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Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its thirty-seventh session

Held at the Palais des Nations, Geneva, from 2 to 6 November 2020

Contents

Introduction

The thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was held at the Palais des Nations in Geneva, from 2 to 6 November 2020 in both virtual and physical formats.

I. Agreed conclusions

A. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies

(Agenda item 3)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Underlining the essential role that sound sustainability reporting by entities plays in promoting sustainable investment and finance and in attaining the Sustainable Development Goals,

Acknowledging that 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 and is playing an important role in contributing to the achievement of the Sustainable Development Goals and that the coronavirus disease pandemic has significantly heightened the focus on sustainability issues,

Stressing that the existence of diverse sustainability reporting frameworks and standards leads to inconsistent and incomplete information that cannot be easily compared across companies and that there is a need to address these challenges to improve the quality and reliability of sustainability data and reporting and validate its usefulness for decision-making and risk assessment, with a view to 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; and improving corporate internal control systems and management practices,

Taking note of recent trends towards convergence in enterprise accounting and reporting, including concerted efforts to overcome the fragmentation of sustainability reporting, and of the quest for standardization in this area and for an appropriate design of the governance aspects of a comprehensive global corporate reporting system,

Taking note also of recent policy decisions in a number of jurisdictions to develop and promote more consistent regulatory frameworks and standards and therefore to enhance quality in current corporate accounting and reporting practices, notably to support their sustainable development policies,

Emphasizing 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, facilitate the interconnectivity of integrated reporting and ensure an equal footing of financial and sustainability reporting,

Recalling the UNCTAD mandate to advance its work in the area of sustainability reporting, as articulated in the Nairobi Maafikiano,

1. *Recognizes* the important role that the UNCTAD guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals has been playing as a useful tool to facilitate the convergence of sustainability reporting frameworks by providing early on an initial and simple common set of

universal indicators for entities' baseline reporting on sustainability issues in alignment with the 2030 Agenda for Sustainable Development;

2. *Commends* the UNCTAD secretariat for its work conducted during the intersessional period on Sustainable Development Goal reporting, as outlined in document TD/B/C.II/ISAR/93, and in particular, for conducting further pilot testing of the core indicators in a variety of sectors, including small entities and family-owned businesses; in this regard, welcomes the partnership established with the Family Business Network to facilitate wider implementation of the core indicators;

3. *Notes* the usefulness of capacity-building efforts and training tools provided by the UNCTAD secretariat to facilitate wider use of the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals, raising awareness and dissemination thereof, including for small and medium-sized enterprises, and encourages further activities in this area;

4. *Requests* the UNCTAD secretariat to convene consultative meetings during the forthcoming intersessional period, with a view to analysing the main findings of the case studies conducted on pilot testing of the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals and proposing to the thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting any refinements thereto;

5. *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;

6. *Calls upon* the UNCTAD secretariat to continue conducting further case studies on the practical application of the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals and facilitating the identification and sharing of international best practice in enterprise reporting on sustainability and the Sustainable Development Goals, in partnership with other relevant stakeholders, including as part of the Honours initiative.

6 November 2020

B. Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges

(Agenda item 4)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Recognizing the growing importance of climate-related impacts on societies, economies, companies' businesses and value creation, which was significantly facilitated during the coronavirus disease pandemic,

Underlining that climate-related financial disclosures are critical to understand the possible exposure of companies' activities to the medium- and long-term effects of climate change, as well as their impacts on society, and to properly manage those impacts, risks and opportunities, including the efficient allocation of capital supporting a transition to a more sustainable, low-carbon economy,

Taking note of recent trends in enterprise reporting on climate-related financial issues and of the need for further efforts to overcome the challenges in achieving reliable and consistent reporting in this area, useful for decision-making for a variety of users, *Acknowledging* the need for a concerted global response, including by entities in the private sector, to limit the negative impact that climate change could have on achieving the Sustainable Development Goals,

Reiterating the importance of the recommendations of the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board, as well as the recommendations of other public or private initiatives to significantly improve disclosures in this crucial area,

1. *Commends* the UNCTAD secretariat for the insightful panel discussions and very good quality of the background document TD/B/C.II/ISAR/94 it prepared for consideration at the session;

2. *Requests* the UNCTAD secretariat to continue monitoring progress on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, as well as of the recommendations of other initiatives, with a view to facilitating the exchange of experiences and good practices on this topic in future sessions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting;

3. *Encourages* the UNCTAD secretariat to promote the implementation of the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals as a useful tool that improves the harmonization, consistency and comparability of companies' baseline data on climate change, in cooperation with key national, regional and international institutions promoting work in this area, with a view to facilitating the alignment of different frameworks and practices.

