



Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals





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Main abbreviations

FTE	Full-time equivalent
GAAP	Generally accepted accounting principles
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IAEG-SDGs	Inter-Agency and Expert Group on Sustainable Development Goal Indicators
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
ODS	ozone-depleting substance
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
SNA	System of National Accounts
TCFD	Task Force on Climate-related Financial Disclosures

I. Introduction: Rationale and objective

1. In 2015, Member States of the United Nations adopted the 2030 Agenda for Sustainable Development, containing 17 Sustainable Development Goals (SDGs) and 169 targets.¹ In resolution 70/1, the General Assembly stated that the Goals and targets would be followed up and reviewed using a set of global indicators focused on measurable outcomes. Consequently, the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) was established to develop a global indicator framework to monitor implementation of the 2030 Agenda. Member States are in the process of developing their national indicators in line with the 2030 Agenda but taking into account national circumstances.² Full development of the indicator framework is a process that requires time and the possibility of refinement as knowledge and data availability improve.
2. The report of the IAEG-SDGs requires global monitoring to be based, to the greatest possible extent, on comparable and standardized national data, obtained through well-established mechanisms for country reporting to the international statistical system. Efforts should be made to fill data gaps and improve international comparability through the increased adoption of internationally agreed standards at the national levels, strengthening of national statistical capacities and improved reporting mechanisms.
3. These developments have a direct impact on the accounting and reporting agenda. SDG 12 sustainable consumption and production in its target 12.6 explicitly encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycles. Indicator 12.6.1 requires data on the number of companies publishing sustainability reports (further on 12.6.1). Several other SDG indicators refer to data already being provided by many enterprises in their reports, such as on the use of energy and water, carbon dioxide emissions, waste generation and recycling, and to human resource management, gender equality and community development, among others.
4. Company reporting may therefore be an important data source for the newly established SDGs monitoring framework. As a primary source of information on company performance, reporting can enrich and enhance Goals monitoring mechanisms by providing stakeholders such as Governments and capital providers with the means to assess the economic, environmental and social impacts of companies on sustainable development.
5. Relevant data on companies' contribution towards the SDGs is critical for assessing the progress of SDG implementation; enhancing the SDG-oriented corporate governance mechanisms, decision-making by investors and other key stakeholders, as well as promoting behavioural change at the enterprise level. The SDG agenda requires comparable and reliable data reflecting companies' performance towards targets and indicators agreed

¹ United Nations General Assembly, Transforming our world: The 2030 Agenda for Sustainable Development, 21 October 2015, A/RES/70/1, available at www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf [accessed 11 January 2019].

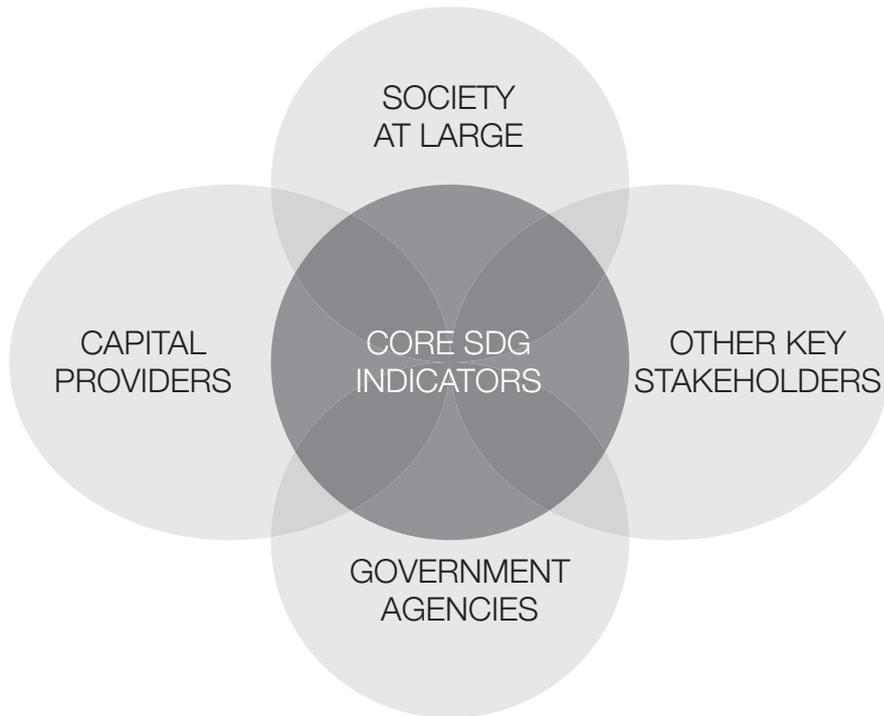
² Economic and Social Council. Report of the inter-agency and expert group on sustainable development goal indicators. New York: United Nations (2016). E/CN.3/2016/2.

by Member States of the United Nations. This in turn gives a new impetus towards aligning the harmonization of sustainability reporting with the SDG monitoring framework.

6. In response to this challenge in 2016, during its fourteenth quadrennial conference in Kenya, UNCTAD launched its initiative on selecting a limited number of core SDG indicators for company reporting.
7. The Guidance was prepared by UNCTAD in accordance with the agreed conclusions of the thirty-fourth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), which in 2017 had requested UNCTAD to develop a guiding document on a limited number of core indicators for entity reporting, aligned with SDGs. The Guidance is based on elaborations on this issue over the last three years during the annual sessions³ of ISAR and at the intersessional forums, including Consultative Group meetings convened by UNCTAD from 2016 to 2018.
8. During these discussions, a limited number of core SDG indicators were identified (annex I), based on key reporting principles, selection criteria, main reporting frameworks and company reporting practices. These core indicators are intended as a starting or entry point in relation to sustainability and SDG reporting by enterprises, and therefore, they would represent the minimum disclosures that companies would need to provide in order for Governments to be able to evaluate the contribution of the private sector to the implementation of SDGs. However, they do not attempt to preclude companies from providing more information in a qualitative or quantitative form. The core indicators do not cover all SDG macro-level indicators but represent a selected number of company indicators that have been considered indispensable to assess the economic, environmental, social and governance impacts of companies' activities, which already could be found in their reports and in reporting frameworks.
9. **The objective of this Guidance** is to provide practical information on how these indicators could be measured in a consistent manner and in alignment with countries' needs on monitoring the attainment of the SDG agenda. It is intended to serve as a tool **to assist Governments** to assess the private sector contribution to the SDG implementation and to enable them to report on SDG indicator 12.6.1. It also intends **to assist entities** to provide baseline data on sustainability issues in a consistent and comparable manner that would meet common needs of many different stakeholders of the SDG agenda (figure 1). It also envisaged that the Guidance would facilitate capacity-building in the area of SDG reporting in member States at the country and company level as part of ongoing UNCTAD projects in this area. The Guidance will be updated as needed based on the results of its practical application.

³ Issues note ISAR 33, Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting, available at https://unctad.org/meetings/en/SessionalDocuments/ciisard78_en.pdf; issues note ISAR 34, Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals, available at https://unctad.org/meetings/en/SessionalDocuments/ciisard81_en.pdf; issues note ISAR 35, Enhancing the comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals, available at https://unctad.org/meetings/en/SessionalDocuments/ciisard85_en.pdf.

Figure 1.
KEY USERS OF THE CORE SDG INDICATORS BY ENTITIES



Source: UNCTAD.

II. Underlying principles of core SDG indicators selection and reporting

2.1. Key methodological points

10. The Guidance is based on the main methodological considerations outlined below.
11. **Simplicity:** The Guidance is intended to be a user-friendly tool for preparers of information (both at legal entity and consolidated levels) and for different users, in the public and the private sectors, for understanding entities' performance and impact across the core sustainability/SDG indicators.⁴
12. **Baseline approach:** The selected core indicators are common to any business, as they focus on a rational use of resources (such as water, energy, and air, and waste reduction), social issues related to human capital development and gender equality; as well as governance and transparency, which is part of the regular operational business cycle. The Guidance takes into consideration entities' practices and the fact that entities are at different stages in their sustainability reporting journey. It is not aimed at creating new norms; rather its objective is to select common sustainability indicators based on entities' current reporting practices and leading reporting frameworks (IFRS, IIRC, SASB, GRI, Global Compact and others); it provides a measurement methodology for each of the selected core indicators and suggests accounting sources of data collection. It remains up to the individual businesses in different operating contexts to start from these baseline indicators and provide additional information as needed to reflect their specific SDG-related practices and more specific needs of users, particularly those representing investors and other capital providers.
13. **Emphasis on quantitative indicators:** Although the importance of qualitative, narrative disclosure and of understanding these indicators in a specific context are acknowledged, the Guidance does not discuss narrative disclosures and focuses on quantitative indicators.
14. For each reporting indicator (micro level), a most relevant SDG indicator (macro level) and its metadata guidance is referred to, in order to facilitate the **alignment between the micro- and macro-level indicators**. For, instance, in the case of core indicator D.1.2 Number and percentage of women board members, reference is made to SDG indicator 5.5.2 Proportion of women in managerial positions. In some cases, a macro-level indicator is referred to for more than one reporting indicator. In other cases, there is no straightforward relation between the reporting indicator and the macro-level indicator mentioned, but it represents the best possible alignment with the SDG macro level, and the usefulness of the reporting indicator

⁴ The Guidance aims at achieving simplicity within reasonable parameters, as sustainable development and certain subjects within this area are more complex than others.

will be further explored through pilot testing.⁵ The alignment between the micro- and macro-level indicators takes into account the approach of a statistical framework jointly developed by the European Community, IMF, OECD, United Nations and the World Bank, titled “The System of National Accounts” (SNA).⁶ SNA states that there would be considerable analytical advantages in having micro-databases that are fully compatible with the corresponding macroeconomic accounts for sectors or the total economy, and thanks to IT improvements, it becomes progressively easier to derive data from administrative and business records. While it recognizes that for various reasons it may be difficult, if not impossible, to achieve micro-databases and macroeconomic accounts that are fully compatible with each other in practice, nevertheless, as a general objective, the concepts, definitions and classifications used in economic accounting should as far as possible, be the same for both the micro and macro level to facilitate the interface between the two kinds of data.

2.2. Selection criteria

15. Selection of the core indicators is based on the following criteria:
 - Relevance to at least one Sustainable Development Goal monitoring indicator.
 - Based on existing key initiatives or reporting frameworks and/or should be found in corporate reports.
 - Universality (applicable to all reporting entities).
 - Comparability across industries.
 - Ability to address issues over which an entity has control and for which it gathers data (incremental approach)
 - Ability to facilitate convergence of financial and non-financial reporting principles and data.
 - Capability of consistent measurement.
 - Suitability for consolidated reporting and legal entity reporting.
16. As previously mentioned, the core indicators will be pilot tested at the country level with a view to confirming their usefulness and feasibility. As a result, some indicators might be replaced, added or eliminated. The work will also consider further possible adjustments in the SDG framework of macro-level indicators. It is important to emphasize that the objective is to have a set of core indicators applicable to all companies. However, it is understood that certain indicators might not be applicable to some entities. For instance, this might be the case with corporate governance indicators for some SMEs. Pilot testing at the country level will provide useful evidence in this regard.

⁵ Further refinement in this area could be envisaged based on the feedback from the practical application of the suggested core indicators.

⁶ System of National Accounts, New York, 2009.

2.3. Reporting principles

17. The Guidance is based on the consideration that the reporting framework for the SDG indicators should be consistent with the existing institutional foundations for the international financial reporting system. Such a framework needs to ensure the coherence of financial and non-financial reporting models and allow for the consistent integration of sustainability information into company reporting cycles. This includes relevance of the international financial reporting conceptual framework to SDG reporting, consistency in measurement methodology and data comparability, clarity of reporting boundaries and incremental approach⁷.
18. **Materiality vs universality:** One key consideration related to the principle of materiality is that defining materiality as an entity-specific aspect may create a conflict with the criterion of universality. In the context of SDG reporting, materiality has a new dimension in addition to its established definition.⁸ Adoption of the Goals required multi-stakeholder consultations, and all parties agreed that certain aspects of economic, environmental and social activities were material to them. Therefore, the selection of core SDG indicators relies on the idea that the targets are integrated into the current materiality assessments of companies and thus guide the sustainability disclosure framework. It is also consistent with the Task Force on Climate-related Financial Disclosures (TCFD) report on climate-related financial risk disclosure, which indicates climate-related risk as a non-diversifiable risk that affects nearly all industries.⁹
19. Furthermore, enhanced transparency is required on the materiality assessment process that should accompany the reporting of data on the core SDG indicators. In its Consultation Document on the Update of the Non-Binding Guidelines on Non-Financial Reporting, the European Commission¹⁰ refers to a double materiality perspective: (a) financial materiality, which considers the company's development, performance and position and has the investors as the primary audience and (b) environmental and social materiality, which considers the impact of the company's activities and has consumers, civil society, employees and a growing number of investors as the primary audience.
20. **Clarity of reporting boundaries:** Consistency with international financial reporting standards makes it important to disclose the basis of determining the boundaries of the reporting entity and other assumptions and methods that underpin sustainability reporting. In some jurisdictions, international financial reporting standards may not be required for the preparation of legal entity financial statements, but only for consolidated reports. This may pose a difficulty in compiling non-financial data, as companies may use different accounting rules in their reporting of statutory financial data. Consolidation

⁷ For more details, see United Nations Conference on Trade and Development, 2016, Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting (TD/B/C.II/ISAR/78).

⁸ According to the Conceptual Framework for Financial Reporting, "information is material if omitting it or misstating it could influence decisions that users make of the basis of financial information about a specific reporting entity".

⁹ For additional information on how the UNCTAD secretariat considers materiality as part of the conceptual framework of the core indicators, reference is made to United Nations Conference on Trade and Development, 2017, The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making (TD/B/C.II/ISAR/81).

¹⁰ For more details on materiality, please see Consultation Document on the Update of the Non-binding Guidelines on Non-financial Reporting, pp 7–8, available at https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/2019-non-financial-reporting-guidelines-consultation-document_en.pdf.

rules play an important role in the process of aggregating data from the company to the corporate level, thus having an impact on the link between corporate reporting and the monitoring of the achievement of the Goals that will be observed at a country level. In any case, when information attributable to entities, facilities or activities outside the organization's mainstream reporting boundary is also reported, it should be clearly distinguished from information about entities and activities within the financial boundaries.¹¹

21. **Incremental approach:** The selection of core indicators takes into account existing data-gathering capacities or access-to-information channels of companies. Placing an excessive burden on companies may be detrimental to engaging the private sector under the 2030 Agenda. An incremental approach is therefore recommended, whereby selected indicators first address issues that a company has control over and for which it already gathers data, or situations in which a company has access to relevant sources of information.
22. **Consistency in measurement methodology and data comparability:** Indicators need to be comparable across entities, time and geography, thereby requiring transparent and traceable documentation on scope, data quality, methods used and limitations.
23. **Reporting period:** It is important that financial and non-financial data refer to the same reporting period, both in terms of length (typically one year) and starting/ending dates. Reporting information should be complete and consistent with reference to the time period declared by the reporting organization for its financial statements.

