



# **Global Reporting Trends in Sustainability & Climate Change**

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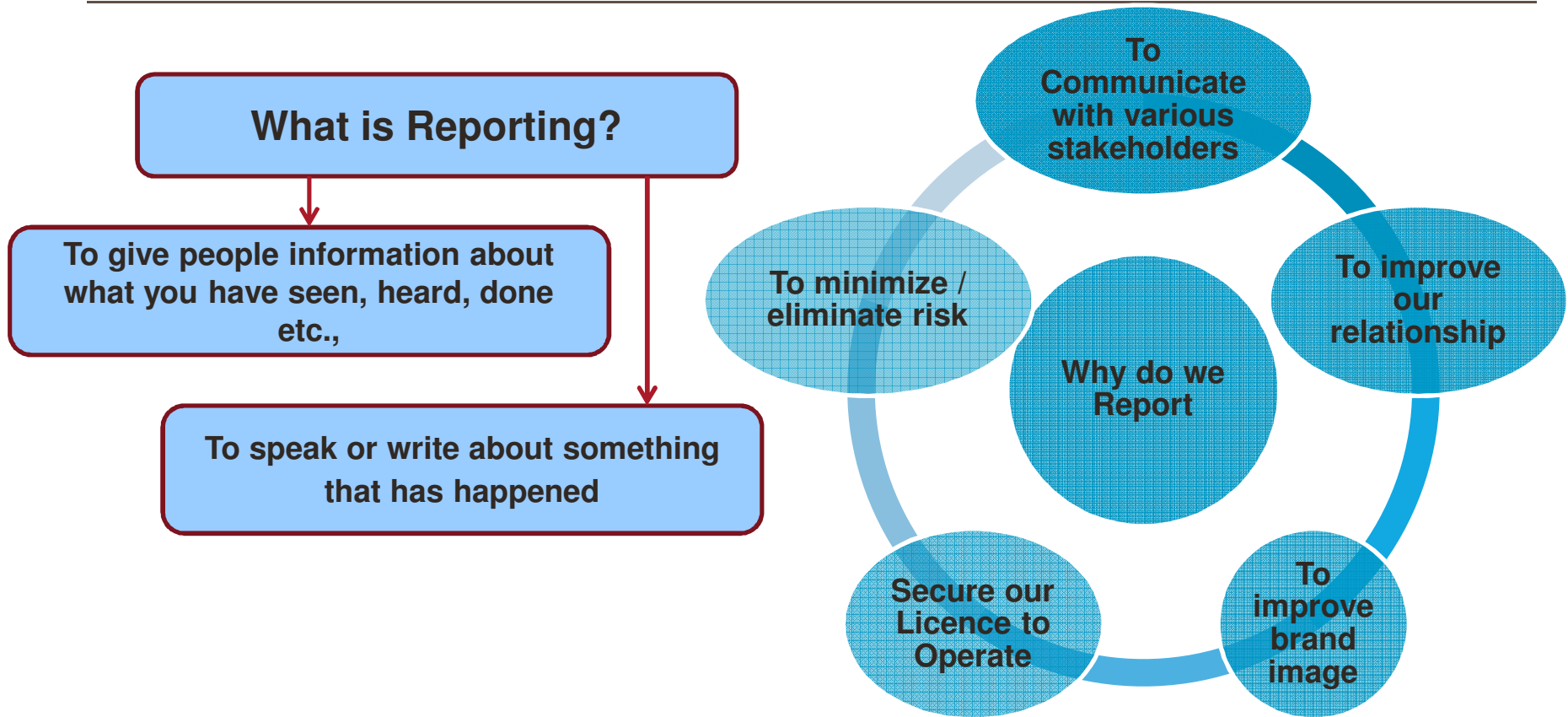
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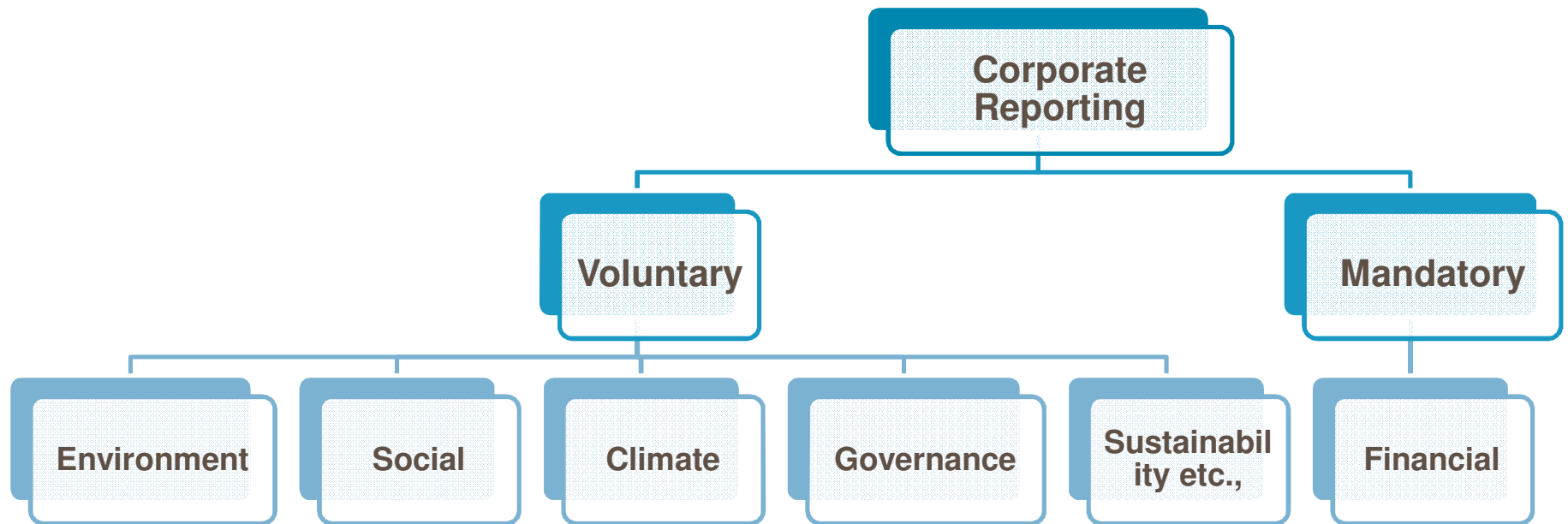
# What is reporting?....Why do we reporting?