C. Other business

(Agenda item 5)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Recalling the mandate of UNCTAD in the Nairobi Maafikiano requesting UNCTAD to promote best practices in corporate transparency and accounting, including by utilizing the Accounting Development Tool,

Acknowledging the relevance and effectiveness of the Accounting Development Tool as a key capacity-building initiative to assess national accounting infrastructures and strengthen the enterprise reporting environment at the country level, including with a focus on Sustainable Development Goal reporting,

Underscoring the relative lack of institutional and technical capacity to adapt corporate reporting environments to the new demands spurred by the 2030 Agenda for Sustainable Development and effectively assess the private sector contribution towards attaining the Sustainable Development Goals in a consistent manner,

Recalling the agreed conclusions of its thirty-sixth session recognizing the UNCTAD guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals as a useful tool 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,

1. *Welcomes* the feedback shared at the session by member States on the benefits and lessons learned in applying the Accounting Development Tool and the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals for building their capacities for high-quality sustainability and Sustainable Development Goal reporting by companies;

2. *Requests* the UNCTAD secretariat to continue its efforts relating to the implementation of the Accounting Development Tool and the guidance on core indicators

for entity reporting on contribution towards implementation of the Sustainable Development Goals in interested countries with a view to assisting them in strengthening their regulatory, institutional and human capacity in an integrated and comprehensive manner and achieving high-quality financial reporting, as well as reporting on environmental, social and governance issues by enterprises;

3. *Calls upon* the UNCTAD secretariat to continue monitoring developments in the standard-setting arena that have implications for the Accounting Development Tool and the guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals, with a view to updating these tools at an appropriate juncture in the coming years, as needed;

4. *Encourages* the UNCTAD secretariat to conduct further work required for the implementation of metadata guidance and data collection mechanisms to support member States in reporting on Sustainable Development Goal indicator 12.6.1 (number of companies publishing sustainability reports), as well as to facilitate improved capacity for data availability and collection at the national level and their usefulness to the Global Sustainable Development Goals Indicators Database, the annual report of the Secretary-General on progress towards the Sustainable Development Goals, the yearly *Sustainable Development Goals Progress Report* and other thematic reviews of the implementation of the Sustainable Development Goals.

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II. Chair's summary

A. Opening plenary meeting

1. In his opening remarks, the Secretary-General of UNCTAD said that the challenge posed by the coronavirus disease (COVID-19) pandemic to private investment, enterprise and commerce was enormous. According to projections by the UNCTAD *Global Investment Trends Monitor*, global foreign direct investment flows in 2020 would decline by up to more than 49 percent of the volume of that of 2019. The latest updates showed that the trade volume would drop 7 to 9 per cent in 2020; the only encouraging trade flows would be driven primarily by China and Viet Nam. In this context, achieving the Sustainable Development Goals by 2030 would be a formidable task.

2. Promoting high-quality reporting in the financial and non-financial performance of enterprises was more important than ever. Referring to the programme of the present session, he said that a high-level panel would highlight the implication of these challenges on accounting and reporting. There were clear indications that the *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals*, published by the Intergovernmental Working Group of Experts in 2019, had already influenced thinking on how the private sector could contribute to the achievement of the Sustainable Development Goals. The initiative had accelerated the move towards the harmonization and comparability of sustainability reporting and its alignment with the monitoring framework of the implementation of the Goals. A review of the findings of some 12 case studies on the practical implementation of the guidance on core indicators would provide feedback from the ground to help make refinements to the guidance where necessary. The present meeting would take the work further by addressing private measures on financial disclosure, a timely topic given that the pandemic had clearly brought to light the interdependence between the environment, societies and economies. He suggested that global financial stability could be improved by properly gauging the impact of climate change on the operations and financial reporting and accounting of enterprises and that there was a need for concerted efforts to implement the recommendations of the Task Force on Climate-related Financial Disclosures. In conclusion, he said that the Honours initiative was a good way to recognize the achievement of the Sustainable Development Goals from the perspective of financial reporting.

3. In his introductory remarks, the Director of the Division on Investment and Enterprise said that it had been clear since the adoption of the 2030 Agenda for Sustainable Development that accomplishing the Sustainable Development Goals would require significant investment by the public and private sectors. According to UNCTAD estimates, these sectors would need to invest about $2.5 trillion annually in developing countries between 2015 and 2030. As highlighted in the current edition of the *World Investment Report*,[1] progress in sustainable development investment had been observed across several sectors but insufficient growth and adverse conditions created by the pandemic had added to the existing constraints in achieving the Sustainable Development Goals, and thus in delivering on the 2030 Agenda.

4. Nevertheless, financial markets continued to offer sustainability-dedicated investment funds in amounts ranging from $1.2 trillion to $1.3 trillion, of which green bonds represented $260 billion. The green bond market had increased by more than 50 per cent in 2019. He noted that sustainability funds (3,100 worldwide) applied environmental, social and governance criteria in their selection of securities for investment. Further, the global effort to fight the pandemic was boosting the growth of such funds, particularly social bonds, and stock exchanges were actively supporting the fast-growing pandemic-response bond market by waiving listing fees. In the first quarter of 2020, social bonds related to pandemic relief had raised $55 billion, exceeding the total value of such bonds in 2019.