2.4. Underlying accounting data

2.4.1. Definition of the unit for collecting information on the core indicators

24. The Guidance suggests that the underlying accounting data for the core indicators should be recorded and collected at a business unit/facility level and be aggregated not only with reference to the financial boundaries defined above, but also with reference to certain geographical boundaries, as applicable.
25. In developing an accounting system for both financial and non-financial data, it is important to ensure that it can meet a range of reporting requirements and user needs. This can be done by making sure that data are collected and recorded at a disaggregated level, so that it is possible to consolidate them in various forms and according to different needs. Entities are usually made up of a number of different units, especially in case of large and diverse businesses (different locations, different products). Collection of such disaggregated data enables entities with the required flexibility to meet a range of reporting requirements.
26. Such modularity facilitates the compilation of the environmental, social and institutional indicators. Information can be collected and prepared at activity, facility, or entity level, responding to the regulatory requirements, as applicable. For example, it could be required that environmental and social

¹¹ See CDSB, 2018, CDSB framework for reporting environmental information, natural capital and associated business impacts: Advancing and aligning disclosure of environmental information in mainstream reports, p. 27, available at www.cdsb.net/sites/default/files/cdsb_framework_2.1.pdf. "REQ-07 Organizational boundary" also states that the basis on which the organizational reporting boundary has been determined shall be described.

data be collected and reported at the level of individual facilities (e.g. a factory, or business office, among others).¹² This is the case, for example, of certain emissions trading programmes for greenhouse gases (GHG) data, or the identification of water-stressed areas or the frequency of occupational injuries. If an entity has operations such as factories at various locations, it is likely that these factories operate under different conditions and have different environmental and social impacts. It is therefore useful to collect and compile environmental and social indicators per facility first and aggregate the business unit accounts later on.¹³

27. Even when country-specific information is not publicly disclosed, the majority of entities operating in different countries collect, elaborate and use such information through internal management reports. Therefore, country-specific data are already being gathered by the majority of organizations operating in multiple countries.
28. International Financial Reporting Standards (IFRS) require reporting entities that control other entities, for example subsidiaries, to prepare consolidated financial statements. In accordance with IFRS, consolidated financial statements are “the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity”. A similar approach, including at the national level, is needed in aggregating data required for preparing the core indicators proposed in this Guidance.

2.4.2. Quality and reliability of information on SDG reporting

29. The accuracy of available information will vary, depending on the source and the subsequent ability of the reporting entity to assure this information. It is therefore important that entities use the right mix of internal and external assurance to ensure the reliability of the published data. For example, the European Commission has recently suggested that entities can make non-financial information fairer and more accurate through, for example:
 - Appropriate corporate governance arrangements (for instance, certain independent board members or a board committee entrusted with responsibility over sustainability and/or transparency matters).
 - Robust and reliable evidence, internal control and reporting systems.
 - Effective stakeholder engagement.
 - Independent external assurance.
30. In contrast to financial reporting, assurance of sustainability reporting by a third party is still voluntary in most countries. Still, it should be noted that the GRI (Global Reporting Initiative) and Accountancy Europe,¹⁴ for instance, encourage independent assurance to increase the quality of sustainability reporting. Also, UNCTAD Research Paper No. 1¹⁵ states that the quality of non-financial data must be verifiable and of the same quality as financial data. It also proposes that the audit of the data for the core indicators be done within the ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* review framework (which

¹² <http://ghgprotocol.org/sites/default/files/ghgp/standards/ghg-protocol-revised.pdf>, pp. 20–21.

¹³ See also http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual_2.pdf.

¹⁴ Accountancy Europe was formerly known as the Federation of European Accountants (FEE). It unites 51 professional organizations from 37 countries.

¹⁵ Reporting on the Sustainable Development Goals: A Survey of Reporting Indicators, UNCTAD Research Paper No. 1, UNCTAD/SER.RP/2018/1 http://unctad.org/en/PublicationsLibrary/ser-rp-2018d1_en.pdf, p. 23.

does not prevent entities from also using AA1000).¹⁶ The two international standards that are most commonly referred to internationally are ISAE 3000 and AA1000AS *Assurance Standard*. Both are indicated as consistent with different reporting frameworks such as, for example, the GRI and the Integrated Reporting (<IR>) frameworks.¹⁷ Entities can choose between reasonable and limited assurance.

31. In a reasonable assurance engagement, the practitioner collects sufficient appropriate evidence to reduce the assurance engagement risk and be able to conclude that the subject matter conforms in all material respects with identified suitable criteria and gives a report in the form of a positive assurance (for example, “the financial statements have been prepared in accordance with applicable legislation and accounting standards”). In a limited assurance engagement, the practitioner obtains less evidence than in a reasonable assurance engagement; however, this evidence is sufficient and appropriate to conclude that the subject matter is plausible in the circumstances, and a report is provided in the form of a negative assurance (for example, “nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with applicable criteria (such as legislation and/or accounting standards)”). For a limited assurance engagement, the practitioner performs different or fewer tests than those required for reasonable assurance and uses smaller sample sizes for the tests.¹⁸
32. The International Integrated Reporting Council (IIRC) also takes into consideration the possibility of having hybrid or mixed assurance levels, so that assurance can vary on a disclosure by disclosure basis (reasonable on some disclosures and limited on others). It is therefore suggested that entities disclosing core indicators choose one form of the aforementioned assurance guidelines, also taking into consideration their relative costs.

¹⁶ For a review of the state of the art on assurance practices, see <https://www.cpajournal.com/2017/07/26/current-state-assurance-sustainability-reports/>.

¹⁷ Assurance on <IR>. An exploration of issues, <http://integratedreporting.org/wp-content/uploads/2014/07/Assurance-on-IR-an-exploration-of-issues.pdf>.

¹⁸ See, for example, www.icaew.com/en/technical/audit-and-assurance/assurance/process/scoping/assurance-decision/limited-assurance-vs-reasonable-assurance.

III. Core SDG indicators for entities

33. This section provides information on the core indicators suggested by UNCTAD, covering areas of economic, environmental, social and institutional performance. For each indicator, the Guidance provides definition, measurement methodology, and potential sources of information. The Guidance also discusses a link and alignment with relevant macro SDG indicators.
34. Reporting on the SDG indicators requires that entities provide evidence of the following contextual information:¹⁹
- Location of the organization's headquarters.
 - Number of countries where the entity operates and names of countries where it either has significant operations, or they are specifically relevant to the sustainability topics covered in the report.
 - Nature of ownership and legal form.
 - Markets served (including geographic breakdown, sectors, and types of customers and beneficiaries).
 - Significant changes during the reporting period regarding the organization's size, structure and ownership, including changes in the location of, or changes in, operations, such as facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance and alteration operations (such as mergers or acquisitions).

A. Economic area

35. In the economic area, the following core indicators are suggested:
- Revenue.
 - Value added.
 - Net value added.
 - Taxes and other payments to the Government.
 - Green investment.
 - Community investment.
 - Total expenditures on research and development.
 - Percentage of local procurement.

¹⁹ This is in line with the GRI recommendations about the description of the organizational profile.

A.1. Revenue and/or (net) value added

A.1.1. Revenue

Definition and measurement

36. Revenues should be preferably defined and measured according to IFRS 15, Revenue from Contracts with Customers.²⁰ In case of an entity that is not applying IFRS 15 and using IFRS for SMEs, it should be clearly stated and explained. The reference to the IFRS framework is also consistent with the preparation of macro-level statistical data (such as gross domestic product), in line with the System of National Accounts (SNA), established by the United Nations, the European Commission, the Organization for Economic Cooperation and Development, the International Monetary Fund and the World Bank Group.²¹

Sources of data collection

37. Revenues are to be found as the first line of the income statement. The information about the single transactions to calculate revenues in the reporting period are recorded within financial accounting systems (accounts receivable, revenue cycle). Management accounting systems/internal management reports usually present segment revenues with reference to different dimensions (segment reporting). Country-specific data can be recovered from these systems.
38. The figure for total revenues should correspond to the same data as reported elsewhere in the entity's management accounts and in its audited financial statements.

A.1.2. Value added

Definition

39. *Value added* is defined as the difference between the revenues and the costs of bought-in materials, goods and services. In other words, value added is the wealth the entity has been able to create and that can be distributed among different stakeholders (employees, lenders, authorities, shareholders).

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 8.2.1, annual growth rate of real gross domestic product per employed person. The International Labour Organization (ILO) is the custodian United Nations agency for indicator 8.2.1. Its metadata guidance defines gross domestic product and suggests that this aggregate be calculated based on the production side of national accounts, thereby stressing the importance of high-quality entity information.

Furthermore, references to revenue are used in the denominator of several SDG indicators, which underscores the importance of a consistent and coherent approach to the calculation of this indicator.

²⁰ This is in line with several proposals already applied in practice by entities. Global Reporting Initiative (GRI) standard 201-1 requires similar reporting on revenue. The GRI guidance specifies that an organization is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally audited management accounts, whenever possible. Data can be compiled using, for example, the relevant International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), and the interpretations developed by the IFRS Interpretations Committee (specific IFRS are referenced for some of the disclosures), as well as national or regional standards recognized internationally for the purpose of financial reporting. Also, UNCTAD/EEI (III.G) (*A Manual for the Preparers and Users of Eco-efficiency Indicators*, https://unctad.org/en/Docs/iteipc20037_en.pdf, p. 103) specifies that all financial items, including revenues, should be defined in line with International Accounting Standards.

²¹ The full text of SNA is available at <https://unstats.un.org/UNSD/nationalaccount/docs/SNA2008.pdf>.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicators 8.2.1, annual growth rate of real gross domestic product per employed person; 9.4.1, CO2 emission per unit of value added; and SDG target 9.b, Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

The International Labour Organization (ILO) has prepared metadata guidance for 8.2.1, which requires the calculation of gross domestic product, defined as “the sum of gross value added of all resident producer units plus that part (possibly the total) of taxes on products, less subsidies on products, that is not included in the valuation of output”. Explicit references to value added also exist in target 9.b, including guidance prepared by the United Nations Industrial Development Organization (UNIDO) for indicator 9.b.1, which revolves around the concept of manufacturing value added. UNIDO and the International Energy Agency have also prepared metadata guidance for indicator 9.4.1, which explicitly mentions value added, using the same definition as in indicator 8.2.1. This underscores the essential importance of accurate, reliable and comparable information on value added, and thus of the selection of value added as a core entity reporting indicator.

Furthermore, references to value added are used in the denominator of several SDG indicators, which underscores the importance of a consistent and coherent approach to the calculation of this indicator.

Measurement methodology

40. *Value added* can be calculated as part of the following equation:²²

Direct economic value generated (revenues and other income)- [minus] economic value distributed (operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments) = economic value retained.

Where:

41. *Direct economic value* generated is calculated starting from revenues and considering also other income from financial investments (such as interest on financial loans and dividends from shareholdings) and from the sale of assets (such as physical assets, e.g. property, infrastructure and equipment, and intangibles, e.g. intellectual property rights).
42. *Economic value distributed* is calculated considering:
 - Operating costs, i.e. all payments made outside the organization for materials, product components, facilities and services purchased. Some examples of operating costs, in addition to the costs for materials and components used in production processes, include property rental, licence fees, payments for contract workers.
 - Employee wages and benefits, i.e. total payroll (including employee salaries and amounts paid to government institutions on behalf of employees) plus total benefits (excluding training, costs of protective equipment or other cost items directly related to an employee’s job function). Amounts paid to government institutions on behalf of employees can include employee taxes, levies and unemployment funds. Total benefits can include regular contributions, such as to pensions, insurance, fleet, and private health; and other employee support, such as housing, interest-free loans, public transport assistance, educational grants and redundancy payments.
 - Payments to providers of capital, i.e. dividends to all shareholders, plus interest payments made to providers of loans (interests on all forms of debt and borrowings, not only long-term debt).
 - Payments to government, i.e. all of the organization’s taxes plus related penalties paid at the international, national, and local levels (see also *A.2.1. Taxes and other payments to the Government*).
 - Community investments, i.e. voluntary donations plus investment of funds in the broader community where the target beneficiaries are external to the organization. These can include contributions to charities, non-governmental organizations and research institutes (unrelated to the organization’s commercial research and development) and funds to support community infrastructure, such as recreational facilities; and direct costs of social programmes, including arts and educational events. If reporting infrastructure investments, an organization can include costs of goods and labour, in addition to capital costs, as well as operating

²² This is in line with several approaches including the GRI (Disclosure 201-1, pp. 6–7) and the UNCTAD/EEI (*A Manual for the Preparers and Users of Eco-efficiency Indicators*, http://unctad.org/en/Docs/iteipc20037_en.pdf, p. 103), which defines value added as revenue minus purchase of goods and services. However, it should be noted that the proposed calculation of value added may understate the economic value generated by some businesses, particularly those operating in the technology and innovation fields where the generation of own-account capital can create significant economic value for the business and its owners. Examples of this own-account capital can include the generation of intellectual property through the research and development process, as well as construction and engineering projects to support extractive and transportation industries. In these cases, it is thus suggested to also separately report the own-account capital generated during the reporting period.

costs for support of ongoing facilities or programmes (see also A.3.2. *Community investment*).

43. Specifically, starting from this equation, value added is calculated as:

Direct economic value generated minus the above defined operating costs (the costs of goods and services purchased from external suppliers).²³ This is normally referred to as gross value added (GVA).

Potential sources of information

44. Value added statement - financial statement that depicts wealth created by an organization and how that wealth distributed among various stakeholders comprising employees, shareholders, government, creditors and the wealth that is retained in the business.

45. The preparation of a value added statement is based on the data collected within the traditional accounting system, so that value added is calculated on an accruals basis.

46. If an entity does not prepare a value added statement, the calculation of value added should be made from data in the organization's audited profit and loss (P&L) statement, or its internally audited management accounts (internal management reports for the country-specific data should be used). In particular, if an entity wishes to prepare a value added statement, operating costs can be derived from all the bills to external suppliers of goods and services (recorded in the accounts payable); the data on employee wages and benefits and the related information flows are normally managed by the human resources function, typically within a compensation and payroll management information system. Many entities use specialized software for collecting and elaborating payroll information; payments to the different providers of capital are recorded in specific accounts (e.g. interest payables or dividend payables) and can be found in the P&L as interest expenses or in the cash flow statement as dividends paid; community investments in the form of donations are recorded in a specific account that is usually called charitable contributions (in an internal report they will appear as a discrete expense line item most likely called charitable contributions).

A.1.3. Net value added

Definition

47. Net value added consists of value added from which depreciation has been subtracted.

Measurement methodology:

48. Net value added is calculated by considering indicator A.1.2 on value added and by subtracting depreciation of tangible assets.²⁴

49. Figure 2 presents a comparative example for indicators A.1.1, revenue; A.1.2, value added; and A.1.3, net value added.

Potential sources of information

50. Potential sources of information are the value added statement and other possibilities for calculation of value added-related data, discussed in indicator A.1.2.

