



## **Business Building Trust through Enhanced Transparency and Accountability Implementing the Post-2015 Development Agenda**

***Executive Brief: With corporate engagement, public-private partnerships and private finance figuring in the implementation of a potential set of SDGs, building trust in the private sector is crucial. Transparency and reporting will also maximize the business contribution, by allowing companies to evaluate their sustainability impacts and upgrade their performance.***

### Enhanced transparency around corporate commitments

Transparency and disclosure to stakeholders concerning a company's impact on sustainable development, and its commitments to improve on that record, is a chief measure for ensuring that companies are making progress and to lend credibility to their commitments to sustainable development. This responsibility is an addition, of course, to compliance with all legal regulations as to corporate practices and provision of information.

Member States acknowledged the importance of corporate sustainability reporting in §47 of the outcome document from the Rio+20 UN Conference on Sustainable Development, which encourages companies to integrate sustainability information into their reporting cycles.

Businesses taking part in consultations on a development agenda to follow through on the conclusion to the Millennium Development Goals in 2015 recognize the need to add to the number of companies that publicly commit to integrating sustainable development principles into their strategies and operations.

The number of firms participating in the UN Global Compact – entailing publicly stated support to United Nations principles in the fields of environment, human and labour rights, and anti-corruption – has grown steadily, and now exceeds 8,000. Similarly, the number of companies utilizing the sustainability reporting framework developed by the Global Reporting Initiative (GRI) has grown exponentially over the course of the century, from a handful in 1997 to thousands by 2014, and it continues to increase.

The existence of globally supported Sustainable Development Goals (SDGs) that welcome a business contribution would produce an even higher order of magnitude of companies that make commitments to achieve specific and time-bound targets aligned with global development priorities.

### Accountability through transparency and disclosure

The data on corporate commitments, targets and contribution to the goals, should be made accessible and searchable for the public. This will support all stakeholders in holding companies accountable for the commitments made.

Through platforms such as the UN Global Compact, there are already thousands of companies that on an annual basis report on their strategies and activities related to sustainable development. They can receive support as needed to enhance transparency, to widely distribute their reports, and ultimately to

improve their performance by efficiently managing their sustainability impacts and contribution to the SDGs.

An international standard for sustainability reporting already exists, the GRI Sustainability Reporting Guidelines. New frameworks are emerging, such as the International Integrated Reporting Framework, that aim to integrate the financial and extra-financial corporate reporting efforts. These platforms provide solid bases upon which to build and over time the application of standards for reporting beyond strictly financial boundaries should be as ubiquitous as financial accounting systems currently in use. Financial markets – namely, investors – increasingly rely on high-quality, extra-financial information to make investment decisions<sup>1</sup>; this makes assurance processes which increase confidence in sustainability information’s credibility, completeness, and accuracy ever more important. A similar trend exists in consumer choices.

### Standard measurement practices

If carried out effectively, standardized terms of measurement allow for benchmarking across companies, giving stakeholders the information needed to grasp the impact of a company or industrial or commercial sector on global sustainable development priorities. It thus requires expertise and capability in scoping, data collection, aggregation and validation in many new areas. Adding to the challenge is the need for comparable information standards and measurement units across companies and industries, and countries and regions.

A toolkit that can support companies in measuring and communicating to their stakeholders in a credible manner is needed.

The UN Global Compact, Global Reporting Initiative and the World Business Council for Sustainable Development are joining forces to develop such a toolkit. To effectively support companies, the toolkit should include a general guide to impact measurement, and a list of commonly accepted indicators aligned with global sustainable development goals, among which companies can select the most relevant for measuring and communicating their impact. The commonly accepted indicators should be based on and aligned with existing standards and frameworks and avoid creating metrics or indicators in areas where they already exist. Additional suggested indicators will rely on the GRI Guidelines, which will be further developed to allow companies to measure and report their contribution to the full spectrum of the business-relevant SDGs.

Measurement and reporting frameworks should be as simple and relevant as possible, and adaptable to companies with a range of sizes, including small and medium-size enterprises (SMEs).

In the case of partnerships, businesses that have been consulted on post-2015 agenda cite a lack of trust between actors and sectors as a chief obstacle to effective implementation. Transparency in terms of partnership arrangements and willingness to demonstrate accountability are two prerequisites for building confidence.

Due to the multiplicity of partnership formats and their various sizes and arenas of operation (global, regional, national, etc.), centralized monitoring in detail may prove to be difficult and even self-

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<sup>1</sup> See “Building the Capacity of Investment Actors to Use ESG Information” © The Principles for Responsible Investment, February 2013

defeating. An important step forward may be to develop guidelines for public interest partnerships, especially those involving the United Nations and UN agencies, similar to the toolkit for corporate engagement mentioned above, which can serve as a window on the integrity and long-term efficacy of initiatives.

#### Broadening the use of certification schemes

In recent Post-2015 consultations, certification schemes and consumer labels have been identified as an important transparency and accountability measure. Indeed, transparency breeds accountability: with more transparent access to information come heightened expectations for organizations to be accountable for its quality, and higher demand for certification schemes. They also drive company performance and accountability.

Considering that the use phase of many different products and services is the most important source of impacts, it's very important to bring to the customers' broader information about the consumption impacts considering the whole life-cycle of the products or services.