

## **ISAR Update – December 2021<sup>1</sup>**

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### **ISAR to hold its thirty-ninth session in Geneva in October 2022**

UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) will hold its thirty-ninth session at the Palais des Nations in Geneva in October 2022. The session will deal with two main agenda items:

- **Good practices in and approaches to the practical implementation of sustainability reporting requirements; and**

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<sup>1</sup> This publication has not been formally edited.

- Review of practical implementation of international standards of accounting and reporting in the private and public sectors.

Further information will be forthcoming.

## **The 7<sup>th</sup> World Investment Forum featured a high-level roundtable on sustainability reporting**

The [7<sup>th</sup> World Investment Forum](#) which took place from 18-22 October 2021 was attended by over 8,000 participants and featured a total of 95 high-profile sessions. One of the sessions was dedicated to consideration of the role of enterprise reporting as the basis for sustainable investment. The roundtable reviewed the state of global efforts aimed at harmonizing frameworks and standards on sustainability reporting and considered the future direction of the International Sustainability Standards Board (ISSB). Dr. Jörg Kukies, State Secretary for Financial Market Policy and European Policy, Federal Ministry of Finance, Germany delivered a keynote address at the opening of the roundtable. A video on the roundtable can be accessed by clicking [here](#).

Another event on accounting and reporting that took place as part of the 7th World Investment Forum, was a panel discussion titled “Financial Inclusion and Policy Support for MSMEs: Building Accounting Capacity to increase the financial literacy and facilitate MSMEs access to finance”. The event provided the forum participants with an opportunity to share experiences and consider strategies for dealing with the effects of the COVID-19 pandemic and MSMEs’ obstacles and needs for accessing finance.

To watch the recorded video of the event please click here. use the following [link](#).

## **2021 edition of ISAR honours conducted**

Honourees of the 2021 edition of *ISAR Honours* were announced on 19 October on the occasion of the 7<sup>th</sup> World Investment Forum 2021.

The awards recognize entities that excel in promoting environmental, social and governance (ESG) reporting among companies. This year, 40 nominations were received from 23 different countries. In the International Category: the World Business Council for Sustainable Development; the Value Balancing Alliance; and the OECD Centre For Responsible Business Conduct have been recognized. In the National Category: FSR – Danish Auditors, Denmark; the Institutes of Certified Public Accountants (ICPAR &ICPAK), Rwanda and Kenya; and the Southern African Institute for Business Accountants have been recognized. Special recognition was also given to the Family Business Network International, and the Malaysian Sustainable Finance Initiative.

Further information can be accessed by clicking [here](#).

## Thirty-eighth session of ISAR held in November 2021

The thirty-eighth session of ISAR was held from 9 to 12 November 2021 in a hybrid format. The session dealt with two main topics:

- Review of practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals, and
- Climate-related financial disclosures in mainstream entity reporting: good practices and key challenges.

Under other business, delegates were briefed on further activities carried out during the intersession period relating to accounting and reporting by Micro, Small and Medium-sized Enterprises (MSMEs) to promote financial inclusion and overcome the challenges posed by the COVID 19 pandemic.

The UNCTAD secretariat prepared two background papers ([ISAR 97](#) and [ISAR 98](#)) to facilitate deliberations on the respective main agenda items. The session featured four panel discussions and also four keynote speakers representing key organizations with respect to financial and sustainability reporting by enterprises.

The session concluded with agreed conclusions on all agenda items it considered. In regard to the first main agenda item, the Group of Experts welcomed the refinements to some of the indicators of the GCI proposed by a consultative group; and requested the UNCTAD secretariat to: in line with the Bridgetown Covenant, further identify, promote and support domestic policies to promote sustainability reporting; to closely follow the work of the International Sustainability Standards Board and act as a channel to convey to the Board the views and positions of ISAR; and, in this regard, called on the UNCTAD secretariat to establish a consultative group to support this process. It also requested the UNCTAD secretariat to continue supporting regional efforts and partnerships, in particular among developing countries, aimed at promoting a common approach to sustainability reporting.

Regarding outcome on the second main agenda item, the Group of Experts requested the UNCTAD secretariat to continue to monitor progress on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, with a view to identifying good practices in the practical implementation of the recommendations for further consideration by ISAR in the future, geared towards supporting developing countries in implementing recommendations developed at the global level.