²³ Value added can be calculated also in the following manner: Salaries + depreciation + amortization + interest paid + taxes + community investments + dividends + retained profit. This approach can be found in *A Manual for the Preparers and Users of Eco-efficiency Indicators*, http://unctad.org/en/Docs/iteipc20037_en.pdf, p. 104.

²⁴ Net value added can also be calculated as salaries + amortization on intangible assets + interest paid + taxes + community investments + dividends + retained profit. This approach can be found in *A Manual for the Preparers and Users of Eco-efficiency Indicators*, http://unctad.org/en/Docs/iteipc20037_en.pdf, p. 104.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicators 8.2.1, annual growth rate of real gross domestic product per employed person; 9.4.1, CO₂ emission per unit of value added and SDG target, Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

Please see the box in indicator A.1.2 for further information on the statistical relevance of company reporting on net value added.

Figure 2.
ILLUSTRATIVE EXAMPLE OF THE COMPUTATION OF INDICATORS A.1.1, A.1.2 AND A.1.3

	A.1.1 Revenues	A.1.2. & A.1.3. Value added	
REVENUE			1a
COST OF SALES		Costs of goods and services from external suppliers	2a
		Depreciation	3a
		Other costs	
GROSS PROFIT		Costs of goods and services from external suppliers	2b
OPERATING EXPENSES		Depreciation	3b
Selling, general and administrative expenses		Other costs	
OPERATING INCOME (LOSS)			
OTHER INCOME			1b
Investment income, other gain and losses			
EBIT (earnings before interest and taxes)			
INTEREST EXPENSES/FINANCE COSTS			
EBT (earnings before taxes)			
INCOME TAXES			
NET INCOME			
		GVA = 1a + 1b - 2a - 2b	
		NVA = 1a + 1b - 2a - 2b - 3a - 3b	

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 17.1.2, proportion of domestic budget funded by domestic taxes.

The United Nations metadata guidance for indicator 17.1.2 is provided by the International Monetary Fund (IMF), using the Government Finance Statistics (GFS) 2014 tax classification. In GFS, taxes are classified into six major categories: taxes on income, profits, and capital gains; taxes on payroll and workforce; taxes on property; taxes on goods and services; taxes on international trade and transactions; and other taxes. As stated in SNA, payments to the government are recognized as revenue in government finance. SNA also discusses how entities should account for tax liabilities in their reporting cycle, spanning both paid and payable taxes.

A.2. Payments to the Government

A.2.1. Taxes and other payments to the Government

Definition

51. This indicator is defined as the amount of taxes (encompassing not only income taxes, but also other levies and taxes, such as property taxes or value added taxes) plus related penalties paid, plus all royalties, licence fees, and other payments to Government for a given period.

Measurement methodology

52. An organization can calculate this indicator by summing up all of the organization's taxes, which can include income and property, as well as excise duties, value added tax (VAT), local rates and other levies and taxes that may be industry or country specific,²⁵ all royalties, licence fees, and other payments to Government.
53. This indicator does not include the amounts related to the acquisition of government assets (e.g. purchase of formerly State-owned enterprises). Penalties and fines for non-compliance issues unrelated to tax payment (e.g. environmental pollution) need to be excluded from this indicator.
54. In case an entity receives subsidies and other payments from the Government,²⁶ it is suggested to indicate them separately.

²⁵ See also UNCTAD, 2008, *Guidance on Corporate Responsibility Indicators in Annual Reports* (UNCTAD/CRI). United Nations publication, UNCTAD/ITE/TEB/2007/6, available at http://unctad.org/en/Docs/iteteb20076_en.pdf, (indicator 14); www.ifrs.org/issued-standards/list-of-interpretations/ifric-21-levies/.

²⁶ For example, tax concessions, such as exemptions, credits, or deferrals and subsidies for specific sectors (e.g. farm subsidies, oil subsidies, auto dealer subsidies and housing subsidies).

55. If operating in more than one country, it is suggested, in line with what has been previously suggested for other indicators, that the organization report this indicator by country. The definition of segmentation used should remain consistent for all the economic indicators presented at a country level. Alternatively, this indicator could be calculated based on legal entity reporting.
56. Legal entity reporting does not necessarily equate to country-by-country reporting. There can be multiple legal entities in a host country that are controlled by a parent in a host country. The legal entity data of the multiple entities in a country should be aggregated at the country level to provide meaningful information to stakeholders interested in country-level information. Therefore, country-by-country reporting is more than legal entity reporting.

Potential sources of information:

57. Taxes and other payments to the Government can be found either as an expense or as a liability (asset) on the balance sheet.
58. For example, income tax expense is an income-statement item, a line that comes immediately after EBT (earnings before taxes). Property taxes are part of the general expenses. Specific taxes and payments to the Government are usually recorded within identifiable accounts referred to each type of tax/payment. In many accounting software programs, a VAT account is used to keep track of sales taxes collected and paid (VAT). Specific accounts are also used to record certain fees, concessions, contributions or royalty fees imposed on industries that are regulated by the Government, e.g. telecommunications, mining, aviation, banking, insurance, dairy, energy and natural resources.
59. Internal management reports for the country-specific data should also be referred to when identifying information on taxes and other payments to the Government at the country level. Internal management reports could be maintained at various levels of detail and could be aggregated at the country level to inform decision-making, for example with respect to operations in a country.

A.3. New investment/expenditures

A.3.1. Green investment

Definition

60. Green investment refers to investment that can be considered positive for the environment in a direct or indirect manner. In other words, this indicator includes all the expenditures for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment.²⁷ This means that investments that are beneficial to the environment but that primarily satisfy the technical needs or the internal requirements for hygiene or safety and security of an entity are excluded from this definition.

Measurement methodology

61. There are a number of different definitions of “green” for different economic activities and of synonyms that are employed by entities (environmental, ecological, eco-friendly) to denote this kind of investment. Typically, green investments might comprise low-carbon power generation and vehicles, smart

²⁷ This definition is consistent with the approach based on the Environmental Protection Expenditure Accounts (EPEA) (see SEEA CF, section 4.3) that can be found at https://seea.un.org/sites/seea.un.org/files/seea_technical_note_-_epea_jan_2017_draft.pdf.

grids, energy efficiency, pollution controls, recycling, waste management and waste of energy, and other technologies that contribute to solving particular environmental problems.

62. The High-Level Expert Group on Sustainable Finance (HLEG), in collaboration with the Action Plan on Sustainable Finance of the European Commission, developed a framework for a full sustainability taxonomy that entails the identification and classification of sectors, subsectors and associated assets, including the following: climate change mitigation (avoided emissions or increased sequestration),²⁸ climate change adaptation (reduced disruption and damage arising from acute or chronic effects of climate change), healthy natural habitats (protecting and enhancing land and marine habitats and biodiversity), water resource management and conservation (water efficiency and sustainable management and withdrawals), and waste minimization (reuse of waste and circular economy).²⁹
63. In order to understand which types of underlying technologies are related to green investments and as a starting point to decide which investments can be incorporated in the calculation of this indicator, it is suggested that the following check-list be used.³⁰
- General environmental management (including waste management, air and water pollution abatement, soil remediation).
 - Renewable energy (including biofuels).
 - Combustion technologies for improved efficiency.
 - Climate change mitigation (e.g. capture, storage, sequestration, disposal of GHG) .
 - Indirect contribution (e.g. energy storage).
 - Transportation (emissions abatement, efficiency).
 - Buildings (energy efficiency).
64. The European Union Classification of Environmental Protection Activities (CEPA) also includes in the expenditures for environmental protection, outlays and other transactions related to:
- Capital formation and the purchase of land for environmental protection activities.
 - The purchase of environmental protection products, i.e. goods that directly contribute to preservation efforts (e.g. septic tanks, rubbish containers and compost containers).
 - Investment in adapted goods, which are goods that have been specifically modified to be greener (i.e. mercury-free batteries, chlorofluorocarbon (CFC)-free products). Only the extra costs paid in excess of the cost of the normal product is counted.

²⁸ This involves a set of technologies that can greatly reduce CO₂ emissions usually through a three-step process including capturing CO₂ from power plants or industrial processes, transporting the captured and compressed CO₂ (usually in pipelines), underground injection and geologic sequestration (also known as storage) into underground deep rock formations.

²⁹ This classification can be found at https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf, p. 18.

³⁰ Researchers of the European Patent Office and OECD (2011) developed this list. See Indicator of Environmental Technologies (ENV-Tech Indicator) and G Inderst, Ch Kaminker and F Stewart, 2012, Defining and measuring green investments: Implications for institutional investors' asset allocations, OECD Working Papers on Finance, Insurance and Private Pensions, No. 24.

65. In any case, given the lack of a shared definition across industries and that the definition of green investment is likely to depend on the entity's location and operational context, it is important to complement the disclosure of this indicator with a consistent explanation for why an investment has been categorized as green.³¹
66. This indicator should be measured in monetary units (the costs as indicated on the corresponding invoices), i.e. it should be calculated as the total amount of green investments referred to in the reporting period under consideration.
67. It would be useful to calculate additional ratios expressing a firm's green capital expenditure amount in period t as a percentage of the entity's period t total assets and/or revenue. These indicators would be expressed in percentage (%) terms.
68. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose green investments by country.

Potential sources of information:

69. Information regarding these expenditures can be found as an operating expense when the corresponding expenses are not capitalized. They can be found in the P&L statement as part of production costs or as part of selling expenses depending on the nature of the corresponding investment. When these investments are material, they are most likely capitalized, and they are budgeted at the beginning of the reporting period so that it is possible to find the corresponding amounts in internal management reports such as capital budgets. Once the entity has capitalized such expenses, they are included in the fixed assets in the balance sheet of the entity (typically as part of plant, property and equipment).

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 7.b.1, investment in energy efficiency as a proportion of GDP and the amount of foreign direct investment in financial transfer for infrastructure and technology to sustainable development services.

The International Energy Agency (IEA) is in the process of elaborating on the methodology for indicator 7.b.1. This methodology will draw on the IEA's experience with its World Energy Investment and Energy Efficiency Market reports.

Figure 3.
ILLUSTRATIVE EXAMPLE OF GREEN INVESTMENTS IN FINANCIAL STATEMENTS

PROFIT AND LOSS (INCOME STATEMENT) – ILLUSTRATIVE EXAMPLE		BALANCE SHEET – ILLUSTRATIVE EXAMPLE	
	A.3.1. Green investments		A.3.1. Green investments
REVENUE		CURRENT ASSETS:	
COST OF SALES		CASH	
GROSS PROFIT		ACCOUNTS RECEIVABLE	
OPERATING EXPENSES		INVENTORIES	
Selling, general and administrative expenses		OTHER ASSETS	
OPERATING INCOME (LOSS)		NON-CURRENT ASSETS:	
OTHER INCOME		PROPERTY, PLANT AND EQUIPMENT	
Investment income, other gain and losses		INTANGIBLE ASSETS	
EBIT (earnings before interest and taxes)		FINANCIAL ASSETS	
INTEREST EXPENSES/FINANCE COSTS		OTHER ASSETS	
EBT (earnings before taxes)		TOTAL ASSETS	
INCOME TAXES			
NET INCOME			

³¹ In the United States of America, for example, disclosure of material capital expenditures for pollution abatement and control is mandated by the Securities and Exchange Commission, and such expenditures are defined as environmental capital spending or environmental capital expenditures.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 17.17.1, amount of United States dollars committed to public-private and civil society partnerships.

Guidance on indicator 17.17.1 has been prepared by the Public Private Partnership Unit of the World Bank. Researchers are expected to gather data from public and commercial sources with a standardized template, which is then validated and disseminated by the World Bank.

A.3.2. Community investment

Definition

70. Community investment refers to charitable and voluntary donations and investments of funds in the broader community where the target beneficiaries are external to the entity. This excludes legal and commercial activities or investments whose purpose is driven primarily by core business needs or to facilitate the business operations of the entity (e.g. building a road to a factory). The calculation of community investment can include infrastructure built outside the main business activities of the organization, such as a school or hospital for workers and their families.

Measurement methodology

71. The amount of community investment should be expressed in monetary terms and comprise the expenditures (both capital expenditure and operating ones if applicable) incurred in the reporting period.
72. Examples of expenditure that could be included in the calculation are the following:
- Contributions to charities, non-governmental organizations and research institutes (not related to the entity's commercial research and development).
 - Funding of community infrastructures (e.g. education, medical and recreational facilities), including infrastructures outside the main business activities of the entity, such as a school or hospital for employees and their families.
 - Direct costs of social programmes (e.g. arts and educational events) or of provision of emergency relief in times of natural disaster.
73. With regard to the support of community infrastructures, in case the entity buys an existing infrastructure, the calculation should refer to the amount of expenditures incurred; in case the entity contributes to building the facility, the costs of materials, labour, and all construction costs specific to the facility need to be included in the calculation. If the entity is funding the daily operations of a community facility, the reported amount should include the related operating costs.
74. Regarding the support of social programmes, the amount for calculating the indicator should refer to the specific operating costs related to the programmes financed by the entity.
75. The calculation of this indicator should also include non-monetary contributions by entities, for instance in the context of an entity whose workers lend their time and capabilities to build infrastructure for a community project, as well as in-kind donations (at fair value).
76. It would be useful to calculate ratios expressing a firm's community investments amount in period t as a percentage of the entity's period t total assets and/or revenue. These indicators would be expressed in percentage (%) terms.
77. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose community investments by country.

Potential sources of information:

78. Donations or charitable contributions are generally recorded in an entity's general ledger in a separate account. This is necessary for tax purposes:

entities should use a dedicated account for tax-deductible contributions. Information for computing this indicator is found there and is usually recorded by the finance, treasury, or accounting departments.

79. In case there is a community investment manager, she or he should be the owner of all the relevant information for calculating this indicator.

A.3.3. Total expenditures on research and development

Definition

80. Total expenditures on research and development include all costs related to original and planned research undertaken with the prospect of gaining new scientific or technical knowledge and understanding (i.e. expenditures for research activities) and related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use (i.e. expenditures for development activities). This indicator requires disclosure, in monetary units, on the expenditure on research and development (R&D) by the reporting entity during the reporting period. Examples of such activities may be the following: research to discover new knowledge; modification of formulas, products, or processes; design of tools that involve new technology; design and test of prototypes, new products and processes.

Measurement methodology

81. There are different accounting treatments of research and development expenses. Under US GAAP, all R&D costs are expensed as incurred (i.e. they are written off to the income statement as an expense when incurred). Under IFRS (IAS 38), research costs are expensed, while development expenditures need to be capitalized (i.e. treated as an intangible asset, amortized and reported in the balance sheet). An example of research expense could be the expenditures for tests aimed at obtaining new knowledge to develop a new vaccine by an entity in the pharmaceutical industry. An example of development expense could be the design, construction, and testing of a pre-production car model by an automotive entity. Therefore, according to IFRS, distinguishing development activities from research activities is crucial and the most important criterion to decide between expensing or capitalizing R&D expenditure is represented by the technical feasibility of completing the intangible asset so that it will be available for use or sale.
82. To calculate this indicator, all R&D expenditures incurred in a certain reporting period should be considered, independently from their accounting treatment.³²

³² See UNCTAD, 2008, *Guidance on Corporate Responsibility Indicators in Annual Reports*, (UNCTAD/CRI), United Nations publication, UNCTAD/ITE/TEB/2007/6, available at http://unctad.org/en/Docs/iteteb20076_en.pdf, (indicator 9).

