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Rapid case review

Reporting on sustainability: A stocktake of EU Institutions and Agencies

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Contents

Executive summary

I The European Union is committed to implementing the 2030 Agenda for sustainable development and its 17 Sustainable Development Goals (SDGs). This review takes stock of the status of reporting on the achievement of the SDGs and sustainability at EU level as well as reporting by individual EU institutions and agencies.

II Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. Sustainability reporting is both a management and an accountability tool. It involves reporting on how an organisation considers sustainability issues in its operations, and on its environmental, social and economic impacts.

III There is no specific legal obligation for the Commission or other EU institutions to produce sustainability reports. Since the EU has committed itself to the SDGs and to achieving sustainable development in general, sustainability reporting would be expected to be an integral part of reporting on performance and results.

IV This review shows that the Commission does not report on the contribution of the EU budget or EU policy to achieving the SDGs. One exception is the area of external action where the Commission has started to adapt its performance reporting system in relation to SDGs and sustainability. The Commission has recently published a reflection paper where it describes selected Commission policies related to the SDGs. The EU's statistical office (Eurostat) publishes an overall description of the "progress towards the SDGs in an EU context". However, this does not attempt to measure the contribution of the EU's policies and budget to the 2030 Agenda.

V This review also reveals that the pre-requisites for meaningful sustainability reporting are largely not yet in place. The Commission has published a reflection paper outlining scenarios for a sustainable Europe, but it does not currently have an EU strategy that covers the SDGs up to 2030.

VI This review also looked at what EU institutions (other than the Commission) and EU agencies do in the area of sustainability reporting. We found that one EU institution, the European Investment Bank, and one EU agency, the European Union Intellectual Property Office, publish a sustainability report. Other EU institutions and agencies collect some information related to sustainability, and sometimes publish it, but this is often piecemeal and incomplete and does not cover all aspects of

sustainability. The information mainly relates to how the running of the organisations affects sustainability rather than how they have considered sustainability in their overall strategy and operations.

VII This review highlights benefits for organisations engaging in sustainability reporting and describes developments in auditing sustainability reporting. It also presents examples of practices in the Member States, both in the public and the private sectors.

VIII We identify four challenges for sustainability reporting in EU institutions and agencies:

- Developing an EU strategy post-2020 that covers the SDGs and sustainability
- Integrating sustainability and SDGs into the EU budget and the performance framework
- Developing sustainability reporting in EU institutions and agencies
- Increasing the credibility of sustainability reporting through audit

Introduction

Sustainable development and sustainability

01 *Sustainable development* is usually defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[1].

02 It is understood as a comprehensive approach linking the three pillars of environmental, social and economic sustainability[2]. Integrating these does not necessarily mean a trade-off between the environment and economic development[3]. Rather, sustainable development can create jobs and growth[4].

03 Sustainability is receiving increased attention with the realisation that climate change is already disrupting economies and societies affecting different parts of society in different ways[5]. This illustrates that environmental, social and economic sustainability dimensions are closely linked. The European Political Strategy Centre – the Commissions' "think tank" – has highlighted overlooking these connections as one of the key risks to the sustainable future of the EU[6].

04 The adoption of the 2030 Agenda[7] and its 17 SDGs by the United Nations General Assembly has given appreciable new impetus to sustainable development worldwide. The SDGs (***Figure 1***) are based on the three dimensions of sustainability and include elements of economic development, social inclusion and sustainable environmental management[8]. Unlike their predecessor – the Millennium Development Goals – the SDGs are universal and addressed to all countries.

Figure 1 – The 17 Sustainable Development Goals

Source: https://www.un.org/sustainabledevelopment/news/communications-material/. © United Nations.

05 The EU and its Member States[9] have committed themselves to implementing the 2030 Agenda and contributing to the SDGs. Furthermore, sustainable development is embedded in the EU treaties (***Box 1***).

Box 1

The EU's commitment to and understanding of sustainable development

Upon committing to the 2030 Agenda, the Commission stated that "The EU is committed to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A life of dignity for all within the planet's limits that reconciles economic prosperity and efficiency, peaceful societies, social inclusion and environmental responsibility is at the essence of sustainable development".

Next steps for a sustainable European future – European action for sustainability

Sustainable development was already rooted as an objective in the EU treaties before the 2030 Agenda:

The EU "shall work for the **sustainable development** of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment…and contribute to the "**sustainable development** of the Earth…"

Article 3 Treaty on European Union (TEU)

Sustainable development is an important element of the objectives of EU external action where the EU should:

(d) foster the **sustainable economic, social and environmental development** of developing countries, with the primary aim of eradicating poverty;

Article 21 (2) TEU

Sustainability reporting

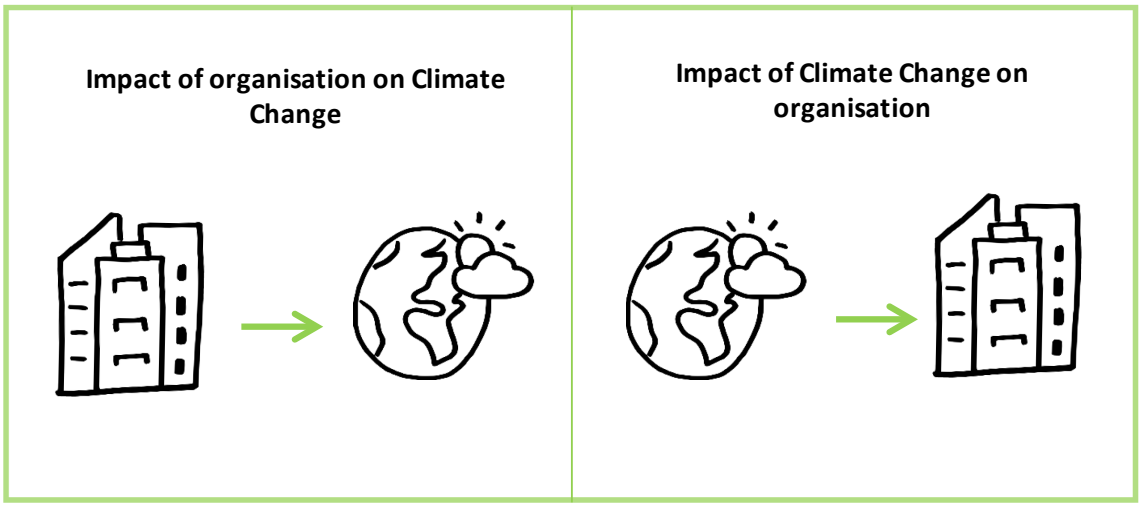
06 Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. It involves reporting on how an organisation considers sustainability issues in its operations, and on its environmental, social and economic impacts. The Global Reporting Initiative (GRI), a key player in supporting this development and publisher of the most commonly used standard[10] defines sustainability reporting as "a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its

commitment to a sustainable global economy"[11]. Increasingly, companies' sustainability reports take into account the SDGs[12].

07 Sustainability reporting developed in the private sector and is slowly spreading to the public sector, where reporting may be done by state-owned companies or government entities. By identifying examples of the private sector, this review would like to show the development possibilities of sustainability reporting. In the private sector, various terms are used to refer to sustainability reporting: "reporting on non-financial information"; "corporate social responsibility (CSR) reporting"; "environment, social and governance (ESG) reporting". It also forms part of "extended external reporting (EER)" or "integrated reporting". The term used throughout this review is "sustainability reporting".

08 Despite the above-mentioned all-encompassing definition, sustainability reports in the private sector vary a lot, from reporting only on a selected environmental impact of a company, e.g. its use of water, to reporting on the more comprehensive integration of sustainability into its business processes as a whole, e.g. how climate-change reduces water availability and threatens its business model[13]. ***Figure 2*** illustrates these two perspectives: the impact an organisation can have on climate change with its operation and the impact climate change can have on business operations.

Figure 2 – Two perspectives of sustainability reports, taking the example of climate change[14]



Source: ECA, based on the Commission's consultation document on the update of the non-binding guidelines on non-financial reporting.

09 With directive 2014/95, the EU made reporting on non-financial information on certain minimum sustainability information obligatory for certain large companies (***Box 2***). As regards reporting in the public sector and by state-owned companies, examples can be found in certain Member States[15](***Box 3***).

Box 2

EU directive 2014/95 introduced a reporting obligation for certain large companies[16]

The current EU reporting obligations on sustainability related information apply to large public interest entities. In total, they concern approximately 7 400 listed companies, banks, insurance companies, and other entities identified by Member States[17]. Under the directive, these are generally large companies with over 500 employees.

According to a 2017 study by GRI, CSR Europe, Accountancy Europe on the implementation of the directive, some Member States have widened the scope of the directive[18]. For example, Sweden has lowered the threshold from 500 to 250 employees, and both Sweden and Denmark require all large companies to provide non-financial information statements. This is also the case for Spanish companies with a turnover of €2 billion and 4 000 employees. Some Member States apply the directive to state-controlled enterprises and large municipalities[19].

Several Member States have specifically included pension funds and asset management companies[20]. The United Kingdom and Luxembourg, which host the largest investment funds industries in the EU, have not taken this step.

See ***paragraph 18*** regarding the kinds of sustainability information being reported.