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# What does Corporates Report?

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# Why Climate and Sustainability related disclosures got sudden attention.....

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Climate and Sustainability related risks are posing a greater challenge for sustenance of the business and threatening the very existence of business. Thus knowing the performance of organizations on these aspects and assessing the risks has become more important and at times more than the financial assessment. Few of the aspects are as given below:

## **Climate:**

Business interruptions with Climate related events like

- ❑ Natural Disasters
- ❑ Extreme precipitation
- ❑ Draught
- ❑ Increased temperature damaging nature's eco system
- ❑ Change in customers expectations
- ❑ Pandemics
- ❑ Raising sea levels
- ❑ Carbon Tax

## **Environment:**

- ❑ Increased regulatory regime with strict enforcement
- ❑ Increased CAPEX and OPEX compliance costs
- ❑ Threat of Environment Compensation / penalties
- ❑ Resources availability like water, minerals etc.,
- ❑ Increased Environmental activism

## **Social:**

- ❑ Health & Safety of both the employees & Communities
- ❑ Increased awareness of communities and associated increase in social activism
- ❑ Demand for basic human rights
- ❑ Sexual Harassment
- ❑ Child Labour
- ❑ Gender diversity
- ❑ Ease of access to social media

## **Governance:**

- ❑ Mismanagement
- ❑ Lack of accountability
- ❑ Lack of transparency
- ❑ Reputational damage
- ❑ Loss of confidence of various stakeholder groups
- ❑ Regulatory non compliance

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# **International Initiatives in Sustainability Reporting**

## International Initiatives in Sustainability Reporting

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### **European Union – Non Financial Reporting Directive:**

In December 2014, the European Union adopted Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups which amends the Accounting Directive 2013/34/EU.

The Directive requires public-interest entities (PIEs) in the European Union with more than 500 employees to include in their management report a non-financial statement containing information on their policies, main risks and outcomes related to as a minimum: environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues.