5. During the decade of delivery of the Sustainable Development Goals, capital markets could be expected to significantly expand their offering of sustainability-themed products. The challenge would be how to combine growth that had a keener focus on channelling funds to Sustainable Development Goal-relevant investment projects in developing countries, especially the least developed countries.

6. The importance of high-quality reporting in contributing towards the attainment of the Sustainable Development Goals lay in its facilitation of resource allocation to sustainable economic activities. The trajectory of investment in sustainable funds in the coming years would likely be above the current level. Robust performance indicators such as the core indicators developed by UNCTAD were essential for facilitating efficient resource allocation to sustainable activities, particularly to developing countries.

7. Another objective – holding the increase in global average temperature to below 2°Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°Celsius above pre-industrial levels – would also require major investments. According to the International Energy Agency, the full implementation of pledges to make the transition to a low-carbon economy would require investments by the energy sector of $13.5 trillion in energy efficiency and low-carbon technologies from 2015 to 2030.

High-level panel on recent trends and key challenges on the enterprise reporting agenda and the impact of the COVID-19 pandemic

8. A high-level panel reviewed key trends in financial and sustainability reporting and its increased role in achieving the Sustainable Development Goals and in responding to post-pandemic resurgence. The segment featured a keynote speaker from the International Organization of Securities Commissions and experts from the following bodies: French Accounting Standards Board; Department of Trade, Industry and Competition of South Africa; European Financial Reporting Advisory Group; Financial Stability, Financial Services and Capital Markets Union Directorate of the European Commission; Global Reporting Initiative; Sustainability Accounting Standards Board and World Business Council for Sustainable Development.

9. In his keynote address, the Deputy Secretary-General of the International Organization of Securities Commissions highlighted the three main objectives of his organization: protecting investors; maintaining fair, efficient and transparent markets; and reducing systemic risk. The organization had been facilitating a coordinated response to the

[1] UNCTAD, 2020, *World Investment Report 2020: International Production beyond the Pandemic* (United Nations publication, Sales No. E.20.II.D.23, Geneva).

COVID-19 pandemic. In this connection, it recognized the importance and related challenges of sustainable finance, including sustainability reporting. It was essential to have a good flow of decision-useful information from the corporate sector on sustainability factors. In highlighting the main findings of a report issued in April 2020 by the organization's Sustainability Finance Network, the speaker noted three major concerns: multiple and diverse sustainability frameworks and standards; a lack of common definitions of sustainable activities; and investor-protection challenges such as greenwashing. Scope for improvement in sustainability reporting related to content and governance. In conclusion, he suggested that the harmonization initiatives of the sustainability reporting standard-setters and the International Financial Reporting Standards Foundation be merged, given their complementary nature.

10. The panellists addressed the integration of sustainability information into companies' reporting cycles and its alignments with the 2030 Agenda for Sustainable Development. Further, they outlined achievements, challenges and constraints in the convergence of the main reporting frameworks to facilitate comparability, reliability and usefulness of sustainability reporting and discussed the way forward.

11. One panellist highlighted a number of sustainability policy initiatives at the European level. In this respect, the European Commission was planning to propose to update its directive on non-financial reporting, a pioneering initiative when introduced in 2014. There was ample evidence pointing towards the inadequacy of the information on sustainability being reported by companies. It was no longer possible to ignore audit- and enforcement-related issues. Users of sustainability information included not only the financial community and investors, but also a broader set of stakeholders, including civil society organizations and trade unions. There was a need for mandatory reporting standards on sustainability, although this would require a political decision. Existing reporting frameworks, standards and guidelines were costly, fragmented and confusing, and thus inefficient. Given existing and future European legislative frameworks, European sustainability standards were likely to be necessary. European Union companies were highly internationalized and many non-European Union companies operated in markets of the European Union. Further, regional and global sustainability reporting standards were not mutually exclusive. As a result, there was a need for a global alignment thereof to avoid fragmentation and consistency with global approaches among regional and jurisdictional approaches. As a strong supporter of the Sustainable Development Goals and the global framework for sustainable business practice, the European Union could help spearhead progress, consolidation and convergence at the international level.

12. Another panellist said that his organization had been engaged in work related to non-financial information since 2018 and had been mandated by the European Commission to establish a non-financial information laboratory and to identify best practices. The European Lab had published a report dealing with climate information; a second report dealing with risks and opportunities linked to business plans was being drafted by a working group. In July 2020, the European Commission had mandated his organization to provide recommendations on possible European non-financial reporting standards and to consider the need for changes to the governance of his organization in anticipation of the development of European non-financial reporting standards. To this end, the organization had set up a task force led by the President of the French Accounting Standards Board. Further, the European Financial Reporting Advisory Group was preparing two reports, to be available in February 2021, that should facilitate decision-making by the European Commission and other authorities of the European Union on whether the European Union should establish European non-financial reporting standards.