Box 3

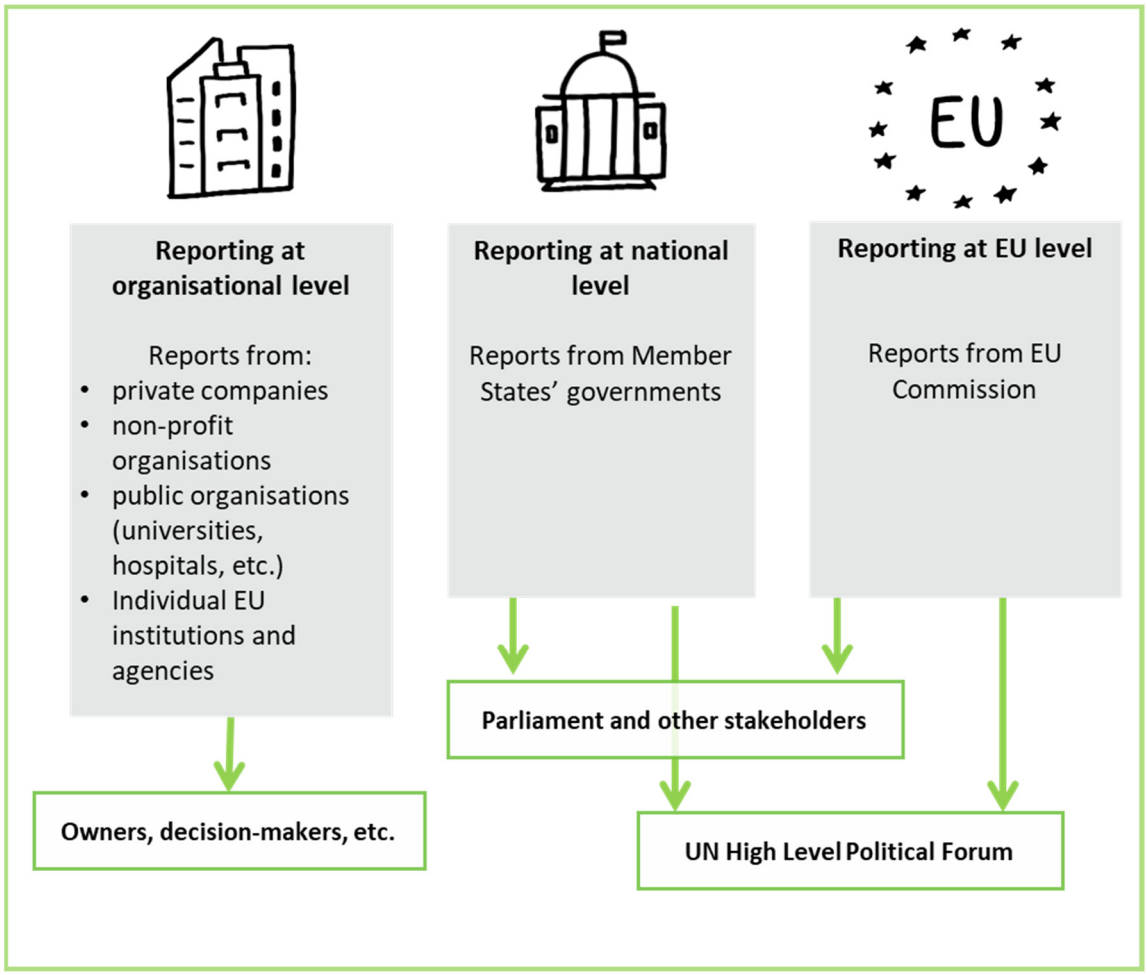
Sustainability reporting in Swedish state-owned companies

Reporting on the impact sustainability has on their business and their impact on sustainability has been practiced by Swedish state-owned companies since 2008. The 47 Swedish state-owned companies, with a combined value of €53.3 billion, are required to give information in their annual reports on financial and non-financial targets they have set, their performance and the way they address sustainability issues in general. The states ownership policy 2017 states that state-owned companies “should analyse the global sustainability goals of Agenda 2030 to identify the goals which each company has an impact on and contributes to through its operations”.

10 The 2030 Agenda encourages governments to send voluntary national reports on their country´s progress towards the SDGs to the UN. These reports should be on the country's performance in implementing sustainable development. As of March 2019, 24 out of 28 EU Member States had provided such a report[21]. Reporting to the UN can also take place at EU level, and the Council and Parliament have asked the Commission to prepare a report for the UN[22] (*paragraph 56*).

11 *Figure 3* provides an overview of the different levels of reporting on sustainable development.

Figure 3 – Who can produce sustainability reports?



Source: ECA.

Reasons for reporting on sustainability

12 In the private sector, companies report on sustainability largely in response to investors, civil society and consumer demands. The financial markets and investors are putting increasing pressure on companies to disclose sustainability-related risks. This is because sustainability risks are also increasingly regarded as financial risks. For example, disclosing companies' climate-related risks and opportunities allows investors to better value investments and assets, and to take business decisions more efficiently[23].

13 Business and the public sector have differing driving forces – while businesses ultimately need to make profit, the public sector is concerned with providing public goods. However, as stakeholder satisfaction is crucial for both, the motivations for and benefits of reporting can be similar in the private and public sector. ***Figure 4*** illustrates the different motivations in relation with the two underlying purposes of reporting: (1) a tool for management, and (2) a tool to hold management or an organisation to account.

14 Overall, "public sector sustainability reporting provides a framework to link financial performance to the organisation's use of, and impact on, the significant resources and relationships upon which it depends"[24]. By requiring the reporting of a public organisation's key performance, it can increase transparency and accountability and offer guidance for governance and ethical behaviour [25].

Figure 4 – Internal and external motivations for sustainability reporting

Reporting as management tool *Internal motivation*	**Reporting as accountability tool** *External motivation*
• Improve risk management • Save resources and money • Gain better information for decision making • Improve staff satisfaction	• Improve stakeholder communication • Improve accountability and transparency • Create a positive and trustworthy image • Build trust

Source: ECA

What to include in sustainability reports and where to publish them

15 The key concept for deciding what to report is "materiality". Only "material" or important matters are expected to be published – therefore the information provided can vary significantly between organisations depending on their assessment of materiality. Compared to financial reporting, where materiality is defined in financial terms, in sustainability reporting the definition of materiality is more complex and sometimes less tangible (***Box 4***).

Box 4

Different definitions of materiality for financial and non-financial reporting

For financial reporting, the EU defines "material" information as "the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items"[26].

In non-financial reporting, material information is information which is disclosed "to the extent necessary for an understanding of the [company's] development, performance, position and impact of [its] activity"[27].

According to GRI, sustainability reports should cover "aspects that: reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders"[28] – this means that the materiality of an organisation should additionally be evaluated with what stakeholders see as material for that organisation (e.g. view of investors).

16 ***Box 5*** shows what non-financial reporting might mean in practice.

Box 5

Non-financial reporting in a bank and a brewery

A bank may not consider water consumption in its offices and branches to be a material issue requiring inclusion in its management report. Rather, it may consider the social and environmental impact of the projects that it funds and its role in supporting the real economy of a city, a region or a country to be material information[29].

A brewery, by contrast, may consider its water consumption during beer production to be a material issue and include it in its management report. It may also disclose the impact of climate change on its business, due to potential water scarcity at various production sites.

17 To clarify what is material and what might be relevant economic, environmental and social aspects, several organisations have developed guidelines (or voluntary standards) for sustainability reporting in the private sector: for example GRI, International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB). Of these, GRI is the most widely used. In 2019, the "Corporate Reporting Dialogue" brought together several of these organisations[30] to develop better alignment between frameworks to facilitate preparing reports and improving

the information in these reports for the use for key stakeholders, particularly investors[31].

18 The EU directive 2014/95 on non-financial reporting and the Commission's guidelines allow the use of all these existing frameworks[32]. As a minimum, reporting must contain information relating to "environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters"[33]. For a sub-group of entities, reporting on diversity (e.g. with regard to gender) is mandatory.

19 The directive's aim, from the outset, was to cover both the impact companies have on sustainability and, vice versa, how companies are impacted by the challenges of sustainability. However, research has shown that organisations' reporting tends to focus on the former, i.e. on things like their environmental impact. There has been less reporting on how companies are affected by sustainability risks and how they incorporate these risks into their business model[34].

20 According to the Commission, "there are still significant gaps, and further improvements in the quantity, quality and comparability of disclosures are urgently required to meet the needs of investors and other stakeholders"[35]. In line with international developments[36], the Commission held a public consultation in spring 2019 on updating the guidelines on implementing the directive in order to provide more guidance on climate-related disclosures[37]. For the financial sector, where the Commission found that institutional investors, asset managers and financial advisors still do not consistently consider sustainability factors and risks in the investment process, specific legislation has also been proposed[38].

21 Organisations may publish information as a stand-alone report or as part of their financial or annual reports, or present it in other forms. For example, the EU directive leaves these options open and only a minority of Member States[39] have decided to require publication in an integrated form[40]. In terms of accountability and transparency towards stakeholders, several professional organisations recommend that organisations publish the information in annual, financial or annual management reports to improve these values[41]. In the case of the European Commission, we have previously recommended that it should present a single accountability report or suite of reports. This should include, among other things, a report on non-financial performance, information on activities and mid- and long-term fiscal sustainability statements[42].

Review scope and approach

22 This review provides an overview of how the EU and its institutions and agencies report on sustainable development. It takes stock of the status of the reporting on the achievement of the SDGs at EU level and sustainability reporting by individual EU institutions and agencies.

23 We have carried out this review for four main reasons:

- The Council and the European Parliament have called for the Commission to report on the internal and external implementation of the 2030 Agenda by the EU to the UN by 2019[43]. The European Parliament has also called for annual reporting on the EU's progress in the implementation of the SDGs[44].
- 2018 was the first year in which large, public interest entities were required under EU law to report sustainability information[45]. With a view to a lead-by-example approach, we wanted to see what EU institutions and agencies had done in this area.
- With 2030 rapidly approaching, there is "a broad recognition by EU Member States, businesses and civil society that enhanced commitment is needed" to achieve the SDGs[46]. Sustainability reporting can help to turn this commitment into action.
- Sustainability reporting is one of the targets in the SDGs, encouraging companies, especially large and transnational companies, to adopt sustainable practises and to integrate sustainability information into their reporting cycle.

24 In this review we highlight the pre-requisites for reporting meaningfully on sustainability and present the state-of-play in EU bodies as regards sustainability reporting. We assess the role of auditors in this area and consider the challenges arising in taking sustainability reporting forward.

