



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**Sixteenth Meeting of the UN Committee of Experts on
Environmental-Economic Accounting
New York, 15-17 June 2021**

**Cover Note for the UNCEEA Subgroup on Business Accounting
Summary of Exploratory Workshop and Next Steps**

Draft paper prepared by UNSD

(for discussion)

UNCEEA Subgroup on Business Accounting

Summary of Exploratory Workshop and Next Steps

Background

At its 15th Meeting, the UN Committee of Experts (UNCEEA) agreed on the creation of a subgroup focusing on business accounting and the SEEA, which was recently welcomed by the UN Statistical Commission.¹ In recent years, many business initiatives have emerged which apply a natural capital approach. The recent adoption of the SEEA Ecosystem Accounting (SEEA EA) provides an opportunity to move towards alignment, which would benefit both national statistical offices (NSOs) and businesses alike. Namely, NSOs would be able to more easily collect high-quality corporate data on the environment and businesses would benefit from increased access to high-quality and coherent data on the environment which is fit-for-purpose. Thus, the UNCEEA created this group to “explore how to harness synergies between the public and private sectors in the collection and use of statistics and data for natural capital accounting”. In addition, a roadmap for alignment was endorsed by the UNCEEA during its 15th meeting.²

In order to more concretely define the objective and scope of the group and establish a detailed programme of work, an exploratory workshop was called by the Chair of the UNCEEA in May 2021. Members of the UNCEEA Bureau as well as representatives from the business community participated in the workshop.³ The workshop focused on the following questions:

- What should be the focus of alignment? Should alignment focus on accounting approaches or the use of indicators?
- Should the subgroup focus on or prioritize specific areas for alignment?
 - E.g. biodiversity versus climate change versus natural resources
 - Real economy or also financial economy
- What is the preferred modality of the working group?
 - NSOs only, discussing alignment issues?
 - NSOs and individual businesses?
 - NSOs and selected standard setters?
- Given the proliferation of initiatives, what are the most promising entry points for alignment and what should engagement look like?

¹ See https://seea.un.org/sites/seea.un.org/files/minutes_final.pdf.

² See https://seea.un.org/sites/seea.un.org/files/business_accounting.docx.

³ In preparation of the workshop, https://seea.un.org/sites/seea.un.org/files/background_paper_exploratory_workshop_v4.pdf was developed. Though not intended to be comprehensive, this document outlines some of the most prominent and relevant initiatives in this space.

The remainder of this document summarizes the discussion of these four questions and proposes a way forward for the UNCEEA subgroup.

Focus of alignment

Participants agreed that the focus of alignment should be on accounting approaches and the production and reporting of data, rather than on the production/use of indicators. A common accounting approach and the use of consistent concepts/definitions between the public and private sector was highlighted as a way towards compatible datasets which would benefit both sides. Participants from the statistical side stressed that harmonization and alignment of principles, approaches, definitions and classifications would help ensure that micro data easily feed into macro-level accounts, thereby improving quality. In this regard, the Transparent project⁴ was mentioned as an important initiative, as it aims to develop the first set of natural capital accounting principles and implementation guidelines for the private sector. Similarly, the Align project⁵ will accomplish a similar goal, except with a focus on sector-specific biodiversity measurement and valuation and creating a standardized approach for biodiversity management and disclosure.

With regards to differences in data use by the private and public sector, participants brought up the fact that the private sector sees much more of a distinction between data for internal decision making (sometimes called natural capital management accounting) and external reporting (or disclosure), while in the public sector, this distinction is not present. Thus, the link between the SEEA and business accounting may be seen in two ways—internal decision making as well as disclosure/reporting by businesses. There are also different viewpoints on what alignment should focus on—for example, the focus of alignment could be the application of accounting approaches (and not immediately on standardization), the standardization of approaches, and/or disclosure/reporting.

Finally, it was suggested that the subgroup not limit its focus on the technical alignment of methods and data, but also pay attention to the presentation and communication of existing methods and data. Several participants from the business sector noted that the problem is not necessarily a lack of data being generated by the public sector, but rather poor data flows, presentation and data that is not necessarily fit-for-purpose for businesses. This means that while more and more NSOs are producing SEEA accounts, they are not sufficiently used. The same applies to environmental impact assessments; research conducted under the Transparent project indicated little evidence to suggest that information from environmental impact assessments were actually used for decision making. It was also suggested that the statistical

⁴ <https://capitalscoalition.org/project/transparent/>

⁵ https://ec.europa.eu/environment/biodiversity/business/align/index_en.htm#:~:text=The%20Align%20project%20%2D%20Aligning%20accounting,standardised%20approach%20to%20biodiversity%20measurement.

community could help develop standardized coefficients for use in the business sector for estimating supply chain effects.