In relation to further work on accounting and reporting by Micro, Small and Medium-sized Enterprises (MSMEs) the session requested the UNCTAD secretariat to: continue its efforts to further disseminate the accounting training manual and related tools, with a view to assisting

member States in facilitating access to finance for microenterprises and small and medium-sized enterprises; and to continue to monitor feedback from member States on the usefulness of the accounting training manual and related tools for policymaking and regulation; and look forward to further updates and revisions by the secretariat at an appropriate juncture and when required.

In their responses on feedback forms circulated by the UNCTAD secretariat, participants indicated that 98 percent were very satisfied or satisfied with the substance of the session.

Further information on the 38<sup>th</sup> session of ISAR, including background documents, and Power Point presentation slides that speakers used then can be accessed by clicking [here](#).

### **UNCTAD-IAAER workshop discussed impact of COVID 19 on financial and sustainability reporting**

The Thirty-eighth session of ISAR was preceded by a workshop that reviewed research on the impact of COVID 19 on financial and sustainability reporting. The overall findings indicate that while COVID 19 might have exacerbated the situation, there is no significant impact that can be specifically attributed to the pandemic. However, to arrive at definitive conclusions, further follow-up is needed in the coming months when more data becomes available. The workshop was organized in cooperation with the International Association for Accounting Education and Research (IAAER). Many members of the Accounting Research Network (ARN) participated in the workshop. The ARN was formed in 2019 to provide support to ISAR in identifying and addressing emerging issues. Feedback obtained from participants indicated that 100 per cent were very satisfied or satisfied with the substance of the workshop.

Further information on this event, including Power Point presentation slides that speakers used then can be accessed by clicking [here](#).

### **Significant progress registered in implementing capacity-building projects**

During the second half of the year, UNCTAD registered significant progress in implementing capacity-building projects in Africa, Eurasia and Latin America. The projects are intended to assist beneficiary countries in addressing gaps identified in their financial and sustainability reporting infrastructure and promoting high-quality reporting by enterprises in their respective jurisdictions.

The following activities have been undertaken over recent month:

## **Enabling policy frameworks for enterprise sustainability and SDG reporting in Latin America**

UNCTAD, the Mexican Council for Financial Reporting Standards (CINIF), the National Banking and Securities Commission of Mexico (CNBV) and the Mexican Institute of Public Accountants (IMCP) co-organized a workshop on enabling policy frameworks for enterprise sustainability and SDG reporting in Latin America. It took place from 4 to 8 October 2021. The workshop raised awareness about the importance of establishing enabling policy frameworks for business sustainability and SDG reporting in the Latin American region and fostered experience-sharing among policy makers. Participants shared challenges, best practices and lessons learned from the implementation of UNCTAD's sustainability/SDG reporting tools and the development of national action plans. Moreover, the workshop paved the way to launching a regional partnership to improve enterprise sustainability reporting through mutual support, dialogue and sharing of experience among regional peers. It was attended by 212 participants from 18 Latin American countries. Participants included senior government officials in charge of SDG implementation, and heads of national authorities in charge of enterprise accounting and reporting (including financial reporting and sustainability reporting), standard setting bodies, professional bodies, and associations of accountants, senior representatives of statistical offices, environmental and labor authorities, academia and private sector, as well as preparers and users of the reports.

## **Regional Partnerships for Promotion of Sustainability Reporting in Latin America and Africa**

The inaugural meeting of the *Regional Partnership for the promotion of sustainability and SDG reporting in Latin America* took place on 12 November 2021. The meeting was attended by entities from 15 countries in the region. The objective of the Partnership is to promote mutual support among Latin American countries in their efforts to develop national strategies and policies to establish or strengthen the national infrastructure to prepare high-quality sustainability reports by companies; measure the contribution of the private sector to the implementation of the SDGs; and promote sustainable enterprise development. Mexico is the first Chair of the Partnership represented by the Mexican Council for Financial Reporting Standards (CINIF) with the support of the National Banking and Securities Commission of Mexico (CNBV), and the Mexican Institute of Public Accountants (IMCP). UNCTAD-ISAR will support the partnership by opening opportunities within the ISAR sessions and inter sessional events and activities to listen to the challenges and needs of the region and monitor achievements and progress. It will also create opportunities to exchange experience and lessons learned with other regions of the world. Additionally, it will invite members to participate in its capacity building workshops and will make available its materials, guidance, and tools. Moreover, UNCTAD-ISAR will be able to identify technical assistance needs among Partnership members.

A Regional Partnership for Africa will be launched in January 2022.