25 This review is not an audit. It is a review based mainly on publicly available information. The review uses work done for our annual reports and a number of special reports. We also carried out interviews and a survey. More information on our methodology can be found in ***Annex I***.

Pre-requisites for sustainability reporting

26 A sustainability report is the product of a process. This section describes the pre-requisites for meaningful sustainability reporting, based on existing guidelines and frameworks. We focus in particular on three key pre-requisites:

- Involvement of stakeholders
- Development of a strategy
- Mainstreaming sustainability in the budgetary process based on targets measured by indicators.

Involvement of stakeholders

27 Involvement of stakeholders is key throughout the whole sustainability reporting process. The Commission has recognised the importance of the opinions of citizens and other stakeholders in the EU's policy-making[47]. Besides the Council and Parliament, who hold the Commission to account, the EU citizens, taxpayers, businesses and civil society are stakeholders for EU institutions and agencies in their sustainability reporting (***Figure 5***).

Figure 5 – Stakeholders of Sustainability Reporting

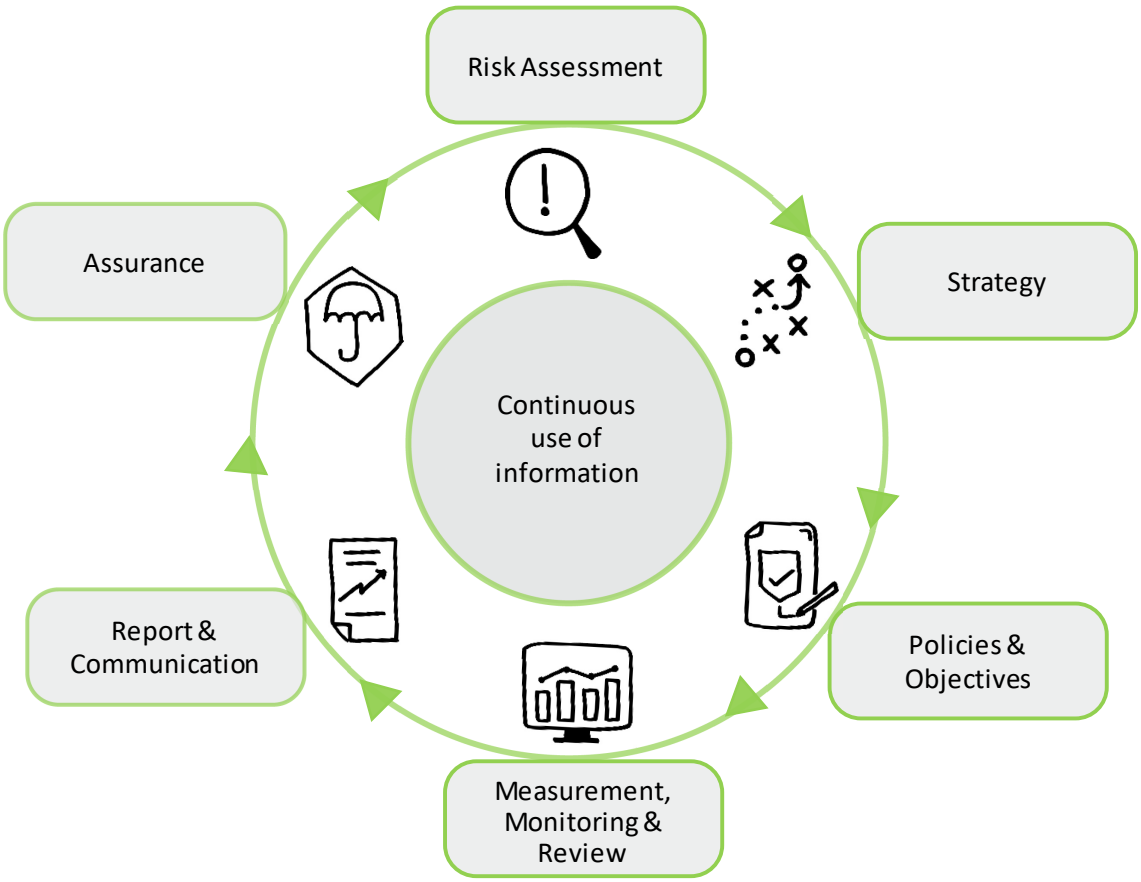
Source: ECA, based on GRI 101.

28 In a recent example of stakeholder involvement, the Commission created an SDG multi-stakeholder platform to support and advise the Commission and all stakeholders involved implementing the SDGs at EU level[48]. The platform consisted of 30 representatives of civil society, the public sector, and the private sector[49].

Development of a strategy

29 For reporting to be meaningful, it needs to be embedded within an organisation's strategic objectives and its whole policy/business cycle. In this way, sustainability becomes an integral part of its performance management framework (***Figure 6***)[50]. The different steps inform each other, and the use of information is important throughout the process.

Figure 6 – Key steps to incorporate sustainability into performance frameworks



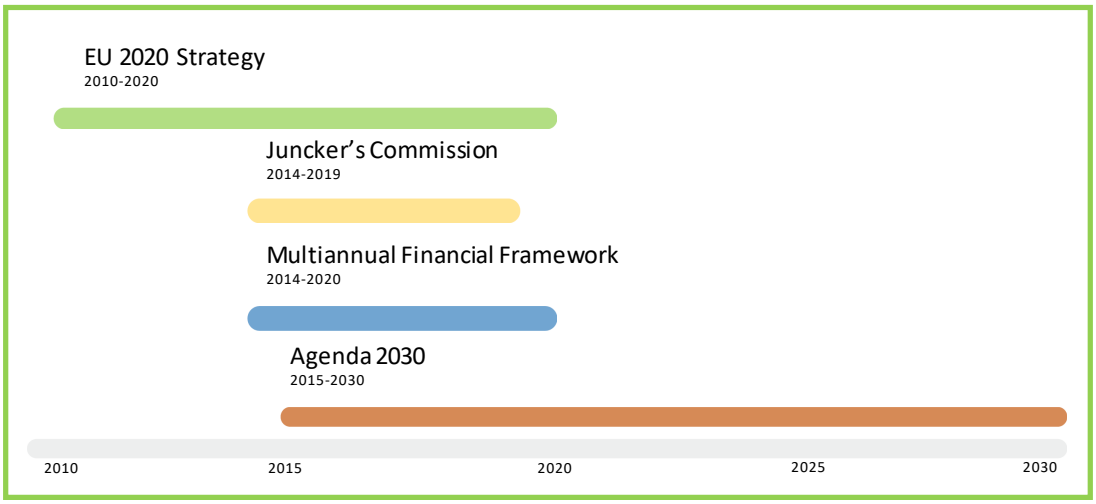
Source: ECA.

30 According to the OECD and the EU's Joint Research Centre, due to the many synergies and complementarities – but also potential trade-offs – between SDGs[51], there is a need for a systematic approach to ensure policy coherence and to identify, understand and manage interactions among highly interconnected SDGs. We looked at whether the EU and the Commission in particular have strategies to provide goals and targets against which to report.

31 After the adoption of the 2030 Agenda in 2015, the Commission published a communication stating that the SDGs were already addressed in EU action and in its overall strategy (Europe 2020 strategy and 10 priorities of the Juncker Commission)[52]. The Commission therefore did not consider it necessary to make any changes to the strategic framework. As a result, existing targets, with the exception of some related to energy and climate[53], are set and monitored up to 2020 rather than to 2030[54].

32 According to the Commission, one reason for this approach was that when the 2030 Agenda came out in 2015, the EU's multiannual financial framework (MFF) for 2014-2020 was already under way (***Figure 7***).

Figure 7 – Timelines of the key EU strategies and the 2030 Agenda



Source: ECA.

33 In several of our previous reports, we have recognised the political difficulties of these circumstances, commenting on the overlapping and unsynchronised strategic frameworks and mandate periods[55]. However, when the 2021-2027 MFF was being prepared in 2018, there was still no overall EU strategy beyond 2020. We have previously highlighted that the proposals for the 2021-2027 MFF were published without being underpinned by a common EU strategy or set of targets[56].

34 The Commission informed us that, in its opinion, the political objectives agreed in the 2016 Bratislava Declaration and the 2017 Rome Declaration[57] were sufficient to design the MFF for 2021-2027. Some MFF proposals refer explicitly to contributing to SDGs among the objectives of the instrument (e.g. Horizon Europe).

35 The European Parliament[58], the European Council[59] and the Council of the EU[60] have repeatedly called for implementing a strategy for the 2030 Agenda. In 2017, both the European Parliament and the Council called on the Commission to come forward with an overarching SDG implementation strategy[61]. According to the Council, such a strategy should have been in place by mid-2018 to guide all EU policies and programmes, including both interim and long-term targets, and set out Europe's vision for a sustainable Europe beyond the 2030 Agenda. In 2018, the European Council considered that the Commission's Reflection Paper should pave the way for a comprehensive implementation strategy in 2019[62].

36 The Commission published a "reflection paper" on sustainable development in January 2019[63], which had originally been planned for earlier. The paper includes three future scenarios as inspiration for the next Commission's work to support moving towards a Sustainable Europe by 2030:

(1) An overarching EU SDG strategy to guide all the actions of the EU and its Member States;

(2) Continued mainstreaming of the SDGs in all relevant EU policies by the Commission, but not enforcing Member States' action;

(3) Prioritising external action while consolidating current sustainability ambition at EU level.

37 The reflection paper compiles relevant analysis and data. It also provides a description of selected Commission policy initiatives related to the SDGs and presents policy areas important for sustainable development. This is a step in the right direction. However, it presents developments in the EU rather than effects of EU policy and/or the EU budget's contribution towards implementing the SDGs.

