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

## 37th SESSION
## 2 – 6 November 2020

Friday, 6 November 2020

**Agenda item 5(a). Progress and challenges in Sustainable Development Goal data collection from companies towards the achievement of Goal 12.6.1, number of companies publishing sustainability reports**

Presented by

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# GlobalAi

*HARMONIZING CORPORATE SUSTAINABILITY REPORTING THROUGH THE INTERSECTION OF BIG DATA, AI TECHNOLOGY AND UNCTAD-ISAR GLOBAL CORE INDICATORS (GCI)*

Dr. Madelyn Antoncic and Richard V. Rothenberg

November 6, 2020

# ABOUT THE GLOBAL ALGORITHMIC INSTITUTE

- **Global Algorithmic Institute** (Global-AI.org) is an NGO Think Tank that develops models using Big Data and Artificial Intelligence to measure ESG risks and progress toward achieving the UN SDGs.

- **Our Mission** is 'AI for Good' with a unique focus on finance for development, and harmonizing sustainability reporting through Big Data and Artificial Intelligence.

- We are a Think Tank within Global AI Corporation, a Big Data and AI company.

  - ➢ Our company provides investors and corporations ESG and SDG scores and other non-financial risk indicators using the most advanced artificial intelligence technologies, machine learning and Natural Language Processing (NLP).

# HARMONIZING CORPORATE SUSTAINABILITY REPORTING

- GAI is collaborating with UNCTAD by establishing a global data collection mechanism and repository of private sector, corporate ESG reporting data to inform SDG indicator 12.6.1.

- SDG Target 12.6

  - Encourages companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
  - SDG Indicator 12.6.1 Counts the number of companies publishing sustainability reports.

- UNCTAD considers the indicator an important opportunity not only to monitor and promote the growth in sustainability reporting globally,

  - but also to monitor and promote high quality reporting;
  - and to facilitate alignment of the different ESG reporting frameworks.

- Our initiative provides an opportunity to monitor, analyse and harmonize high quality sustainability reporting globally, providing sustainability data and analytics in a consistent and comparable manner.

# BIG DATA AND AI FOR INFORMING  SDG INDICATOR 12.6.1

- We use advanced analytics and artificial intelligence to scan and analyse company reports to determine their compliance with the Minimum and Advanced reporting requirements of Indicator 12.6.1.

- These requirements focus on all ESG sustainability dimensions, including economic, environmental, social,  institutional and governance.

- Provisions will also be made for manual submission of reports by individual companies by uploading to a web link.

- The data collection mechanism automates the aggregation of data at the country, sub-regional, regional and global levels.

# BIG DATA AND AI FOR THE UNCTAD-ISAR

- As part of the initiative, UNCTAD and Global-AI.org will be providing technical assistance and capacity building on the Minimum and Advanced Reporting Requirements as well as on best practices of sustainability reporting.

- We will be analyzing how well existing reported data align with both the Minimum and Advanced Reporting Requirements using any of the existing reporting frameworks.

  ➢ Also, we will be analyzing how well existing reported data align with the Global Core Indicators (GCIs).
  ➢ In addition, as a separate research project we will conduct surveys about the use of the GCIs.
  ➢ **We will do this through Direct submission via automated survey mechanism**

- The outcome of this project will help harmonize global sustainability reporting, by facilitating alignment of the different ESG reporting frameworks.

- It will encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

- GAI's global reporting harmonization and data repository initiative, can also provide critical data on how well the private sector is having an impact on sustainability and is delivering on the SDGs.

  ➢ Our initiative will provide these data at the country, regional and global levels.