Simplifying the presentation of SEEA accounts to dashboards made for generalists could greatly increase uptake of the accounts by the private sector. Similarly, making existing methodological documents of the SEEA more accessible to the business sector could be seen as a necessary first step in educating the private sector on the SEEA and eventual alignment. It was suggested to create documents on the SEEA methodology designed for the private sector (e.g. narrowed to the relevant scope, use of approachable language etc).

Focus on specific areas for alignment

Participants from the business community suggested the group to focus on the real economy and the non-financial part of the private sector. In addition, it was widely agreed that the subgroup should not focus on specific areas for alignment, such as water or biodiversity. Such a thematic approach would be incompatible with the direction the private sector is taking in terms of natural capital. In particular, the private sector is paying more and more attention to their total impact along value chains (which is, for example, a focus of the Transparent project). In addition, it was noted that separating the elements of natural capital could be counterproductive, given the interrelationships and dependencies between different elements of natural capital.

Finally, it was pointed out that one of the strengths of the SEEA is that it can provide a holistic view of the environment and its relationship with the economy. Focusing on specific areas (or Central Framework vs. Ecosystem Accounting) would not play to this strength.

Modality of the working group

It was suggested that the working group comprise national statistical offices and a few select standard setters from the business community. A smaller action oriented working group was proposed, at least to begin with. A smaller group would be more agile and could more easily explore and pilot initiatives. It was pointed out that if a smaller group were pursued, the group should work to keep the rest of the Committee and other stakeholders informed. A number of Bureau representatives expressed interest in joining the group.

Entry points

A few concrete entry points were explicitly mentioned and pursuing further involvement in the represented groups/initiatives was strongly suggested (Capitals Coalition, Value Balancing Alliance, Transparent project, Align project etc). This will help ensure that the methods used by the private sector align with those used by the public sector. Inroads have already been made in

some cases. For example, UNSD is part of the technical steering committee of the Align project, and the Align project will invite the UNCEEA to its next meeting to explore potential areas for alignment.

At the same time, it was suggested to involve the European Financial Reporting Advisory Group (EFRAG)⁶ and International Financial Reporting Standards (IFRS) Foundation⁷ to link to standard setters and help ensure that data across the private sector is comparable and can be easily fed into macro-level accounts.

In addition, it was suggested to have more direct exchanges with decisionmakers at the corporate level – whether with business associations or companies. Making sure the SEEA is presented in an accessible way for non-experts at these levels would be key for success in this area.

An additional entry point comes in the form of potential pilots. DG Environment will soon launch a call for proposal for a pilot project exploring the creation and use of comprehensive environmental dashboards based on the SEEA for the private sector. These dashboards would help make SEEA data more approachable and usable for private sector decisionmakers. A similar complementary exercise could take place at the international level and help other NSOs organize their datasets to be more useful to businesses.

Way forward

It is suggested that the group comprise the following representatives:

- NSOs from the UNCEEA
- IFRS foundation
- EFRAG
- Capitals Coalition
- Value Balancing Alliance

While work would still be organized in the four building blocks of the roadmap (coordination, communication, methodology and capacity building), it is suggested that the subgroup focus on two main areas at the substantive level: 1) alignment of methodology and standards and 2) communication and presentation of data.

For the alignment of methodology and standards, it is suggested that the subgroup focus on the activities of the Align and Transparent projects and explore the work being done by the IFRS

⁶ EFRAG is currently investigating possible EU standards on sustainability reporting. Their [recent report](#) details proposals for a standard and includes a standard-setting roadmap for the period until 2025.

⁷ The IFRS foundation is currently investigating a sustainability reporting standard and has recently released a consultation paper and proposed the formation of an International Sustainability Standards Board (ISSB) to set IFRS sustainability standards. See here: <https://www.ifrs.org/projects/work-plan/sustainability-reporting/#current-stage>.

foundation and EFRAG, particularly given the growing importance of disclosure. In terms of communication and presentation of data, it is suggested that the subgroup focus on the creation of accessible SEEA documents for the private sector as well as become involved in (and potentially spread) the pilots being proposed by DG Environment.

An additional recommendation for the work of the subgroup is to ensure that the products and outcomes are co-designed by both the public and private sectors. In this regard, it was noted that many NSOs have more latitude to experiment than before, making co-designing products and collaboration with the private sector easier. It was suggested that co-designed dashboards could be kept simple yet relevant for the private sector and promote the use of NSO data. Alignment of public and private standards should not impose additional burden on businesses, but rather take into consideration information that businesses already collect/produce.

Questions for the Committee

- Do you agree with the proposed way forward?
- Are you interested in joining the subgroup?