38 The reflection paper highlights some areas where, according to the Commission, it should do more. However, it did not include a gap analysis identifying how the SDGs fit into existing priorities; nor did it assess what more needs to be done in terms of EU policy and legislation[64]. The Council had called for such a gap analysis in 2017 and the Parliament, after the publication of the reflection paper in 2019, echoed this request[65].

Mainstreaming

39 **Mainstreaming** sustainability issues into main budget processes, business objectives or policies is another pre-requisite for sustainability reporting.

40 In 2016, the Commission stated that it "will mainstream the SDGs into EU policies and initiatives, with sustainable development as an essential guiding principle for all its policies"[66]. To inform on whether and how such mainstreaming has taken place, the Commission has started to provide some information. Since 2017, programme statements have included general descriptions (without assigning financial values) of how the programme in question contributes to the SDGs. In 2018, the Commission produced a diagram mapping selected spending programmes against SDGs and highlighted the most recent initiatives. The Commission estimates that nearly every programme contributes to one or more of the SDGs[67]. However, the Commission

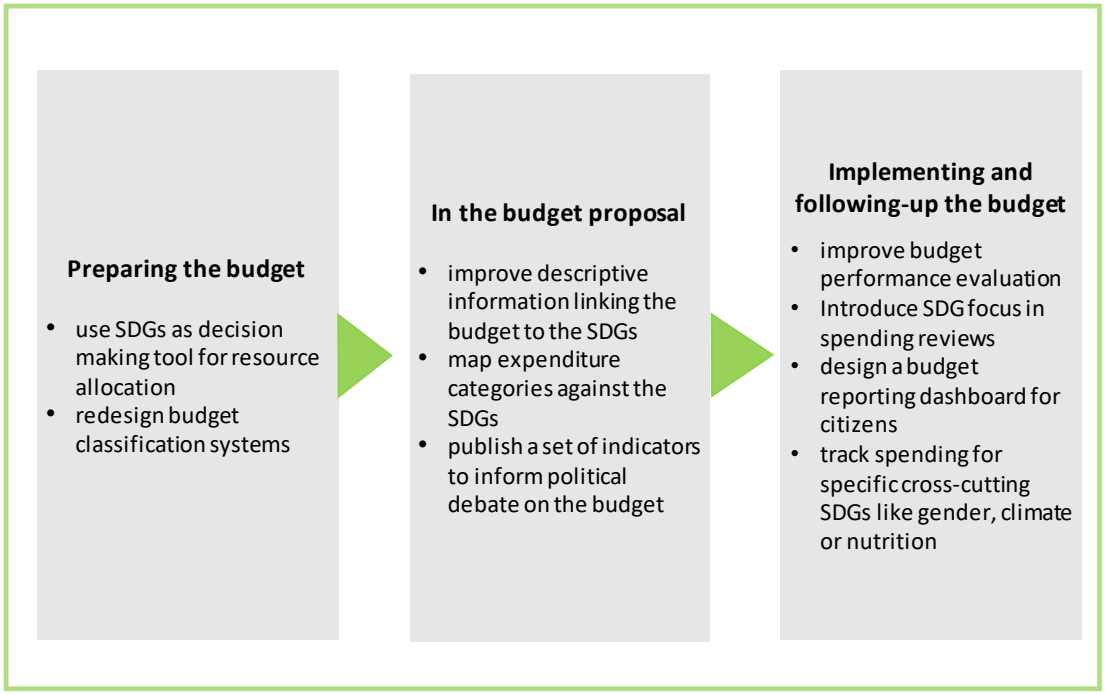
stresses that this information is for "communication purposes" (and not reporting purposes). There is, apart from in the EU's external actions area, no systematic analysis or reporting framework how individual programmes or parts of the budget contribute to the implementation of the SDGs.

41 The European Think Tanks Group found the Commission's mapping of sustainability issues to be useful for the purposes of communication, but that it did not help the Commission to make sustainability a priority for EU funding across its policy areas[68]. The European Parliament has also called for the Commission to improve "mainstreaming of sustainable development in all funding mechanisms and budgetary lines" and "enhance accountability for delivering collective results through the MFF"[69].

42 Mainstreaming cross-cutting issues (such as climate change or gender equality) across the budget is not easy. Our 2016 report on climate mainstreaming[70] highlighted that mainstreaming even just one SDG goal (climate mitigation and adaptation) into the EU budget poses several challenges. We pointed out the need for a comprehensive reporting framework, with indicators monitoring actual spending on climate action and related results. These indicators could be relevant for measuring progress towards the SDG on climate action.

43 As well as using SDGs in the mapping of budgets, SDGs can be used to improve indicators, budget evaluation or track spending (***Figure 8***). Certain Member States have started to incorporate the 2030 Agenda into their budgetary processes. At present, mapping budgets against the SDGs is more common than using SDGs as a performance-management tool for resource allocation and negotiation.

Figure 8 – How SDGs can be used in the budgetary process



Source: ECA based on Elisabeth Hege, Laura Brimont, Integrating SDGs into national budgetary processes, Institut du développement durable et des relations internationales, Study, N°05/18 July 2018.

Reporting on sustainability in EU institutions and agencies

44 The EU has committed itself to the SDGs and sustainability, so the implementation of the SDGs and sustainability are an integral part of the performance of the EU and its institutions. Hence, one would expect sustainability reporting to be an integral part of its performance reporting. At present, there is no specific legal obligation for the Commission or other EU institutions to produce sustainability reports.

45 In this section, we analyse how the Commission and other EU institutions and agencies report on sustainability issues. We identify whether EU institutions and agencies provide information on sustainability within their performance-reporting framework, either in a stand-alone sustainability report or in any other form.

46 In the following we focus on:

(i) sustainability reporting as part of the Commission's reporting framework;

(ii) reports by Eurostat; and

(iii) sustainability reporting prepared by one EU institution and EU agency and other relevant activities.

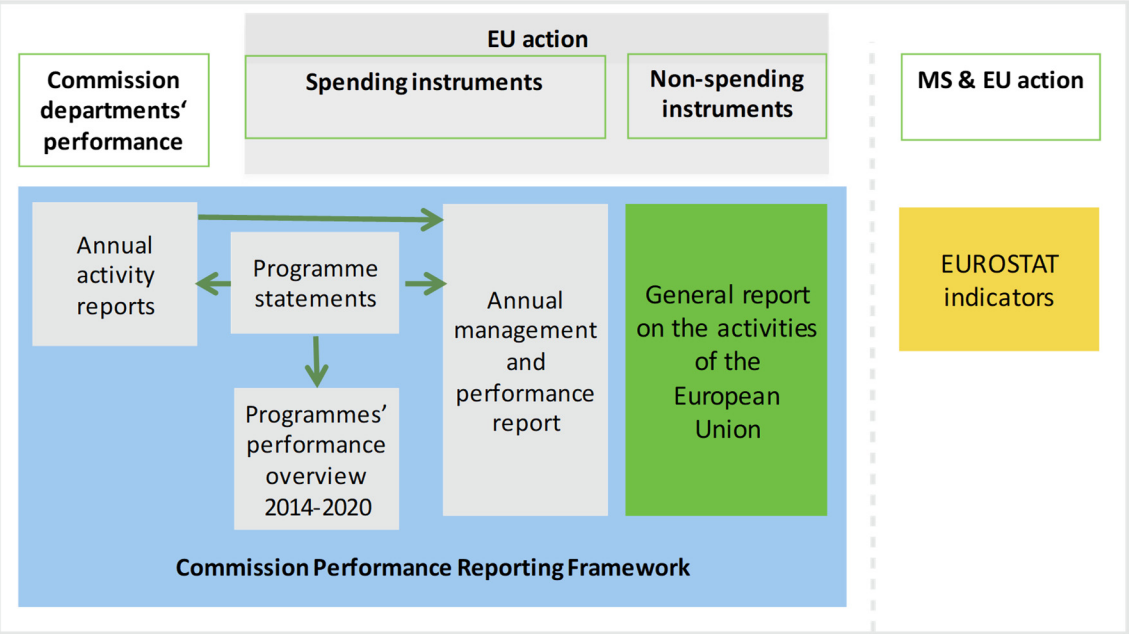
Performance reporting by the Commission

47 **Performance reporting** is a systematic gathering of data and presentation of information on the implementation of public policies, including both spending instruments (such as grants) and non-spending instruments (such as regulation). Its aim is to assess the policies' effectiveness and efficiency by comparing the results achieved with the objectives set and the costs incurred (both financial and non-financial costs, including those imposed on stakeholders). As with any performance report, sustainability reports serve two basic purposes: (1) they are an accountability tool, and (2) they are a management tool.

48 The aim of the Commission's performance reporting framework is to measure its performance using objectives, targets and indicators. It reports results in separate

documents (*Figure 9*). We regularly assess several aspects of the performance framework shown below, including whether the information is used by management[71].

Figure 9 – The Commission's performance reporting framework



Source: ECA.

49 The performance reporting on the EU budget encompasses the following key documents:

(1) **programme statements**, which map the relationship between EU programmes and the SDGs;

(2) the **programmes' performance overview**, which presents all EU spending programmes in 2014-2020, refers to the SDGs in the context of several programmes[72];

(3) the **Annual Management and Performance Report** for the EU budget, which shows how the EU budget supports the EU's political priorities. It mentions SDGs mostly in a generic manner[73] and refers to them as being "mainstreamed". The document also points out that the information in the programme statements does not constitute the official reporting on the EU budget's contribution towards implementing the SDGs[74];

(4) the **General report on the activities of the European Union**, which presents at an EU level the results achieved with EU action and the EU budget. It does not report on the contribution of the EU's budget or policies towards implementing the SDGs.

50 In addition to these four reports, each Commission directorate-general, as well as the six agencies directly controlled by the Commission (executive agencies), report annually on their achievements, initiatives and use of resources in their **annual activity reports**. Most of the Commission's 2018 annual activity reports we looked at refer to SDGs in a generic manner. Directorate-generals responsible for the EU's external actions provide the most information on SDGs, while we found no mention of them in the reports of the Directorate-General for Energy or the Directorate-General for Mobility and Transport[75].