### **Group Friends of Paragraph 47:**

The Group of Friends of Paragraph 47 is a government-led initiative formed in June 2012 following the acknowledgement of the importance of corporate sustainability reporting in Paragraph 47 of the outcome<sup>28</sup> document of the United Nations Conference on Sustainable Development (Rio +20). The Group is composed of the governments of Argentina, Austria, Brazil, Chile, Colombia, Denmark, France, Norway, South Africa and Switzerland. The UN Environment Programme (UNEP) and the Global Reporting Initiative (GRI) provide support in a secretariat capacity. The Group's Charter<sup>29</sup> was published on 7 November 2012

# International Initiatives in Sustainability Reporting

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## **Sustainable Stock Exchange (SSE) Initiative:**

The Sustainable Stock Exchanges (SSE) initiative is a peer to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG (environmental, social and corporate governance) issues and encourage sustainable investment. The SSE is organized by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Programme Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). The first meeting of the SSE was opened by UN Secretary General Ban Ki-Moon in New York City, USA in 2009.

## **World Federation of Exchanges :**

Based on the SSE Model Guidance, the World Federation of Exchanges has created a set of recommendations to its member exchanges on how to implement their own sustainability policies. The WFE Guidance & Recommendations identify material ESG metrics which exchanges can incorporate into disclosure guidance to companies listed on their market. The metrics lay out 34 key performance indicators that are built off of the SSE guidance.



# International Initiatives in Sustainability Reporting

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## **Business and SDGs: SDG Compass and the 12.6 tracker**

The 2030 Agenda for Sustainable Development was adopted in September 2015. It includes the Sustainable Development Goals (SDGs): 17 goals with 169 targets covering a broad range of sustainable development issues such as ending poverty and hunger, improving health and education, making cities more sustainable, combating climate change, and protecting oceans and forests. GRI among others championed a strong private sector role in the development of the goals. **World**

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# **International Frameworks and other instruments**

## International Frameworks and other instruments

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### **Global Resource Initiative (GRI)**

GRI is an international independent organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. *With thousands of reporters in over 90 countries, GRI provides trusted and widely used standards on sustainability reporting*, enabling organizations and their stakeholders to make better decisions based on information that matters.

### **The International Integrated Reporting Council (IIRC):**

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.

In 2014, the IIRC published an international Integrated Reporting <IR> Framework. Aimed primarily at producing information for long-term investors, this framework offers guiding principles and content elements that govern the content of an integrated report.

## International Frameworks and other instruments

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### **Sustainability Accounting Standards Board (SASB):**

The Sustainability Accounting Standards Board (SASB) is a U.S. based organization incorporated in July, 2011 for the purpose of establishing industry-based sustainability standards for the recognition and disclosure of material environmental, social and governance impacts by companies traded on U.S. exchanges. SASB is also an ANSI accredited standards developer.

### **Organizations for Economic Cooperation and Development (OECD) guidelines for Multinational Enterprises:**

The OECD Guidelines provide recommendations for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. Over 40 adhering governments – representing both OECD and non-OECD member countries from all regions of the world – encourage enterprises in their countries to observe the guidelines wherever they operate

### **Carbon Disclosure Project (CDP):**

CDP provides a global reporting system that collects information from the world's largest organizations on their climate change risks, opportunities, strategies and performance, and the way in which they consume and affect natural resources including water and forests. By leveraging market forces including shareholders, customers and governments, CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their greenhouse gas emissions, climate change risk and water strategies.

## International Frameworks and other instruments

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### **ISO 26000**

ISO 26000 is a guidance standard on how business and *organizations can operate in a socially responsible way*. It helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions, and shares best practice on social responsibility. It is aimed at all types of organizations regardless of activity, size or location. The standard states that an organization should, at appropriate intervals, report about its performance on social responsibility to the stakeholders affected.

*ISO 26000 defines 7 'core subjects': 1. Organizational governance, 2. Human rights. 3. Labour practices, 4. The environment 5. Fair operating practices, 6. Consumer issues, 7. Community involvement and development.*

### **Greenhouse Gas Protocol (GHG Protocol) Corporate Standard:**

The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol, a decade-long partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), is working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change.