Figure 4.

AN ILLUSTRATIVE EXAMPLE OF TOTAL EXPENDITURES ON RESEARCH AND DEVELOPMENT IN FINANCIAL STATEMENTS

PROFIT AND LOSS (INCOME STATEMENT) – ILLUSTRATIVE EXAMPLE	<i>A.3.3. Total expenditures on research and development</i>	BALANCE SHEET – ILLUSTRATIVE EXAMPLE	<i>A.3.3. Total expenditures on research and development</i>
REVENUE		CURRENT ASSETS:	
COST OF SALES		CASH	
GROSS PROFIT		ACCOUNTS RECEIVABLE	
OPERATING EXPENSES		INVENTORIES	
Selling, general and administrative expenses		OTHER ASSETS	
OPERATING INCOME (LOSS)		NON-CURRENT ASSETS:	
OTHER INCOME		PROPERTY, PLANT AND EQUIPMENT	
Investment income, other gain and losses		INTANGIBLE ASSETS	
EBIT (earnings before interest and taxes)		FINANCIAL ASSETS	
INTEREST EXPENSES/FINANCE COSTS		OTHER ASSETS	
EBT (earnings before taxes)		TOTAL ASSETS	
INCOME TAXES			
NET INCOME			

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 9.5.1, research and development expenditure as a proportion of GDP.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) is the custodian agency for indicator 9.5.1. Its metadata guidance states that the total expenditure on research and development should be divided by the total output of the economy (GDP). UNESCO uses the OECD Frascati Manual 2015 to define R&D as a “creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge”..

83. In addition to the total R&D expenditure amount (expressed in monetary terms) it is suggested to calculate also the ratio of total R&D expenditures over total revenues and/or assets in the reporting period. These indicators would be expressed in percentage (%) terms.
84. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose R&D expenditures by country. Furthermore, a multinational enterprise could have research and development projects and arrangements with academic institutions that might not necessarily be legal entities in the sense of corporate law.

Potential sources of information:
 85. As represented in figure 4, information to calculate this indicator can be found in financial statements/financial accounting systems, either in the profit and loss statement or in the balance sheet depending on whether R&D costs incurred in a certain reporting period are expensed (there is a specific line in the P&L for R&D expenses, included as part of the operating costs) or capitalized (as intangible assets).
 86. Management accounting systems and internal management reports can be consulted for the country-specific data.

A.4. Local supplier/purchasing programmes

A.4.1. Percentage of local procurement

Definition

87. Percentage of local procurement³³ is the proportion of spending of a reporting entity at local suppliers. Costs of local procurement are a general indicator of the extent of an entity's linkages with the local economy.

Measurement methodology

88. The indicator can be calculated using invoices or commitments made during the reporting period based on the accrual accounting principle. Invoices or commitments to local suppliers are those towards organizations or people that provide products or services to the organization and that are based in the same geographical market as the reporting organization.
89. The definition "same geographical market", i.e. the definition of "local", may refer to the community surrounding operations (within a certain reach defined in terms of kilometres or miles), a region within a country or a country. Therefore, as there could be considerable variation in how organizations define local, and as tracking local purchases requires systems, staff time and specific skills that are not part of the procurement operations of many entities, it is suggested that the country be considered a distinguishing criterion. In line with the UNCTAD/CRI guidance, purchasing is defined as local when it concerns products or services produced in the same country as the reporting entity or provided by an entity that is incorporated in the same country as the reporting entity, or otherwise meet local content or entity requirements defined by the Government of that country. Following this line of reasoning, as a starting point to decide whether or not to include a certain amount of purchases in the calculation of this indicator, it could be useful to check whether transnational payments to the suppliers have been made. In this way, by looking at invoices, reporting entities can identify the items of local purchasing included in the reporting period and calculate the costs on an accrual basis.
90. It is suggested that the total amount of local purchasing be presented both as an absolute figure (in monetary terms) and as a percentage of total purchasing of the reporting entity.
91. This measurement approach also allows multinational entities to calculate the amount of local purchasing by country, both in absolute and in percentage terms. This can be done by cumulating all the amounts of local purchasing of the reporting entities located in a certain country, i.e. the amount of purchases by entities located in a certain country from suppliers located in that same country.
92. If possible, it is also suggested that the amount of local purchases be categorized by size of suppliers. As there is no international consensus on the requirements to be classified as a small entity, and size depends on the particular economy of a country or a region, reporting should follow the practice of the country of operation of the business entity. When no such practice exists, it could be possible to make a reference to internationally

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 9.3.1, proportion of small-scale industries in total industry value added.

As the custodian of indicator 9.3.1, UNIDO indicates that there is no international consensus on the requirements to be classified as small enterprises. UNIDO has proposed to establish a task force to give an internationally agreed statistical definition of small for the purpose of SDG monitoring.

³³ See also GRIG4-Part2-Implementation-Manual, pp. 83 and 250. It is acknowledged that the definition of "local" for this indicator may require refining, although such refinement may be challenging to implement in practice. In particular, a criterion based on the location of the supplier may disregard the fact that local suppliers may themselves be buyers of non-local goods. At the same time, focus on the geographic origin of suppliers could raise concerns related to protectionism and anticompetitive practice. Therefore, the guidance opts for an established and baseline approach to this matter.

recognized threshold figures (and to specify which criterion has been used to categorize the amount of local procurement), for example, the following threshold figures could be used in some countries:

- Based on the number of employees: Small businesses are usually defined as organizations with fewer than 100 employees; midsize entities are those organizations with 100 to 999 employees.
- Based on the amount of annual revenue: Small businesses are usually defined as organizations with less than \$50 million in annual revenue; midsize entities are defined as organizations that make more than \$50 million, but less than \$1 billion in annual revenue.³⁴

Potential sources of information:

93. Information about local procurement can be found by looking at the bills of the entity's suppliers (accounts payable) and, if applicable, at the internal reporting system, in particular the operational information system for recording supplier master data³⁵.

B. Environmental area

94. In the environmental area, the following core indicators have been selected:
- Water recycling and reuse.
 - Water use efficiency.
 - Water stress.
 - Reduction of waste generation.
 - Waste reused, re-manufactured and recycled.
 - Hazardous waste.
 - Greenhouse gas emissions (scope 1).³⁶
 - Greenhouse gas emissions (scope 2).
 - Ozone-depleting substances and chemicals.
 - Renewable energy.
 - Energy efficiency.

³⁴ www.gartner.com/it-glossary/smbs-small-and-midsize-businesses.

³⁵ This is a reference to the enterprise resource planning system that records information on the entity's suppliers, including records of payments and other transactions.

³⁶ The GHG Protocol Corporate Standard states that scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. The UNCTAD Consultative Group decided to exclude scope 3 emissions from the list of core indicators until reliable measurement methods are developed.

B.1. Sustainable use of water³⁷

B.1.1. Water recycling and reuse

Definition

95. Water recycling and reuse³⁸ refers to the total volume of water that a reporting entity recycles and/or reuses during the reporting period.

Measurement methodology

96. It is suggested that the entity report the total volume of water recycled and reused (total cubic metres), as well as the total volume of water recycled and reused as a percentage of the total water withdrawal plus total water received from a third party (where total water withdrawal be calculated as the sum of all water drawn into the boundaries of the organization from all sources for any use over the course of the reporting period. Sources of water withdrawal can include fresh surface water + groundwater + seawater/brackish water³⁹ + produced/process water). The total volume withdrawn and received from a third party is a proxy for the organization's relative size and importance as a user of water, as well as a baseline figure for other calculations relating to efficiency and use.
97. The indicator is thus expressed in both cubic metres (m³) and percentage terms (%).
98. To calculate the amount of water recycled and reused, the following example could be used: if a business site has a production cycle that requires 10 cubic metres of water per cycle, the organization withdraws 10 cubic metres of water for one production process cycle and reuses it for an additional four cycles, then the total volume of water recycled for that process is 40 cubic metres. This information needs to be collected with reference to a relevant time unit (e.g. day, week) so that it can be cumulated with reference to the total reporting period and compared to volume of total water withdrawal for the same time unit (e.g. day, week) to calculate the percentage indicator.
99. It is suggested that the indicator be calculated at the facility level/individual business site level where appropriate documentation and reporting should exist based on water or flow metres. Calculating such an indicator at facility level/business site level allows data consolidation within certain geographic and operational boundaries at a later stage.
100. As entities should be striving to improve the amount of water recycling and reuse, it is suggested that this indicator be disclosed to reflect changes from the previous reporting period (i.e. water recycling at time t- [minus] water

³⁷ Useful sources of information on sustainable water use can be found at <https://ceowatermandate.org/disclosure/resources/assessing/>. This indicator is in line with UNCTAD/EEI (III.B), GRI 303-3, United Nations Environment Programme, 2015, *Raising the Bar: Advancing Environmental Disclosure in Sustainability Reporting*, United Nations publication, available at <http://web.unep.org/ourplanet/december-2015/unep-publications/raising-bar-advancing-environmental-disclosure-sustainability>.

³⁸ Water recycling and reuse is defined as the "act of processing used water and wastewater (treated or untreated) through another cycle before discharge to surface water, groundwater, or third party (in the same process, in a different process but within the same facility, or at another of the organization's facilities", www.globalreporting.org/standards/media/1775/revised-exposure-draft-gri-303-water-and-effluents-20dec17-18feb18.pdf, p. 29. According to the System of Environmental and Economic Accounting (SEEA), "reused water is wastewater supplied to another user for further use with or without prior treatment. This excludes recycling of water within the same economic unit. Information on these flows, although potentially useful for analysis of water-use efficiency, is not generally available. Reused water is considered a product when payment is made by the receiving unit" (https://seea.un.org/sites/seea.un.org/files/water_note_final_27-10-17_clean_0.pdf, p. 10). Therefore, when possible, reused water should be reported separately from recycle water.

³⁹ Brackish water is water that has more salinity than fresh water, but not as much as seawater (e.g. a mix of seawater with fresh water as in estuaries, or it may occur in brackish fossil aquifers). Use of seawater and brackish water would help offset water consumption from primary sources.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 6.3.1, proportion of wastewater safely treated.

Indicator 6.3.1, developed by the World Health Organization (WHO) and the United Nations Human Settlements Programme, addresses the generation of wastewater by both households and productive activities. This indicator requires reporting on the proportion of wastewater treated safely before disposal or reuse, as a percentage of total wastewater.

recycling at time t-1) to monitor and communicate the progress made in this area.⁴⁰

Potential sources of information

101. Determining water use and recycling involves water withdrawal, delivery, release, and return-flow data collected at each business unit/facility through direct measurement (through water meters). Water should be metered and measured in litres or cubic metres. If such information is collected, it can be found in internal reporting systems (operational information system tracking physical units and recording water flows) and/or environmental accounting systems/environmental management systems, especially regarding resource recycling quantities and costs.
102. Reporting entities would need to disclose if these instruments are not used at their facilities, and thus an estimation is required. Estimates are based on coefficients (area statistics) relating water use to another characteristic usually representing a proxy for the volume of business activity, such as number of employees or production values and volume and applying it to a site-specific quantity of that characteristic.
103. In addition, information collected in accounts payable based on water suppliers' bills can be used to calculate this indicator. It is also possible to find information to calculate this indicator in accounts receivable when reused water is considered a product and when payment is made by the receiving unit.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 6.4.1, change in water-use efficiency over time.

According to the Food and Agriculture Organization of the United Nations (FAO), its metadata guidance on indicator 6.4.1 is expected to consider the output over time of a given sector (gross value added rather than net has been chosen here) per unit of industrial net water withdrawn (water withdrawn minus return flow) and is expressed in United States dollars per cubic metre.

B.1.2. Water use efficiency

Definition

104. Water use efficiency refers to the water use per net value added in the reporting period, as well as to the change of water use per net value added between two reporting periods.⁴¹ Water use is defined in this indicator as water withdrawal plus total water received from a third party.

Measurement methodology

105. The indicator is expressed in both cubic metres (m³) (un-normalized, in absolute terms) and in percentage terms (%) of the net value added of the reporting period.
106. Water should be metered at each facility/business site and the indicator calculated at facility level/individual business site level where appropriate documentation and reporting should exist based on water or flow meters. Calculating such indicator at facility level/business site level allows data consolidation within certain geographic and operational boundaries at a later stage.
107. As entities should be striving to improve the amount of water use, it is suggested that this indicator be disclosed also in terms of change with reference to the previous reporting period (i.e. water use at time t- [minus] water use at time t-1) to monitor and communicate the progress made in this area.

⁴⁰ Recycled and withdrawn water should be recognized in the period in which the flows occur. If water is temporarily stored on-site, the stock should be recognized at the beginning and at the end of the reporting period. This excludes water in closed systems, which are not used as reserves (e.g. water in tubes and small boilers used to catch an overshoot of water).

⁴¹ This indicator is in line with the UNCTAD/EEL, United Nations Environment Programme, 2015, *Raising the Bar: Advancing Environmental Disclosure in Sustainability Reporting*, United Nations publication, CDP water questionnaire, available at www.cdp.net/en/water, GRI 303-1. It is also in line with the SEEA definition. Note that the terms "use" and "consumption" are sometimes employed with different meanings in different frameworks.

Potential sources of information:

108. Determining water use requires data collected at each business unit/facility through direct measurement (through water meters). Water should be metered and measured in litres or cubic metres. If such information is collected, it can be found in internal reporting systems (operational information systems tracking physical units and recording water flows) and/or environmental accounting systems/environmental management systems, especially with regard to resource recycling quantities and costs.
109. Reporting entities would need to disclose if these instruments are not used at their facilities and thus estimation is required. Estimates are based on coefficients (area statistics) relating water use to another characteristic usually representing a proxy for the volume of business activity, such as number of employees or production values and volume and applying it to a site-specific quantity of that characteristic.
110. Furthermore, information collected in accounts payable based on water suppliers' bills can be used as a basis to calculate this indicator.

B.1.3. Water stress

Definition

111. Water stress is defined as total water withdrawn with a breakdown by sources (surface, ground, rainwater, waste water) and with reference to water-stressed or water-scarce areas (expressed as a percentage of total withdrawals).

