Leadership in Corporate Reporting
Launched in 2007, **Global Compact Network USA (GCNUSA)** is the local network chapter of the United Nations Global Compact (UNGC). Network USA is a non-profit organization that supports U.S.-based entities in:

- Operating in alignment with the **Ten Principles** of the Global Compact
- Engaging with and advancing the **Sustainable Development Goals**
- Leveraging their association with the Global Compact and **United Nations** and its global resource network
- Facilitating and creating opportunities for multi-sectoral and multi-stakeholder collaboration
AGENDA

1. WELCOME AND INTRODUCTIONS
2. TRENDS IN CORPORATE REPORTING - PwC
3. COP REVIEW
4. REPORTING ON THE SDGS
5. Q & A
A New Era of Reporting: Creating a shared vision
**Agenda for today**

**Trends in Corporate Reporting** – 40 mins
- Where we are now, and why?
- Challenges of corporate reporting
- What does the future look like?

**Presenters**

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© 2017 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.
Section One:
Where we are now, and why
Reporting is distributed & integrated

### Financials
- Income statement
- Balance sheet
- Cash flow statement
- Notes
- Analysis

### Non-financials
- Strategy
- Risks
- Trends
- Intellectual capital
- Human capital
- Governance
- Safety
- Sustainability
- Philanthropy

- Website
- Marketing materials
- Ad campaigns
- Social media
- Customer tenders
- Ratings & rankings
- Internal intranets & newsletters
- Recruiting materials
- Investor presentations
- Sustainability report
- Investor meetings & questionnaires
- 10-Qs
- 10-K
Three trends that influence corporate reporting

- Going beyond financials
- Values-driven decisions
- Trust gap
Trend 1: Investors look beyond financial statements

The “reasonable investor” is changing – and so are their information needs

85% of investors say that non-financial information is critical to buy/sell decisions

Edelman, Qualitative Information Survey, 2015

One third of US mutual funds are now passive


$30 trillion expected to pass from boomers to millennials

Morgan Stanley, The $30 Trillion Challenge, 2015
We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation... BlackRock’s corporate governance team, in their engagement with companies, will be looking for this framework and board review.

- Larry Fink, BlackRock CEO
Trend 2: Consumers and employees care about values

People want brands to improve their lives and the lives of the people they care about.

Meaningful brands outperform:

- **Share of wallet**: 46%
- **Marketing KPIs**: 100%
- **Market outperformance**: 133%

Trend 3: Previous investments in reporting have not offset the public’s lack of trust

10-K length has more than doubled from 1996 to 2013
Dyer et al., The Evolution of 10-K Textual Disclosure, 2016

81% of the S&P 500 now publish sustainability reports
G&A Institute, Flash Report, 2015

47% of the general public does not trust business
Edelman, Trust Barometer, 2016

Companies face backlash over foreign mergers to avoid U.S. taxes
NPR - May 2014

Price gougers must be tamed
It’s time to unleash the power of free-market economics to resolve a continuing outrage in the generic drug industry.
Forbes - June 3, 2016

If we can't trust companies to look after our data, we can't trust them to do anything
The Telegraph - January 22, 2015
The trust gap has led to innovation in corporate reporting.
Section Two: Challenges of Corporate Reporting
Corporate reporting today: fragmented, inconsistent, burdensome

Numerous channels
Information is scattered across reports (e.g., 10K, 10Q, Proxy), ratings and rankings (e.g., MSCI, CDP, DJSI), external requests (e.g., SRI inquiries) and other communications (e.g., investor presentations, blogs, social media).

High volumes
Increasingly detailed information is often required, as well as multiple follow-ups with investors or other audiences.

Sense of urgency
Response timeframes can be extremely narrow. For many stakeholders, annual updates are no longer sufficient.

Low effectiveness
Investors consistently report dissatisfaction with corporate disclosures.
Bridging the gap

Structural issues divide investors and companies

**Why is ESG important?**

- Corporates: 24% reducing risk, 35% improving long-term growth
- Investors: 19% reducing risk, 63% improving long-term growth

**How confident are you in the data?**

- 29% Investors

**What reporting standard do you use / prefer?**

- 80% of corporates follow GRI standards
- 43% of investors would like to see information reported using the SASB standards

Q: Does your company follow generally accepted standards when disclosing ESG information?

corporates: 80%

Q: Would you like to see ESG information disclosed in accordance with any of the following standards?

investors: 43%
The current length of most [10-K] reports is excessive and very difficult to manage.

-PwC, “ Disclosure Reform: What Investors Think”

Disclosures aren’t user-friendly in today’s stressed reporting systems.

The 2013 annual report was 109,894 words long – not a retail investor on planet Earth could get through it, let alone understand it.

Key challenges

**Efficiency**
Producing reports and responding to requests in a timely fashion.

**Consistency**
Ensuring data provided to various sources is aligned.

**Completeness**
Identifying and locating pertinent people and data.

**Data quality**
Ensuring integrity of the information provided.

**Disclosure approval**
Obtaining department and corporate level sign-off (e.g., legal).

**Data management**
Organizing the high volume and wide variability of requests, combined with the ad hoc nature of the requests.
Failure to adapt to the new reporting model puts you at risk.