## International Frameworks and other instruments

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### **International Labour Organization (ILO) Tripartite declaration of principles concerning multinational enterprises and social policy:**

The principles laid down in this universal instrument offer guidelines to multi-national enterprises, governments, and employers' and workers' organizations in such *areas as employment, training, conditions of work and life, and industrial relations*. Its provisions are reinforced by certain international labor Conventions and Recommendations which the social partners are urged to bear in mind and apply, to the greatest extent possible. Core Labor Standards (or CLS) are the baseline standards for labor set up by the International Labor Organization (ILO).

### **UN Guiding Principles on Business and Human Rights :**

On 16 June 2011, the UN Human Rights Council endorsed the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework" proposed by UN Special Representative John Ruggie. These guiding principles are grounded in recognition of: (a) States' existing obligations to respect, protect and fulfil human rights and fundamental freedoms; (b) The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights; (c) The need for rights and obligations to be matched to appropriate and effective remedies when breached.

## International Frameworks and other instruments

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### **Principles for Responsible Investments:**

The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. The principles offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. There are some mandatory indicators which represent the minimum set of public information that signatories are required to report and disclose as of 2013.

### **Climate Disclosure Standards Board (CDSB) :**

Launched in September 2010, the Climate Change Reporting Framework adopts and relies on relevant provisions of existing standards and practices, including the Greenhouse Gas Protocol and International Financial Reporting Standards as well as reflecting regulatory and voluntary reporting and carbon trading rules. The Framework is a standards-ready tool for companies to disclose climate change-related information in mainstream financial reports.

## International Frameworks and other instruments

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### **Task Force on Climate Related Financial Related :**

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.



## Sustainability Reporting Standard in India

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In December 2019, SEBI mandated filing of the *Business Responsibility Reports (BRR)* by top 1,000 listed entities by market capitalization for the financial year 2019-20.

The market regulator also released a consultation paper in August 2020 on a new format of *Business Responsibility and Sustainability Reporting (BRSR)*. The new format will be adopted on a voluntary basis for the financial year 2020–21 and mandatorily from the financial year 2021-22.. The new reporting is aimed at bringing greater transparency through disclosures on Environmental, Social and Governance (ESG)-related information.

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# **Assurance Standards**

# Assurance Standards

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## Global:

- ❑ The International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). IFAC is the body responsible for issuing international accounting and auditing standards for the accounting profession. ISAE 3000 came into force in December 2003 and is used by accounting firms to guide their assurance engagements on sustainability reports.
- ❑ AA1000 Assurance Standard (AA1000AS), 2008. Issued by the UK-based Accountability; provides a comprehensive approach to holding an organization to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organization to the Accountability Principles (AA1000APS) and the reliability of associated performance information. It was developed through a multi-stakeholder process and is designed to help ensure that reporting and assurance meets stakeholders' needs and expectations.
- ❑ ISO 14064-3 Specification with guidance for the validation and verification of greenhouse gas assertions. ISO 14064- 3 details principles and requirements for verifying GHG inventories, and validating or verifying GHG projects. It can be applied to entity-wide and offset project GHG quantifications.

# Assurance Standards

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## **Regional:**

- North America: SOP 03-2, Attest Engagements on Greenhouse Gas Emissions Information, 2002. In 2002 the AICPA and the Canadian Institute of Chartered Accountants (CICA) formed a joint task force on sustainability reporting. While the task force concluded in 2003 that GRI had not yet developed to a point where its criteria were suitable, it also recognized the importance of working with GRI and international standard setters to develop performance and reporting criteria. The task force took an important step in the United States by developing the first attestation engagement on environmental reporting. With the approval of the AICPA Auditing Standards Board, the task force issued Statement of Position 03-2, Attest Engagements on Greenhouse Gas Emissions Information. The AICPA also is participating in the Enhanced Business Reporting Consortium ([www.ebr360.com](http://www.ebr360.com)), which is examining how to improve information for public company stakeholders.

## **Country Level Standards:**

- Australia: Standard DR03422: General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports, 2003. Issued by Standards Australia. Work on this standard was carried out by the joint Standards Australia and Standards New Zealand Committee QR-011 Environmental Management Systems.

