainability report (e.g. brief statement or footnote)	3	10%
Link in sustainability report to full external assurance statement	2	7%
Multiple links or independent search (e.g. for GRI Index) lead to external assurance	1	3%
2018 Sustainability Reports of Dow 30 Providing External Assurance	Number of Dow 30	Percentage of Dow 30
Assurance provider		
Big 4 Firm (i.e., PwC)	1	3%
Other (i.e., Bureau Veritas, Lucidan, LSQR)	4	13%
Not disclosed	3	10%
Panel C: No reference to external assurance identified	8	27%



Findings – External assurance for sustainability report - Examples

- **Apple's** sustainability report included five external assurance reports. Bureau Veritas North America provided independent assurance covering energy, renewable energy, water withdrawal, GHG emissions (Scope 1, 2, and 3), waste quantities and disposition, paper quantities, and appropriateness and robustness of underlying reporting systems and processes used to collect, analyze, and review the environmental information provided. Bureau Veritas's procedures were based on ISAE 3000. Bureau Veritas North America also provided an independent assurance statement addressing Apple's Supplier Clean Energy Program. Bureau Veritas followed procedures based on ISAE 3000. Fraunhofer IZM provided a review statement addressing Apple's corporate fiber footprint data related to fiber usage from products, corporate, and retail operations. Absent a standard method for calculating a product or company fiber footnote, Apple defined a methodology for internal use. Fraunhofer IZM also provided a letter of assurance addressing Apple's Scope 3 (Product) related carbon footprint for Fiscal Year 2018. The life cycles emissions data for products produced by Apple was calculated in accordance with ISO 14040/14044. The verification and sampling plan met the requirements of ISO 14046-3. Finally, Fraunhofer IZM provided a review statement addressing Apple's corporate plastic footprint data related to corporate packaging plastic usage from products and retail operations in fiscal year 2018. Again, absent availability of a standard method, Apple defined a methodology for internal use.
- **Johnson & Johnson** included three assurance statements in its 2018 Health for Humanity Report. ERM CVS provided limited assurance on cumulative progress over 2016-2018 against the Health for Humanity 2020 Goals reported in Johnson & Johnson's sustainability report. In a separate assurance statement, ERM CVS provided limited assurance addressing the company's "UN Sustainable Development Commitment Progress." The review focused on the consolidated 2016 to 2018 progress against Johnson & Johnson's targets related to its SDG 2030 vision and aspirations. In a third statement, ERM CVS provided assurance in relation to GHG emissions (Scopes 1, 2, and 3). For each of the three assessments, ERM CVS followed a methodology based on ISAE 3000.
- Consistent with GRI 102-56, **Dow Chemical** engaged ERM CVS to provide limited assurance in relation to the company's 2018 sustainability report. The scope covered whether Dow prepared the report in accordance with the GRI comprehensive option and whether Dow's reported progress against its 2025 Sustainability Goals was fairly presented, in all material respects, in accordance with its internal reporting criteria. ERM CVS's assurance methodology followed ISAE 3000.
- **Walgreens Boots Alliance** provided an assurance report based on a review of numerous indicators presented in the company's 2018 sustainability report. The indicators addressed the following areas:
 - Environment (13 indicators)
 - Corporate Giving (four indicators)
 - Workplace (eight indicators)
 - GRI indicators (eight indicators)
 - Deloitte conducted a review of the above indicators in accordance with attestation standards specified by the American Institute of Certified Public Accountants.



Conclusions

- Dow 30 largely compliant with disclosing core indicators that align with US capital market reporting expectations, e.g., Revenue (A.1.1) and Taxes (A.2.1).
- Also largely compliant with disclosing core indicators related to Board characteristics, e.g., Number of Board Meetings (D.1.1), Number of Audit Committee Meetings (D.1.4), Director Ages (D.1.3) and Director Compensation (D.1.5).
- Current events should encourage disclosure of certain core indicators. Gender equality, climate change and community giving are highly publicized issues in the US.
 - Dow 30 largely disclose related indicators such as Female Board Members (D.1.2), Female Managers (C.1.1), Greenhouse Gases (B.3.1, B.3.2) and Community Investment (A.3.2).
 - However, disclosure is selective, as few disclose indicators such as Wages By Gender (C.2.3), Green Investment (A.3.1), Ozone Depleting Substances (B.4.1) and Local Procurement (A.4.1).
 - It is possible companies are conservative due to the litigious nature of the US corporate environment or the fear of negative publicity damaging their corporate image.



Conclusions continued

- Disclosure of SDG core indicators lacks consistency in location and presentation.
 - Sustainability information was located in numerous, inconsistent places (e.g., single sustainability report; multiple sustainability reports; 10Ks; proxy statements; links within reports/websites to other reports/websites; information behind paywalls).
 - Sustainability information was presented in numerous, inconsistent ways (e.g., raw numbers, ratios, by type, consolidated, various wording/descriptors, absence of acknowledgement).
- Some companies obtained assurance over their sustainability reporting, but even then it was not always obvious if assurance was obtained, who provided the assurance or what standards were followed.
- Alternatives (e.g., Dow Chemical Table 4 example) may be all that can be expected in US environment due to litigation and/or reputation concerns.

