

ISAR inputs to the HLPF

1. Key policies and measures to ensure “accelerated action and transformative pathways” for realizing the decade of action and delivery for sustainable development

a. Critical gaps in implementing the 2030 Agenda within the area of responsibility of the intergovernmental body (bearing in mind interrelations with other goals and targets)

The private sector plays a critical role in the implementation of the 2030 Agenda for Sustainable Development. To enhance its contribution towards the attainment of the SDGs it is important to have means of assessing its input in a consistent manner. In this context sound enterprise accounting and reporting is a key for making such information available for all concerned stakeholders, including investors, governments, and society at large. To fulfill such role, enterprise reporting should be of a high quality, consistent, comparable and reliable, it should be internationally harmonized and aligned with the SDG agenda.

In the SDG agenda, there is only one specific target 12.6. and indicator 12.6.1 directly referring to the private sector performance: in particular, target 12.6 encourages companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycles; and indicator 12.6.1., asks for data on the number of companies publishing sustainability reports. However, there are several other indicators that are applicable at a company level and refer to data already being reported by companies such as SDG 12 on Responsible Consumption and Production, SDG 4 on Quality Education, SDG 5 on Gender Equality, SDG 6 Clean Water and Sanitation, SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 13 Climate Action, SDG 16 Peace, Justice and Strong Institutions, among others.

The sustainability reporting area has gained relevance with the adoption of the 2030 Agenda and the Paris Agreement on Climate Change. Fast-paced progression of climate change has significantly increased investors’ demand for improved climate-related financial disclosures. This growing demand for decision-useful, climate-related information to understand risks posed by climate change resulted in the development of new environment and climate-related disclosure standards. One of most significant development in this area is the report of the Task Force on Climate-related Financial Disclosures (TCFD) in 2017, containing recommendations for climate-related financial disclosure.

More recently, in the Resolution of the General Assembly “Investment for sustainable development” [A/RES/74/199](#), member States *recognized* the importance of corporate sustainability, including reporting on environmental, social and governance impacts, as appropriate, to help to ensure transparency and accountability and avoid practices that counteract efforts to achieve the Sustainable Development Goals, *noted* the importance of sustainable corporate practices, including integrating environmental, social and governance factors into company reporting, as appropriate; *acknowledged* the importance of corporate sustainability reporting, encouraged companies, especially publicly listed and large companies, to integrate sustainability and due diligence information into their reporting cycles.

Concerted efforts are required to implement the Resolution and other important pronouncement and guidance to ensure usefulness of company SDG reporting for policy and decision making at all levels, for assessing the private sector’s contribution in a meaningful manner and enhancing its role in the implementation of the 2030 Agenda.

While a lot of efforts have been done in recent years, there are still a number of gaps and challenges in SDG/sustainability reporting agenda that need to be addressed. Those include: the existence of multiple frameworks and guidance; the lack of consistency in measurement methodologies which

leads to a lack of comparability and reduced usefulness to track progress; green washing and use of boiler plate disclosures; lack of technical human capacity, lack of practical tools, metrics etc. More specifically, countries face the following challenges in developing their SDG reporting frameworks:

- Lack of 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's contribution towards attaining the SDGs.
- Lack of consistency with financial reporting frameworks.
- Lack of comparability of data reported by companies on environmental and social issues, and their measurement methodology.
- Difficulties in alignment of sustainability reporting by companies with the SDGs monitoring framework and its indicators.

In developing countries and countries with transitional economies elements that have an impact on the corporate reporting environment also include weaknesses in legal and regulatory frameworks, lack of human capacity and relevant supporting institutions, or obstacles to the adequate monitoring and enforcement of international standards and codes. In particular, developing countries require tools that enable the identification of gaps through international benchmarking, the elaboration of action plans for accounting reforms, and the measurement of progress in priority areas.