Measurement methodology

112. The total volume of water withdrawn is calculated as the sum of all water drawn into the boundaries of the organization from all sources for any use over the course of the reporting period. Sources of water withdrawal can include fresh surface water + groundwater + seawater/brackish water + produced/process water. It should be reported with a breakdown by the following sources:⁴²
- Surface water, including, for example water from wetlands, rivers and lakes.
 - Ground water.
 - Rainwater collected directly and stored by the organization.
 - Waste water from another organization.
113. This indicator is expressed in cubic metres (total m³ of water withdrawn from different sources) and in percentage terms (%), as it is necessary to express the amount of water withdrawn from water-stressed or water-scarce areas over the total amount of water withdrawn.
114. To contextualize how an entity manages water use and stress, it is important to take into account its operations and water resource context. It is thus suggested that the reporting entity disclose its water use policy and, in particular, the objectives and targets regarding water use and all additional qualitative information about the interrelations between the entity's water use and the public wastewater system, especially in the context of water scarcity.⁴³

⁴² This indicator is in line with the UNCTAD/EEI (III.B) (although in the context of the UNCTAD/EEI guidance, this category does not cover water withdrawal by public water suppliers), United Nations Environment Programme, 2015, *Raising the Bar: Advancing Environmental Disclosure in Sustainability Reporting*, CDP water questionnaire, available at www.cdp.net/en/water, GRI 303-1.

⁴³ This is in line with the United Nations Global Compact CEO Water Mandate requiring entities to disclose qualitative information, such as the reporting entity's water profile, its relationship with the water resource context, as well as implications and responses.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 6.4.2, level of water stress: freshwater withdrawal as a proportion of available freshwater resources.

FAO is the United Nations custodian agency for indicator 6.4.2. The indicator is computed as water withdrawn divided by the difference between the available renewable freshwater resources and the environmental water requirements, multiplied by 100 and expressed in cubic kilometres per year. Please see indicator B.1.2 for information about how SNA and SEEA address issues in water resources for statistical purposes.

Potential sources of information:

115. When information to calculate this indicator is not sourced from direct measurement, entities can rely on databases that contain typical data on water withdrawals for various types of manufacturing processes and/or per industrial sector (for example, sugar refineries, textile mills, paper mills and so on).⁴⁴
116. Regarding the assessment of basins where water challenges are pronounced, many entities use their own internal knowledge of the basins where they operate. There are also a number of external data sets that can assist entities in this process and there are also free web-based tools that use these datasets to conduct calculations, such as the following:
- WBCSD Global Water Tool.
 - WRI Aqueduct Water Risk Atlas.
 - WWF-DEG Water Risk Filter (Quick View).
 - WFN Water Footprint Assessment Tool.
117. Additional sources of information to gather data for the calculation of this indicator are the bills of water suppliers, as well as the information that can be derived from water withdrawal licences and permits that are required by entities if they want to use ground or surface water.

B.2. Waste management

B.2.1. Reduction of waste generation

Definition

118. This indicator measures the change in the entity's waste generation per net value added. Specifically, waste is intended as a non-product output with a negative or zero market value. Water and air-polluting emissions – although they are non-product output – are not regarded as waste.⁴⁵

Measurement methodology

119. Total waste generated during a reporting period is defined as the sum of the amounts of all mineral, non-mineral and/or hazardous waste treated by any waste treatment technology.⁴⁶ As shown in figure 5, this excludes the amount that is treated either on-site or off-site through closed-loop recycling, reuse or re-manufacturing processes, i.e. the recycled, reused or re-manufactured waste materials returned to the processes of the reporting entity.
120. Waste should be weighed or metered. As waste can be solid, liquid or have a paste-like consistency, it can be measured in kilograms and tons, litres or cubic metres. However, for the purpose of this indicator, waste should be reported according to weight (kg, t) and not volume (litres, m₃). Country-based environment agencies usually provide conversion tools to assist

⁴⁴ As suggested in http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual_2.pdf; entities can consult proprietary databases such as Ecoinvent, see <https://www.ecoinvent.org/>.

⁴⁵ Definition III.F.3.a. General Definition of Waste from UNCTAD/EEI, *A Manual for the Preparers and Users of Eco-efficiency Indicators*, p. 91, available at http://unctad.org/en/Docs/iteipc20037_en.pdf.

⁴⁶ Waste treatment technologies are processes applied to waste to permanently alter their condition through chemical, biological or physical means, and intend to reduce or eliminate their danger to people and the environment. For a complete description of these technologies, see UNCTAD/EEI, *A Manual for the Preparers and Users of Eco-efficiency Indicators*, available at http://unctad.org/en/Docs/iteipc20037_en.pdf, p. 93, section III.F.3.d.

organizations in calculating tonnages (e.g. conversion factors based on the waste density and volume, mass balances, or similar information).⁴⁷

121. Waste generated should be presented in absolute volumes (in terms of kilos or tons of waste) and also normalized. To normalize data concerning waste generation figures, total waste generated should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is kilos or tons of waste per €, per \$ and so forth.

122. The difference between year t and year t-1 should be computed so that it is possible to monitor the level of progress the organization has made toward waste reduction efforts (i.e. the change in the entity's waste generation). For the entity, such difference may also signal improvements in process efficiency and productivity and, from a financial perspective, some cost savings on materials processing and disposal.

Potential sources of information:

123. Waste should be weighed or metered at each specific business site.

124. However, some entities might find it difficult to meter the volume of waste produced. Therefore, as waste is normally collected from an organization by a third party, it is possible to calculate the amount of waste generated in a reporting period via bills from the waste management company (information provided by the waste disposal contractor usually includes, along with the type of waste, also the amount of waste managed (in kilos or tons)).

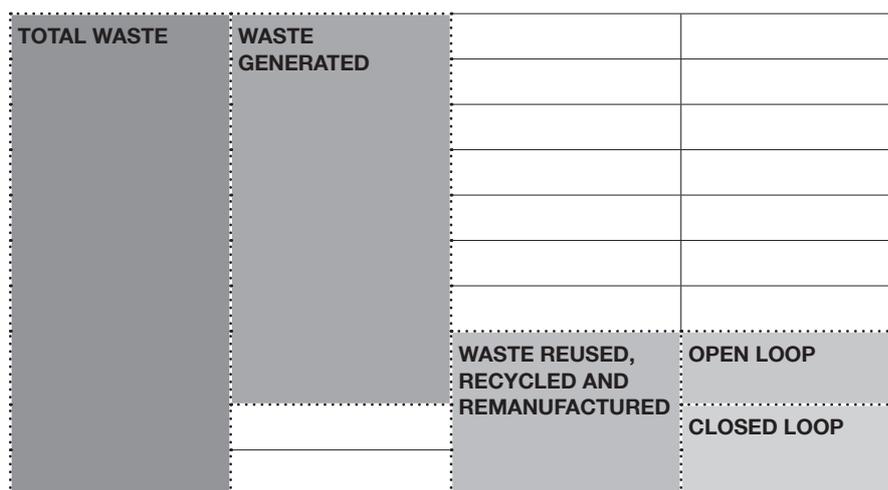
125. The data required for the calculation of these indicators and the related information flows are normally managed by a facility manager or a general services administrator. When such positions are not present in an entity, the related information is to be found in the accounts payable as part of the waste management costs calculation of the reporting period.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG target 12.5, by 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.

The United Nations Statistical Division (UNSD) and the United Nations Environment Programme, in their metadata guidance for indicator 12.5.1., national recycling rate, have prepared a questionnaire on recycling and waste. The questionnaire requires data, among others, on materials that are not prime products for which the generator has no further use for his or her own purpose of production, transformation or consumption, and which he or she discards, or intends or is required to discard. It excludes material directly recycled or reused at the place of generation (i.e. establishment) and waste materials that are directly discharged into ambient water or air as wastewater or air pollution. Total waste generation is obtained, according to the guidance, after aggregation of waste by economic sectors.

Figure 5.
A NOTE ON THE DEFINITIONS OF WASTE



Source: UNCTAD.

Note: All the items represented in this figure include hazardous and non-hazardous waste and are expressed in tons. The definitions are taken from UNCTAD/ITE/IPC/2003/7.

⁴⁷ See for example, www.gov.uk/government/uploads/system/uploads/attachment_data/file/519078/LIT_10134.xl; www.epa.gov/sites/production/files/2016-04/documents/volume_to_weight_conversion_factors_memorandum_04192016_508fml.pdf.

B.2.2. Waste reused, re-manufactured and recycled

Definition

126. Among the options for waste treatment, one is reuse, re-manufacturing, and recycling.⁴⁸
127. Reuse is the further use of a component, part or product after it has been removed from a clearly defined service cycle. Reuse does not involve a manufacturing process; however, cleaning, repair or refurbishing may be performed between uses.
128. Re-manufacturing is the further use of a component, part or product after it has been removed from a clearly defined service cycle in a new manufacturing process that goes beyond cleaning, repair or refurbishing.
129. Recycling is recovery and reuse of materials from scrap or other waste materials for the production of new goods. Energy recovery (called “thermal recycling”) is not regarded as recycling but as incineration. Pre-treatment processes that condition the waste for recycling are regarded as part of the recycling path.
130. It is possible to further distinguish between open- and closed-loop reuse, re-manufacturing and recycling, where open-loop means that the recycled, reused or re-manufactured material is returned to the market, not to the processes of the reporting entity; closed-loop means that the recycled, reused or re-manufactured material is returned to the processes of the reporting entity.

Measurement methodology

131. The amount of reused, re-manufactured, and recycled waste should be recognized in the period in which it is treated and should be measured in kilos and tons (see indicator *B.2.1. Reduction of waste generation*). If possible, it would be preferable to distinguish among the three options, and specifically, between reuse and recycling versus re-manufacturing.
132. Reused, re-manufactured and recycled waste should be presented in absolute amounts (in terms of kilos or tons of waste) and normalized. To normalize data on waste generation figures and to be consistent with the way in which indicator *B.2.1. Reduction of waste generation* is calculated, reused, re-manufactured and recycled, waste should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator *A.1.3. Net Value added*). Therefore, the unit of measure of this indicator is kilos or tons of waste per €, per \$ and so forth.
133. The difference between year t and year t-1 should be also computed so that it is possible to monitor the level of progress the organization has made toward waste reuse, re-manufacture and recycling in line with the idea of circular economy.

Potential sources of information

134. In many countries various forms of waste treatment are required by law, and, normally, a waste disposal contractor is involved in open-loop recycling. Therefore, relevant information for a specific reporting period can be found on the bills from the waste management company (information provided by the waste disposal contractor usually includes, along with the type of waste, also the amount of waste managed (in kilos or tons)). When the waste generated

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 12.5.1, national recycling rate, tons of material.

In indicator 12.5.1, data about waste recycling is collected by UNSD and the United Nations Environment Programme by using the municipal recycling rate as a proxy. The questionnaire issued by the two bodies defines recycling as “any reprocessing of waste material in a production process that diverts it from the waste stream, except reuse as fuel. Both reprocessing as the same type of product, and for different purposes should be included. Recycling within industrial plants (i.e. at the place of generation) should be excluded.”

⁴⁸ UNCTAD/EEI, *A Manual for the Preparers and Users of Eco-efficiency Indicators*, p. 93, available at http://unctad.org/en/Docs/iteipc20037_en.pdf. This indicator is also consistent with the spirit of GRI 301-2 on recycled input materials used.

by an entity can be sold (e.g. because it represents a suitable raw material for another manufacturing company), relevant information can be found on the invoice issued by the entity selling waste materials (accounts receivable).

135. When the recycled, reused or re-manufactured material is returned to the processes of the reporting entity (closed-loop processes), the related figures should be collected at each business site and reported through operational reporting.
136. The data required for the calculation of these indicators and the related information flows are normally managed by a facility manager, general services administrator or plant manager. The related information can also be found in the accounts receivable, when waste materials is sold to other entities, or in the bills of materials if waste is reused in the reporting entity processes.

B.2.3. Hazardous waste

Definition

137. This indicator refers to the total amount of hazardous waste, in absolute terms, as well as to the proportion of hazardous waste treated, given total waste reported by the reporting entity.
138. Waste can be classified according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention)⁴⁹ that has defined the following list of hazardous characteristics:
- 1 H1 Explosive: An explosive substance or waste is a solid or liquid substance or waste (or mixture of substances or wastes), which is in itself capable by chemical reaction of producing gas at such a temperature and pressure and at such speed as to cause damage to the surroundings.
 - 3 H3 Flammable liquids: The word “flammable” has the same meaning as “inflammable.” Flammable liquids are liquids, or mixtures of liquids, or liquids containing solids in solution or suspension (for example, paints, varnishes, lacquers and the like, but not including substances or wastes otherwise classified on account of their dangerous characteristics) which give off a flammable vapour at temperatures of not more than 60.5° C, closed-cup test, or not more than 65.6° C, open-cup test. (Since the results of open-cup and closed-cup tests are not strictly comparable, and individual results by the same test are often variable, regulations varying from the above figures to make allowance for such differences would be within the spirit of this definition.)
 - 4.1 H4.1 Flammable solids: Solids, or waste solids, other than those classed as explosives, which under conditions encountered in transport are readily combustible, or may cause or contribute to fire through friction.
 - 4.2 H4.2 Substances or wastes liable to spontaneous combustion: Substances or wastes which are liable to spontaneous heating under normal conditions encountered in transport, or to heating up on contact with air, and being then liable to catch fire.
 - 4.3 H4.3 Substances or wastes which, in contact with water, emit flammable gases: Substances or wastes which, by interaction with water, are liable to become spontaneously flammable or to give off flammable gases in dangerous quantities.

⁴⁹ See annexes I and III, www.basel.int/Portals/4/Basel%20Convention/docs/text/BaselConventionText-e.pdf. This indicator is also in line with UNCTAD/EEI (III.F), and GRI disclosure 306-2 indicating that hazardous waste should be understood in the context of the definition provided in national legislation.

- 5.1 H5.1 Oxidizing: Substances or wastes, which, while in themselves not necessarily combustible, may, generally by yielding oxygen, cause, or contribute to, the combustion of other materials.
- 5.2 H5.2 Organic peroxides: Organic substances or wastes which contain the bivalent-OO-structure are thermally unstable substances that may undergo exothermic self-accelerating decomposition.
- 6.1 H6.1 Poisonous (acute): Substances or wastes liable either to cause death or serious injury or to harm health if swallowed or inhaled or by skin contact.
- 6.2 H6.2 Infectious substances: Substances or wastes containing viable microorganisms or their toxins which are known or suspected to cause disease in animals or humans.
- 8 H8 Corrosives: Substances or wastes, which, by chemical action, will cause severe damage when in contact with living tissue, or, in the case of leakage, will materially damage, or even destroy, other goods or the means of transport; they may also cause other hazards.
- 9 H10 Liberation of toxic gases in contact with air or water: Substances or wastes which, by interaction with air or water, are liable to give off toxic gases in dangerous quantities.
- 9 H11 Toxic (delayed or chronic): Substances or wastes which, if they are inhaled or ingested or if they penetrate the skin, may involve delayed or chronic effects, including carcinogenicity.
- 9 H12 Ecotoxic: Substances or wastes, which if released present or may present immediate or delayed adverse impacts to the environment by means of bioaccumulation and/or toxic effects upon biotic systems.
- 9 H13 Capable, by any means, after disposal, of yielding another material, e.g. leachate, which possesses any of the characteristics listed above.

139. Waste is also classified as hazardous when, as a result of being radioactive, is subject to other national or international control systems or when it is defined as, or considered to be, hazardous waste by the domestic legislation in the country where the waste is generated by the reporting entity.