# DATA COLLECTION MECHANISM FOR 12.6.1

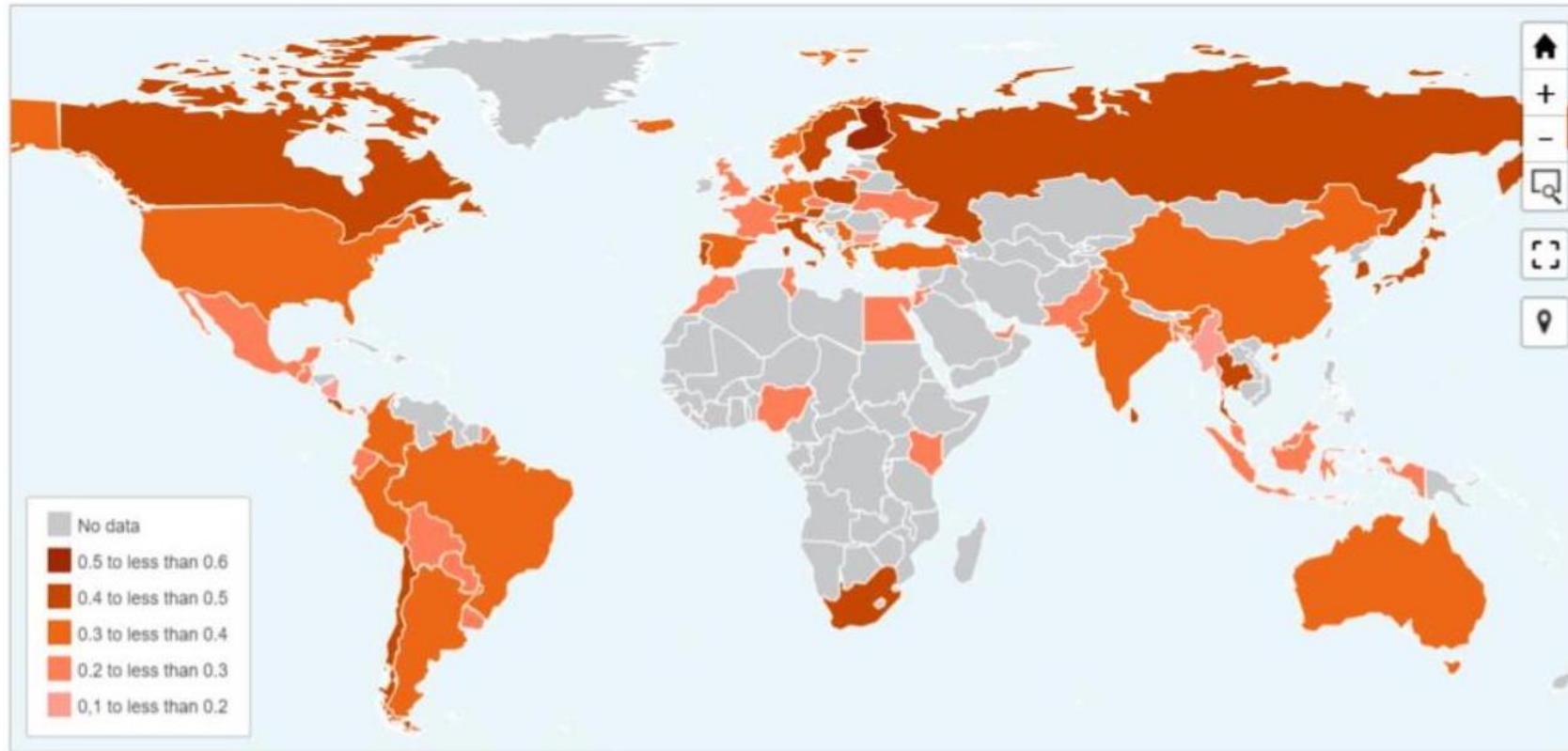| 1.Data Collection | 2.Analytics | 3.Data Aggregation | 4.Reporting |
|---|---|---|---|

- The mechanism will disaggregate data per sub-region, region and globally (avoiding double-counting of companies during the aggregation) ensuring the reported data:

  - ➢ Meet the Minimum Reporting Requirements
  - ➢ Meet the Advanced Level Reporting Requirements

- Inclusion of a company under a specific country it is proposed:

  - ➢ Data will be disaggregated such that a multinational company operating in different countries would be counted separately under the indicator count for each country.

