REVOLUTION 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. New emerging regulations are prompting companies to disclose data on how they operate and manage social and environmental challenges. 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 more recent 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 recently launched 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 announced in Q3 2021, with an official launch 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 by the UN Global Compact in 2020 (see below) and the development of UNGC’s new strategy for 2021 – 2023, the objectives of the new CoP are:

a. Foster public transparency and accountability on corporate sustainability performance to help safeguard the integrity of the UN Global Compact initiative;

b. Demonstrate a company’s commitment to implement the Ten Principles;

c. Gather elements of performance of UN Global Compact participants on the Ten Principles and the SDGs.
d. Enhance stakeholder access to information regarding participants’ implementation of the Ten Principles and contribution towards the achievement of the SDGs;

e. Promote continued learning and help drive corporate sustainability performance

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:

- **Enhancing the CoP questionnaire:** Substituting the active and advanced self-assessment questionnaires (as well as the Express questionnaire), the new CoP will consist of one unique questionnaire containing granular questions on the Ten Principles and on the SDGs. 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. The questions will be of mandatory and voluntary nature; to a large extent of multiple-choice or numerical nature; and build on existing standards, frameworks and initiatives. Importantly, participating businesses will be required to input the responses to the questionnaire directly through the IT-interface (and not as part of a submitted report).

- **Enhancing the minimum requirements:** Today the CoP has three minimum requirements, namely submitting a commitment statement of the CEO, the description of actions, and the measurement of outcomes related to the Ten Principles. As per the current suggestions, the requirement to submit a commitment statement of the CEO (or highest executive, to be determined) will be kept and the minimum requirements of the new CoP will consist of answering the mandatory questions of the new CoP questionnaire. Importantly, mandatory questions will also include a subset of baseline or minimum required actions related to the Ten Principles that signatories are expected to fulfill.

- **Making the submission of a separate report optional:** Today, the CoP consists of a report in pdf form that signatories have to upload on the UN Global Compact webpage. The new CoP will not require uploading a report, but will consist of 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. After that, they will be delisted from the initiative.

- **Disclosure on level of assurance:** The CoP framework will ask participating companies to state the level of assurance of the data reported, incentivizing those that do not yet verify it to do so (data assurance will remain voluntary).

- **Promoting goal-setting:** The new CoP will encourage goal-setting through new features in the CoP questionnaire and help track sustainability goals of UNGC signatories.

- **Enhancing the IT system and establishing an open data base:** Changes in the CoP will include a revamped IT-interface to input the data, as well as the development of a data base 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

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

- The new CoP will strengthen UN Global Compact’s mission of promoting a principled way to corporate sustainability and reporting, in support of its new strategy: Through the enhanced questionnaire, the UN Global Compact will continue its mission of promoting an approach to materiality and sustainability that puts the identification, prioritization and management of business impacts on people and the environment at its center.

- Signatories will receive concrete 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, both mandatory and voluntary, contained in the enhanced 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.

- Stakeholders will gain free access to a large structured source of relevant sustainability data: Corporate data inputted through the new CoP will be made accessible in an open database, making it arguably the largest source of free, public and comparable corporate sustainability data to help inform decision-making by businesses and a wide variety of stakeholders (see ‘Additional benefits listed by stakeholder category’).

- The integrity of the UN Global Compact initiative will be strengthened: Participation at the UN Global Compact cannot be ‘pro forma’ only, but has to reflect a certain level of sustainability efforts by businesses. By better gathering elements of performance on the Ten Principles, including baseline or mandatory required actions that signatories have to implement, 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 questionnaire will also allow an automated tracking of responses, which will help identify if participating businesses do not answer the mandatory questions (and, therefore, do not comply with the CoP requirements).

- Harmonization and alignment of extra-financial reporting will be supported: An enhanced questionnaire that builds on existing frameworks and helps generate comparable data on the Ten Principles and SDGs can contribute to the alignment of extra-financial reporting. Today, many businesses have to meet a variety of sustainability data demands, e.g. by raters or civil society. Those organizations will be able to source relevant data of businesses related to the Ten Principles and the SDG directly from the CoP data base, thus avoiding multiple requests to companies.

Additional benefits of an enhanced CoP listed by stakeholder category:

- 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.

- Businesses in general will be able to better track their own progress, set goals, meet demand for sustainability data, benchmark against peers and, to some extent, evaluate their supply chains’ progress.

- In particular, SMEs will be able to better operationalize the Ten Principles by answering enhanced questions on human rights, labor issues, the environment, anti-corruption, as well as on the SDGs, while providing this information to their clients and financial institutions.

- 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 trends in system thinking and research in the sustainability reporting landscape.

The draft CoP questionnaire, through its KPIs, helps to measure aspects that:

a. take into consideration the sustainability context in which a company operates or which it influences (e.g. to help assess if a company is staying within the safe space between social foundations and environmental thresholds);
b. reflect the long-term orientation and ambition of the business (this addresses aspects like goal-setting or scenario planning);
c. cover organizational drivers within businesses that lead to system changes or transformations;
d. building on these earlier points, will help assess if businesses are actually making progress.

These principles or dimensions – sustainability context, long-term orientation and systems transformation – have been identified both in research and practice related to corporate sustainability as being crucial to achieving sustainable development. [Please see the note on the CoP methodology for more information.]

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 will be shared for expert input with UN partners and select stakeholders in March 2021. After that, a further revised version of the draft CoP will be shared with participating businesses and stakeholders in a final round of consultations in May/June (2021). Upon integration of the feedback received, the new CoP questionnaire is expected to be announced in September 2021 with a beta-testing phase in Q4 2021. The official launch of both the CoP questionnaire and the supporting digital platform is expected to be done in Q1 2022. This will allow for a transition period throughout 2022 with full adoption of the CoP requirement expected in 2023. The UN Global Compact office and Global Compact Local Networks will accompany participants in the implementation of the new CoP, providing adequate support (e.g. trainings, webinars, user support). The figure below provides an overview of the workplan and timeline for the various steps of the process.
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