

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

INFORMATIONAL NOTE

THE REVIEW OF THE CoP: BACKGROUND AND CONTEXT

Introduced as an annual requirement for participants in 2004, the Communication on Progress (CoP) is the UN Global Compact's annual reporting framework for participating businesses. It serves as the initiative's main accountability mechanism based on commitments from companies to make continuous progress on 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 of 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 framework to better recognize corporate sustainability leadership and impact on the [Sustainable Development Goals](#) (SDGs). The [2021-2023 strategy of the UN Global Compact](#) is also calling for more accountable companies.

The current features of the CoP are not commensurate with this 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.

In line with its new strategy and as we kick-start the Decade of Delivery for the SDGs, the UN Global Compact is undertaking a comprehensive review 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 UN Global Compact's signatories and their stakeholders. A new CoP is expected to be released in Q1 2022.

OBJECTIVES OF THE NEW CoP AND MAIN PROPOSED CHANGES

UN Global Compact's vision is to establish the CoP as an effective mechanism to track performance on the Ten Principles and the SDGs; generate the largest source of free, public and comparable corporate sustainability data; and help position the UN Global Compact as a driver of transformational change. More specifically, and consistent with stakeholder consultations done and the development of UN Global Compact's strategy for 2021 – 2023, the objectives of the new CoP are:

- a. Foster accountability on corporate sustainability performance to help safeguard the integrity of the UN Global Compact initiative;
- b. Promote continued learning and help drive corporate sustainability performance;
- c. Enhance stakeholder access to information regarding participants' implementation of the Ten Principles and contribution towards the achievement of the SDGs.



To meet these objectives and improve its value to stakeholders, a set of suggested changes discussed during the consultations are expected to be implemented to the current CoP (all changes are still tbc), including:

- **Switching from a PDF report to a questionnaire:** The new CoP will switch from a narrative format (the CoP being a report in pdf form that signatories have to upload on the UN Global Compact webpage) to a standardized questionnaire with about 50 mandatory questions connected to the Ten Principles and the SDGs. The questions will provide more measurable and comparable answers that can be trended over time and substitute the express, active and advanced self-assessment questionnaires. These questions will better reflect the expectations and recommendations that the UN Global Compact poses towards its participating businesses in order to uphold the Ten Principles. Participating businesses will be required to input the responses to the questionnaire directly through the IT-interface.
- **Revising the minimum requirements:** The minimum requirements of the new CoP will consist of submitting a commitment statement of the CEO as well as answering the new CoP questionnaire.
- **Making the submission of a separate report optional:** The new CoP will not require uploading a PDF report, but will consist of inputting the sustainability data provided by companies through the IT-interface in the form of the questionnaire. Companies that wish to include additional information, including charts, additional KPIs or narrative that contextualizes the answers provided in the questionnaire can choose to upload the relevant document or link to the relevant public disclosure as an annex to their CoP submission (e.g. their sustainability or annual report, or any other disclosure contained in their website).
- **Revising non-communication and delisting policies:** As per the suggested new CoP Policy, companies that do not answer all mandatory questions in the CoP questionnaire will appear as 'non-communicating' for a period of six months (tbc). After that, they will be delisted from the initiative. The UN Global Compact plans to issue a new set of guidelines for delisting in 2024 after gathering data in 2022 and 2023 and determining how to help members in their progress on the Ten Principles and the SDGs.
- **Enhancing the IT system and establishing an open database:** Changes in the CoP will include a revamped IT-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, particularly SMEs, such as tutorials and webinars as well as guidance on how to measure and answer the different questions. Services may also include a digital tool to help interested businesses create their own standalone report on the basis of the CoP questionnaire (e.g. for those SMEs that do not have the capacity to create their own sustainability reports and would like to have one).

VALUE ADDED AND MAIN BENEFITS OF THE NEW CoP FOR PARTICIPATING BUSINESSES

Aligned with the above stated objectives, through the suggested changes the new CoP will provide increased value to UN Global Compact participating businesses. Overall main benefits of the enhanced CoP proposal include:

- **Reputation/recognition:** Participating businesses can increase their business' credibility and brand value by showing their commitment to the UN Global Compact Ten Principles and support to UN goals such as the SDGs. In addition, future versions of the CoP will help provide recognition for outstanding progress (more guidance to come after Release 1 of the new CoP in 2022).
- **Learning:** Signatories will receive guidance on how to operationalize the Ten Principles (and the SDGs) and learn how to make progress: The granular questions on the Ten Principles and the SDGs contained in the new questionnaire will reflect actions that businesses can implement, set as goals or track, therefore promoting greater uptake of corporate sustainability and SDG leadership over the years.
- **Transparency:** Participating businesses will be able to show measurable performance and progress to

employees, customers, investors, buyers, suppliers, and public at large in a structured and systematic way.

- **Free access to comparable sustainability data:** Businesses will be able to compare their progress on the Ten Principles and the SDGs against peers through accessing what will be arguably the largest source 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.
- The UN and the UN Global Compact will be able to 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.

OVERVIEW ABOUT THE METHODOLOGY

The new CoP will not constitute a new reporting standard nor is it "reinventing the wheel." The enhanced CoP questionnaire draws from almost one hundred existing sustainability reporting frameworks and standards, including those emanating from other UN entities. It builds on latest research in the sustainability reporting landscape and integrates principles— namely the sustainability context, long-term orientation and systems transformation – that have been identified both in research and practice related to corporate sustainability as being crucial to achieving sustainable development.

The questions in the new CoP questionnaire will be selected following these criteria:

- **Feasible:** The data must be available by many companies, the metrics should be straightforward and not overly complex, and a reasonable time required to read and answer the questions.
- **Meaningful:** The questions and underlying metrics should help companies improve performance along key dimensions of environment, human rights, labor, corruption, and SDGs
- **Actionable:** Criteria should be trackable over time and verifiable; companies should have control over performance.
- **Objective:** Reported data should minimize need for interpretation.
- **Comparable:** Questions should align with other global frameworks where possible and allow for comparability over time as well as among companies.

REVIEW PROCESS: CONSULTATIONS & TIMELINE

In 2020, consultations were held with dozens of stakeholders including UN entities, participating businesses, investors, reporting frameworks, governments and civil society. Based on the input received, a proposal is being developed around the suggested changes outlined above, all still to be agreed on (see 'Objective of the new CoP



and main proposed changes'). A preliminary draft CoP questionnaire containing both voluntary and possible mandatory questions was shared for expert input with UN partners and select stakeholders in March 2021. After integrating the stakeholder input received, including also additional iterations with UN and other key partners, a revised draft streamlined and consolidated with the support of an external consultancy will be shared with select stakeholders in Q3 2021. The official launch of both the new CoP questionnaire and the supporting digital platform is expected to be done in March 2022.

The UN Global Compact plans to follow a three-year roll-out of the new CoP:

- 2022: Release of the new questionnaire containing mandatory questions and an early version of the new digital CoP platform in March 2022.
- 2023: Release of optional questions in 2023 covering additional areas related to the SDGs and UN Global Compact's thematic areas of work.
- 2024: Release of tiers (CoP differentiation levels) and a system to further evaluate participating businesses based on their CoP disclosures.

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>
- 'Integrating the SDGs into Corporate Reporting: A Practical Guide': <https://www.unglobalcompact.org/library/5628>