- Reporting of data for the purpose of:

  - ➢ Voluntary National Reviews (VNRs) of Countries
  - ➢ Custodians reporting on SDG 12.6.1.

# PRELIMINARY ANALYSIS FOR 12.6.1

- This is an analysis of the global progress of corporations reporting sustainability to be counted towards the SDG Indicator 12.6.1, covering Minimum and Advanced reporting requirements

  - Company reporting is counted regardless of the different reporting frameworks they may be using, including if a company is using the UNCTAD-ISAR Global Core Indicators (GCI).

- The evaluation of the reports is through Machine Learning and Natural Language Processing (NLP) techniques across thousands of companies' Communication of Progress (COPs) and sustainability reports from the UN Global Compact across 20 languages and more than 130 Countries.

  - Of course, we plan on using multiple sources and data bases for the initiative.

- We analyzed the reports in the following two perspectives:

  - Levels of report completeness that examines the absence and presence of relevant text and quantitative values for each core indicators. The value '0' means no relevant text nor quantitative indicators mentioned; '1' means relevant text is mentioned; '2' means both relevant text and quantitative indicators mentioned.
  - Extraction of values of disclosure elements with high relevancy.

- The analysis illustrates the distribution and percentage of reporting completeness over all indicators. The analysis is done at the global, regional, country and sector levels.

# PRELIMINARY ANALYSIS FOR 12.6.1.
## By Geography

**Compliance with sustainability reporting, country averages, March 2019**
(Percentage)



Legend:
- No data
- 0.5 to less than 0.6
- 0.4 to less than 0.5
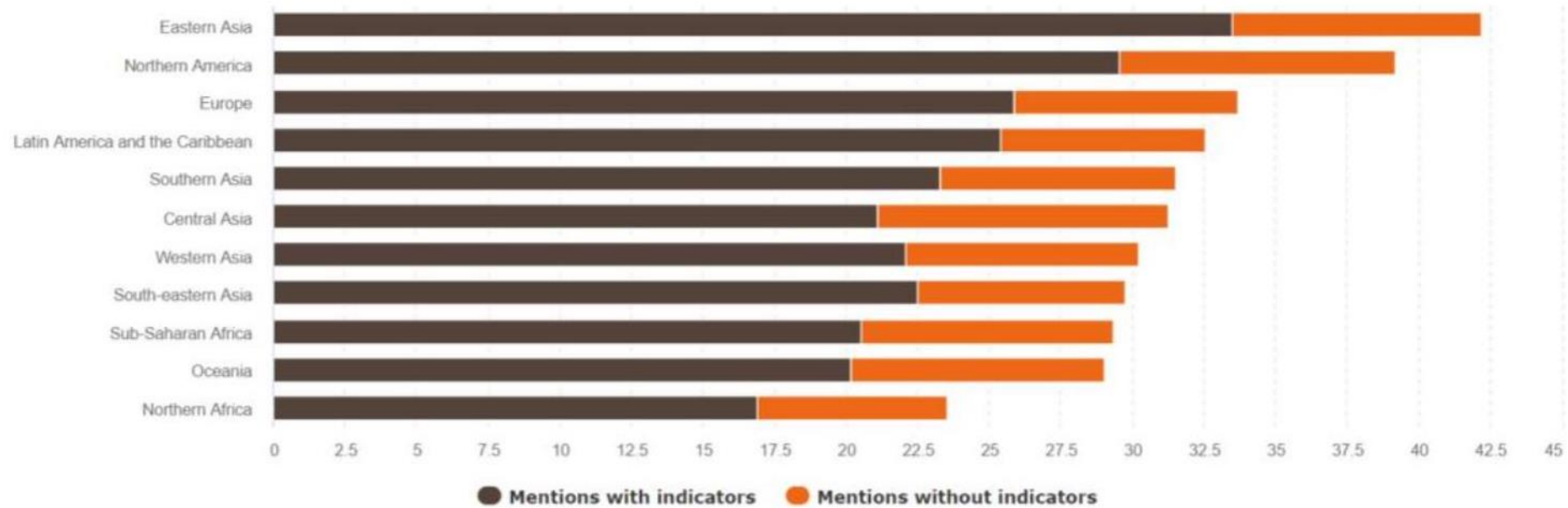- 0.3 to less than 0.4
- 0.2 to less than 0.3
- 0,1 to less than 0.2