51 Agencies not directly controlled by the Commission (decentralised agencies) also publish annual reports, but the Commission does not issue guidelines on how to compile these reports, nor does it include these agencies' performance information in its Annual Management and Performance Report. The agencies have, however, established a voluntary network (the Performance Development Network) which has developed a list of performance indicators. Some of the agencies' 2017 annual reports refer to the SDGs in a general manner, but none of them provide systematic information on sustainability issues or link their performance to the SDGs.

52 The Commission provides information related to sustainability issues in its performance reporting, but this is not compiled or presented systematically. However, the Commission does measure and report on the Commission's contribution to implementing the SDGs in the area of external action. For example, in October 2018 it adopted a "revised EU International Cooperation and Development Results Framework"[76]. This mirrors what is happening in countries such as Chile, Denmark, France, Italy, Netherlands, Norway, Portugal and Republic of South Korea, where inter-institutional coordination on SDGs is led by the ministries of foreign affairs[77].

53 According to the Commission, this revised framework will make it possible to report on how EU-financed[78] action has contributed to SDG implementation in partner countries – in both the current 2014-2020 and the next 2021-2027 MFF. It is also expected to be used for the Commissions reporting framework and in reporting by the EU and Member States to the UN every four years (***paragraph 56*** [79]. The document points out that such a result framework can contribute to effective implementation, transparency, accountability and "consistent communication of the EU contribution to progress towards SDGs in partner countries"[80].

Eurostat report on progress towards the SDGs in an EU context

54 Since 2017, Eurostat has produced annual reports providing a description of "progress towards the SDGs in an EU context"[81]. The report aims to provide a quantitative assessment of the EU's progress towards reaching the SDGs. However, the Commission does not attempt to measure the contribution of the EU's policies and budget to the 2030 Agenda.

55 Eurostat's report provides information on different indicators and progress on SDG-related issues, and includes data broken down by Member State. The indicators, selected by the Commission based on consultation with stakeholders consist mainly of statistical information collected by Member States. Indicators are evaluated against EU 2020 targets or other policy targets where available. The report also highlights EU policy action in a specific area, but the indicators do not measure the performance of this EU policy action. Some indicators include certain challenges (***Box 6***).The European Parliament has welcomed the Eurostat report as a "step forward towards the creation of a fully-fledged EU monitoring mechanism" but has also pointed out that "Eurostat alone cannot comprehensively capture all dimensions of SDG progress"[82]. We have previously criticised the Eurostat report for not measuring the progress towards its SDG commitment to achieving land degradation neutrality by 2030[83].

Box 6

Example of Eurostat 2019 SDG indicators

SDG 13 – Take urgent action to combat climate change and its impacts

Progress is measured based on the following indicators[84]:

(1) Greenhouse gas emissions from a territorial perspective(measured against 2020 targets);

(2) Greenhouse gas emissions intensity of energy consumption;

(3) Mean near surface temperature deviation;

(4) Climate related economic losses;

(5) Contribution to the international $100 billion commitment on climate-related expending;

Challenges relating to these indicators include the following:

With regard to indicator No 1:

(a) While this is an internationally agreed indicator, the Commission's think tank and studies have pointed out that focusing solely on this measurement risks not taking into account spill-over effects which occur when developed countries reduce their greenhouse gas emissions by outsourcing emission-intensive sectors to other countries and then importing the products[85];

(b) 2020 targets are used for the reduction of greenhouse gas emissions despite the existence of 2030 targets and objectives for 2050[86]. We have previously found that achieving the longer term targets will require significantly more effort[87];

With regard to the reporting on all indicators:

(c) No trend can be calculated due to data limitations[88].

56 The Commission plans to use the Eurostat report, together with a report on the impact of the EU external action on achieving the SDGs[89], for the purpose of reporting to the UN in 2019. This means that the 2019 report will not cover the contribution of the EU's budget and policies, apart from external action.

Sustainability information provided by EU institutions and agencies

57 We found one EU institution (the European Investment Bank) and one EU agency (the European Intellectual Property Office) that publish a sustainability report (***Box 7***).

Box 7

The EIB's and EUIPO's sustainability report

The EIB's report

The European Investment Bank (EIB) is an EU institution located in Luxembourg. It is "financially autonomous", with capital of €243 billion and over 3 800 staff[90]. As the "EU's bank", the EIB finances and advises on investments all over the world[91]. The institution published its first sustainability report in 2007[92] and aligned it with the GRI reporting guidelines from 2008[93] onwards.

Its latest report (2018) consists of two documents: the Sustainability Report[94] and the Sustainability Reporting Disclosure 2018. The first report addresses the EIB's approach towards sustainable and innovative finance and investment. It highlights how sustainability concerns have been incorporated in the assessment of projects[95], and provides examples of stakeholder engagement and information on how it has ensured accountability within the organisation.

The second report, aimed at specialists (analysts, non-governmental organisations, academic community, etc.), presents comprehensive, standardised information on environmental, social and governance aspects and on the EIB's performance.

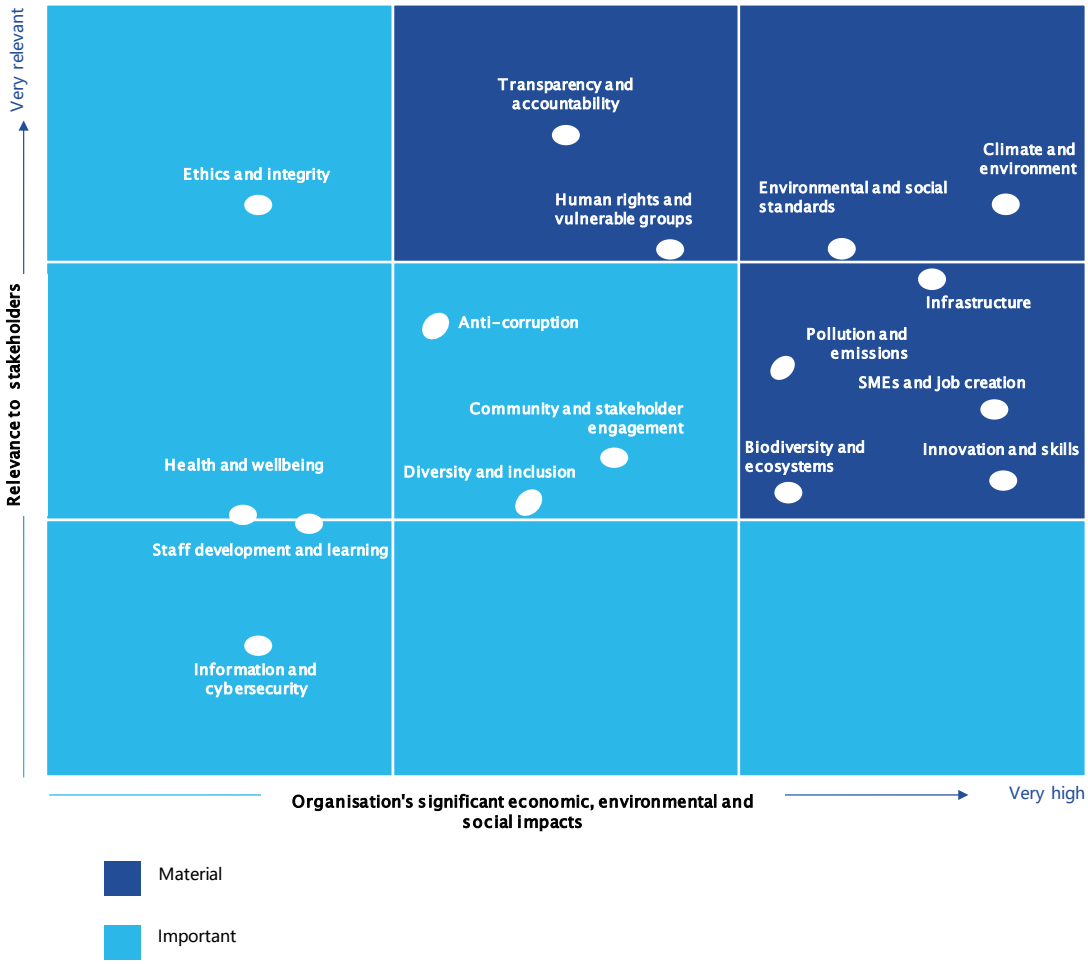
EUIPO's report

The European Intellectual Property Office is a decentralised EU agency located in Alicante (Spain). It is fully self-financed[96], with a budget of €401 million and a total of 995 staff[97]. Its tasks include registering EU trade marks, community designs, European and international cooperation and protecting and enforcing of intellectual property rights.

In 2016, the agency implemented a corporate sustainability framework, developed a corporate social responsibility strategy and produced its first sustainability report (covering financial year 2016) based on GRI standards. It was the first EU agency to produce such sustainability report. For its 2017 report, the agency decided to voluntarily align its content with the EU directive on non-financial and diversity disclosure[98].

58 As part of their sustainability reporting, the EIB and EUIPO analysed and published their sustainability risks. This work was based on internal and external interviews. ***Figure 10*** presents the EIB's materiality assessment.

Figure 10 – The EIB's assessment of the materiality of sustainability issues



Interpretation: Climate and environment are ranked as a very high importance to stakeholders and to the EIB, whereas ethics and integrity are seen as more relevant for stakeholders compared to the EIBs view.
Source: EIB (2019): Sustainability Report 2018, p. 11.

59 Both the EIB and EUIPO's sustainability reports include information on how the organisations have considered sustainability issues in their policies and activities and on the organisational impact on sustainability. As the example from the EIB in ***Box 8*** illustrates, the impact of an organisation's business can be much greater than how the running of the organisation affects sustainability.