For more than 35 years ISAR, established by ECOSOC in 1982, has been the focal point in the United Nations in strengthening accounting and reporting systems. In particular, it has been assisting member States in their efforts towards implementation of international standards, codes and best practices to facilitate harmonization and improvement of quality of enterprise reporting as important means to facilitate financial stability, international and domestic investment, and social and economic progress. With the adoption of the SDG Agenda, ISAR focused on developing tools to facilitate harmonization and comparability of the SDG reporting by companies in a close alignment with the SDG monitoring mechanism and its indicators applicable at a company level. In particular, ISAR has been addressing the challenge on how companies' reporting can provide meaningful and reliable data reflecting the contribution of the private sector to the implementation of the SDGs, including with a view to assist member States in preparing their National Voluntary Reviews for the High Level Political Forum. ISAR also is the main intergovernmental forum for developing and implementing the metadata guidance for SDG indicator 12.6.1 for which UNCTAD is a co-custodian jointly with the United Nations Environment Programme.

b. Priority measures to:

i. accelerate action, and ii. ensure transformative pathways to realize the decade of action for achieving the 2030 Agenda

- A key priority measure is to facilitate comparability and consistency of the SDG reporting by companies to enable data availability for investors and governments. In this regard, the Resolution A/RES/74/199, encouraged international support for member States, according to national circumstances and priorities, to voluntarily develop practical tools on measuring and collecting timely and reliable data on the private sector's contribution towards the implementation of the Sustainable Development Goals at the national level, as appropriate. It welcomed the growing interest among investors in taking sustainability issues into account in their investment decisions, but acknowledges that further work is needed to analyze, monitor and measure its contribution to the Sustainable Development Goals and maximize its positive developmental impact.

- Another priority is to facilitate integrated reporting. As also stressed by the Resolution [A/RES/74/199](#), industry, interested Governments and relevant stakeholders, with the support of the United Nations system, should be encouraged, as appropriate, to enhance existing models and develop new models for best practice and to facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity-building.
- There is also an urgent need for capacity building at all levels. In this regard, the United Nations Development Account 11th tranche project entitled *Enabling Policy Frameworks for enterprise sustainability and Sustainable Development Goal reporting in Africa and Latin America* executed by UNCTAD aims to strengthen the capacities of Governments to measure and monitor the private sector's contribution to the 2030 Agenda.
- Public-private sector partnership is critical to ensure relevance and acceptance of measures towards harmonization and comparability of the SDG reporting by companies and recognition of mutual benefits of useful SDG reporting to all key stakeholders. For example, by adopting climate-related financial disclosure companies and, in particular, their governance bodies will be in a better position to understand the possible exposure of company's activities to mid and long-term effects of climate change and properly manage risks and opportunities. Therefore, the disclosures will have a positive impact in the internal decision-making process, and thus, will promote a change of behavior and an improvement of practices of companies and their internal processes¹. They will also fulfil investors' information requests, allowing them to enhance asset pricing and promoting an efficient allocation of capital supporting the transition to a more sustainable, low carbon economy.
- Collaboration and coordination of international and national institutions needs to be fostered. Proliferation of many different frameworks creates reporting fatigue, inconsistencies, undermines usefulness of data provided by companies and cost-benefit concerns. Practical and pragmatic approach is required to facilitate efforts toward a baseline reporting on the SDGs as a first step towards data comparability which then could be further expanded to reflect industry and company specific information as appropriate.

2. Contribution of the intergovernmental body to accelerated action and transformative pathways and realizing the decade of action and delivery for achieving the 2030 Agenda within its area of responsibility (including its cooperation with ECOSOC and other intergovernmental bodies)

ISAR core mandate is to promote international harmonization of enterprise reporting to facilitate international investment and strengthen financial stability for development. It achieves its mandate by developing guidance documents, facilitating the exchange of views and best practices, building consensus and providing technical assistance on issues related to both financial and sustainability reporting. This work is conducted through the annual sessions of ISAR, as well as associated workshops and roundtables, research and technical assistance activities.

Since the adoption of the 2030 Agenda, ISAR focuses on harmonization of the SDG reporting by companies.

¹ CDSB & SASB (2019): TCFD Good Practice Handbook

To facilitate addressing these challenges ISAR requested UNCTAD to develop *Guidance on Core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals (GCI)*² which was launched in 2018. The Guidance provides practical information on how companies can report data on their contribution to the SDGs in a consistent manner and in alignment with countries' needs on monitoring the attainment of the SDG Agenda. It helps countries in monitoring the achievement of the Sustainable Development Goals and preparing their voluntary national reports for the United Nations High-level Political Forum on Sustainable Development.

The GCI is intended to be a technical tool to assist companies to provide data on a limited number of universal and core SDG baseline indicators. It also aims to assist governments to design policies and build institutional mechanisms to collect such data from companies' reports with a view to enable them to reflect the private sector's contribution to the SDG implementation in a consistent and comparable manner. The GCI is based on elaborations on SDG reporting issues during annual sessions of ISAR and at the intersessional forums, including Consultative Group meetings, during 2016-2018.