13. Another panellist shared insights stemming from a research report that had been published by his organization. According to the study, integrated reporting had increased modestly among members of the organization. While reference to the Global Reporting Initiative framework was still common, some preparers were using standards set by the Sustainability Accounting Standards Board. Overall trends in the membership of the World Business Council on Sustainable Development (an average of 158 reports per year from 2017 to 2020) showed that 44 per cent of the reports were titled sustainability reports. Some 41 per cent combined financial and non-financial information, and 84 per cent of

members had some parts of their reports externally assured. One of the conclusions of the study was that companies were engaging in the pursuit of Sustainable Development Goals in their business but not at a strategic level, and this could be improved. In his view, the COVID-19 pandemic showed that companies were not well prepared to deal with business shocks and had a limited understanding of business resilience and value creation. There was a need to embrace a universal social matrix that included living wages and human rights across the value chain and to ensure that businesses were equipped with the proper tools to do so. Another lesson learned from the pandemic was that the notion of non-financial information was a fallacy, as the pandemic had produced financial impacts on the economy and on society. Based on data his organization was tracking on their members' stock prices around the world, he said that companies taking on board environmental, social and governance considerations had been outperforming in the market during the pandemic. Given that more resilient and more sustainable businesses were often better managed, it was important for companies to produce better quality, reliable and timely information that could be compared and trusted.

14. The next panellist noted that meaningful progress had been made in sustainability reporting in some sectors and regions, and that Global Reporting Initiative reporting standards were the most widely used. The pandemic had provided an opportunity to think differently about how economic value was created and had dramatically changed the sustainability context for reporting entities. Ultimately, the pandemic had shown the wisdom that was already inherent in the Sustainable Development Goals – the need to address challenges collectively. As a result, this might require a shift in focus, towards long-term sustainable value. In addition, integrating sustainability in business strategy could help companies respond properly in such circumstances.

15. With regard to the need to harmonize reporting frameworks and standards, five standard-setting organizations had recently issued a statement of intent, or shared vision. He expressed his organization's support for a pragmatic approach to resolving the issues of harmonization and for raising the funds needed to achieve this objective. Lastly, he called on Governments, financial regulators, stock exchanges, standard-setters and companies to continue the momentum towards economic, social and governance disclosure as an effective mechanism for more sustainable and responsible business practices around the world.

16. One panellist highlighted the key concepts that his organization applied in setting standards: financial materiality, impact, decision-usefulness and a focus on industry-specific standards. The standards, developed by the Sustainability Accounting Standards Board and launched in November 2018 at the London Stock Exchange, had been widely adopted, in particular by the investor community. He said that there was a need for an effective internal control system for sustainability reporting. A survey conducted by the Governance and Accountability Institute on the reporting trends of companies in 2019 had indicated that 400 out of 500 companies included in the Standard and Poor's 500 companies index had prepared some type of sustainability report. Among the 500 companies, 25 per cent (125 companies) had applied Sustainability Accounting Standards Board standards. About one third of the companies had some form of third-party assurance on the sustainability report that they produced. In addition, some companies were applying different frameworks and standards to produce multiple sustainability reports to meet the needs of a diverse group of stakeholders. Most reports that had been issued after April 2020 referred to the COVID-19 pandemic in a separate section of their reports.

17. The final panellist reported on the work of the task force that had been set up in August 2020 in response to a request by the European Commission to conduct preparatory work for the elaboration of non-financial reporting standards for the European Union. The task force, composed of 35 members and 9 representatives from public authorities of the European Union, had held its first meeting in September 2020 and would present its report to the European Commission at the end of January 2021. Outreach activities would also be carried out in early 2021.

18. In addition, a progress report containing preliminary high-level assessment points was submitted to the European Commission in November 2020. As part of its assessment, the task force had identified over 100 reporting initiatives within the European Union that

dealt with more than 5,000 key performance indicators. Several groups had been set up within the task force to take the following steps: to consider concepts that could form the basis for a standard-setting framework, address the issue of interconnectivity or integrated reporting from financial and non-financial perspectives to avoid gaps or overlaps and create synergy between the two, deal with the specific situation of financial institutions and focus on issues relating to taxonomy, digitization and format.

19. In the discussion that followed, one expert confirmed that the International Integrated Reporting Framework was part of an initiative of five standard-setting organizations. In his view, it was up to jurisdictions to decide whether the framework should be mandatory. Another panellist said that there was no intention by the European Union to disengage from using International Financial Reporting Standards – the current debate was on non-financial reporting requirements.

20. Another panellist elaborated on an XBRL taxonomy that preparers could use to facilitate the preparation of their sustainability reports. He stated that reporting should be industry-specific and that he was not in favour of industry-agnostic or generic reporting frameworks or standards. Responding to the request of some experts, one panellist said that the key deliverables of the Sustainability Finance Network included improving the content of sustainability reports and addressing governance and due process in sustainability-related disclosures.

B. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies

(Agenda item 3)

21. The chair drew attention to document TD/B/C.II/ISAR/93, entitled "Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies".