# Assurance Standards

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## Country Level Standards:

- ❑ Brazil: NBC TO 3000. Approved by The Federal Accounting Council (CFC), through resolution No. 1.160/09, the norm provides for assurance engagements other than audit and review of historical financial information.
- ❑ China: No. 3101 Assurance Engagements other than Audits or Reviews of Historical Financial Information (CAS3101), 2006. Issued by the Ministry of Finance, CICPA CAS3101 is one of the China Standards on Other Assurance Engagements, which are included in the China Certified Public Accountant Practicing Standards. CAS3101 follows the ISAE3000 very closely in terms of principles and procedures. *The main distinction is that CAS3101 requires two sign-offs by a certified practitioner of CICPA in addition to the firm's seal while ISAE3000 requires only the name of the firm or practitioner to be stated on the assurance statement.*
- ❑ France: Order of 13 May 2013 defining the conditions under which the Independent Third Party, accredited by the French accreditation body, performs its verification engagement related to companies' transparency obligations on social and environmental matters on their annual Management Report (Article L.225-102-1 of the French Commercial Code and Decree n°2012-557 of 24 April 2012). The Independent Third Party's internal methodology, which is verified by the French accreditation body, must comply with the Order of 13 May 2013, and is mainly designed to comply with ISAE 3000 and French professional standards

# Assurance Standards

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## Country Level Standards:

- ❑ Italy: Research Document n. 190: limited assurance report on social or sustainability report. This document is issued by ASSIREVI (the Italian Association of Internal Auditors) and represents a model for limited assurance of reporting on social or sustainability information.
- ❑ Japan: Practical Guidelines for the Assurance of Sustainability Information, 2007. The guidelines were issued by the Japanese Association of Assurance Organizations for Sustainability. The guidelines set out specific steps and procedures to be followed in assurance engagements of sustainability information. The guidelines are broadly consistent with ISAE3000. Members of the Japanese Association of Assurance Organizations for Sustainability include not only accounting firms but also some certification bodies. The guidelines have helped narrow the gap between accounting firms' assurance procedures and those of certification bodies.
- ❑ Netherlands: Standard COS 3810N Assurance Engagements relating to Sustainability Reports, 2007. Issued by The Royal Dutch Institute for Registered Accountants (NIVRA). The standard is designed to comply with ISAE 3000 while incorporating the principles of AA1000AS and drawing on the GRI Guidelines. The standard is applicable to all engagements agreed after 1 July 2007.
- ❑ Spain: ICJCE Action Guide, 2008. Developed by the Institute of Chartered Accountants of Spain, this guide establishes the procedures that an auditor should follow for verifying sustainability reports.

# Assurance Standards

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## **Country Level Standards:**

- Sweden: Standard RevR 6 Independent Assurance of Separate Voluntary Sustainability reports, 2004. Issued by The Swedish Institute for the Accountancy Profession (FAR). An updated version of the recommendation, in compliance with International Standard on Assurance Engagements 3000 (ISAE), was published in December 2008. The Swedish recommendation is based on the Dutch Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' published by Royal NIVRA in July. The updated RevR 6 now provides guidance both on reasonable assurance and limited assurance engagements of sustainability reports.



**Do we need so many  
Reporting frameworks,  
Instruments &  
Assurance Standards  
???**



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# **Global Reporting Trends Few Statistics**