Box 8

Carbon footprint of selected EIB lending operations versus the EIB's own impact

The EIB publishes information on the carbon footprint of projects it finances

Project carbon foot printing at the EIB, 2015-2017			
	2015	2016	2017
Number of Projects	**73**	**70**	**55**
Total EIB amount signed (in EUR billion)	**11.2**	**17.7**	**9.4**
Absolute emissions (in Mt CO_2e/year)	**4.6**	**2.4**	**5.2**
Carbon sequestration from forestry (in Mt $CO2_e$/year)		**3.5**	**0.3**
Relative emissions (in Mt CO_2e/year)	**-3.1**	**-2.7**	**-2.9**

Source: EIB Sustainability Report 2017.

The table above shows that CO_2 is measured in millions of tonnes (Mt) Units and shows that total absolute emissions were 5.2 Mt CO_2e. In relative terms, the funded projects represent a reduction of 2.9 Mt CO_2e compared to alternatives.

The EIB´s own organisational carbon footprint was 22 024 tonnes of CO_2e.

This illustrates that analysing and reporting on the impact of an organisation's business operations can be significantly more material than reporting only on the impact of the organisation itself.

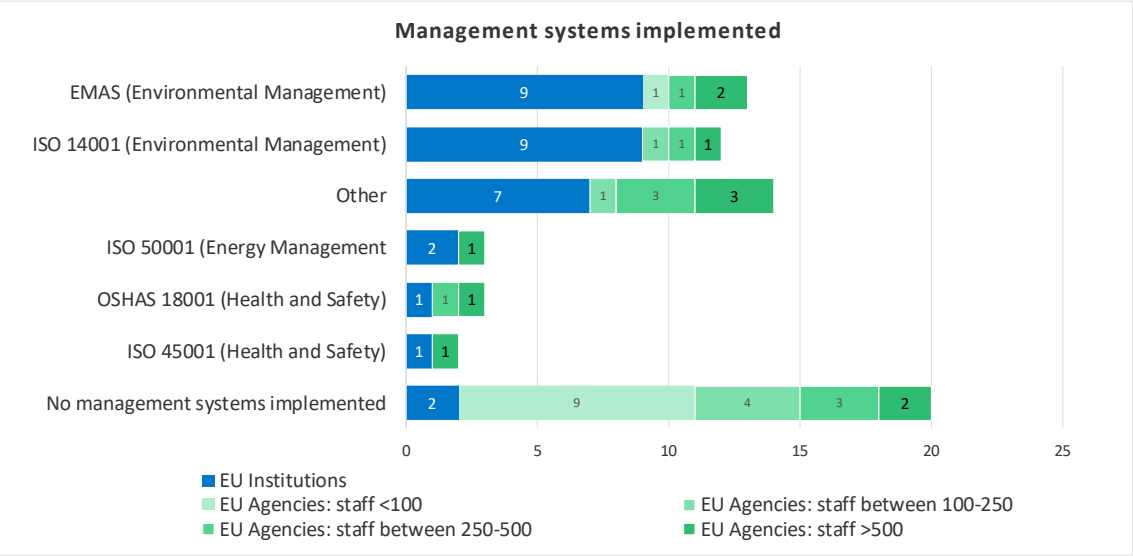
60 While they do not publish sustainability reports, other EU institutions and agencies do collect and sometimes publish information related to sustainability, albeit in a piece-meal manner and without ensuring that all material aspects of sustainability are covered. Our survey of all EU institutions and agencies confirms this.

61 The information collected or published mainly relates to how the running of the organisation affects sustainability (such as their internal use of paper or water) rather than on how they have considered sustainability in their overall strategy and operations. There is a risk that such internal focused reporting does not capture the most material issues for an organisation. Nor does such information explicitly relate to how SDGs had been taken into account into the organisation's policy and operations.

62 The information disclosed by EU institutions and agencies concerns their governance, recruitment and organisational environmental impact. They publish information in different reports (e.g. reports done for the Eco-Management and Audit Scheme (EMAS)) and/or online. Other information is collected but not published (***Annex II***).

63 We also asked EU Institutions and agencies whether they have implemented certain management systems, to support sustainability reporting or elements thereof (***Figure 11***). Such management systems support organisations that want to improve their impact on the environment (EMAS, ISO 14001) or on the health and safety of their employees (Occupational Health- and Safety Assessment Series (OHSAS) 18001, ISO 45001).

Figure 11 – Management systems implemented by EU institutions and agencies

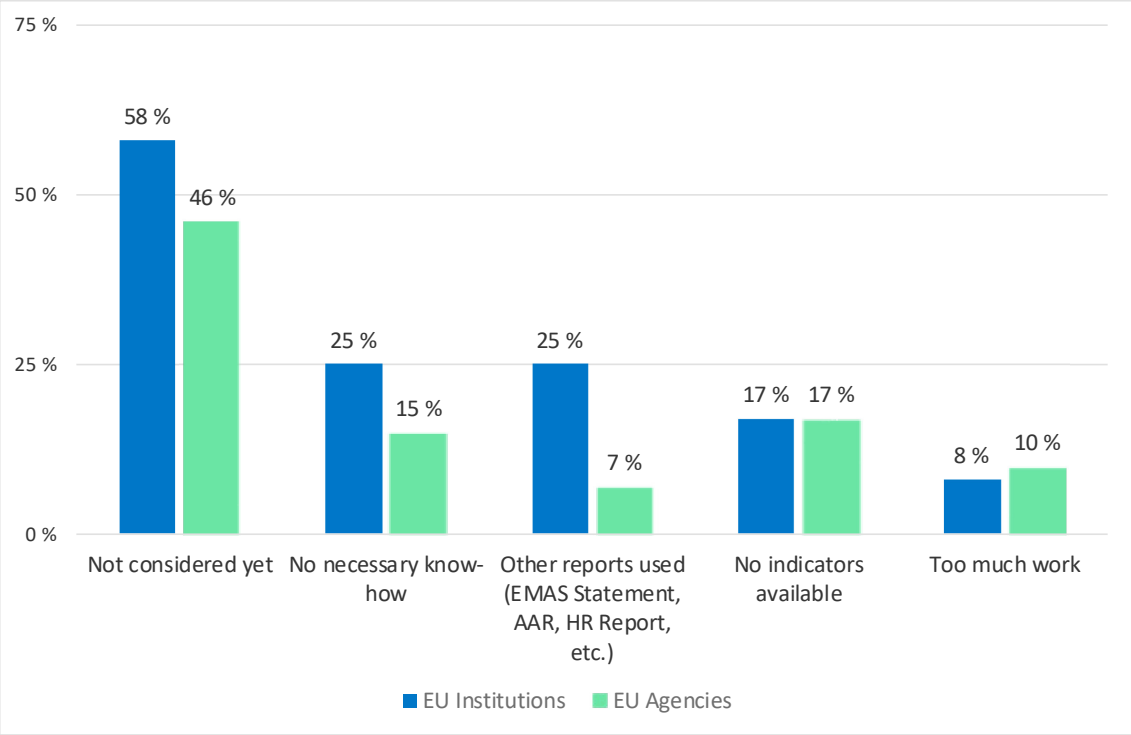


Source: ECA.

64 The management systems implemented mostly concern environmental aspects. Three quarters of the EU institutions[99] and 10 % of the EU agencies have implemented a management system such as EMAS and/or ISO 14001. Both of these systems enable organisations to identify and monitor the environmental impact of their activities, products and services. Unlike ISO14001, EMAS requires a public report using a set of core indicators – energy efficiency, material efficiency, waste, biodiversity and emissions. As far as other relevant international management systems like those for health and safety (OHSAS 18001) or energy (ISO 5001) are concerned, implementation is very low.

65 When asked why they do not publish a separate sustainability report, most EU institutions and agencies responded that they had not yet considered doing it; the second most common reply was that they lacked the necessary know-how (***Figure 12***).

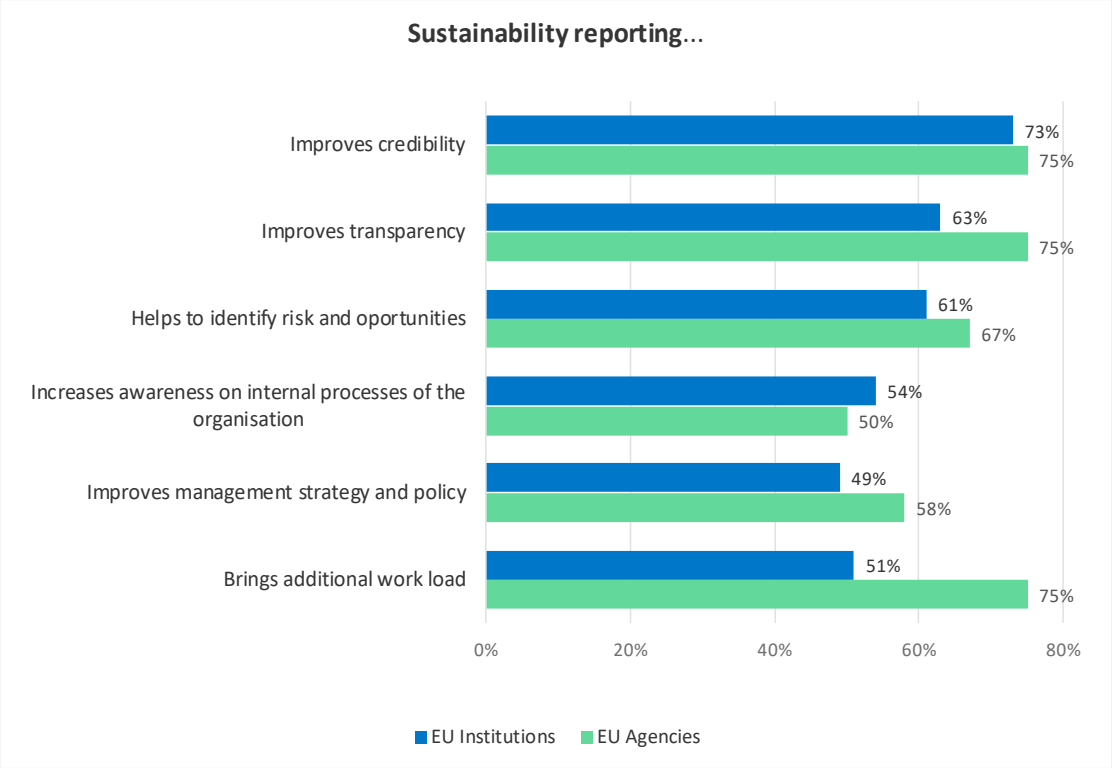
Figure 12 – Key reasons for not publishing a sustainability report



Source: ECA.