22. Introducing the agenda item, the Head of the Enterprise Branch of the Division on Investment and Enterprise of UNCTAD said that more case studies of various industries and countries, including small and medium-sized enterprises, had been conducted during the intersessional period to test the implementation of the UNCTAD guidance on core indicators. The outcomes showed that the key challenges were centred around environmental indicators, while most companies, including small and medium-sized enterprises, had provided data on most core indicators. She said that further guidance on core indicators was offered in a training manual prepared by UNCTAD and that plans were under way to produce e-learning slides on the subject. In addition, UNCTAD aimed to cooperate with other United Nations entities to facilitate the standardization of sustainability reporting and to achieve the convergence of different frameworks using the guidance on core indicators as a baseline reporting tool.

Panel discussions

23. Two panel sessions were held to discuss the agenda item. The first panel was composed of representatives of the following bodies: Department of Economic and Social Affairs (Financing for Development Office; Statistics Division), United Nations Global Compact and United Nations Research Institute for Social Development.

24. Describing the work of the Financing for Development Office and Global Investors for Sustainable Investors Alliance of the Department of Economic and Social Affairs, the first panellist said that from an investor's perspective, sustainability reporting challenges were rooted in a lack of comparability and the voluntary nature of reporting. He suggested consolidating existing frameworks and establishing a publicly accessible data repository. Further, he said there was a great likelihood that regulators would use the guidance on core indicators.

25. The second panellist said that the United Nations Global Compact was involved in efforts to promote sustainability metrics. These included a public report entitled “Communication on Progress” outlining strides made in implementing the principles of the Global Compact. The main concept of sustainability reporting was comparability, where the first alignments had been achieved by the guidance on core indicators, followed by the concepts of materiality and transparency. The United Nations played a key role in achieving convergence in data gathering, while leveraging on the guidance on core indicators.

26. The third panellist stated that there was a need to build on the advantages of using the guidance on core indicators. There was a limited set of universal indicators to converge frameworks bridging micro-level business accounting data and macro-level accounting frameworks. She was in favour of mandatory reporting and incentive creation for companies to collect and monitor sustainability information by referring to the guidance on core indicators training manual. In addition, she expressed support for technical cooperation efforts and the harmonization of a common set of indicators.

27. The fourth panellist said that his organization had developed Sustainable Development Goal performance indicators for use by for-profit companies and the social and solidarity economy. Highlighting the importance of the contextualization of sustainability indicators based on common metrics, he noted that his organization had elaborated a three-tier indicator system based on the guidance on core indicators. He underlined the need for capacity-building and the harmonization of existing indicators, principles and rules by sharing experiences and knowledge based on transparent discussion while learning from other harmonization processes, including those relating to accounting and financial reporting standards.

Case study presentations

28. Several experts presented the findings of case studies that had been carried out to examine the practical implementation of the UNCTAD guidance on core indicators. Various case study presenters agreed that the guidance on core indicators was a useful and important tool for promoting business reporting on the contribution towards the achievement of the Sustainable Development Goals and that the training manual was essential in facilitating their implementation. They concurred that the guidance was a key step towards the implementation of the Sustainable Development Goals for entity reporting and that it was also applicable to family businesses.

29. In one study, the findings showed that a leading multinational conglomerate company had a 70 per cent disclosure rate. In another, involving a university in Egypt, 68 per cent of the guidance on core indicators had been disclosed, while 25 out of 33 core indicators were found to be relevant. In a case study of an East African mobile network operator company, 21 full and 8 partial disclosures, out of 33 core indicators, had been made.

30. The results of a case study on a pulp and paper company in South Africa revealed that 29 out of 33 core indicators had been fully reported. In a case study of an apparel retailer in Poland, findings showed that the company concerned had reported 23 out of 33 core indicators, while those of a case study of a leading Saudi chemical industry firm indicated disclosure of 14 out of 33 core indicators. According to the latter study, the main reasons for non-disclosure, which had occurred mainly in the environmental and social area, were confidentiality, differences in measurement methodology and metrics.

31. The case study of a family business network gave exposure to sustainability areas, which companies had yet not considered.

32. Two case studies focused on small and medium-sized enterprises in Italy. The first study revealed that 17 of the 33 core indicators had been disclosed; the second, 12. One of the studies showed that the enterprises aimed to disclose 24 core indicators in the future, and the second, 25. The second study reported similar findings in two small and medium-sized enterprises in the United Republic of Tanzania. The main challenge for those enterprises arose in the environmental area. In addition, many institutional indicators were not applicable to them because of their simple governance structure.

33. One expert said that 33 out of 55 indicators of her organization's draft food and agriculture framework were UNCTAD core indicators. She noted that there was a need to build on universal indicators of the guidance on core indicators when developing sector-specific indicators.

34. The second panel was composed of representatives of the following bodies: Accounting for Sustainability; China Alliance of Social Value Investment; Directorate for Science, Technology and Innovation of the Organization for Economic Cooperation and Development; and Swedish International Development Cooperation Agency. One of the experts on the panel was a former chair of the Intergovernmental Working Group of Experts.

35. One expert said that her organization had evaluated the sustainability disclosures of 300 Chinese companies listed on the world's major stock exchanges.