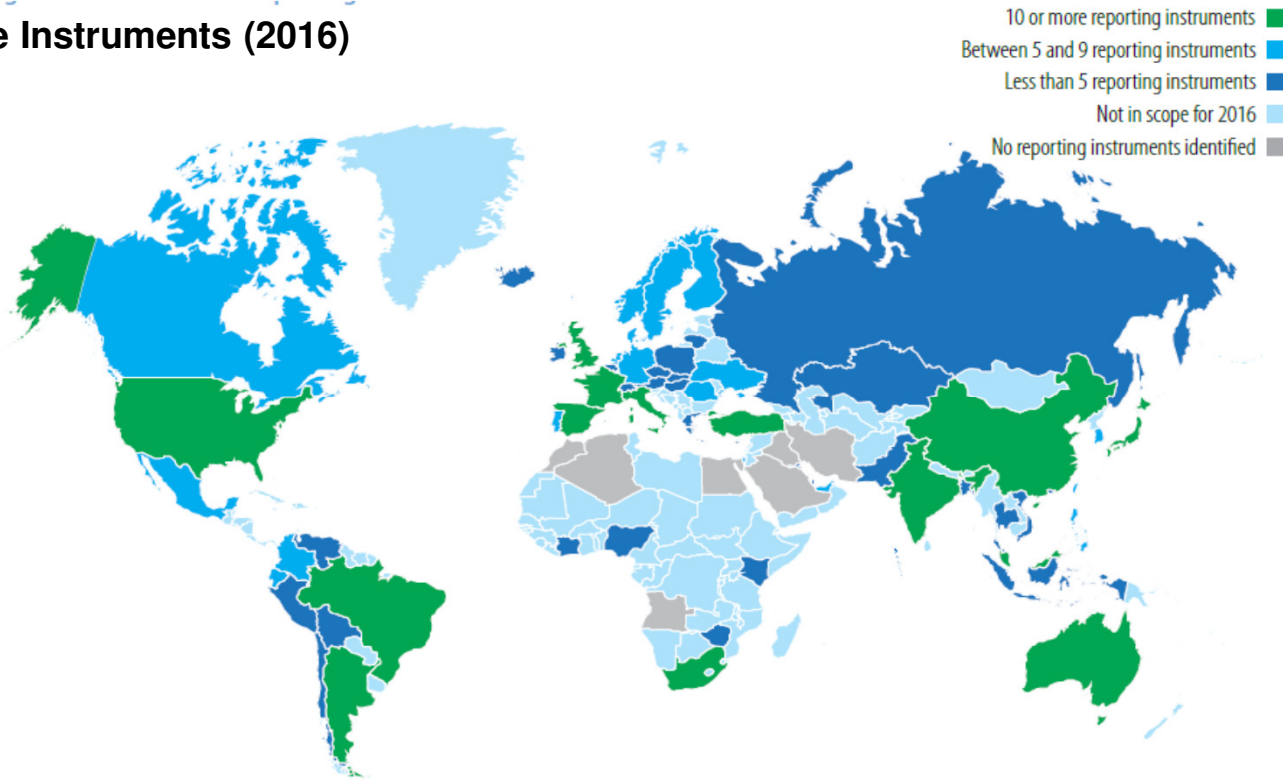
## Trends in Sustainability Reporting

		2006		2010		2013		2016	
Reporting Instruments	Mandatory	35	58%	94	62%	130	72%	248	65%
	Voluntary	25	42%	57	38%	50	28%	135	35%
	<b>Total</b>	<b>60</b>		<b>151</b>		<b>180</b>		<b>383</b>	
Countries & Regions		<b>19</b>		<b>32</b>		<b>44</b>		<b>71</b> (64 with instruments)	

# Trends in Sustainability Reporting

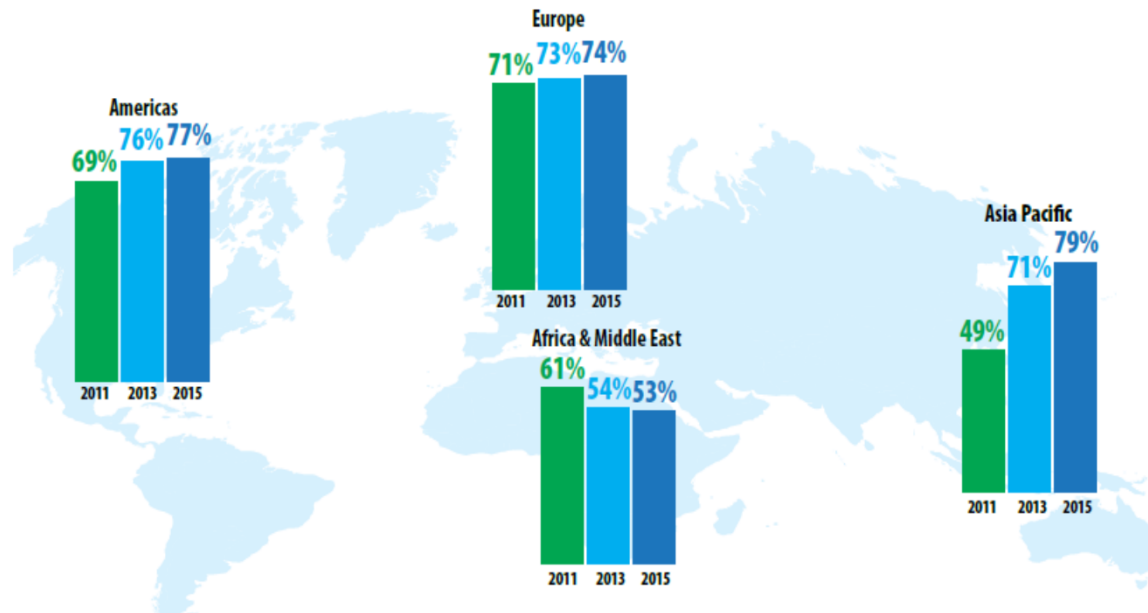
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## Country Wise Instruments (2016)



