



## REVISION TO THE UN GLOBAL COMPACT'S REPORTING FRAMEWORK

### Information Note (August 2020)

#### BACKGROUND

Introduced as an annual requirement for participants in 2004, the Communication on Progress (CoP) is the UN Global Compact's reporting framework. It serves as the initiative's main accountability measure based on commitments from companies to make continuous progress on the Ten Principles.

As we kick-start the Decade of Delivery for the SDGs against the backdrop of the fast-changing reporting landscape, the UN Global Compact is undertaking a comprehensive review of the CoP framework and plans to launch a new CoP in 2021. The objective is to future-fit the CoP's capabilities, enhancing them to: further strengthen transparency and accountability, better track progress, inspire leadership, foster goal-setting and provide learning opportunities across the Ten Principles and SDGs.

#### REVIEWING THE COP: KEY CHALLENGES AND OPPORTUNITIES

Since the last CoP review in 2010, the reporting landscape has evolved substantially with a growing number of reporting frameworks and initiatives, including the Action Platform Reporting on the SDGs co-led by the UN Global Compact. The current features of the CoP are not commensurate with this landscape and do not fully account for a comprehensive integration of relevant UN goals, such as the SDGs. For example, the CoP does not provide a systematic way to mine and aggregate data nor to track the progress of companies against the Ten Principles. The reported data is also not comparable and most CoPs are not fully third-party verified making it difficult for the UN Global Compact to generate meaningful sustainability data and performance. This poses a key challenge and reputational risk for the organization.

A UN Internal Review Team created by the UN Deputy Secretary-General in 2018 recommended that the UN Global Compact strengthen its integrity by holding companies accountable through a clear CoP framework for recognizing corporate sustainability leadership and SDG impact. By refreshing its CoP, there is a key opportunity for the UN Global Compact to extend its role within the UN system and leverage its position as the world's largest corporate sustainability initiative to "raising the bar" for companies on sustainability globally. An enhanced CoP that provides a harmonized and comparable way for businesses to report on the Ten Principles and the SDGs would provide enormous value to UN Global Compact participants and stakeholders alike and significantly contribute to align extra-financial reporting with the global sustainability agenda.

In addition, there is a clear opportunity for the UN Global Compact to respond to the growing market and policy demands. New regulation is emerging prompting large companies to disclose data on how they operate and manage social and environmental challenges. Governments are in need of tangible and credible data on the contribution from the private sector to the SDGs that can feed their Voluntary National Reviews. Investors are increasingly requesting extra-financial information to guide their investment decisions and allocations. UN organizations are keen to access sound corporate sustainability data to identify valuable partners among the business community to advance their objectives. Building on the evolution of the CoP, the UN Global Compact can leverage its position to source better sustainability data and promote greater uptake of corporate sustainability and SDG leadership, goal-setting and reporting. Corporate data inputted through the new CoP would be made accessible (individually and aggregated) in an open-source data base, making it arguably the largest free source of structured corporate sustainability data globally. An enhanced CoP and the connected data base can help businesses, including SMEs, better manage and track their own progress on the 10 Principles and the SDGs over time, compare their performance with peers, produce more relevant reports to better engage stakeholders (e.g. investors or civil society) and also inform governmental SDG processes at country- and regional level.

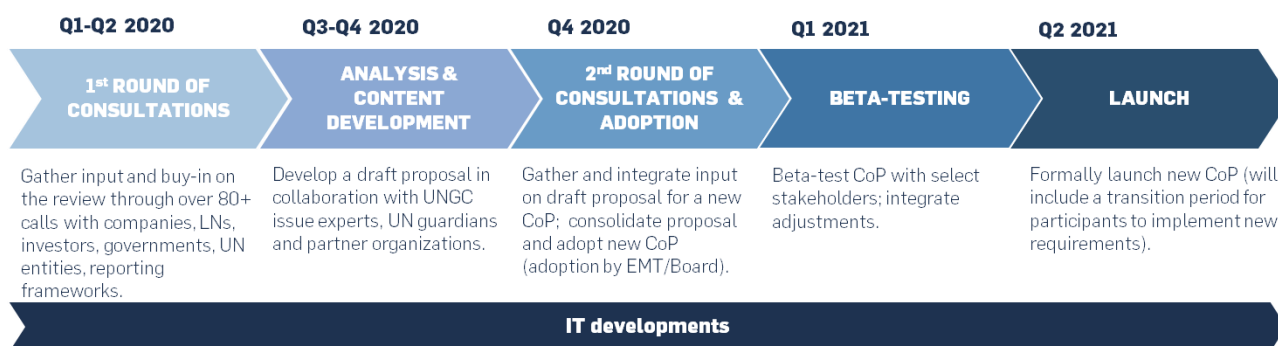


## REVIEW PROCESS: CONSULTATION AND TIMELINE

In order to gather input and recommendations to inform the review, the UN Global Compact office embarked in early 2020 in a consultation process with relevant stakeholders across the globe. By August 2020, more than 80 bilateral or group consultations have been held with dozens of stakeholders of all continents including business participants, Global Compact Local Networks, governments, UN institutions, reporting frameworks and sustainability initiatives. Feedback provided in this first round of consultations is being consolidated and is informing the development of a draft proposal for a new CoP.

The draft proposal for a new CoP, including an enhanced CoP Policy as well as enhanced questionnaire(s), will be shared with UN Global Compact participants and stakeholders for their input in November (tbc) in a second and final round of consultations. Additional feedback collected then will help finalize the new CoP to be adopted by the UN Global Compact in Q4 2020. After a beta-testing phase the new CoP is expected to be launched in Q2 2021. An adequate transition period allowing all UN Global Compact participants to adjust to the new reporting requirements will be granted and support services, e.g. tutorials, will be developed to guide businesses in developing and submitting their CoP.

### Tentative timeline



## EXPECTED CHANGES IN THE NEW COP

The review, including the multi-stakeholder consultations, is still in process and no changes regarding the CoP have been formally adopted yet. However, in the following some expected changes to be introduced in the new CoP are outlined:

- The new CoP will be constituted by a report (to be submitted in pdf format as in the current CoP) as well as by sustainability data inputted directly into the IT-interface in the form of a questionnaire in order to allow for easy access, aggregation and comparison of that data;
- The questionnaire will include more granular questions on the Ten Principles, as well as on the SDGs (questions will be of mandatory and/or voluntary nature), building on existing standards, frameworks and initiatives;
- CoP reported data will be made accessible (individually and aggregated) in an open-source data base to better help inform stakeholder decision-making, e.g. governments, UN agencies, civil society and investors;
- The enhanced CoP Policy may include additional minimum requirements (building on today's three) to help improve the quality of submitted reports and ensure their better alignment with the Ten Principles and UN Global Compact guidance on SDG reporting;
- The new CoP will guide participants in setting sustainability goals;
- The new CoP will be accompanied by support services for participants (e.g. tutorials and webinars.), particularly SMEs, including a digital tool to help create an own sustainability report that can be submitted as part of the CoP;
- The new CoP will strengthen criteria for third-party data verification and assurance;



- An automated system has been put in place to ensure quality control of CoPs and to avoid fraudulent report submissions. Also, a "spot check" will be rolled out where, each year, a random sample of reports will be manually reviewed to ensure compliance with the reporting requirements;
- CoP data may help inform new and existing de-listing criteria as well as other kinds of recognition.

## **MORE INFORMATION AND RELEVANT LINKS**

For more information, please contact the UN Global Compact CoP team at [copteam@unglobalcompact.org](mailto: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>