Measurement methodology

140. Total hazardous waste generated during a reporting period is defined as the sum of the amounts of all types of hazardous waste listed in the above definition and should be measured in kilos and tons (see indicator *B.2.1. Reduction of waste generation*).

141. Hazardous waste should be presented in absolute volumes (in terms of kilos or tons of waste) and also normalized. In order to normalize data on hazardous waste generation figures and to be consistent with the way in which indicator *B.2.1. Reduction of waste generation* is calculated, hazardous waste should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator *A.1.3. Net Value added*). Therefore, the unit of measure of this indicator is kilos or tons of waste per €, per \$ etc.

142. The difference between year t and year t-1 should be also computed so that it is possible to monitor the level of progress the organization has made throughout the years.

143. An entity should also disclose the proportion of hazardous waste treated to reduce or eliminate their danger to people and the environment compared to the total waste reported by the reporting entity (indicator expressed in % terms).

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 12.4.2, hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment.

UNSD and the United Nations Environment Programme in their work plan for indicator 12.4.2 state that the States parties to the Basel Convention must report annually on the amount of hazardous wastes generated and the amount of hazardous wastes imported and exported and other wastes destined for reuse, recycling or recovery operations or final disposal.

144. Where applicable, total weight of hazardous waste should be broken down by disposal methods, i.e. reuse, recycling, composting, recovery, including energy recovery, incineration (mass burn), deep well injection, landfill, on-site storage, other (to be specified by the organization).

145. Information about the disposal destination reveals the extent to which an organization has managed the balance between disposal options and uneven environmental impacts.

Potential sources of information:

146. Hazardous waste should be weighed or metered at each specific business site.

147. However, some entities might find it difficult to meter the quantity of hazardous waste produced. Therefore, in line with what is advised for other indicators on waste management included in this guidance, it is suggested that the bills from the waste management company be used to reconstruct the relevant information required to calculate this indicator. Information provided by the waste disposal contractor usually includes, along with the type of waste, the amount of waste managed (in kilos or tons) and the disposal method. Usually, consignment notes to move hazardous waste are required, and businesses need to keep records (known as a “register”) for a specific number of years at the premises that produced or stored the waste.

148. The related information flows are normally managed by a facility manager or a general services administrator. When such positions are not present in an entity, such information is to be found in the accounts payable as part of the waste management costs calculation of the reporting period.

B.3. Greenhouse gas emissions

B.3.1. Greenhouse gas emissions (scope 1)

Definition

149. Greenhouse gas emissions (scope 1) refer to direct greenhouse gas (GHG) emissions per unit of net value added.

150. Scope 1 covers emissions that occur inside an entity's organizational boundary and are also referred to as direct GHG. They are “emissions from sources that are owned or controlled by the organization”,⁵⁰ such as:

- Stationary combustion: from the combustion of fossil fuels (e.g. natural gas, fuel oil, propane and so forth) for comfort heating or other industrial applications.
- Mobile combustion: from the combustion of fossil fuels (e.g. gasoline, diesel) used in the operation of vehicles or other forms of mobile transportation.
- Process emissions: emissions released during the manufacturing process in specific industry sectors (e.g. cement, iron and steel, ammonia).
- Fugitive emissions: unintentional release of GHG from sources including refrigerant systems and natural gas distribution.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 9.4.1, CO₂ emissions per unit of new value added.

UNIDO and the IEA metadata guidance on indicator 9.4.1 encompasses all types and sources of CO₂ emissions. The latter are expressed in kilograms per constant 2010 United States dollar per unit of manufacturing value added.

⁵⁰ According to the GHG protocol, direct CO₂ emissions from the combustion of biomass shall not be included in scope 1 but reported separately. Also GHG emissions not covered by the Kyoto Protocol, e.g. CFCs, NOx and so forth, shall not be included in scope 1 but may be reported separately.

Measurement methodology

151. For most entities, the stationary and mobile combustion sources of scope 1 GHG are the most relevant.
152. The calculation of GHG (scope 1) is most commonly and easily done by means of an Excel file (a tool) that can be downloaded from www.ghgprotocol.org.⁵¹ The calculation methodology is based on the use of some emissions factors that are specific for each fuel/material type. In fact, in the Excel sheets, it is possible to find some conversion coefficients, i.e. the so-called global warming potentials (GWPs), to translate different gases into emissions of carbon dioxide (CO₂). GWPs were developed to allow comparisons of the global warming impacts of different gases. It is a measure of how much energy the emissions of one ton of a gas will absorb over a given period of time, relative to the emissions of one ton of CO₂. GWP values convert GHG emissions data for non-CO₂ gases into units of CO₂ equivalent. Therefore, they provide a common unit of measure, which allows adding up emissions estimates of different gases. Entities can choose which GWPs to use by selecting a specific IPCC (Intergovernmental Panel on Climate Change) protocol.
153. The calculation is automatically performed by the tool. For example, reporting entities need to insert the amount of fuels used during the reporting period, using the appropriate unit measures (e.g. natural gas, in cubic metres; lubricants in litres), and the tool automatically converts these amounts into GHG emissions.⁵²
154. GHG scope 1 should be presented in absolute volumes and report the volumes of carbon dioxide equivalent. In order to normalize data on GHG, they should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is tons of CO₂ per €, per \$ and so forth.
155. It is also suggested that a breakdown be provided of the direct (scope 1) GHG emissions by business unit or facility, country, type of source (stationary combustion, process, fugitive) and type of activity.
156. The difference between year t and year t-1 should be also computed so that it is possible to monitor the progress made by the organization.

Potential sources of information:

157. Data for the calculation of this indicator can be recovered from accounts payable, specifically from invoices of providers of fuels (where the unit of measure can be m³ or litres).
158. The collection of these data should be done site by site, by a facility manager/ general services administrator, by a quality manager or by an environmental/ sustainability manager with the collaboration of the accounting department. Such data can then be cumulated both by legal entity and by country.

⁵¹ The United Nations Environment Programme indicates that GHG emissions are one of the most commonly reported environmental areas and refers to the GHG Protocol in discussing comprehensive reporting methodology for this indicator. Also, UNCTAD/EEI (in United Nations Environment Programme, 2015, *Raising the Bar: Advancing Environmental Disclosure in Sustainability Reporting*) also discusses the importance of accounting for GHG emissions. In addition, CDP, formerly known as the Carbon Disclosure Project, has published extensive guidance on corporate accounting and reporting for GHG emissions (www.cdp.net). The use of the GHG protocol is also in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017), available at www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf.

⁵² There are other calculation tools that can be used for these purposes, such as www.epa.gov/energy/greenhouse-gas-equivalencies-calculator. As suggested in GRI 305-1, entities should specify the source of the emission factors and the global warming potential (GWP) rates used or refer to the GWP source. The reporting organization should also apply emission factors and GWP rates consistently for the data disclosed.

B.3.2. Greenhouse gas emissions (scope 2)

Definition

159. This indicator refers to indirect GHG emissions (from consumption of purchased electricity, heat or steam) per unit of net value added.

160. Scope 2 covers emissions arising from the generation of secondary energy forms, e.g. electricity, that are purchased by the entity for its own use. These emissions are considered “indirect” because they are a consequence of activities of the reporting organization but actually occur at sources owned or controlled by another organization (i.e. owned or controlled by an electricity generator or utility). For many entities, the energy indirect (scope 2) GHG emissions that result from the generation of purchased electricity can be much greater than their direct (scope 1) GHG emissions. Scope 2 emissions are also one of the largest sources of GHG emissions globally: the generation of electricity and heat accounts for a third of global GHG emissions.⁵³

Measurement methodology

161. To calculate scope 2 emissions, the corporate standard⁵⁴ recommends multiplying activity data (MWhs of electricity consumption) by emission factors to arrive at the total GHG emissions impact of electricity use.

162. There are two methods that can be used:

- **Market-based method:** A method to quantify the scope 2 GHG emissions of a reporter based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractual instruments or contractual instruments on their own. In this case, the emission factors are derived from the GHG emission rate represented in the contractual instruments that meet scope 2 quality criteria. The market-based method is based on supplier-specific emission factors.
- **Location-based method:** A method to quantify scope 2 GHG emissions based on average energy generation emission factors for defined geographic locations, including local, subnational, or national boundaries. Under this approach, emission factors represent average emissions from energy generation occurring within a defined geographic area and a defined time period. This method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period.

163. Also, the calculation of GHG (scope 2) is most commonly and easily done by means of an Excel file (a tool) that can be downloaded from www.ghgprotocol.org that converts activity data into emissions of carbon dioxide (CO₂).⁵⁵ Refer to indicator B.3.1 for more details on this approach.

164. GHG scope 2 should be presented in absolute volumes and report the amounts of carbon dioxide equivalent. In order to normalize data on GHG scope 2, they should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is tons of CO₂ per €, per \$ and so forth.

⁵³ www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%20%20Guidance_Final_0.pdf.

⁵⁴ *Ibid.*, p. 5.

⁵⁵ For country-based conversion factors, see also *A Manual for the Preparers and Users of Eco-efficiency Indicators*, UNCTAD/ITE/IPC/2003/7, from p. 65.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 9.4.1, CO₂ emissions per unit of new value added

As indicated above in indicator B.3.1, the metadata guidance on indicator 9.4.1 encompasses all types and sources of CO₂ emissions.

165. The difference between year t and year t-1 should be also computed so that it is possible to monitor the level of progress the organization has made.

Potential information sources:

166. In order to obtain activity data (kWhs and MWhs), it is suggested that utility bills be consulted.

167. The collection of these data should be done site by site, by a facility manager/ general services administrator, by a quality manager or by an environmental/ sustainability manager with the collaboration of the accounting department. Such data can then be cumulated both by legal entity and by country.

B.4. Ozone-depleting substances and chemicals

B.4.1. Ozone-depleting substances and chemicals

Definition

168. This indicator aims at quantifying an entity's dependency on ozone-depleting substances (ODS) and chemicals, per net value added.

169. ODS are all bulk chemicals/substances, existing either as a pure substance or as a mixture. These are generally chemicals containing chlorine and/or bromine. The most important ozone-depleting substances and chemicals are controlled under the Montreal Protocol and are listed in annex A, B, C or E of the Protocol.⁵⁶

Measurement methodology

170. In the annex of the Montreal Protocol, every substance controlled is listed together with a value expressing the ozone depletion potential. An ozone depletion potential value indicates how much impact a certain substance has on the depletion of the ozone layer relative to a reference substance. The reference substance normally taken is trichlorofluoromethane (CFC-11) with an ozone depletion potential of 1; therefore, ozone depletion potential values are expressed in kg CFC-11 equivalents per kg of the respective substance.

171. For example, if an entity uses 200 kg of the ozone-depleting substance halon-1211 during a reporting period, and halon-1211 has an ozone depletion potential of 3, in order to understand the ozone-depleting contribution of this specific halon use, an entity needs to multiply the amount of halon-1211 (200 kg) by the ozone depletion potential value of 3 (kg CFC-11 equivalent/kg halon-1211) to come to the ozone depletion contribution (ODC) of 600 kg CFC-11 equivalent.

172. The dependency of an entity on ozone-depleting substances (ODS)⁵⁷ is defined as follows: Production of ODS + purchases of ODS + stocks of ODS, where production of ODS means the amount of virgin (i.e. not recovered, reclaimed or recycled) ozone-depleting substances added by the reporting entity.⁵⁸

Purchases of ODS can assume different forms:

- Ozone-depleting substances embodied in supplied goods.
- Ozone-depleting substances embodied in equipment for own use.

⁵⁶ For a complete list, see <http://ozone.unep.org/en/handbook-montreal-protocol-substances-deplete-ozone-layer/5>.

⁵⁷ Definitions of production, purchase and stocks of ODS can be found in UNCTAD/EEI (III.E). According to GRI Disclosure 305-6, the reporting organization should calculate the emissions of ODS, that can be derived by calculating the total dependency on ODS and subtracting the amount recovered, reclaimed, recycled, destroyed, used as feedstock, sold and in stock, from it.

⁵⁸ According to GRI standard 305-6, the production of ODS consists of the amount of ODS produced, minus the amount destroyed by approved technologies or used as feedstock in the manufacture of other chemicals.

- Ozone-depleting substances embodied in traded goods.
- Ozone-depleting substances as substances for goods manufactured.
- Ozone-depleting substances as substances for own production process.
- Ozone-depleting substances as substances for own equipment.

Stocks of ODS are defined as any ozone-depleting substance stored or accumulated on the reporting entity's premises for use, reclaim, recovery, recycling or destruction in the future. They include ODS substances in containers, in goods, in own equipment and in use as process agents.

173. In order to normalize data on ODS, the amount of kg CFC-11 equivalent should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is kg per €, \$ and so forth.

174. The difference between year t and year t-1 should be also computed so that it is possible to monitor the level of progress the organization has made.

Potential sources of information:

175. ODS should be weighed or metered at each specific business site (ODS should be measured in kilograms, metric tons, litres and cubic metres). This is an area that is regulated in many countries and therefore the information regarding this indicator should be found in the following locations:

- When ODS are produced: in the operating information systems of each specific plant (as part of amounts of outcomes produced in a specific reporting period – see also the bills of materials).
- When ODS are purchased/stocked:
 - When relating to ODS for production processes: in the accounts payable and in the operating information systems of each specific plant. The owner of such information in this case should be the plant manager/the purchasing manager.
 - When relating to ODS embodied in equipment in use outside production processes and part of general services (e.g. air conditioning, firefighting equipment), it can be derived from the description of the specific equipment bought by the entity at each facility. The owner of such information in this case should be the facility manager/general services administrator.

B.5. Energy consumption

B.5.1. Renewable energy

Definition

176. This indicator is defined as the ratio of an entity's consumption of renewable energy to its total energy consumption during the reporting period. Types of renewable energy include, for example, solar energy, biomass, hydropower, geothermal energy and ocean energy.

Measurement methodology

177. To calculate the numerator, the entity should consider only the amount of renewable energy consumed. Therefore, the numerator can be calculated as:

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 12.4.2, hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment.

Please see indicator B.2.3. for more information on the metadata guidance suggested by the United Nations Environment Programme and UNSD for SDG indicator 12.4.2.