Source: Global AI Corporation with data from United Nations Global Compact (2019) and UNCTAD (2018).
Notes: Countries with less than five reports available in the United Nations Global Compact database were excluded.

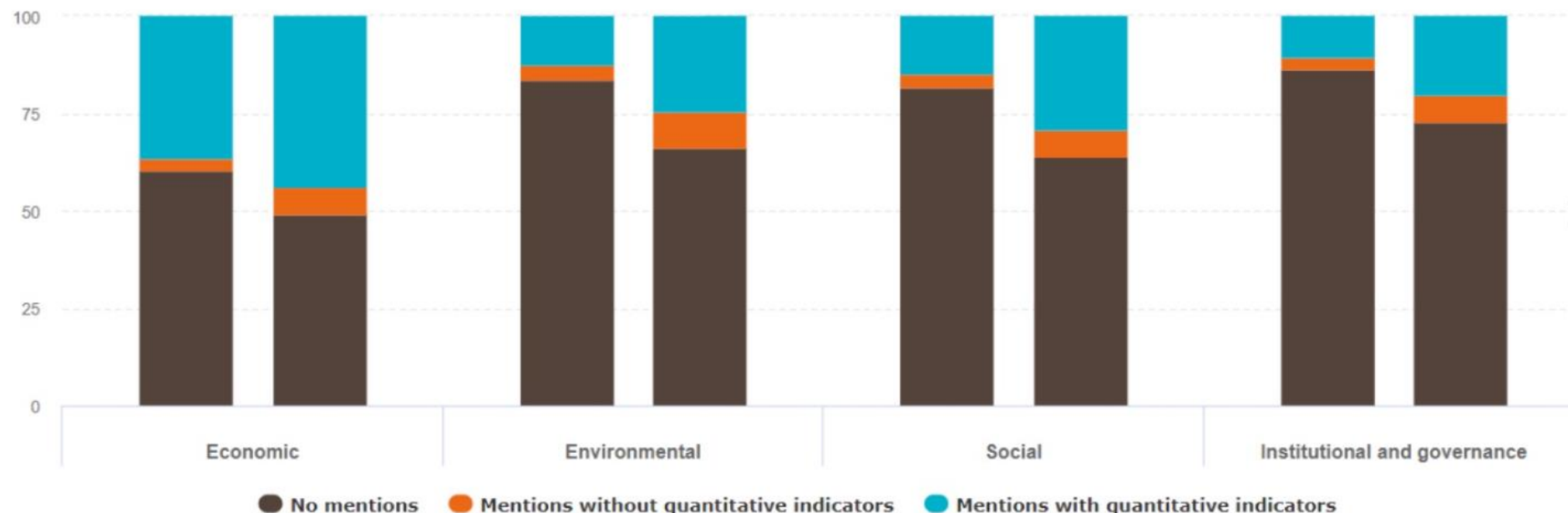**Compliance with sustainability reporting, regional averages**

(Percentage)



Source: Global AI Corporation with data from United Nations Global Compact (2019) and UNCTAD (2018).