36. Another stated that his organization was involved in the harmonization of relevant standard-setting bodies to build cross-country comparable measures of firms' involvement in attaining the Sustainable Development Goals.

37. One expert said that her organization considered that Sustainable Development Goal reporting and transparency could become mandatory when investing in low- and middle-income countries. Further, in support of the guidance on core indicators, the organization was contemplating their use when investing in developing countries.

38. Another expert described the work of her organization in the finance and accounting community in promoting the use of Sustainable Development Goal reporting. Sustainability information was used by internal and external stakeholders to enable informed decision-making, depending on the quality of information of financial and sustainability reporting. There were parallels in reporting practices for financial reporting and reporting on the Sustainable Development Goals, and companies could rely on existing guidance and tools to facilitate the implementation of sustainability reporting.

39. Welcoming the insights gained from the aforementioned case studies, the Chair of the thirty-sixth session of the Intergovernmental Working Group of Experts said that the guidance on core indicators was applicable to all types of companies, regardless of size, location or type of industry and could be used to enhance transparency in sustainability reporting.

40. In the discussion that followed, one expert announced that a cross-sectorial case study would be conducted in Qatar, with findings to be presented at the thirty-eighth session of the Intergovernmental Working Group of Experts. The study aimed to integrate Sustainable Development Goal reporting using the guidance on core indicators in line with the country's National Vision 2030.

41. The initial results of an ongoing case study of a major energy company in Guatemala pointed to a high number of reported core indicators, as well as the complementarity of the framework of the Global Compact and UNCTAD core indicators.

C. Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges

(Agenda item 4)

Panel discussion

42. The panel was composed of representatives of the following entities: CDP,[2] Climate Disclosures Standards Board, Deloitte, FBK Grant Thornton, International Financial Reporting Standards Foundation Trustees, United Nations Environment Programme Finance Initiative, University of Turin and Value Balancing Alliance.

43. The first panellist stressed the need to improve consistency, comparability and reliability in sustainability reporting and build public trust through greater transparency.

[2] Formerly the Carbon Disclosure Project.

Large institutional investors demanded better disclosure of climate risks, and more companies were committed to developing sustainability reports driven by regulation, consumer behaviour, more demand and the recognition of impacts and possibilities for long-term value creation. The lack of common accounting standards, comparability and clarity on how to prepare sustainability reports presented challenges. Referring to a consultation paper on sustainability reporting issued by his organization, he suggested that a possible way forward was the establishment of a new sustainability accounting standards board that could focus initially on climate-related reporting standards.

44. With regard to the third status report of the Task Force on Climate-related Financial Disclosures and the guidance on scenario analysis for non-financial companies, another panellist said that companies should identify measures that could be carried out at the corporate level. Further, companies should explore their future by considering climate-related scenarios. For example, they could envisage future products and services based on changes in the regulating landscape, evolving customer tastes or the impacts of natural events such as flooding on a location.

45. Another panellist noted that good reporting practice was supported by leadership; it was incorporated into decision-making, embedded in routine business operations and oriented towards the future. Disclosure should tell a consistent story. For example, in New Zealand, climate risk disclosures had become mandatory. Mandatory requirements should be enforced, and regulated global accounting standards and capacity-building were necessary. She suggested that the Intergovernmental Working Group of Experts could play a role in capacity-building. To that end, excellent resources were to be found at the knowledge hub of the Task Force on Climate-related Financial Disclosures.

46. One panellist underlined a high rate of disclosure of the recommendations made by the Task Force on Climate-related Financial Disclosures; however, there was a need for regulation. Examples of policies requesting disclosure by 2022 of such recommendations included the green finance strategy of the United Kingdom of Great Britain and Northern Ireland and the Central Bank of Brazil. Another example was the inclusion by the European Union of task force recommendations and climate issues in revisions of the non-financial reporting directive. He highlighted the importance of the double materiality concept, which was endorsed by another panellist, as well as the need for an enforcement system.

47. Another panellist said that his organization was working with 39 global banks to improve climate-risk disclosures. Based on the outcome of that experience, it was necessary to improve the standardization and comparability of climate disclosures, identify metrics and targets, make recommendations of the Task Force mandatory and define the purpose of disclosure and aspirational metrics. Quantification and output assessments of different institutions under the same scenarios could be helpful.

48. One panellist noted that a mining company was using the comprehensive option of the Global Reporting Initiative and an electrical energy company was reporting under the Global Reporting Initiative and CDP, both complying with the recommendations of the Task Force on Climate-related Financial Disclosures. The guidance on core indicators system, using a minimum set of basic indicators, could help further the development of reporting practices to comply with task force recommendations in terms of calculating and disclosing metrics.

49. Another panellist stated that the value to society and business were two sides of the same coin and were linked to double materiality. Most guidance focused on calculation but challenges appeared before and after this. Member companies of her organization gathered data, proposed methodology and provided feedback. The organization was also working on a methodology to monetize the impact of carbon emissions.

