REVISION TO THE UN GLOBAL COMPACT'S REPORTING FRAMEWORK: THE COMMUNICATION ON PROGRESS (CoP)

INFORMATIONAL NOTE

REVISING THE CoP: BACKGROUND AND RATIONALE

Introduced in 2004, the Communication on Progress (CoP) is the UN Global Compact's annual disclosure requirement for participating companies. It serves as the initiative's main accountability mechanism, providing a platform for business participants to disclose and showcase continuous progress around their commitment to the Ten Principles.

Since the last CoP review in 2010, the reporting landscape has substantially evolved with a growing number of reporting frameworks and initiatives, including the Action Platform 'Reporting on the SDGs' co-led by the UN Global Compact. Overall, the demand for consistent and reliable corporate ESG data by stakeholders, including governments, investors and civil society, has significantly increased over the past decade. In parallel, a review of the UN system commissioned by the Secretary-General revealed the need to hold companies accountable and recommended making changes in the CoP requirement to better recognize corporate sustainability leadership and impact on the Sustainable Development Goals (SDGs). The 2021-2023 strategy of the UN Global Compact also calls for more accountable companies.

The current features of the CoP are not commensurate with this evolving landscape and do not fully account for a comprehensive integration of the UN sustainability agenda, particularly the SDGs. Additionally, the CoP does not provide a systematic way to mine, aggregate or compare data nor track the progress of companies against the Ten Principles, which poses a key challenge and reputational risk for the organization and does not provide added value to participants..

As we kick-start the Decade of Delivery for the SDGs, the UN Global Compact has undertaken a comprehensive revision of the CoP framework to update this integrity and accountability mechanism and adapt it to new trends in the market. This will contribute to better address the needs of both the participating companies of the UN Global Compact and their stakeholders. Starting in 2023, all participating companies will be required to disclose using the enhanced CoP.

MAIN CHANGES IN THE ENHANCED CoP

In order to meet the increasing demand for consistent and reliable corporate sustainability data, the enhanced CoP will take on a new format and revised requirements. Effective as of 2023, the enhanced CoP will consist of two elements:

- **An annual statement by the Chief Executive Officer** expressing continued support for the UN Global Compact and renewing the participant's ongoing commitment to the initiative and its principles.
- **A questionnaire c**ontaining questions on corporate actions related to the Ten Principles and the SDGs structured along 5 main sections: governance, human rights, labour, environment, and anti-corruption.

Changes that will be implemented in 2023 with the enhanced CoP include:

- *Switching from a narrative format to a standardized questionnaire*: The new CoP will switch from a narrative format (the CoP being a report in pdf form that signatories must upload on the UN Global Compact webpage) to a standardized questionnaire with about 50+ mandatory questions connected to the Ten Principles and the SDGs to be completed directly through the enhanced digital-interface.

- *A universal submission period for all companies*: The CEO statement and the completed questionnaire must be submitted between 1 February and 31 May of each calendar year.

- *Revised non-communication and delisting policies*: A business participant will be designated as "non-communicating" on the UN Global Compact website if it fails to submit one or both elements of the CoP by the end of the submission period (31 May each year). If a non-communicating participant fails to submit a CoP within six months of becoming non-communicating (by 30 November of each year), it will be de-listed from the UN Global Compact for "failure to communicate on progress".

- *Enhancing the digital system and establishing an open database*: Changes in the CoP include a revamped digital interface to input the data, as well as the development of a database where interested stakeholders can freely and easily access and download the comparable data submitted by participating companies.

- *Offering support services to meet the new requirements:* The new CoP will be accompanied by support services for participating businesses, such as tutorials and webinars as well as guidance on how to measure and answer the different questions.

VALUE OF THE ENHANCED CoP TO UN GLOBAL COMPACT PARTICIPANTS

The enhanced Communication on Progress will provide increased value to UN Global Compact participating businesses. With the enhanced Communication on Progress, participants can:
- *Build credibility and brand value* by showing their commitment to corporate sustainability, the Ten Principles and the Sustainable Development Goals.
- *Measure and demonstrate progress* to stakeholders on the Ten Principles, in a consistent and harmonized way.
- *Receive insight, learn and continuously improve performance*. The new platform will provide technical help, resources, and guidance at every step of the way. It will help you identify gaps and set goals to improve sustainability performance year over year.
- *Compare progress* against peers with access to one of the largest sources of free, public, and comparable corporate sustainability data.