# PRELIMINARY ANALYSIS FOR 12.6.1
# By Disclosure Dimensions Y-o-Y Change

Companies in the Americas, Asia and Europe, firms demonstrate a higher compliance with the Minimum Requirements than in others. Larger gaps in reporting of some regions are evident, especially in Africa and the Oceania

Compliance of sustainability reporting in line with Minimum and Advanced Requirements, by Theme



Source: Global AI Corporation with data from United Nations Global Compact (2019) and UNCTAD (2018).

The regions of America, Asia and Oceania demonstrated the most significant progress in reporting on 12.6.1 with the growth in the number of reports of more than 60 per cent in just one year. The overall quality of sustainability reports has improved across the world since the 2017 round of reports,.

Compliance of sustainability reporting in line with Minimum and Advanced Requirements, by Region
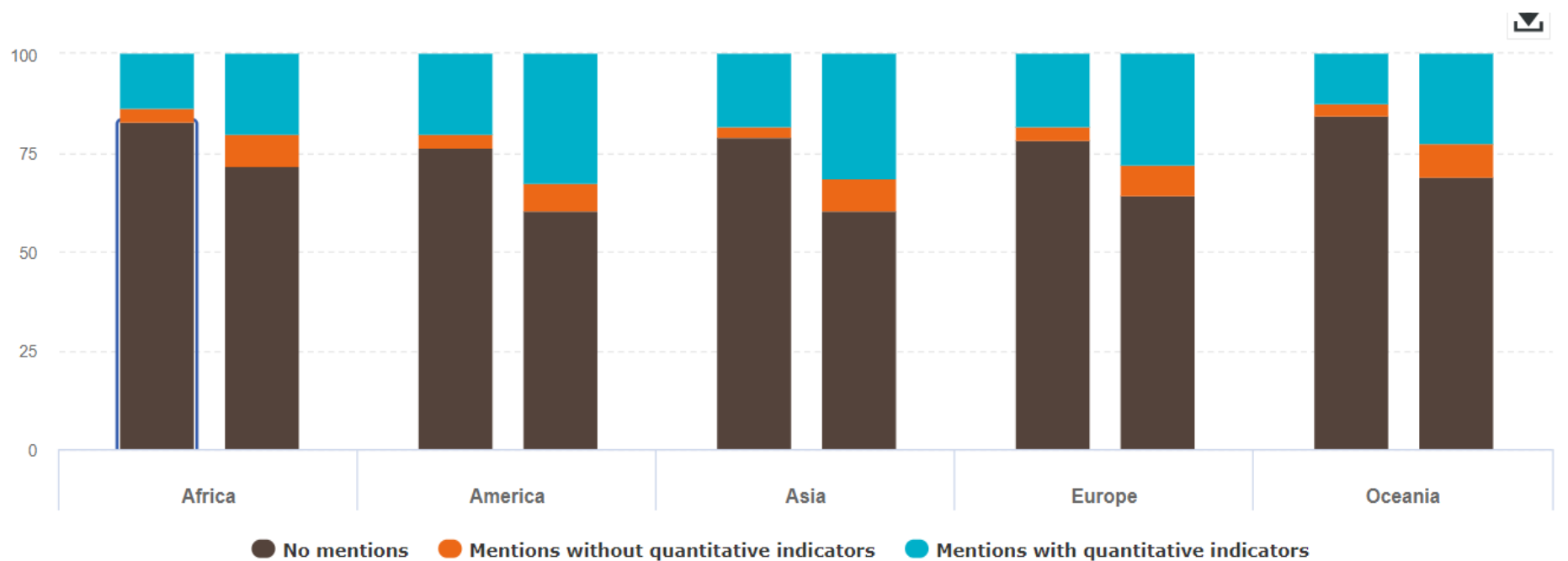
# CHALLENGES & NEXT STEPS

- There is no central depository of company sustainability reports in most Countries

- Reports are typically limited to large public companies, excluding smaller companies and SMEs.

- Sustainability reports do not have a consistent template and the data formatting is not standardized

- The scanning of reports will be done at a global level by February 2021.

- The automated survey will commence in pilot countries in November 2020.

# Thank You!