178. Renewable fuel sources (such as biofuels), solar energy, biomass, hydropower, geothermal energy and ocean energy,⁵⁹ including heat from renewable sources and electricity from renewable sources.⁶⁰
179. Total energy consumption within the organization can be calculated as follows: Non-renewable⁶¹ fuel consumed + renewable fuel consumed + electricity, heating, cooling, and steam purchased for consumption + self-generated electricity, heating, cooling, and steam, which are not consumed - electricity, heating, cooling and steam sold.
180. This amount represents the denominator of the indicator.
181. In calculating this indicator, when computing the numerator, it is suggested that a distinction be made between different types of renewable energy resources, as these range from infinite renewable sources, such as solar power, to cyclical renewable resources, such as biomass.
182. Fuel consumption is expressed in joules or multiples. Electricity, heating, cooling, and steam consumption are expressed in joules, watt-hours or multiples. However, both the numerator and the denominator should be expressed in joules. Therefore, conversion factors are needed. Different energy commodities have a different caloric content. To make them comparable, they are converted into thermal equivalents using their respective net caloric content. If the energy commodity is used in a country for which specific values are listed (i.e. there are local conversion factors), these values should be used. Otherwise the default value should be applied.⁶²
183. It would be preferable to report this indicator by business unit or facility, country, type of source (see the above definitions for non-renewable sources and renewable sources) and type of activity.
184. In order to normalize data on renewable energy and to be consistent with the way the other environmental indicators are calculated, it is suggested that the amount of joules of renewable energy be normalized by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is joules per €, \$ and so forth.
185. The difference between year t and year t-1 should be also computed in order to monitor the progress the organization has made.⁶³
- Potential sources of information:
186. As the majority of entities purchase energy, the amount of energy consumed for a reporting period, subdivided into the different types, can be found by collating the bills of the energy suppliers and of fuel providers.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 7.2.1, renewable energy share in the total final energy consumption.

IEA, UNSD and the International Renewable Energy Agency use indicator 7.2.1 to account for the share of renewable resources in the final consumption of energy at national level. They define renewable energy as all forms of energy, the consumption of which does not deplete their availability in the future, such as hydro power, solid biofuels, wind energy, solar energy, liquid biofuels, biogas, geothermal, marine and waste.

Please see indicator B.2.3 for more information on the metadata guidance suggested by the United Nations Environment Programme and UNSD for SDG indicator 12.4.2.

⁵⁹ United Nations, 2017, *International Recommendations for Energy Statistics* (Sales No. E.14.XVII.11, New York) can be used as a guide for this indicator, as the publication provides a list of renewable energy sources (<https://unstats.un.org/unsd/energy/ires/IRES-web.pdf>). Also, UN/EEI (III.C) provides definitions on types of renewable energy.

⁶⁰ Renewable sources of electricity are comprised of hydro, wind, solar (photovoltaic and solar thermal), geothermal, wave, tide and other marine energy, as well as the combustion of biofuels. Renewable sources of heat are solar, thermal, geothermal and the combustion of biofuels.

⁶¹ According to GRI, non-renewable fuel sources can include fuel for combustion in boilers, furnaces, heaters, turbines, flares, incinerators, generators and vehicles that are owned or controlled by the organization. Non-renewable fuel sources cover fuels purchased by the organization. They also include fuel generated by the organization's activities – such as mined coal, or gas from oil and gas extraction. See also GRI standard 302-1.

⁶² For factors, see also *A Manual for the Preparers and Users of Eco-efficiency Indicators*, UNCTAD/ITE/IPC/2003/7, from p. 34.

⁶³ In some cases, companies do not always have control over the energy sources they use, which is sometimes predominantly supplied by the State. Companies therefore may have limited manoeuvrability to increase their use of renewables.

187. In many countries, renewable energy certificates, or RECs, are used to claim to have purchased renewable energy. Thus specific information about renewable energy can also be derived from these certificates when present.

188. If the entity has an energy manager, the collection of energy data is carried out by this person. Otherwise, a facility manager/general services administrator can also be in charge of such information, with the collaboration of the accounting department (accounts payable for the energy bills). Such data should be collected at the level of each business unit/facility so that it can then be cumulated both by legal entity and by country.

B.5.2. Energy efficiency

Definition

189. Energy efficiency is defined as an entity's energy consumption divided by net value added.

Measurement methodology

190. To calculate the numerator, the entity should consider total energy consumption within the organization that can be calculated as:⁶⁴

191. Non-renewable fuel consumed + renewable fuel consumed + electricity, heating, cooling, and steam purchased for consumption + self-generated electricity, heating, cooling, and steam, which are not consumed - electricity, heating, cooling, and steam sold.

192. Fuel consumption is expressed in joules or multiples. Electricity, heating, cooling, and steam consumptions are expressed in joules, watt-hours or multiples. Therefore, conversion factors are needed to express everything in joules. Different energy commodities all have a different caloric content. To make them comparable, they are converted into thermal equivalents using their respective net caloric content. If the energy commodity is used in a country for which specific values are listed (i.e. there are local conversion factors), these values should be used; otherwise, the default value should be applied.⁶⁵

193. In order to normalize data on energy consumption and to be consistent with the way the other environmental indicators are calculated, the amount of joules of energy should be divided by the amount of net value added (expressed in €, \$, £ and so forth) generated in the same reporting period (see indicator A.1.3. *Net Value added*). Therefore, the unit of measure of this indicator is joules per €, \$ and so forth.

194. With regard to this indicator it is also suggested that entities report information by business unit or facility, country, type of source (see previous indicator for a definition of non-renewable and renewable energy) and type of activity.

Potential sources of information:

195. As the majority of entities purchase energy, the amount of energy consumed for a reporting period, subdivided into the different types, can be found by assessing the bills of the energy suppliers. If the entity has an energy manager, the collection of energy data is accomplished by this professional. Otherwise, a facility manager/general services administrator can also be in charge of

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 7.3.1, energy intensity measured in terms of primary energy and GDP.

In their metadata guidance for indicator 7.3.1, UNSD and IEA define energy intensity as the energy supplier to the economy per unit value of economic output. The total energy supply is defined in International Recommendations for Energy Statistics, and GDP should be measured in constant terms at purchasing power parity.

⁶⁴ UNCTAD/EEI (III.C) provides guidance on the accounting treatment of energy use, considering various forms of energy used in entities' operations. For this calculation, see also GRI standard 302-1. This indicator is also in line with GRI 302-3 requiring that the entity calculate the energy intensity ratio.

⁶⁵ For factors, see also *A Manual for the Preparers and Users of Eco-efficiency Indicators*, UNCTAD/ITE/IPC/2003/7, from p. 34.

such information, with the collaboration of the accounting department (accounts payable for the energy bills). Such data should be collected at the level of each business unit/facility so that it can then be cumulated both by legal entity and by country.

C. Social area

196. In the social area, the following core indicators are selected:

- Proportion of women in managerial positions.
- Average hours of training per year per employee.
- Expenditure on employee training per year per employee.
- Employee wages and benefits as a proportion of revenue, by employment type and gender.
- Expenditures on employee health and safety as a proportion of revenue.
- Frequency/incident rates of occupational injuries.
- Percentage of employees covered by collective agreements.

C.1. Gender equality

C.1.1. Proportion of women in managerial positions

Definition

197. This indicator is expressed as the number of women in managerial positions divided by the total number of employees in a given reporting period.⁶⁶

Measurement methodology

198. This indicator should be calculated by taking into consideration the employee numbers at the end of the reporting period. Employee numbers may be expressed as head count or full time equivalent (FTE).⁶⁷ The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods.

199. As a first step, it is necessary to express the total workforce of the reporting entity at the end of the reporting period either in terms of headcount or FTE (denominator of the indicator).

200. Then it is required to identify those employees that occupy managerial positions. In order to do so, it is suggested that the following be used: internal job classifications and check list, occupational classification system of major, submajor, subminor and unit groups endorsed by the Meeting of Experts in Labour Statistics (International Standard Classification of Occupations, 2008 (ISCO)). According to this list, jobs can be classified by occupation with respect to the type of work performed, and the criteria used to define the system of major, submajor, subminor and unit groups are the skill level and skill specialization. The following can be identified as managers:

⁶⁶ See *Guidance on Corporate Responsibility Indicators in Annual Reports*, UNCTAD/CRI (indicator 5). This indicator is also consistent with indicator 45, women's share of managerial positions (ILO) in the EDGE (Evidence and Data for Gender Equality) project *Minimum set of gender indicators* (<https://genderstats.un.org/#/home>).

⁶⁷ FTE is calculated by summing up all the hours worked in one reporting period by both part-time and full-time workers and dividing this number by the number of hours worked by a full-time worker.

- 11 *Chief executives, senior officials and legislators*
- 111 Legislators and senior officials
- 1111 Legislators
- 1112 Senior government officials
- 1113 Traditional chiefs and heads of village
- 1114 Senior officials of special-interest organizations
- 112 Managing directors and chief executives
- 1120 Managing directors and chief executives
- 12 *Administrative and commercial managers*
- 121 Business services and administration managers
- 1211 Finance managers
- 1212 Human resource managers
- 1213 Policy and planning managers
- 1219 Business services and administration managers not elsewhere classified
- 122 Sales, marketing and development managers
- 1221 Sales and marketing managers
- 1222 Advertising and public relations managers
- 1223 Research and development managers
- 13 *Production and specialized services managers*
- 131 Production managers in agriculture, forestry and fisheries
- 1311 Agricultural and forestry production managers
- 1312 Aquaculture and fisheries production managers
- 132 Manufacturing, mining, construction and distribution managers
- 1321 Manufacturing managers
- 1322 Mining managers
- 1323 Construction managers
- 1324 Supply, distribution and related managers
- 133 Information and communications technology service managers
- 1330 Information and communications technology service managers
- 134 Professional services managers
- 1341 Child care services managers
- 1342 Health services managers
- 1343 Aged care services managers
- 1344 Social welfare managers
- 1345 Education managers
- 1346 Financial and insurance services branch managers
- 1349 Professional services managers not elsewhere classified
- 14 *Hospitality, retail and other services managers*

- 141 Hotel and restaurant managers
- 1411 Hotel managers
- 1412 Restaurant managers
- 142 Retail and wholesale trade managers
- 1420 Retail and wholesale trade managers
- 143 Other services managers
- 1431 Sports, recreation and cultural centre managers
- 1439 Services managers not elsewhere classified

201. In any case, as reporting entities may currently use different taxonomies to classify managerial positions, the use of narrative disclosure could help contextualize this indicator. Entities are encouraged to use taxonomies that are consistent with the Evidence and Data for Gender Equality (EDGE) project, a joint initiative of the United Nations Statistics Division and the United Nations Entity for Gender Equality and the Empowerment of Women.⁶⁸

202. Finally, after having expressed the number of employees occupying managerial positions in the reporting entity in terms of either headcounts or FTEs (consistent with the way in which the total workforce is quantified), it is required to identify and express the number of female employees occupying managerial positions in the reporting entity in terms of either headcount or FTE (numerator of the indicator).

203. If possible, it is suggested to report not only the breakdown of managerial positions by gender but also the breakdown of total workforce (either headcount or FTE).⁶⁹

204. In addition, the reporting entity is encouraged to calculate the breakdown of total workforce, according to the following categories:⁷⁰

- Employees and supervised workers.⁷¹
- Type of employment contract (permanent⁷² or temporary⁷³).
- Type of employment (full-time or part-time).
- Age group: under 30 years of age, 30–50 years of age, over 50 years of age.
- Region.

205. Such level of detail regarding the composition of the workforce would help in assessing which issues may be of particular relevance to certain segments of the workforce.

206. Entities are also encouraged to take into consideration broader measures of diversity, in particular with regard to the inclusion of people with disabilities into the workplace (e.g. number of workers with disabilities compared to the

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 5.5.2, proportion of women in managerial positions.

As custodian of indicator 5.5.2, ILO provides metadata guidance defining middle and senior management positions in line with ISCO. Indicator 5.5.2 is computed by expressing the proportion of women occupying a managerial position, as a percentage of all managerial positions.

⁶⁸ For further information on the project, see <https://unstats.un.org/edge>.

⁶⁹ See GRI indicator LA1 and the G4 10.

⁷⁰ Definitions on employment types and contracts based on the ILO International Standard Classification of Occupations (ISCO) are available at <http://www.ilo.org/public/english/bureau/stat/isco/docs/resol08.pdf>.

⁷¹ Supervised worker: Person who directly supplies work and services to the reporting organization but whose formal contract of employment is with another organization.

⁷² Indefinite or permanent contract is a permanent contract of employment with an employee for full-time or part-time work for an indeterminate period.

⁷³ Fixed-term or temporary contract is a contract of employment as defined above that ends when a specific time period expires, or when a specific task that has a time estimate attached is completed. A temporary contract of employment is of limited duration and terminated by a specific event, including the end of a project or work phase, return of replaced personnel and so forth.

total number of workers). Nevertheless, indicators should take into account potential legal restrictions on the collection of employee personal data.

Potential sources of information:

207. Information to calculate this indicator is typically found in human resources information systems (employee records and payroll information available at the national or site level). Many entities use specialized software (human resource software)⁷⁴ for collecting and elaborating information regarding employees, including the other data that are necessary to calculate this indicator. The software and the related information flows are normally managed by the human resources function.
208. If an equal opportunity committee exists, important information could also be found in the minutes of the committee's meetings.

C.2. Human capital

C.2.1. Average hours of training per year per employee

Definition

209. This indicator suggests the scale of an entity's investment in employee training (i.e. in human capital) and the degree to which this investment is made across the entire employee base, in terms of hours of training.

Measurement methodology

210. The first step in calculating the number of hours is to identify all the training programmes undertaken by an entity in a reporting period so that the related hours can be cumulated. These may include internal training courses; external training or education (supported by the entity); the provision of sabbatical periods with guaranteed return to employment (supported by the entity, e.g. paid educational leave provided by the reporting entity for its employees); and training on specific topics such as health and safety.
211. The denominator should be expressed as either headcount or FTE, and the approach applied consistently in the period, and between periods. The data should be presented with a breakdown by employment category and possibly by gender (see description for indicator C.1.1).
- Average training hours per employee = total number of training hours provided to employees/total number of employees.
212. If possible, these indicators should be broken down by category⁷⁵ in the following way:
- Average training hours per employee category = total number of training hours provided to each category of employees/total number of employees in category.
213. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose hours of training by country⁷⁶ and possibly by gender.

⁷⁴ For an overview of some examples, see www.capterra.com/human-resource-software/.

⁷⁵ For categories, see indicator C.1.1.

⁷⁶ This approach is in line with UNCTAD/CRI (indicators 10 and 11) and with GRI Guidance G4-EC1, GRI 404-1 and 404-2.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 4.3.1, participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex.

The UNESCO Institute for Statistics metadata guidance uses the number of people in selected age groups participating in training or education activities expressed as a percentage of the population of the same age.

Potential sources of information:

214. Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software) for collecting and elaborating information regarding employees, including the other data that are necessary to calculate this indicator. The software and the related information flows are normally managed by the human resources function that is also usually in charge of defining a training budget.
215. Training expenses can also be found in the P&L statement as a specific line item that is part of the operating costs (general expenses). Entities usually employ a specific account to record training costs that can be called employee training expenses (in the accounts payable).
216. Management accounting systems/internal management reports can be also used for the hour-specific, category-specific and country-specific data (if an entity has a balanced scorecard, these indicators are often included as key performance indicators in the learning and growth perspective).

C.2.2 Expenditure on employee training per year per employee

Definition

217. This indicator suggests the scale of an entity's investment in employee training (i.e. in human capital) and the degree to which this investment is made across the entire employee base, in terms of hours of expenditures.