66 According to our survey, respondents see the potential benefits of sustainability reporting especially to enhance credibility and transparency. Respondents also considered that sustainability reporting would increase their workload. (***Figure 13***).

Figure 13 – Potential benefits and disadvantages of sustainability reporting



Source: ECA.

Auditing sustainability information

67 Auditing financial statements and performance reports increases their accountability value. External assurance of sustainability reports can increase credibility as well as stakeholders' trust in the information provided. It can reduce the risk of greenwashing and reports being used as PR- exercises. Auditing information can improve the value of information for internal control and management systems, and raise awareness at boardroom level[100].

68 Auditing sustainability reporting poses different types of challenges to those posed by auditing financial statements. For example it can mean reviewing a "narrative" rather than financial data or figures[101]. Most sustainability reports by large companies are subject to external audit or review[102] but there is no generally accepted audit or assurance standard for sustainability reports. For example, the EU directive requires auditors to check whether a sustainability report exists, without going into its substance. Member States such as France and Italy have implemented the directive differently by requiring that auditors also look at the substance of the reports[103].

69 More recently, in February 2019, the International Auditing and Assurance Standards Board (IAASB) published a consultation paper on providing assurance on extended external reporting[104]. Extended external reporting encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters.

70 According to ISAE 3000, in a limited assurance engagement (a review engagement), "the practitioner's conclusion is expressed in a form that conveys that, based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated". In such cases, engagement risk is reduced to a level that is acceptable in the circumstances of the engagement but risk is greater than for a reasonable assurance engagement[105]. Of the two sustainability reports by EU Institutions and agencies, the EIB's one is externally audited and limited assurance is provided. EUIPO's report is not audited.

71 Most Supreme Audit Institutions (SAIs) have experience in performance audit, which could be useful for working on sustainability reports and auditing the implementation of SDGs. INTOSAI (International Organisation of Supreme Audit Institutions) has encouraged SAIs to conduct performance audits on governments'

preparedness to implement the SDGs or on specific SDGs. Several SAIs around the world have published the results of these audits, and some of them have analysed how their government monitors and reports on SDGs (***Box 9***)[106]. SDGs can serve as audit criteria[107]. One of the public audit standards (ISSAI 140) is currently under revision and there is a discussion whether this standard needs to be enlarged to encompass one aspect relevant to sustainability reports, namely the audit of SDGs.

72 However, auditing the achievements of specific SDGs and Member State reporting to the UN are not the only roles SAIs can play. When more public sector organisations start to disclose sustainability information, the question how the auditing profession can contribute to improve the quality of information produced by organisations will need to be tackled. This might require SAIs to develop new capabilities or approaches within the auditing profession.

Box 9

Results of SAI audits related to sustainability reporting

Some SAIs found weaknesses in their country's **2030 Agenda process**, which made monitoring and reporting difficult. For example, Austria had adopted a mainstreaming approach to Agenda 2030, but the Austrian SAI found that overall responsibility was not well defined, which resulted in fragmentation of the implementation process. This also led to lack of coordination in evaluation and reporting, and Austria's national progress report on implementation did not provide a concise overview[108].

Some SAIs also audited the preparation of **Voluntary National Reports** in the course of INTOSAI's cooperative audit "Preparedness for Implementation of Sustainable Development Goals", and some of these SAIs recommended seeing these reviews not only as a product, but rather as a continuous process:

- The **Austrian SAI** found that the government had not planned to report to the United Nations until 2020. As a result, it recommended that the government should report as early as possible, and at least once per legislative period.
- The **Dutch SAI** found that the government had reported to the UN in 2017, providing an overview of the situation as regards the 2030 Agenda and the progress made to date. However, it recommended the central government should include important SDG themes in its annual financial report[109].
- The **Polish SAI**, while acknowledging that the voluntary national review had been effectively prepared, recommended that progress should be reviewed on a regular basis[110].

Challenges for sustainability reporting in EU institutions and agencies

73 The EU has committed itself to the implementation of the Agenda 2030 Sustainable Development Goals. Our review has shown that the Commission and other EU institutions and agencies are working on some elements necessary for meaningful sustainability reporting. Overall, however, the necessary pre-requisites for sustainability reporting are largely not yet in place. One EU institution and one agency publish sustainability reports and engage in the underlying strategy necessary for such a reporting process. Others publish or collect relevant information. We have also highlighted practices in the private sector and in the public sector in Member States, which could serve as examples. We identified a number of challenges.

Challenge 1: Developing an EU strategy post-2020 that covers the SDGs and sustainability

74 Despite various calls from the co-legislators and stakeholders, there is no long-term EU strategy on sustainable development up to 2030, identifying potential objectives, and targets to report upon in the Commission's performance framework (***paragraphs 30*** to ***35***). Such a strategy would determine which SDGs would be relevant for the EU. The Commission has produced a "reflection paper" as input for the next Commission which points out three scenarios for a future sustainable Europe. The reflection paper highlights some areas where, according to the Commission, it should do more. However, it does not include a gap analysis identifying what more needs to be done to achieve the SDGs in terms of budget, EU policy and/or legislation (***paragraphs 36*** to ***38***).

Challenge 2: Integrating sustainability and SDGs into the EU budget and the performance framework

75 This review has highlighted that sustainability reporting is a process and involves more than just publishing a report. The Commission does not report on the contribution of the EU budget or EU policy to achieving the SDGs. The Commission's reflection paper describes how selected Commission policies are related to the SDGs. While the Commission has started to refer to SDGs in programme statements, there is no monitoring or reporting of how the EU´s policies and budget contribute to implementing sustainable development and achieving the SDGs (***paragraphs 38*** to ***42***). Since 2017, Eurostat produces regular annual monitoring of the SDGs, which provides a statistical presentation of trends relating to the SDGs in the EU.

76 The Commission has extensive experience with performance reporting, and its performance budgeting system scores considerably higher than all other OECD countries[111]. Integrating sustainability reporting into this performance reporting will nevertheless be a challenge. However, it could help the Commission to streamline performance indicators and to better align specific programme and policy objectives with high-level general objectives, in line with our 2017 annual report recommendations[112].

77 Mainstreaming crosscutting policies into the budget is not easy, as we have previously shown. Efficient mainstreaming and prioritisation could mean directing EU funds to those areas with the greatest need or EU added value (***paragraphs 39*** to ***43***).

78 The Commission is adapting its performance reporting system in the area of external action (***paragraph 52***) to measure and report upon the EU's contribution to the implementation of the SDGs in this policy area. This mirrors the situation in some countries where the development aid area – an area which previously had to deal with the Millennium Development Goals – is leading (***paragraph 52***).

79 One challenge for future reporting will be on how the information provided is taken into account in decision making. Despite the highly advanced nature of the EU performance budgeting framework, already at present there is room for development on how information is used (***paragraph 48***).

Challenge 3: Developing sustainability reporting in EU institutions and agencies

80 We found two examples of sustainability reporting among EU Institutions and agencies: the EIB and EUIPO. These provide examples of mainstreaming sustainability reporting throughout their business processes. The EIB and EUIPO have developed these practices despite not being under any legal obligation to produce sustainability reports, and without any guidance or systematic direction at EU level (***paragraph 57*** and ***Box 7***).

81 Our survey suggests that EU Institutions and agencies can see the potential benefits of sustainability reporting. Most notably, they see its potential to increase their credibility and transparency. We also found that, while other EU institutions and agencies do not publish sustainability reports, they do collect and publish some information related to sustainability, albeit in a piece-meal manner and without covering all material aspects. The information they collect and publish mainly relates to how the running of the organisations affects sustainability (such as their use of

paper or water) rather than how they take into account of sustainability in their overall business processes (***paragraphs 60*** to ***66***).

Challenge 4: Increasing the credibility of sustainability reporting through audit

82 In the private sector, sustainability reports are increasingly subject to limited external audit or review, but there is not yet any generally accepted audit or assurance standard for sustainability reports. SAIs experience in performance audit may be useful when it comes to auditing sustainability reporting. Once more public institutions start publishing sustainability reports, SAIs will need to consider to what extent they can provide assurance on such reports. One of the key challenges will be taking account of the long-term nature and complexity of environmental, social and economic sustainability. This might require SAIs to develop new capabilities or approaches within the auditing profession (***paragraphs 67*** to ***72***).

Annexes

Annex I — Approach and Methodology

We had interviews with the following persons and entities:

European Commission	Council of the European Union	Other EU institutions and bodies	International institutions, associations, audit companies
Commissioners : First Vice-President Franz Timmermans, Vice-President Jyrki Katainen, Commissioner Günther Oettinger and their Cabinets	Working Party on the 2030 Agenda for Sustainable Development Agenda 2030	European Investment Bank: Corporate Social Responsibility Division	Accountancy Europe
Secretary General of the Commission		European Intellectual Property Office: Internal Control Coordination	KPMG, PWC, E&Y, Deloitte
Director-General of Internal Audit Service		Contact with the European Parliament Directorate-General for Internal Policies of the Union	SAI Canada
Head of European Political Strategy Centre			OECD: Budgeting and Public Expenditures Division, Policy Coherence for Development Unit
Directorate-Generals of the European Commission (DGs): Budget, Eurostat, Human Resources and Security Directorate-General for Financial Stability, Financial Services and Capital Markets Union, European Political Strategy Centre,			

Survey:

We sent a short questionnaire to the Commission, Council, European Parliament, European Court of Justice, European Court of Auditors, Ombudsman, European Economic and Social Committee, European Committee of the Regions, European Central Bank and European Investment Bank, European External Action Service and European Data Protection Service, and to all 41 EU agencies (executive, decentralised and other bodies). The response rate was 100 %.

