SMART INTERACTIVE TALK ON
THE IMPLICATIONS OF SUSTAINABILITY REPORTING ON
PUBLIC SECTOR ACCOUNTING

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RECENT TRENDS IN SUSTAINABILITY REPORTING

- The incorporation of environmental, social and governance factors into corporate and capital market activities and financial instruments has become a *mainstream* sustainability trend in recent years.

- Recognition of its important role in:
  
  - Improving corporate decision-making while strengthening investors’ and other stakeholders’ protection and information; promoting efficient and transparent *markets*, economies and societies; facilitating the reduction of systemic risks.
  
  - Improving corporate *internal control systems* and management practices.
  
  - In contributing to the achievement of the *Sustainable Development Goals*; in particular reporting on the SDG 12.6.1 “Number of companies publishing sustainability reports.”
  
  - The coronavirus disease *pandemic* has significantly heightened the focus on sustainability issues.
More recent trends in sustainability reporting

- Recognition that the existence of diverse sustainability reporting frameworks and standards leads to inconsistent and incomplete information that cannot be easily compared across companies.

- Acknowledgement that there is the need to foster efforts and cooperation in all initiatives towards a single, coherent and robust set of standards on sustainability reporting that would provide consistent and comparable data.

- Need to facilitate the interconnectivity of integrated reporting and ensure an equal footing of financial and sustainability reporting.

- IOSCO, IFRS, Big 5 (GRI, SASB, IIRC, CDSB, CDP), EFRAG.
MAIN CHALLENGES IN SUSTAINABILITY REPORTING

• Lack of regulatory, institutional and technical capacity to adapt national corporate reporting environments to the new demands spurred by the 2030 Agenda and effectively assess the private sector contribution towards attaining the SDGs
• Lack of consistency with financial information of sustainability reporting in general
• Difficulties in aligning sustainability reporting with the SDGs monitoring framework and its indicators
• Need for a better coordination at all levels
• Data collection mechanisms at a national level
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UNCTAD’s Accounting Development Tool (ADT)

- Launched in 2012 to assess a country’s capacity for high-quality enterprise reporting, applied in about 20 countries
- Tool to identify gaps, decide on priorities and develop action plan on reforming national accounting and reporting system towards high quality and internationally comparable financial and sustainability reporting
- Allows to monitor country progress over time
- Has a chapter on public sector accounting
- The ADT has recently been adapted for a stronger emphasis on ESG and SDG reporting
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Alignment with the SDG agenda
HLPF

• Main UN platform providing political leadership and guidance on sustainable development.

• Central role in the follow up and review of the 2030 Agenda.

• Takes place on a yearly basis under the auspices of ECOSOC and every 4 years under the auspices of the GA.
Target 12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
The Inter-agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) was established to develop a global indicator framework to monitor the implementation of the 2030 Agenda.

The Global Indicator Framework was agreed in March 2017 and adopted by the General Assembly on 6 July 2017.

The 17 SDGs have 169 associated targets and there are 232 indicators on which general agreement has been achieved.

The IAEG-SDGs prepares a report that requires global monitoring to be based on comparable and standardized national data.

The Framework has a direct effect on enterprise reporting agenda.

SDG 12.6.1 required data availability and collection mechanism at a national level.

UNCTAD and UNEP are co-custodians of the SDG 12.6.1.
Goal 12. Ensure sustainable consumption and production patterns

12.1 Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries

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

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

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

12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities

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

12.1.1 Number of countries with sustainable consumption and production (SCP) national action plans or SCP mainstreamed as a priority or a target into national policies

12.2.1 Material footprint, material footprint per capita, and material footprint per GDP

12.2.2 Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP

12.3.1 Global food loss index

12.4.1 Number of parties to international multilateral environmental agreements on hazardous waste, and other chemicals that meet their commitments and obligations in transmitting information as required by each relevant agreement

12.4.2 Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment

12.5.1 National recycling rate, tons of material recycled

12.6.1 Number of companies publishing sustainability reports

12.7.1 Number of countries implementing sustainable public procurement policies and action plans

12.8.1 Extent to which (i) global citizenship education and (ii) education for sustainable development (including climate change education) are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment
Besides SDG 12 number of other SDG indicators are relevant to enterprise reporting.