The 33 core SDG indicators cover the economic, environmental, social and institutional areas. They were identified based on key reporting principles, main reporting frameworks and companies reporting practices. They are also selected based on the macro indicators included by the UN member States in the SDG monitoring framework of the IAEG-SDGs, which are also applicable at the company level, and therefore could facilitate alignment between macro and micro indicators in the areas relevant to the enterprise reporting.

To validate the approach, in 2019 UNCTAD conducted selected case studies on the application of the GCI for companies in multiple countries, representing different regions and industries. In addition, an overview of the implementation of the GCI in several companies was conducted in Egypt and the USA. Companies participating in the case studies represented the following industries: telecommunications, oil and gas, mining, health care, manufacturing, retail, hospitality and energy. The main findings of the case studies of companies in Colombia, Guatemala, Russia, Ukraine, China and surveys in Egypt and USA were presented and discussed at the 36th session³ of ISAR. The case studies provided evidence on the applicability of the core indicators, their suggested measurement methodology, and the availability of the required underlying accounting data. Their results also further underscored a need for building technical capacity on SDG reporting by companies. In response to this need, to facilitate the GCI implementation, UNCTAD has developed a training manual⁴.

In concluding its deliberations at its 36th session, which was attended by more than 400 experts from about 100 countries, ISAR in its Agreed Conclusions emphasized the lack of standardization in the area of sustainability and Sustainable Development Goal reporting by companies; the need for common metrics in measuring the contribution of the private sector to the implementation of the Sustainable Development Goals, including to facilitate the convergence of diverse reporting frameworks; and the need to align company sustainability reporting with Sustainable Development Goal monitoring indicators at the national level. It referred to the *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* as a useful toolkit for organizations to provide comparable baseline data on their contribution to the implementation of the Sustainable Development Goals, and as a means to facilitate the comparability of companies' reporting on sustainability issues in alignment with the 2030 Agenda for Sustainable Development. It also requested the UNCTAD Secretariat to conduct further case studies, including in francophone countries in Africa, among others, on the implementation of the guidance on core indicators for entity

² UNCTAD, 2019, *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* (United Nations publication, Sales No. E.19.II.D.11, Geneva).

³ https://unctad.org/meetings/en/SessionalDocuments/ciisard89_en.pdf

⁴ <https://isar.unctad.org/wp-content/uploads/2020/01/Consolidated-Training-Manual-20-Dec-2019Final.pdf>

reporting on contribution towards implementation of the SDGs, including for small and medium-sized enterprises, to facilitate wider use, raising awareness and dissemination of the guidance, as well as training and capacity-building, including in cooperation with relevant training institutions.

SDG reporting is part of national accounting and reporting systems and cannot be done properly if a country does not have an adequate accounting and reporting infrastructure and capacity. With a view to support countries to foster their corporate reporting infrastructure, UNCTAD/ISAR developed the Accounting Development Tool (ADT). The ADT was recently revised to reflect the needs of the 2030 Agenda and the SDGs. In particular, the environmental, social and governance reporting (ESG) section of the ADT was enhanced and updated by references to good practices and requirements in this area which evolved since the adoption of the 2030 Agenda. The ADT enables countries to voluntarily assess their accounting and reporting infrastructure, in areas such as national institutions, regulations, human resources and processes, against international requirements and benchmarks for high-quality corporate reporting, including on SDG reporting. The Tool promotes an open and constructive dialogue among all stakeholders involved, which is required for conducting successful accounting reforms. It provides a quantitative benchmark of a country's position at a particular point in time and, when implemented more than once, allows countries to assess their progress towards achieving international best practice. The results of the ADT support the elaboration of national action plans and the identification of priority areas where further action is required in order to improve their corporate reporting environment covering the area of sustainability and SDG reporting; and integration of the ESG reporting into the overall reporting framework.

To raise awareness of good practices in sustainability and SDG reporting UNCTAD, through the ISAR platform, launched a new initiative "ISAR Honours". The ISAR Honours recognizes policy, institutional or capacity-building initiatives in member States that encourage and assist enterprises to publish data on their contribution to the implementation of the 2030 Agenda for Sustainable Development. Since its launch in 2018 more than fifty good practices were identified and several became recipients of ISAR Honours, they were selected by a panel of distinguished international experts in the area of sustainability and the SDG reporting. The third edition of the ISAR Honours will take place during the World Investment Forum 2020 of UNCTAD.