50. One panellist said that more climate-related disclosures could mitigate carbon risk and reduce the cost of capital. Because most companies were small and medium-sized enterprises, it was advisable to require disclosure based on simplified reporting guidance. The guidance on core indicators was a good reference. She was in favour of the double materiality concept and a broader view of value creation that considered multi-stakeholders. Further, the Intergovernmental Working Group of Experts could play an important role in supporting countries in the development of reporting practices.

51. In the ensuing discussion, one expert explained that the new sustainability accounting standards board must include different and broader expertise than the International Accounting Standards Board. As to whether non-financial matters reviewed by the Board would be affected by developments in sustainability reporting, the Board’s work had continued as planned, with the objective to establish sustainability standards in the medium to long term.

52. Concerning the implementation of the task force’s recommendations in Latin America, one expert stated that the United Nations Environment Programme Finance Initiative had held a regional round table in Brazil in 2019. Another expert said that the central banks of Brazil, Chile and Mexico were making progress in implementing the recommendations. A survey on climate change and climate risk practices was available online.

53. In response to a query as to whether the recommendations of the task force only considered the impact of climate on the company concerned or also the impact of the company on climate, another speaker said that the European Union looked at materiality from both angles and according to task force recommendations, disclosures on carbon-dioxide emissions were mandatory.

54. One participant stated that it was necessary to consider the impacts and environmental costs of switching to a low-carbon economy. In response, one expert said that tradeoffs should be contemplated and environmental impact assessments carried out when using electronic vehicles and transitioning to a low-carbon economy. Another expert said that the Paris Agreement under the United Nations Framework Convention on Climate Change and the Sustainable Development Goals were a blueprint for achieving a sustainable future and suggested that interconnected topics also be considered when assessing the impacts of switching to a low-carbon economy.

D. Other business

(Agenda item 5)

55. Introducing the agenda item, the presiding Vice-Chair-cum-Rapporteur presented two main issues for consideration:

(a) A review of the challenges and progress achieved in collecting data from companies, in particular with regard to Sustainable Development Goal indicator 12.6.1;

(b) The experience concerning the implementation of the Accounting Development Tool and guidance on core indicators shared by member States, including as part of the implementation of the eleventh tranche of the United Nations Development Account project entitled “Enabling policy frameworks for enterprise sustainability and Sustainable Development Goal reporting in Africa and Latin America”.

56. The first panel was composed of representatives of the following entities: Arabesque S-Ray; Global AI Corporation; Guatemalan Business Council for Sustainable Development, also known as CentraRSE; and World Benchmarking Alliance. The second panel consisted of representatives of the following entities: Department of Trade and Industry of South Africa; Ministry of Finance of Kazakhstan; Mission of Guatemala to the World Trade Organization, UNCTAD and other United Nations agencies; and Technical Council for Public Accountancy of Colombia.

57. With regard to the first issue, one expert outlined the collaboration between his organization and UNCTAD on establishing a global data collection mechanism and repository of corporate environmental, social and governance reporting data that informed Sustainable Development Goal indicator 12.6.1. The initiative offered an opportunity to monitor, analyse, harmonize and improve the quality of sustainability reporting at the global level, providing sustainability data and analytics in a consistent and comparable manner.

58. Another expert described his organization’s work with UNCTAD core indicators and other frameworks in helping mainstream sustainability in the world. He presented the

prototype for a quantitative data tool that analysed the sustainability performance of over 7,000 of the world's largest listed corporations and evaluated their sustainability impact.

59. Another expert encouraged smart reporting on Sustainable Development Goal indicator 12.6.1 to support the private sector in attaining the Sustainable Development Goals. She presented a concept of her organization's initiative that brought together some 20 different standard frameworks in one platform. She stressed the importance of three aspects related to reporting: gathering information based on evidence that supported the data, using innovative financial technology to facilitate the development of transparent and robust data, and ensuring the applicability of reports for decision-making in business.

60. In the view of one expert, it was important to move towards a global alignment in measuring and comparing company performance. To address this challenge, he suggested focusing on improving coherence in corporate reporting, using the Sustainable Development Goal framework to capture both the positive and negative impacts of companies' reporting. The incorporation of corporate performance and impact data generated by benchmarks to reinforce the need for certain policy interventions was also important. Further, he drew attention to the need to facilitate the global coordination of non-financial reporting through international principles, standards, measurement and reporting frameworks to incentivize sustainable finance.

61. With regard to the second issue, some experts shared their experiences in implementing the Accounting Development Tool, the guidance on core indicators and the aforementioned Development Account project. One expert shared the results of case studies conducted with local companies in his country on the applicability of the UNCTAD core indicators. He gave an update on the progress of the eleventh tranche of the aforementioned project, which provided good capacity-building opportunities in the form of public–private partnerships. In his view, the primary focus of the plan of action should be on strengthening the capacity of the public institutions in gathering financial and non-financial reporting data and continuing to use the UNCTAD core indicators to encourage reporting practice in his country.