# Trends in Sustainability Reporting

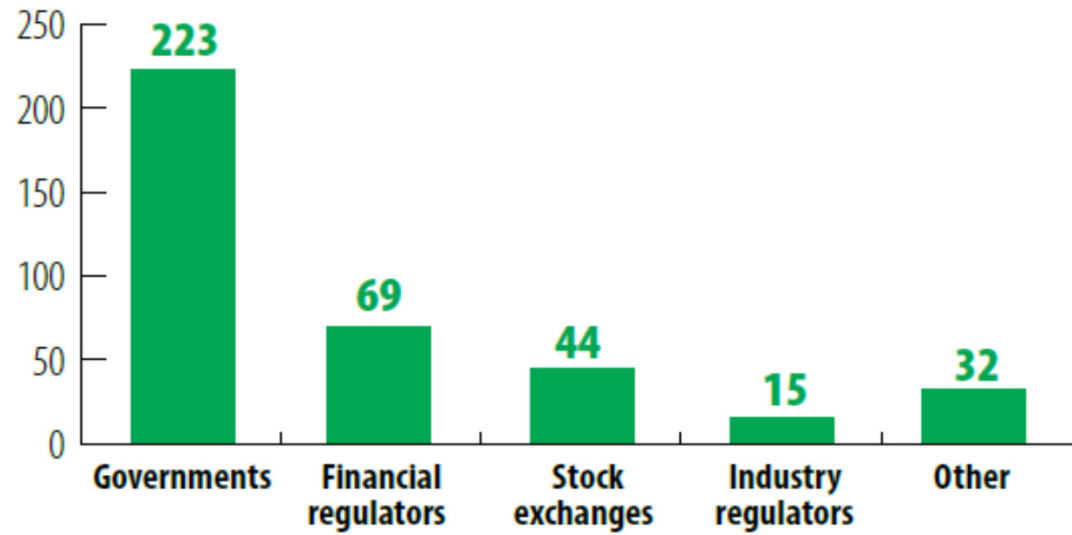
Rate of Sustainability Reporting among the 100 largest companies per country



# Trends in Sustainability Reporting

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No of Instruments by issuing body, 2016



# Trends in Sustainability Reporting

## Key Global Trends in Sustainability Reporting




## Reporting of Risk from Biodiversity Loss



# Trends in Sustainability Reporting

## Reporting on Climate risk and Carbon reduction

Around **40%** of companies now acknowledge the financial risks of climate change in their reporting.



**One in five** companies reports climate risk in line with **TCFD recommendations.**



A majority of companies worldwide now have targets in place to **reduce their carbon emissions.**




There is a **growing trend** to link corporate carbon targets to global climate goals.




## Reporting on the UN Sustainable Development Goals (SDGs)

A significant majority of companies now connect their business activities with the SDGs in their corporate reporting.




However, SDG reporting is often **unbalanced and disconnected** from business goals.



SDGs linked to **economic growth, climate change and responsible consumption** are most frequently prioritized by businesses.



SDGs linked to **protecting biodiversity** are least commonly prioritized by businesses.



## Q&A

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**THANK YOU FOR LISTENING!**

*Disclaimer: inputs for this presentation sourced from*

*(a) Carrots & Sticks – Global trends in Sustainability Reporting regulations and policy*

*(b) <https://home.kpmg/xx/en/home/insights/2020/11/the-time-has-come-survey-of-sustainability-reporting.html>*

*(c) <https://www.fsb-tcf.org/about/>*