**Significant financial implications**
Inaccurate or unaligned information results in legal and regulatory consequences.

**Potential reputational and/or brand value at stake**
Missing or ineffective responses reduces external ratings/rankings.

**Reduced operational effectiveness**
Extended workflow draws staff time away from more value-added tasks.
Section Three:
What Does the Future Look Like?
The Future of Reporting

Value Focus
There will be more explicit linkages between pre-financial performance and business value.

Targeted
Communications will be targeted to unique user needs and perspectives.

Integrated
Companies will integrate financial and pre-financial information seamlessly across multiple reporting channels.

Interactive
Digital innovation will transform what is communicated, to whom, how, and when.

High Stakes
As more third-parties rely on non-financial disclosures, the stakes for complete and accurate information will rise.
How to thrive in the future

- Technology infrastructure
- Data processes and controls
- Policies & standards
- Controls & procedures
- Governance
- Board engagement
- Executive engagement
- Integrated strategic framework
- Annual
- Update
- Communication strategy
- Digital experience (internal and external)
A shared vision anchors an integrated narrative and management strategy.

**Strategic Framework**
Create a shared vision for long-term value creation.

**To do this, you will need internal alignment on:**
The business model and strategy.
Your core reporting narrative.
Financial and pre-financial metrics to measure progress.
Back-end Infrastructure

Solid back-end infrastructure provides quality data for integrated management and reporting.

Information Management
Bring together relevant and reliable financial and pre-financial data.

To meet the risks and challenges of this process you need:
A dynamic technology foundation to consolidate supporting data. Controls to make that information ‘investment grade’. Integrated dashboards to enable aligned execution at all levels of the organization.
Front End Controls & Reporting

Stronger controls and digital innovation strengthen the reporting experience.

Stakeholder Experience

Provide an impactful reporting experience that builds trust.

Creating that experience requires:

- Providing tailored content to meet individual stakeholder needs.
- Engaging audiences with the latest digital platforms.
- Ensuring consistency across communication channels.
- Continuing to navigate the increasingly complex legal and regulatory environment.
Confidence in claims
Data quality is a priority as companies are increasingly accountable for non-financial claims and assertions. Accountability builds trust. Trust builds value.

Competitive edge
Leading companies have clear strategies for delivering value with financial and pre-financial resources. They know their stakeholders invest in brands that reflect their values.

Higher impact
Leading companies leverage digital tools to increase transparency and accessibility in reporting.

Targeted messaging
Effective reporting is tailored to specific stakeholder needs and interests to build value and trust.

Operational efficiencies
Integrated data management can streamline reporting processes, saving time and money.

Consistency
Robust controls are needed to ensure claims are consistent across channels. Reliability is key.

More frequent insights
Aligning reporting processes can enable quarterly, monthly or even real-time updates.

Breakthrough thinking
Bringing together functions like Finance, HR and R&D can spur innovation and lead to new insights.

Market reward
Analysts may reduce discount rates for companies that integrate pre-financials into their core strategy. This holistic approach can literally pay off.

Benefits of a Comprehensive Solution
Reporting on the Ten Principles and the SDGs
June 2017
Bernhard Frey
Senior Manager, SDG Impact and Reporting
UN Global Compact
AGENDA

- INTRODUCTION TO THE COP
- THE ACTION PLATFORM
- REPORTING ON THE SDGs
INTRODUCTION TO THE COMMUNICATION ON PROGRESS
What is the Communication on Progress?

The COP is an annual communication with stakeholders

- A written report
- To communicate progress on implementing the 10 Principles and the SDGs
- Submitted every year

Recommendation: If your company already has an annual report, integrate the COP into it instead of doing a whole new report

- Submit through GC Website –ONLY
- Attach own PDF or use Basic Template
- Annually (→“Non-communicating” → expelled)
The three requirements of the COP

1. Statement of continued support for the UN Global Compact signed by the owner/president

2. Description of actions in each issue area (Report or Explain)
   - Human Rights
   - Labour
   - Environment
   - Anti-Corruption

3. Measurement / Monitor of outcomes
Differentiation Levels of the COP

Depending on the company’s answers to the COP questionnaire, COPs are categorized as:

- GC Active: COP meets the 3 minimum requirements

- GC Advanced: GC Active + COP fulfills a series of advanced criteria

- GC Express: Contains three yes or no questions. For companies with less than 250 employees. No report needs to be uploaded.
COP Submission Deadline

• **Grace Period**
  – Unforeseen events
  – Additional 90-day grace period
  – Submit a grace letter explaining the reasons for not submitting on time
  – More than one letter can be submitted, but not two in a row

• **Adjustment Request**
  – For organizations that want to align their COP deadline with their internal reporting cycle
  – One time only
  – Submit an adjustment request through the Global Compact website

