Briefing note on the 37th session of ISAR

The 37th session of the Intergovernmental Working Group of Experts on International standards of Accounting and Reporting (ISAR) took place virtually from 2 to 6 November 2020, 2-4pm CET. The session was conducted with interpretation in all six UN languages, 375 experts from 53 countries registered for the event. Mr. Patrick de Cambourg, President of the French Accounting Standards Setting Authority, was duly elected Chairperson of the session, Ms. Débora Ponce de Günther, Counselor, Permanent Mission of Guatemala to WTO and Ms. Irina Medvedeva, Counselor, Permanent Mission of the Russian Federation, were duly elected Vice-Chairs-cum-Rapporteurs. In accordance with the Agreed Conclusions of the ISAR 36th session that took place in 2019 in Geneva, two main agenda items were addressed this year: 1) Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the SDGs: Review of case studies, and 2) Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges.

Distinguished speakers representing major international players in the area of corporate accounting and reporting, public and private sector bodies, the accounting profession, investors, academia and other stakeholders discussed recent developments in these two areas, including impacts of COVID-19. Keynote addresses were delivered by Erkki Liikanen, Chair, International Financial Reporting Standards Foundation Trustees and Tajinder Singh, Deputy Secretary-General, International Organization of Securities Commissions (IOSCO). The session discussed progress made and main challenges in improving quality and usefulness of sustainability/SDG reporting by companies, as well as trends and good practices in climate-related financial disclosures. In accordance with the agenda several case studies conducted by UNCTAD in the intersessional period, on practical application of UNCTAD/ISAR’s Guidance on core indicators for entity reporting on the contribution towards the attainment of the SDGs (GCI) were presented and discussed. The case studies provided further evidence of usefulness of the GCI approach on facilitation of a baseline sustainability/SDG reporting by companies in a consistent and comparable manner, and underscored the role of the GCI as a capacity building tool for integrating sustainability information into companies’ accounting and reporting cycle.

Reflecting on the role of UNCTAD as a co-custodian of the SDG indicator 12.6.1 “Number of companies publishing sustainability reports”, under other business agenda item, experts reviewed progress and challenges in the SDG data collection from companies on their contribution towards implementation of the 2030 Agenda. In addition, the session featured the ceremony of ISAR Honours 2020, which acknowledged key national and international initiatives on promotion and harmonization of sustainability/SDG reporting by companies, with a view to raise awareness and disseminate best practices in this area. Furthermore, selected countries shared their experiences on strengthening their accounting and reporting infrastructure based on UNCTAD’s Accounting Development Tool (ADT) with a focus on improvements in sustainability/SDG reporting with support of the GCI application.

The Group of Experts concluded with agreed conclusions on all agenda items. In particular, it underlined the essential role that sound sustainability reporting by entities plays in promoting sustainable investment and finance and in attaining the Sustainable Development Goals, and that the coronavirus 19 pandemic has significantly heightened the focus on sustainability
issues. It also stressed 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, 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. At the same time ISAR took 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. In this regard, it emphasized the need to foster further 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. It also underlined 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.

In this regard, in its Agreed Conclusions ISAR 37th session recognized the important role that the GCI 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. It also noted the usefulness of capacity-building efforts provided by the UNCTAD secretariat to facilitate wider use of the GCI, raising awareness and dissemination thereof, including for small and medium-sized enterprises, and encouraged further activities in this area with a view to facilitating the further convergence and alignment of reporting frameworks and practices. Those include 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, developing metrics and tools on measuring and collecting timely and reliable data on the private sector contribution towards the SDG implementation. It also called upon UNCTAD to conduct further case studies as well as consultative meetings during the forthcoming intersessional period with a view to analyzing the main findings of about twenty case studies prepared over the last 2 years and reflect the feedback in the GCI implementation process. Further on, it requested UNCTAD 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 ISAR sessions.

ISAR also requested the UNCTAD secretariat to continue its efforts relating to the implementation of the Accounting Development Tool (ADT) and the GCI 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 (ESG)
by enterprises; also to continue monitoring developments in the standard-setting arena that have implications for the ADT and GCI, with a view to updating these tools at an appropriate juncture in the coming years, as needed.

Finally, the UNCTAD secretariat was also called to conduct further work required for the implementation of the metadata guidance and data collection mechanisms to support member States in reporting on the SDG indicator 12.6.1, for building capacity towards 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.

Preceding the session, on 30th October 2020, ISAR technical webinar on *Assurance on Sustainability Reports* was jointly organized by UNCTAD and the World Business Council for Sustainable Development. The workshop had 205 registrants from 26 countries. Discussions focused on current practices and challenges in this area.