Additional benefits of an enhanced CoP listed by stakeholder category:
- The integrity of the UN Global Compact initiative will be strengthened: by systematically gathering elements of performance on the Ten Principles, the UN Global Compact will be in a better position to assess if participating businesses are upholding their commitments to the UN Global Compact. This will strengthen the initiative's reputation and brand thus adding value to its participants
- The UN and the UN Global Compact will be able to better support participants as CoP data will inform their programmatic work through the collection, aggregation, and comparison of business progress across sectors, geographies, and against the SDGs.

- Investors will be able to use the data for financial decisions, recommendations, and in the development of new instruments and product offerings, while reducing the amount of data requests to businesses.
- Governments will be able to use the data to help evaluate businesses' progress in their countries, establish incentives for companies to make progress in these topics and inform their Voluntary National Reviews.
- Cities will be able to use data of local companies to better identify partnership opportunities and areas for improvement.
- Civil Society will be able to use the CoP data to better understand business sustainability contributions and hold companies accountable.
- Consumers will be able to use CoP data to inform their choices.

TIMELINE OF IMPLEMENTATION FOR THE NEW CoP: A PHASED APPROACH

In 2022: UN Global Compact participants can volunteer to disclose using the enhanced CoP or continue using the legacy CoP system

In 2022, UN Global Compact participating companies will be allowed to either: a) choose to participate in the Early Adopter Programme or b) use the current CoP format and deadline schema.

a) Early Adopter Programme: Participants interested in disclosing via the enhanced CoP already in 2022, can join the EA Programme and have the opportunity to also help test the enhanced digital platform ahead of its implementation for all participating companies in 2023. Benefits include early access to the platform and resources as well as recognition as an early implementer and participant of this programme in the UN Global Compact website. For early adopters using the enhanced CoP, the submission period opens on 1 April 2022 and closes on 31 May 2022. For more information on this programme and how to participate please visit our UN Global Compact Website.

b) All other participating companies of the UN Global Compact: For all companies *not* participating in the Early Adopter Program, submissions should be made in alignment with the current CoP policy and deadlines. (Note: There will be no grace period/extensions granted that go beyond December 2022. Participating companies who fail to submit their CoP by their deadline in 2022 and are listed as 'non-communicating' by 31 December 2022, will carry a 'non-communication' status in 2023 until they submit their CoP in 2023 via the enhanced CoP platform.)

Starting 2023: All UN Global Compact participants are required to disclose using the enhanced CoP

In 2023, the enhanced CoP will become mandatory for all participants. The submission cycle will then transition to a 4-month submission period of 1 February to 31 May each year. If participants fail to submit their CoP during this time period, they will enter a 6-month 'non-communication' status period, which lasts from June through November. The company will be delisted if it fails to submit its CoP by December..

MORE INFORMATION AND RELEVANT LINKS

For more information, please contact the UN Global Compact CoP team at copteam@unglobalcompact.org.

Relevant links:
- Communication on Progress (CoP) website: https://www.unglobalcompact.org/participation/report/cop
- CoP Policy (current): https://www.unglobalcompact.org/library/1851
- Enhanced CoP Questionnaire (new): https://info.unglobalcompact.org/l/591891/2021-12-13/47hclx/591891/1639417427JqPKDAaF/UNGC_CoP_Questionnaire_12_13_2021.pdf
- FAQs: https://info.unglobalcompact.org/l/591891/2021-12-13/47hclz/591891/1639415983U5rwPEn5/UNGC_CoP_FAQ_12_13_2021.pdf
- 'Integrating the SDGs into Corporate Reporting: A Practical Guide': https://www.unglobalcompact.org/library/5628
- [New CoP] Early Adopters Programme 2022: https://unglobalcompact.org/participation/report/cop/early-adopter-programme

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