More at https://www.unglobalcompact.org/library/2931
## Submitting a COP

<table>
<thead>
<tr>
<th>Instructions</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Express</strong></td>
<td>Contains three yes-or-no questions. This option is designed for companies with less than 250 employees who have minimal reporting capacity.</td>
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<tr>
<td><strong>Basic</strong></td>
<td>If your company is new to sustainability reporting, this template will guide you in creating your COP.</td>
</tr>
<tr>
<td><strong>GC Active</strong></td>
<td>Your report fulfills the three minimum requirements for the GC Active level and you are not aiming to qualify for the GC Advanced level.</td>
</tr>
<tr>
<td><strong>GC Advanced</strong></td>
<td>Your COP meets the GC Active level requirements and the GC Advanced criteria.</td>
</tr>
<tr>
<td><strong>Grace Letter</strong></td>
<td>Request a 90 day extension to your COP deadline. A letter explaining the reasons for the request must be uploaded.</td>
</tr>
<tr>
<td><strong>Cycle Adjustment</strong></td>
<td>Submit a one-time deferral of up to 11 months to align your COP deadline with your company's reporting cycle.</td>
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Two SDG questions added to the COP in 2016

Which of the following Sustainable Development Goals (SDGs) do the activities described in your COP address? [Select all that apply]

With respect to your company’s actions to advance the Sustainable Development Goals (SDGs), the COP describes: [Select all that apply]

- Opportunities and responsibilities that one or more SDGs represent to our business
- Where the company’s priorities lie with respect to one or more SDGs
- Goals and indicators set by our company with respect to one or more SDGs
- How one or more SDGs are integrated into the company’s business model
- The (expected) outcomes and impact of your company’s activities related to the SDGs
- If the companies' activities related to the SDGs are undertaken in collaboration with other stakeholders
- Other established or emerging best practices
# Resources

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<thead>
<tr>
<th>COP Policy &amp; Requirements</th>
<th>Download in multiple languages</th>
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<tr>
<td>Review Others’ COPs</td>
<td>List of all GC Advanced/GC Active COPs or search by company name/country/sector</td>
</tr>
<tr>
<td>COP: 2015 Key Facts</td>
<td>Download</td>
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<td>How to prepare COP</td>
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<td>COP: An Introduction</td>
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<td>Step-by-step instructions to submit COP</td>
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<tr>
<td>Step-by-step instructions to submit grace letter</td>
<td>Download</td>
</tr>
<tr>
<td>Express COP: An Introduction</td>
<td>Access recorded webinar &amp; frequently asked questions</td>
</tr>
<tr>
<td>GC Advanced COP</td>
<td>Submission guide</td>
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</tbody>
</table>
The Action Platform Reporting on the SDGs
Action Platform Reporting on the SDGs

**Partners**

With the support of PwC

**Objective**

Promote and mainstream corporate reporting on the SDGs in a way that is valuable to governments, business, civil society, investors and other relevant stakeholders

**Impact**

Ultimately, improve corporate sustainability performance and accelerate business contribution to the SDGs (through improved corporate reporting processes)
Ambitions in shaping the future of SDG reporting

SDG reporting will be:

• More Straightforward
  → Relevant Indicators

• Easier to understand
  → Guidance for Business Practitioners

• Simpler to execute
  → Alignment/merging GRI Standards & UNGC Communication on Progress

• Accessible to all users
  → Aggregation of data
Who is participating?

- Corporate Action Group (CAG): More than 30 companies from a broad variety of sectors
- Multi-stakeholder Advisory Committee (MAC): The CAG plus representatives from governments, civil society, academia and other organizations

Are you a UN Global Compact or GRI business signatory? Join our Action Platform!
Expected outcomes of the Action Platform

PHASE 1 (2017)

1. LIST OF BUSINESS DISCLOSURES ACROSS THE SDGS
   A validated list of business disclosures across the SDGs, to be presented by the platform members during the UN High-level Political Forum on Sustainable Development in July 2017. Additionally, the Action Platform will make a gap analysis of available indicators.

2. PUBLICATION ON BEST PRACTICE SDGs REPORTING
   A publication on leadership and best practice for business on SDGs reporting will be developed and presented at the UN Global Compact Leaders’ Summit, convened during the UN General Assembly in September 2017.

PHASE 1 (2017)

3. FURTHER INTEGRATION OF SDGs INTO FRAMEWORKS
   A set of recommendations for how to build the SDGs into the UN Global Compact Communication on Progress (COP) framework and the GRI Standards, and how to further align and integrate the different standards, requirements and interfaces.

4. SDG DATA AGGREGATION
   A roadmap on ways to extract and aggregate data on SDG implementation from a large volume of corporate reports.
Action Platform participant activities

Action Platform participants are invited to:

✓ provide expertise, guidance and recommendations
✓ be invited to in-person meetings and webinars
✓ gain visibility and connect with relevant players in the field
✓ learn more about SDG reporting through a set of expert Labs (exclusively for CAG only!)
Q & A
Questions?

• **Don Reed**, Managing Director, PwC
• **Brigham McNaughton**, Director, Sustainable Business Solutions, PwC
• **Bernhard Frey**, Senior Program Manager, SDG Impact and Reporting, United Nations Global Compact
• **Adam Gordon**, Framework LLC, Engagement Manager, Global Compact Network USA
Thank you!

Join us in NYC on July 17 for our Symposium!
Visit Symposium17.org for more info.

Contact us

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