## **UNCTAD and UNITAR launched an e-learning course on sustainability reporting**

On 10 November 2021, UNCTAD together with UNITAR launched the e-learning course *Implementation of Core SDG Indicators for sustainability reporting by companies* which aims at providing guidance and practical information on the measurement of universal and core SDG indicators in economic, environmental, social, and institutional areas. It also seeks to assist governments in their efforts to evaluate the contribution of the private sector to the SDGs. The e-learning course was launched in English and Spanish, and a French version will be available soon. The panel at the virtual launching event included experts from different regions who worked on the preparation of case studies, some of them also contributed to the development of the GCI and other materials, and/or to capacity building activities.

## **Capacity-building workshop on the GCI conducted in Spanish**

A capacity building activity on the *Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals (GCI)* and its Training Manual in Spanish was conducted on 23, 24 and 25 November 2021. The training was attended by 298 participants from 15 countries in the Latin American region. It provided information on the definition, measurement methodology and sources of information of the 33 core indicators of the GCI. In addition, findings from various case studies were presented, focusing on case studies conducted with MSMEs.

## **Implementation of the Accounting Development Tool in Cameroon and Kenya**

### **Cameroon**

The United Nations Conference on Trade and Development (UNCTAD) and the Ministry of Finance of Cameroon joined efforts to organize in the capacity building activity related to the implementation of the Development Account 11th Tranche Project. The meeting on *Sustainability reporting for entity reporting on contribution towards implementation of the Sustainable Development Goals* for companies took place from 14 to 17 December 2021 in Yaoundé. The meeting was attended by more than 30 key institutions involved in the implementation of the SDGs, as well as those institutions involved in financial and non-financial reporting at the national level, including National Assembly, Ministry of the Environment, Nature Protection and Sustainable Development (MINEPDED), Ministry of the Economy, Planning and Regional Development (MINEPAT), Ministry of External Relations (MINEREX), Ministry of Finance (MINFI), Special Fund for Equipment and Inter-municipal Intervention (FEICOM), Cameroon Entrepreneurs Movement (MECAM), Promotion Agency for Small and Medium Enterprises (APME), National Order of Central African Chartered Accountants (ONECA) etc.

The session was opened by the Ministry of Finance and the City Council of Yaoundé. The meeting was moderated by the Mission of Cameroon to the international organizations in Genève. The

activity enabled to present a comprehensive overview of the Development Account Project progress in beneficiary countries in African region as well as deliver a technical training on the UNCTAD “Guidance on core indicators for entity reporting on contribution towards implementation of Sustainability Development Goals” (GCI) and inform on the findings of the conducted case study in Cameroon. The presentations were followed by a multistakeholder dialogue that led to the request for the further technical assistance in conducting the national assessment of the reporting infrastructure in Cameroon with support of the UNCTAD ADT Tool and proposal to create an Accounting National Council in order to articulate the mechanisms for implementation of the GCI in Cameroon.

## Kenya

On 26 November 2021, UNCTAD, United Nations Development Program (UNDP) in Kenya and the National Treasury and Planning of Kenya organized a meeting for the Action Plan Presentation related to the implementation of the Development Account 11<sup>th</sup> Tranche Project titled *Enabling policy frameworks for enterprise sustainability and SDG reporting in Africa and Latin America*. The objective of the project is to strengthen the capacities of governments to measure and monitor the private sector contribution to the implementation of the 2030 Agenda. The presentation of the action plan proposed recommendations to address the gaps based on the results of the national assessment of the reporting infrastructure in the country as agreed at the national workshop. It encouraged participants to discuss the activities proposed and share their views leading the way to improve the sustainability/SDG reporting infrastructure in Kenya, enhancing the quality of corporate reporting, including on environmental, social, and corporate governance aspects. The meeting was attended by representatives from more than 20 key institutions that deal with sustainability/SDG reporting aspects in Kenya.

UNCTAD and United Nations Development Program (UNDP) informed on the progress of implementation of the project in Kenya. The national assessment phase has been successfully completed and in order to proceed with the further project activities in the country, a National Virtual Workshop was held from 2 to 4 November 2021. The workshop helped to validate the findings of the implementation of UNCTAD tools, undertake discussions on sustainability and SDG reporting and agree on a preliminary list of gaps, priorities, and recommendations. The event was attended by all key institutions involved in the implementation of the SDGs, as well as institutions involved in financial and non-financial reporting at the national level. More than 20 participants took part in the discussion and validates the outcome of the national assessment phase of the project.