**Goal 6**

**Relevant indicators:**
- 6.3.1 Proportion of wastewater safely treated
- 6.4.1 Change in water-use efficiency over time
- 6.4.2 Level of water stress: freshwater withdrawal as a proportion of available freshwater resources

**Goal 7**

**Relevant indicators:**
- 7.2.1 Renewable energy share in the total final energy consumption
- 7.3.1 Energy intensity measured in terms of primary energy and GDP

**Goal 17**

**Relevant indicators:**
- 17.1.2 Proportion of domestic budget funded by domestic taxes
- 17.17.1 Amount committed to public-private and civil society partnerships
• Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) is a UN focal point on enterprise accounting and reporting issues.
• Established in 1982 by ECOSOC, hosted by United Nations Conference on Trade and Development.
• Main mission - facilitate international harmonization and quality of enterprise accounting and reporting as a key component of enabling investment and business climate.
• Within the context of the 2030 Agenda, ISAR contributes to enhancing the role of enterprise reporting in assessing the private sector contribution to the SDG implementation; facilitation of comparability and usefulness of sustainability reporting.

https://isar.unctad.org/
UNCTAD main products

Identifying challenges, offering guidance...
Guidance on Core Indicators (GCI)

- The Core indicators are at the intersection of micro- and macro-level trends and needs
- Consistent with the SDGs monitoring framework and aligned with countries needs on monitoring the attainment of the SDG agenda
- Selected on criteria to be measurable, consistent, comparable
- Cover key areas common to all businesses, such as rational use of natural and material resources (water, energy, land, clean area, waste), social issues, such as workers health and safety, access to training, gender equality, good governance such anti corruption practices, and economic contribution.
- Applicable in the public sector
What is common to all businesses?

- Economic impact (GDP, taxes)
- Rational use of natural resources (water, land, energy, materials), waste generation, impact on climate change (stressed in the Final Recommendations Report of the Task Force on Climate-related Financial Disclosures)
- Rational use of human capital (safety of workers, wages, gender aspects, training, human rights)
- Governance principles (resilience to corruption)
Four areas

- Economic
- Environmental
- Social
- Institutional
Economic area
- Revenue
- Value added (gross value added, GVA)
- Net value added (NVA)
- Taxes and other payments to the Government
- Green investment
- Community investment
- Total expenditures on research and development
- Percentage of local procurement

Social area
- Proportion of women in managerial positions
- Average hours of training per year per employee
- Expenditure on employee training per year per employee
- Employee wages and benefits as a proportion of revenue by type and gender
- Expenditures on employee health and safety as a proportion of revenue
- Frequency/Incident rates of occupational injuries
- Percentage of employees covered by collective agreements

Environmental area
- Water recycling and reuse
- Water use efficiency
- Water stress
- Reduction of waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste
- Greenhouse gas emissions scope 1
- Greenhouse gas emissions scope 2
- Ozone-depleting substance and chemicals
- Renewable energy
- Energy efficiency

Institutional area
- No. of board meetings and attendance rate
- No. and percentage of female board members
- Board members by age range
- No. of meetings of audit committee and attendance rate
- Total compensation per board member (both executive and non-executive directors)
- Amount of fines paid or payable due to settlements
- Average no. of hours of training on anti-corruption issues, per year per employee

GCI core indicators
Countries participated in the case studies

Represented countries:

- China
- Colombia
- Denmark
- Egypt
- Guatemala
- India
- Italy
- Kenya
- Netherlands
- Poland
- Russia
- Saudi Arabia
- South Africa
- Tanzania
- Turkey
- Ukraine
- USA

- An overview of the implementation of the Guidance in several companies was conducted in Egypt and USA
- More case studies are in progress
- Applied in the public sector (university)
Case Studies

- GCI as good start towards producing comparable data
- Capacity-building required

GCI

- Technical guidance to improve data availability
- 4 chapters with a list of selected references
- Available in English and Spanish

Training Manual

- Definition
- Measurement methodology
- Potential sources of information
- Examples
- Self-assessment questions with solutions.

https://isar.unctad.org/training-materials/
Coordination of the GCI initiative with the work of other UN entities in the area of corporate reporting

- ISAR - focal agency in the UN on enterprise accounting and reporting
- ISAR 37th session agreed conclusions: encourages the UNCTAD secretariat to continue engaging with relevant United Nations agencies, as well as with key regional and international institutions promoting work on the harmonization and comparability of sustainability accounting and reporting by entities in the public and private sectors, with a view to facilitating the further convergence and alignment of reporting frameworks and practices, and to continue developing metrics and tools on measuring and collecting timely and reliable data on the private sector contribution towards the implementation of the Sustainable Development Goals…

- DESA: GISD recommended the GCI to be considered by their members and for alignment with the WEF metrics;
- UN Global Compact: as part of their revised COPs (Communication of Practices);
- UN Statistics: incorporated GCI as a baseline reporting for its business statistic data framework;
- UNEP: co-custodian on the SDG 12.6.1 and alignment with its Minimum Requirements on sustainability reporting in the Metadata Guidance 12.6.1;
- UNRISD: GCI are used as a baseline for their economic impact indicator framework;
- UNDP: ongoing coordination in the context of its SDG standards for businesses.
• Need to incorporate sustainability reporting requirements into the IPSAS framework

• Efforts towards building regulatory, institutional and technical capacity at all levels in this area

• Need for enhanced cooperation with different players, including in the SDG implementation, environment and social areas, financial and management accounting fields, statistical area