62. Another expert, expressing appreciation to UNCTAD on behalf of her Government, said that the project was a good opportunity for both the private sector and the Governments concerned to work together on sustainability reporting. She shared the results of a national workshop conducted in her country under the Development Account project and announced that steps would be taken to implement the key recommendations contained in the action plan of the project.

63. Referring to the experience of her country in the project, one expert said that her country had also carried out a comprehensive assessment of its reporting infrastructure. Despite an overall increase in reporting, especially in the area of environmental degradation, social injustice and economic imbalances, there was no formal regulatory framework that could facilitate further developments. Although there were standardized requirements for listed companies, micro-, small and medium-sized enterprises also needed guidance in this matter. She encouraged the development of practical capacity-building tools that were aligned with relevant policies to make reporting easy and enable effective sustainability reporting. She wondered how to facilitate mandatory reporting without creating unnecessary pressure on business or an overregulated environment.

64. Another expert thanked UNCTAD for its support in implementing the Development Account project in his country. The project promoted sustainability and capacity-building in cooperation with 37 accounting, reporting and government entities. He outlined the project's progress and its action plan and made some recommendations to strengthen weaknesses in the institutional and accounting infrastructure. These included the following: promoting courses on sustainability, providing certification, ensuring better resources for accountancy professionals, applying mechanisms that allowed for the coordination of multi-stakeholder cooperation and setting up a body responsible for sustainability reporting.

65. Another expert presented a project on assessing the corporate reporting infrastructure in cooperation with the ministry of finance of his country, UNCTAD and 40 internal and external accounting and audit experts. The results of the project, conducted in 2015–2016, were embodied in several key recommendations: establishing an

independent supervisory body; aligning the certification system for accountants and auditors in accordance with requirements in international educational standards; and providing translations of international standards of accounting and audit, the code of ethics and educational standards. As a result, two laws had been enacted in the country, consolidating the support functions of the independent body, both in accounting and auditing.

III. Organizational matters

A. Election of officers

(Agenda item 1)

66. Due to the prevailing exceptional circumstances related to the COVID-19 pandemic, the Intergovernmental Working Group of Experts decided to elect its officers by silence procedure in accordance with the provisions of General Assembly decision 74/544 of 27 March 2020. As no objections were received by 2 November 2020, the Intergovernmental Working Group of Experts elected Mr. Patrick de Cambourg (France) as its Chair and Ms. Débora Ponce de Günther (Guatemala) and Ms. Irina Medvedeva (Russian Federation) as its Vice-Chairs-cum-Rapporteurs.

B. Adoption of the agenda and organization of work

(Agenda item 2)

67. Likewise, the Intergovernmental Working Group of Experts decided to adopt the provisional agenda (TD/B/C.II/ISAR/92) of the thirty-seventh session by silence procedure in accordance with the provisions of General Assembly decision 74/544 of 27 March 2020. The agenda was thus as follows:

1. Election of officers.

2. Adoption of the agenda and organization of work.

3. Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: Review of case studies.

4. Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges.

5. Other business.

6. Provisional agenda for the thirty-eighth session.

7. Adoption of the report.

C. Outcome of the session

68. At its closing plenary meeting on Friday, 6 November 2020, the Intergovernmental Working Group of Experts adopted the agreed conclusions of the session; agreed that the Vice-Chairs-cum-Rapporteurs, under the authority of the Chair, would finalize the report after the conclusion of the meeting; and approved the provisional agenda for its thirty-eighth session (annex I).

Annex I

Provisional agenda for the thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

(Agenda item 6)

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Review of practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals.
4. Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges.
5. Other business.
6. Provisional agenda for the thirty-ninth session.
7. Adoption of the report.

Annex II

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Albania
Algeria
Austria
Bangladesh
Belarus
Bhutan
Burkina Faso
China
Colombia
Côte d'Ivoire
Democratic Republic of the Congo
Dominican Republic
Ecuador
Egypt
France
Gabon
Gambia
Georgia
Germany
Ghana
Guatemala
Hungary
Indonesia
Iran (Islamic Republic of)
Italy
Kazakhstan
Kenya
Kuwait
Latvia
Lebanon
Lithuania
Malta
Morocco
Myanmar
Nicaragua
Nigeria
Oman
Panama
Peru
Philippines
Republic of Moldova
Russian Federation
Saudi Arabia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Turkey
United Kingdom of Great Britain and Northern Ireland
Uzbekistan
Venezuela (Bolivarian Republic of)
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Common Fund for Commodities
European Union
Organization for Economic Cooperation and Development
Organization of Islamic Cooperation
South Centre

3. The following United Nations organs, bodies and programmes were represented at the session:

Department of Economic and Social Affairs
Department of Management Strategy, Policy and Compliance
United Nations Development Programme
United Nations Environment Programme

4. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
International Telecommunication Union
World Bank Group

* This list contains registered participants only. For the list of participants, see TD/B/C.II/ISAR/INF.13.

5. The following non-governmental organizations were represented at the session:

General category

International Network for Standardization of Higher Education Degrees