Additionally, as mentioned before, UNCTAD is implementing the Development Account Project entitled *Enabling Policy Frameworks for enterprise sustainability and Sustainable Development Goal reporting in Africa and Latin America*. UNCTAD uses tools such as the ADT, the GCI and its training manual in the implementation of the project activities. Following the ADT revisions, a kick-off meeting, a comprehensive assessment of the sustainability/SDG reporting infrastructure using the revised ADT and a national consultative workshop were conducted in 2019 in Colombia. Currently, the development of an action plan is in progress. The project has also been launched in South Africa and an ADT assessment is on its way. UNCTAD has organized expert meetings with representatives of the beneficiary countries to share experience and lessons learned. The project has a regional component which will allow to expand the outreach of the project and benefit other countries in the two regions.

In implementing activities, UNCTAD has continued fostering partnerships with key players in the sustainability area including with the International Integrated Reporting Council (IIRC), the World Business Council for Sustainable Development (WBCSD), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) and other UN entities such as: UNDESA, UNEP and UN Global Compact (UNGC). In particular, cooperation with UNEP who is co-custodian of indicator 12.6.1 together with UNCTAD led to the reclassification of the indicator from Tier III to Tier II at the end of 2019. In addition, UNDESA is using the GCI as business statistics' input for the national accounts which highlights the relevance of sustainability reporting in measuring the contribution of the private sector to the SDGs. And now that a measurement methodology has been agreed upon, UNCTAD and UNEP

will start the process of data collection in 2020 based on discussions with the beneficiary countries as pilot cases.

As a response to the need to assist countries and companies in their efforts to prepare climate related financial disclosures, in 2019, UNCTAD –ISAR organized a workshop jointly with the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB) to discuss issues related to the practical implementation of climate-related financial disclosures. The workshop highlighted current good practice in TCFD aligned disclosures, offering real-world examples from annual reports across multiple sectors and industries, as well as exploring complementarities between this work and the core SDG indicators for entity reporting (GCI)⁵, developed by UNCTAD-ISAR.

Reflecting on the success of the workshop attended by more than 200 experts, delegates at the 36th session of ISAR requested the UNCTAD Secretariat to look into climate-related financial disclosures with a view to identify challenges and contribute to the implementation of good practices. Therefore, this issue is one of the main agenda items for the 37th session of ISAR. In addition, a note containing an overview of the current status of implementation of the recommendations of TCFD, key challenges faced by entities, recent developments in this area, initiatives and resources available and examples of how some governments and entities are dealing with the recommendations is being prepared to facilitate discussions at the session.

3. Selected recommendations for accelerating progress and moving on transformative pathways for realizing the decade of action, for possible use in drafting the HLPF declaration.

- Facilitate harmonization of SDG/sustainability reporting to ensure its comparability, reliability and usefulness for decision making and assessing the private sector's contribution to the SDGs. Promote action on integration of sustainability information into the accounting and reporting cycle and its consistency with financial reporting. UNCTAD/ISAR Guidance on core is a useful tool to contribute to this process, as highlighted by the ECOSOC President. Ms. Juul stated at her opening Video address at the ISAR 36th session in November 2019, the recently launched Global Investors for Sustainable Development (GISD) Alliance has made fostering and harmonizing standards for sustainability reporting, and impact measurement, a priority; adding that UNCTAD-ISAR's work on core indicators for company reporting would be an excellent input to this Alliance.
- Develop policy recommendations to assist countries in formulating and implementing enabling frameworks for SDG/sustainability reporting, including the regulatory, institutional and human capacity aspects.
- Support capacity building efforts to assist governments and support companies in their efforts to provide and collect data on the SDG –related performance and impacts by companies, including towards reporting on the SDG 12.6.1.
- Promote ISAR as a lead platform to facilitate coordination of the relevant UN entities and other agencies towards harmonization of the SDG reporting, as the UN focal point on enterprise accounting and reporting and the only intergovernmental group dealing with issues on SDG reporting by companies. Through its intergovernmental machinery it can also promote partnerships between policy makers in the public sector, and preparers and users of the reports in the private sector.

⁵ UNCTAD (2019): Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals. https://unctad.org/en/PublicationsLibrary/diae2019d1_en.pdf