Agenda item 3. Review of practical implementation and recent developments in sustainability reporting requirements

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Practical Implementation of Sustainability Reporting in Lebanon

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Developments in Reporting Requirements

Lebanon
Current Status of Reporting Requirements

❖ International developments: ISSB-IFRS and EFRAG standards, 2030 Agenda

❖ At the local level, sustainability reporting takes place in the context of a challenging situation in Lebanon; economic crisis, political standstill, and pressure from high influx of refugees

❖ Current status:
  ❖ Lebanon is committed to the 2030 Agenda, but sustainable finance practices have been halted due to the current political situation. SDG funding is focused on poverty alleviation – no budget available for sustainability reporting projects

❖ Sustainability reporting is largely voluntary: there are no requirements for sustainability reporting from regulators and banks; ESG guidelines have not been issued, and there is no pronouncement on IFRS-ISSB standards. However, companies do report on sustainability
Why Sustainability Reporting is Crucial for Lebanon

Sustainability will play a **key role** for recovery:

- **Sustainable performance** of companies is crucial for **economic prosperity**, **social** wellbeing, **environmental** stewardship, and efficient management of natural resources.

- Entities in Lebanon will need to catch-up with evolving reporting requirements and standards: adoption of **ISSB-IFRS standards** & sustainability **information demands** from **stakeholders**.

- **ESG** and **SDG information** is necessary for **(foreign) investment**, integration into **global value chains**, and to measure **progress towards the SDGs**.

  - Measuring the **impact** of entities on the **economy**, **society** and the **environment** will be key for **tracking contributions** to the **sustainable development** of Lebanon and its 2030 Agenda commitments.
Practical Implementation of Sustainability Reporting

Lebanon
A research study was carried out on a sample of Lebanese companies across multiple sectors and different sizes based on UNCTAD’s Guidance on Core Indicators:

- 62.5% of companies prepare sustainability reports despite lack of requirements and formal guidelines
- 87.5% of companies are not able to report on the SDGs due to lack of capacity in quantifying contributions based on their business activities
- 37.5% of reporting companies use their own framework (challenge for information comparability), followed by GRI, SASB and ISSB standards
- 12.5% of sustainability reports are subject to assurance
Sustainability Reporting Coverage in Practice

**Economic: 60%**
High-coverage on revenue and tax topics
Lower reporting rates on green and community investment, and local procurement

**Environmental: 80%**
High reporting rate on waste and (renewable) energy topics
Challenges in reporting water topics, biodiversity and emissions: 25% of companies report CO2

**Social: 80%**
62.5% report on gender equality and employee training expenditures
Lower reporting rates on wages and health & safety topics

**Institutional: 60%**
Most reported topics are related to board composition and anti-corruption training
Board/Audit committee meetings and attendance rate are less commonly reported

*Coverage based on UNCTAD’s GCI*
Sustainability Reporting Challenges

Quantifying
Lack of measurement or tracking systems in place; especially for environmental sustainability information.

Non-listed companies are not able to link their activities to SDG contributions.

Capacity
Companies struggle to report certain topics because they do not have the necessary knowledge and capacity (time and resources) for sustainability analysis and reporting.

Regulation
Information is not required by regulation or by investors.

There is lack of clear guidance on ESG / SDG / Sustainability disclosure.
Despite the current situation, companies are actively disclosing sustainability information. This represents an opportunity to strengthen reporting so companies are ready to adopt ISSB standards.

Sustainability reporting plays a key role in fostering entities' access to global investment and value chains. Helping entities disclose reliable, quantitative and comparable information is key.

Capacity building is crucial for the uptake of sustainability/SDG reporting and ISSB standards:

• Training materials and manuals
• Issuing of guidances
• Training and guidance for SMEs

Dialogue and coordination between institutions is paramount. The Regional Partnership for Gulf States and Neighboring Countries plays a key role in the exchange of experiences & best practices, and is also a platform with capacity building potential for countries in the region.

There is very little tracking of contributions towards the SDGs through sustainability reporting. UNCTAD's tools and support could be useful in this regard.
Thank you!

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