In the analysis of replies presented in graphs, not all answers add up to 100 %, due to rounding or because respondents were able to provide multiple answers to a question.

Documentary review:

We reviewed and analysed relevant documents such as annual activity reports of all Commission DGs, European Parliament resolutions, Council conclusions, United Nations resolutions, SAI audit reports, documents from the Performance Development Network of EU Agencies and various academic studies and briefs on sustainability reporting and SDGs.

Annex II — Information related to sustainability, published or collected by EU Institutions and Agencies

	Information collected				Information not collected	
	Published		Not published			
	EU Institutions	EU Agencies	EU Institutions	EU Agencies	EU Institutions	EU Agencies
GENERAL DISCLOSURE						
Governance structure	92%	95%	0%	3%	8%	3%
Risk assessment	83%	90%	17%	7%	0%	3%
Ethical behavior	92%	58%	0%	10%	8%	32%
Stakeholder engagement	33%	51%	8%	10%	58%	39%
Materiality Matrix	17%	15%	8%	10%	75%	75%
ECONOMIC						
Anti-corruption and bribery	83%	80%	8%	10%	8%	10%
ENVIRONMENTAL						
Energy, water, biodiversity	83%	34%	0%	29%	17%	37%
SOCIAL						
Diversity management	92%	63%	0%	5%	8%	32%
Recruitment	92%	90%	8%	5%	0	5%
Training and education	83%	75%	17%	20%	0	5%
Occupational health and safety	75%	22%	17%	29%	8%	49%
Community involvement and development	42%	20%	17%	12%	42%	68%
Human rights assessment	25%	14%	0%	3%	75%	83%
OTHER						
Non-financial information	92%	85%	0%	5%	8%	10%
SDGs assessment	50%	20%	17%	5%	33%	75%
Other issues related to SDGs	33%	15%	0%	0	67%	85%

Acronyms and abbreviations

EER: Extended External Reporting

EIB: European Investment Bank

EMAS: Eco-Management and Audit Scheme

EUIPO: European Intellectual Property Office

GRI: Global Reporting Initiative

IAASB: International Auditing and Assurance Standards Board

IIRC: International Integrated Reporting Council

INTOSAI WGEA: International Organisation of Supreme Audit Institutions Working Group on Environmental Accounting

ISO: International Organization for Standardization

MFF: Multiannual Financial Framework

Mt: Millions of tonnes

SAI: Supreme Audit Institution

SASB: Sustainability Accounting Standards Board

SDGs: Sustainable Development Goals

Glossary

Decentralised Agency: Prepares and implements EU policies. It has its own budget and is set up for an indefinite period.

EMAS: Environmental management system fixed in a Regulation of the European Parliament and the Council. Organisations need certification by an independent external verifier.

Executive Agency: Entity charged with executive and operational tasks relating to EU programmes. The budget it implements stems from the Commission. It is set up for a fixed period of time.

Materiality Matrix: A graphical method to determine if a topic is material. It consists of two dimensions: (a) Significance of economic, environmental & social impacts; and (b) Influence on stakeholders' assessments and decisions.

Multi-Stakeholder Platform: A platform to support and advise the European Commission on the implementation of the SDGs at EU level. It consists of 30 High-level representatives of the public sector, civil society and the private sector. It was established in May 2017.

Endnotes

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[3] Emas, R., The Concept of Sustainable Development: Definition and Defining Principles, Brief for GSDR 2015.

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[6] https://ec.europa.eu/epsc/sites/epsc/files/epsc_sustainability-puzzle.pdf; See, in particular, risk No 1 "Aiming only at high growth regardless of the sustainability imperative" and risk No 2 "Overlooking the interconnections between social and environmental policy, thereby compromising both".

[7] Resolution adopted by the General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development (the 'Agenda 2030'), 2015.

[8] European Commission, JRC Technical Report, Interlinkages and policy coherence for the Sustainable Development Goals implementation, 2019, p. 4: http://publications.jrc.ec.europa.eu/repository/bitstream/JRC115163/sdg_interlinkages_jrc115163_final_on_line.pdf.

[9] Member States have committed themselves to the Agenda 2030 by adopting the respective UN resolution.

[10] The Global Reporting Initiative's (GRI) database on sustainability reports listed around 32.000 reports produced according to the GRI standard and more than 50 000 reports in total. http://database.globalreporting.org/. (April 2019); G&A Flash Report, 85 % of S&P 500 Index® Companies Publish Sustainability Reports in 2017, 2018: https://www.ga-institute.com/press-releases/article/flash-report-85-of-sp-500-indexR-companies-publish-sustainability-reports-in-2017.html; „What can we learn from corporate sustainability reporting? Deriving propositions for research and practice from over 9 500 corporate sustainability reports published between 1999 and 2015 using topic modelling technique", *PLoS one*, n°12, Székely, N., vom Brocke, J., 2017: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5389611/#pone.0174807.ref002.

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[15] Germany, the Netherlands, Slovakia, Sweden, United Kingdom.

[16] The references to the Non-Financial Reporting Directive (NFRD) included in this report are intended only to illustrate key concepts related to sustainability reporting. They are not intended to suggest that the NFRD could be an appropriate legal instrument to promote sustainability reporting by EU institutions and agencies.

[17] EU Technical Expert Group on Sustainable Finance, Report on climate-related disclosures, frequently asked questions: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-teg-subgroup-disclosures-progress-report-faq_en.pdf.

[18] GRI, CSR Europe, Accountancy Europe, Member State Implementation of Directive 2014/95/EU, (2017).

[19] Bulgaria, Denmark, Greece, Lithuania, Portugal, Romania Slovakia and Sweden.

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[24] GRI, Public sector sustainability reporting: Remove the clutter, reduce the burden, (2012), p. 4.

[25] GRI, Public sector sustainability reporting, Remove the clutter, reduce the burden, 2012, p. 4.

[26] Article 2(16) of the Accounting Directive (2013/34/EU). The comprehensiveness or practicality of this defintion has been questioned and is currently under review. One area is to clarify that impacts are not only by the company but also impacts on the company (see Figure 2), the Commission's consultation document on the update of the non-binding guidelines on non-financial reporting; for criticism see https://www.accountancyeurope.eu/wp-content/uploads/190201-TEG_report_climate_related_ACE_response_final.pdf.

[27] Article 19 of the Accounting Directive (2013/34/EU).

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[29] Example on the bank taken from the Communication from the Commission: Guidelines on non-financial reporting (methodology for reporting non-financial information) (OJ C 215, 5.7.2017, p. 1).

[30] Carbon Disclosure Project (CDP), Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB).

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[32] Directive 2014/95/EU of the European Parliament and of the Council, October 2014; Communication from the Commission: Guidelines on non-financial reporting (methodology for reporting non-financial information), (OJ C 215, 5.7.2017, p. 1).

[33] Article 19a of the Directive 2014/95/EU.

[34] See for example: Alliance for Corporate Transparency, The state of corporate sustainability disclosure under the EU Non Financial Reporting Directive, 2019: http://allianceforcorporatetransparency.org/news/companies-failing.html. Accountancy Europe response to Technical Expert Group on disclosure of climate-related information: https://www.accountancyeurope.eu/wp-content/uploads/190201-TEG_report_climate_related_ACE_response_final.pdf.

[35] Commission, Consultation document on the update of the non-binding guidelines on non-financial reporting, 2019.

[36] In 2018, the FSB Task Force on Climate-related Financial Disclosures (TCFD) published voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

[37] Commission, Consultation document on the update of the non-binding guidelines on non-financial reporting, 2019, p. 5.

[38] Proposal for a regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive 2016/2341/EU. The proposal is currently being negotiated by the European Parliament and the Council.

[39] Estonia, France, Greece, Hungary, Malta, Netherlands, Slovakia and the United Kingdom.

[40] Article 19a of Directive 2014/95/EU. Accountancy Europe, Member State Implementation of Directive 2014/95/EU, 2017.

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This ECA's Rapid Case Review - Reporting on sustainability: a stocktake of EU Institutions and Agencies was adopted by Chamber V Financing and administration of the EU, headed by ECA Member Lazaros S. Lazarou. The task was led by ECA Member Eva Lindström, supported by Katharina Bryan, Head of Private Office; Judit Oroszki, Principal Manager; Josef Edelmann, Head of Task; Marilena-Elena Friguras, Vivi Niemenmaa and Laura Kaspar. Michael Pyper provided linguistic support.

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The European Union (EU) and its Member States are committed to implement the 2030 Agenda and the 17 Sustainable Development Goals (SDGs). This review takes stock of the status of reporting on the achievement of the SDGs and sustainability at EU level and reporting by individual EU institutions and agencies.

Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. It covers how an organisation considers sustainability issues in its operations, and on its environmental, social and economic impacts.

This review reveals that the Commission does not report on the contribution of the EU budget or EU policy to achieving the SDGs. One exception is the area of external action where the Commission has started to adapt its performance reporting system in relation to SDGs and sustainability. The Commission has recently published a reflection paper where it describes selected Commission policies related to the SDGs. However, sustainability reporting is currently not integrated into the Commission's performance framework and the necessary pre-requisites for meaningful sustainability reporting, such as a long-term strategy, are largely not yet in place. At present, one EU institution, the European Investment Bank, and one EU agency, the European Union Intellectual Property Office, publish sustainability reports.

This review is not an audit. It concerns emerging issues, establishes facts, and is based mainly on publicly available information and previous work.

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