## Training on the GCI conducted in the Eurasian region

On 5 November 2021, UNCTAD delivered a virtual training to the key experts and stakeholders in the area of sustainability/SDG reporting as a capacity building activity in the Eurasian region. The training enabled presentation of the *Guidance on core indicators for entity reporting on*

*contribution towards implementation of Sustainability Development Goals (GCI), informing on the findings of the case studies conducted in the Eurasian region and other countries as well as share an update on the international trends and developments in this area. The objective of this project was to facilitate capacity building by preparing case studies of seven selected small and medium-sized enterprises (SMEs) in in the CIS region, including Belarus (2 SMEs), Kazakhstan (2 SMEs), and the Russian Federation (3 SMEs) on accounting and reporting on companies' contribution to the SDG agenda based on the GCI and the Training manual on the GCI published by UNCTAD. The training was attended by more than 200 stakeholders representing government, academia, private sector, regulators, non-profit organization in the region including such countries as Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Turkmenistan, Ukraine, and Uzbekistan.*

### **Training on accounting and reporting for MSMEs to take place in the MENA Region**

Based on the Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA Level 3), UNCTAD has developed the Accounting Training Manual for MSMEs focusing on micro and small companies. Recently, the manual has been developed/adapted into four official UN languages English, French, Spanish and Arabic. UNCTAD will organize Training of Trainers (TOT) workshop targeting accounting and reporting trainers in Arabic-Speaking countries in the MENA region. The training event is planned to take place in the first quarter of 2022 and is intended to help participants learn how to use the training manual and master the technical knowledge and skills to deliver such training to entrepreneurs and small companies in the region.

### **News briefs**

#### **IFRS Foundation Trustees announce appointment of Chair of the Sustainability Accounting Standards Board**

On 15 December 2021, the Trustees of the IFRS Foundation announced appointment of Mr. Emmanuel Faber to serve as Chair of the International Sustainability Standards Board (ISSB), effective 1 January 2022. Mr. Faber was Chair of the Board and CEO of Danone, a multi-national food products company. The Trustees indicated that the next step in the process of establishment of the ISSB will be nominations for the remaining ISSB members, ensuring diversity in representation and professional experience, and announcement of the appointments of Vice-Chairs and senior staff members to create the ISSB's global leadership team. Further information on this announcement can be accessed by clicking [here](#).



## **European Commission calls for applications for Chairs of EFRAG Boards**

On 15 December 2021, the European Commission announced calls for applications for Chairs of the European Financial Reporting Advisory Group's Financial Reporting and Sustainability Reporting Boards. The Financial Reporting Board is responsible for: defining the work plan in its area of responsibility; appointing the members of the Financial Reporting Technical Expert Group; reviewing and approving any other non-binding guidance prepared and recommended by the Financial Reporting Technical Expert Group; and overseeing the financial reporting research activities. The Sustainability Reporting Board will be responsible for: defining the sustainability reporting standard setting work plan; appointing the members of the Technical Expert Group (TEG) that would report to the Sustainability Reporting Board, upon recommendation of the Administrative Board's Nominating Committee; reviewing and approving draft standards prepared by the TEG before they are submitted to the European Commission; reviewing and approving any other non-binding guidance prepared and recommended by the TEG; and overseeing the sustainability reporting research activities to support the standard setting process. The Sustainability Reporting Board is also tasked with ensuring interconnectivity with the Financial Reporting Board. Further information on this announcement can be accessed by clicking [here](#).

## **IFAC charts the way forward for assurance of sustainability information**

On 6 December 2021, the International Federation of Accountants (IFAC) published its vision for [high-quality assurance of sustainability information](#) calling out best practices identified during its year-long, global engagement campaign related to the *State of Play in Sustainability Assurance*. This vision addresses the importance of global standards, regulation that supports decision-useful disclosure, and the value of an interconnected approach to sustainability and financial information reporting *and* assurance.

## **Investors and finance leaders support mandatory ESG Disclosure Standards**

In a survey conducted by EY and published in December 2021, 89 per cent of investors and 74 per cent of finance leaders surveyed indicated that they would like reporting of ESG performance measures against a set of globally consistent standards to be a mandatory requirement. In terms of challenges faced in ESG reporting, among issues that compromise the usefulness and effectiveness of ESG disclosures: 46 per cent of investors and 39 percent of finance leaders identified the disconnect between ESG reporting and mainstream financial information as a factor. The survey report can be accessed by clicking [here](#).