Measurement methodology

218. In order to calculate the expenditure referred to training programmes, it is suggested that direct and indirect costs of training be considered, for example course fees, trainers' fees, training facilities, training equipment and related travel costs.
219. The denominator should be expressed as either headcount or FTE, and apply the approach consistently in the period, and between periods. The data should be presented with a breakdown by employment category (see description relating to indicator C.1.1).
 - Average training expenditures per employee = total amount of training expenses/total number of employees.
220. If possible, these indicators should be broken down by category⁷⁷ in the following way:
 - Average training expenditures per employee category = total amount of training expenses for each category of employees/total number of employees in category
221. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose training expenditures and hours of training by country, and possibly by gender.

Potential sources of information

222. For information on the different sources of information within the entity, see indicator C.2.1.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 4.3.1, participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex.

The UNESCO Institute for Statistics metadata guidance uses the number of people in selected age groups participating in training or education activities expressed as a percentage of the population of the same age.

⁷⁷ For categories, see indicator C.1.1.

C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

Definition

223. This indicator should reflect the total costs of the employee workforce for the entity in the reporting period segmented by employee type and gender as a proportion of the total revenue.⁷⁸

Measurement methodology

224. The first step in calculating this indicator is to compute total payroll, including employee salaries and amounts paid to government institutions on behalf of employees, plus total benefits (excluding training, costs of protective equipment or other cost items directly related to the employee's job function). In this context, payments to the Government can include contributions, pensions, employment taxes, levies and employment funds. Then, the amount of employee benefits and wages will be divided by the total revenue in that reporting period.

225. If an entity prepares a value added income statement, the total amount of employee wages and benefits is already disclosed there (among the items included in the economic value distributed).

226. The total amount of employee wages and benefits should be broken down according to the following categories:⁷⁹

- Employees and supervised workers.⁸⁰
- Type of employment contract (permanent⁸¹ or temporary⁸²).
- Type of employment (full-time or part-time).
- Age group: under 30 years of age,⁸³ 30–50 years of age, over 50 years of age.
- Region.
- Gender.⁸⁴

⁷⁸ This is in line with UNCTAD-CRI (indicator 6), IAS 19, GRI 201-1.

⁷⁹ Definitions on employment types and contracts based on the ILO International Standard Classification of Occupations (ISCO) are available at www.ilo.org/public/english/bureau/stat/isco/docs/resol08.pdf.

⁸⁰ Supervised worker: Person who directly supplies work and services to the reporting organization but whose formal contract of employment is with another organization.

⁸¹ Indefinite or permanent contract is a permanent contract of employment with an employee for full-time or part-time work for an indeterminate period.

⁸² Fixed term or temporary contract is a contract of employment as defined above that ends when a specific time period expires, or when a specific task that has a time estimate attached is completed. A temporary contract of employment is of limited duration and terminated by a specific event, including the end of a project or work phase, return of replaced personnel and so forth.

⁸³ In some countries, it would be important to give details in this category to highlight issues related to child and forced labour.

⁸⁴ Reporting on gender pay gap is becoming more common in some jurisdictions and could be incorporated into this indicator. Such an indicator should highlight the differences in job categories among genders, focusing on actual job descriptions rather than titles. In order to calculate the mean gender pay gap in hourly pay, to obtain the mean hourly pay rate for men, it is necessary to add together the hourly pay rates of all male full-pay relevant employees and divide this figure by the number of male full-pay employees. Then, to obtain the mean hourly pay rate for women, it is necessary to add together the hourly pay rates of all female full-pay relevant employees and divide this figure by the number of female full-pay employees. To get the mean gender pay gap in hourly pay as a percentage of men's pay, it is necessary to subtract the mean hourly pay rate for women from the mean hourly pay rate for men, divide the result by the mean hourly pay rate for men and multiply the result by 100. This is also consistent with indicator 13 on the gender gap in wages (ILO) in the EDGE project's minimum set of gender indicators.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicators 8.5.1, average hourly earnings of female and male employees, by occupation, age and persons with disabilities, and 10.4.1, labour share of GDP, comprising wages and social protection transfers.

Indicator 8.5.1, prepared by ILO, requires information on hourly earnings, disaggregated by gender but also of persons with disabilities. ILO is also the custodian agency of indicator 10.4.1, whose metadata guidance states that social protection transfers include social insurance contributions payable by employers, but not payroll-related taxes.

Potential sources of information:

227. Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software⁸⁵) for collecting and elaborating information regarding employees, including the other data that are necessary to calculate this indicator. The software and the related information flows on wages and benefits are normally managed by the human resources function in a specific module that is usually labelled “payroll accounting”. Many firms also have a payroll accounting specialist in the accounting department who is the owner of this information. The total revenue can be obtained from the P&L statement.

C.3. Employee health and safety

C.3.1. Expenditures on employee health and safety as a proportion of revenue

Definition

228. This indicator refers to the total expenses incurred by an entity to guarantee employees’ health and safety as a proportion of total revenue. It is related to an important aspect of corporate responsibility, as occupational accidents⁸⁶ not only lower productivity and divert management attention, but also undermine human capital development and could be indicative of poor management quality and practice.⁸⁷

Measurement methodology

229. This indicator is expressed as a percentage and is calculated by adding up the expenses for occupational safety and health-related insurance programmes, for health-care activities financed directly by the entity, and all expenses sustained for working environment issues related to occupational safety and health incurred during a reporting period; and dividing this amount by the total revenue in this reporting period.

230. More specifically, in order to calculate this indicator, it would be advisable to start with the following checklist of elements that are related to employee health and safety to understand which expenses should be considered in the computation:⁸⁸

- Design, siting, structural features, installation, maintenance, repair and alteration of workplaces and means of access thereto and egress therefrom.
- Lighting, ventilation, order and cleanliness of workplaces.
- Temperature, humidity and movement of air in the workplace.
- Design, construction, use, maintenance, testing and inspection of machinery and equipment liable to present hazards and, as appropriate, their approval and transfer.
- Prevention of harmful physical or mental stress due to conditions of work.
- Handling, stacking and storage of loads and materials, manually or mechanically.

⁸⁵ For an overview of some examples, see www.capterra.com/human-resource-software/.

⁸⁶ Occupational accidents can refer to physical injuries in the case of certain sectors, but it can also include mental health issues in others.

⁸⁷ This indicator is in line with UNCTAD/CRI (indicator 12), ILO R164.

⁸⁸ This categorization is in line with UNCTAD/CRI and is based on ILO Occupational Safety and Health Recommendation, ILO R164, II, 3.

- Use of electricity.
- Manufacture, packing, labelling, transport, storage and use of dangerous substances and agents, disposal of their wastes and residues, and, as appropriate, their replacement by other substances or agents which are not dangerous, or which are less dangerous.
- Radiation protection.
- Prevention and control of, and protection against, occupational hazards due to noise and vibration.
- Control of the atmosphere and other ambient factors of workplaces.
- Prevention and control of hazards due to high and low barometric pressures.
- Prevention of fires and explosions and measures to be taken in case of fire or explosion.
- Design, manufacture, supply, use, maintenance and testing of personal protective equipment and protective clothing.
- Sanitary installations, washing facilities, facilities for changing and storing clothes, supply of drinking water and any other welfare facilities connected with occupational safety and health.
- First-aid treatment.
- Establishment of emergency plans.
- Supervision of the health of workers.

231. Given the increasing importance of the services sectors and its intrinsic characteristics, this indicator should also reflect reporting on mental health and stress.

232. Some of these elements are related to operating costs, e.g. the entity's cost of health care activities financed directly by the entity as such, either through self-insurance or in operating the entity's own health-care facilities or any other expense related to the supervision of the health of workers; some other elements are capital expenditures, e.g. investments in radiation protection equipment or in fire prevention kits.

233. The total expenditure amount (expressed in monetary terms) of health and safety should be divided by total revenue in period t. This indicator would be expressed in percentage (%) terms.

234. Similarly to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose health and safety expenditures by country.

Potential sources of information:

235. Some entities have occupational safety and health management and reporting systems (OSHM and RS) that are used to collect all the relevant information for calculating this indicator. The related information flows are owned by the occupational safety and health manager/programme administrator/committee when present. As part of this information system, depending on the specific legislation of the country where the entity operates, entities also keep specific registers, such as the register of medical visits.

236. For those expenses that are material and can thus be capitalized by the entity, it is possible to use capital budgets to find the relevant amounts. On the contrary, when the amount spent on health and safety is immediately expensed in the reporting period, the related costs are to be found in the P&L

RELEVANCE TO THE SDGs

This indicator is relevant to SDG target 8.8, protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

This indicator is also relevant to SDG target 3.8, achieve universal health coverage, including financial risk protection; access to quality essential health-care services; and access to safe, effective, quality and affordable essential medicines and vaccines for all.

WHO is the custodian agency for indicators 3.8.1, coverage of essential health services, and 3.8.2, number of people covered by health insurance or a public health system per 1,000 people. The available metadata guidance for these indicators suggests that household surveys be conducted to collect this information.

statement as part of the operating costs of an entity (depending on the nature of the expenses, they can be found as part of the production overheads or as part of the selling expenses and so forth).

237. The revenue (denominator) can be obtained from the P&L statement.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 8.8.1, frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status.

ILO metadata guidance for indicator 8.8.1 requires information on the frequency rate of fatal and non-fatal occupational injuries, considering the number of such injuries divided by the hours worked by the concerned population during the reference period.

C.3.2. Frequency/incident rates of occupational injuries

Definition

238. This indicator is related to the number of work days lost due to occupational accidents, injuries and diseases⁸⁹ during the reporting period. It suggests the effectiveness of an entity's employee health and safety policy and its ability to build a healthy, safe and productive work environment.

Measurement methodology

239. In calculating this indicator, lost days should be regarded as time off work by workers affected by occupational accidents, injuries and diseases. In other words, these are days that could not be worked, and are thus lost, as a consequence of workers being unable to perform their usual job because of an occupational accident, injury or disease.

240. The frequency rate is calculated in the following way: Number of new injury cases/total number of hours worked by workers in the reporting period.

241. The incident rate is calculated in the following way:⁹⁰ Total number of lost days expressed in terms of number of hours / total number of hours worked by workers in the reporting period.

242. When calculating lost days, the entity needs to specify whether "days" means "calendar days" or "scheduled work days" and at what point the "lost days" count begins (for example, the day immediately after the accident or three days after the accident).

243. Given the increasing importance of the services sectors and its intrinsic characteristics, this indicator should also reflect reporting on mental health and stress. Similarly to what is recommended for other indicators in this guidance, multinational entities are encouraged to disclose this indicator by gender.

Potential sources of information

244. Entities need to set up arrangements, in accordance with national laws or regulations, to record occupational accidents, occupational diseases, commuting accidents, dangerous occurrences and incidents, including the identification of a person authorized to prepare and keep records of all these occurrences. Organizations should prepare appropriate records for inspection purposes and as information for workers' representatives and health services. These accidents are typically recorded within a register of accidents, in accordance with national laws or regulations. The records usually contains the following information: (a) entity, establishment and employer: (i) name and address of the employer, and his or her telephone and fax numbers (if available); (ii) name and address of the entity; (iii) name and address of the establishment (if different); (iv) economic activity of the establishment; and (v) number of workers (size of the establishment); (b) injured person: (i) name, address, sex and age; (ii) employment status; (iii) occupation; (c) injury: (i) fatal accident; (ii) non-fatal accident; (iii) nature of the injury (e.g. fracture); (iv)

⁸⁹ Occupational accidents and injuries are non-fatal or fatal injuries arising out of or in the course of work; occupational diseases are those arising from the work situation or activity (e.g. stress or regular exposure to harmful chemicals), or from a work-related injury.

⁹⁰ This indicator can be calculated also as follows: Number of cases/number of workers.

location of the injury (e.g. leg); (d) accident and its sequence: (i) geographical location of the place of the accident (usual workplace, another workplace within the establishment or outside the establishment); (ii) date and time; (iii) action leading to injury – type of accident (e.g. fall); (iv) agency related to the accident (e.g. ladder).⁹¹

245. Generally, the information and the operating information system that is used to track and report on health and safety accidents is owned by the human resources function.

246. Many entities use specialized software (human resource software⁹²) for collecting and elaborating health and safety information and all the other information regarding workers, including the other data that are necessary to calculate this indicator (e.g. hours worked during the reporting period and attendance records). The software and the related information flows are normally managed by the human resources function.

247. When health and safety issues are material, entities also have an occupational safety and health manager/programme administrator and a specific occupational safety and health reporting system. In this latter case, information to calculate this indicator can be also retrieved from this operating system.

C.4. Coverage by collective agreements

C.4.1. Percentage of employees covered by collective agreements

Definition

248. This indicator is the ratio of employees covered by collective agreements to the total number of employees of the reporting entity.⁹³

Measurement methodology

249. Collective bargaining refers to all negotiations which take place between one or more employers or employers organizations, on the one hand, and one or more workers organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers.

250. Negotiations can take place at various levels. Collective agreements could comprise agreements at the sectoral, national, regional, organizational or workplace level. This standard is based on the Collective Bargaining Convention, 1981 (No. 154) by the International Labour Organization (ILO).⁹⁴

251. This indicator should be calculated by taking into consideration the employee numbers at the end of the reporting period. Employee numbers may be expressed as headcount or full time equivalent (FTE), as suggested for indicator C.1.1. In any case, the approach chosen should be applied consistently between periods.

252. As a first step, it is necessary to express the total workforce of the reporting entity at the end of the reporting period either in terms of headcount or FTE (denominator of the indicator).

⁹¹ For more detailed information, see Recording and notification of occupational accidents and diseases, An ILO code of practice Geneva, International Labour Office, 1996. Available at www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/normativeinstrument/wcms_107800.pdf.

⁹² For an overview of some examples, see www.capterra.com/human-resource-software.

⁹³ This indicator is in line with GRI standard 102-41 and with UNCTAD/CRI (indicator 8).

⁹⁴ www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312299.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 8.8.2, increase in national compliance of labour rights (freedom of association and collective bargaining) based on ILO textual sources and national legislation, by sex and migrant status.

Indicator 8.8.2, reviewed at the fifth Inter-agency and Expert Group on SDG indicators (IAEG-SDG) meeting, is pending approval. It is aimed at eradicating unfair labour practices, especially those affecting women, and therefore it is suggested that the employee category be disaggregated not only by gender but also by migrant status.

253. Next, it is required to identify those employees who are covered by collective agreements and express them either in terms of headcount or FTE, consistent with the denominator.

254. Beyond the percentage figure, narrative information would be essential to clarify the entity context, since in some instances, agreements are not allowed by regulators, requested by employees or reached among relevant stakeholders.

Potential sources of information:

255. Entities should set up arrangements, in accordance with national laws or regulations, to define collective employment agreements/contracts. These are usually negotiated collectively between management (on behalf of the entity) and union representatives. Information relevant to calculating this indicator can be found in these contracts (number of employees covered by collective agreements). Such information can be found also in human resources information systems. When involved, the legal affairs department can also be one of the owners of such information.

D. Institutional area

256. In the institutional area, the following areas are to be covered:

- Corporate governance disclosure (including information on number of board meetings and attendance rate, number and percentage of women board members, board members by age range, number of meetings of audit committee meetings and attendance rate, and total compensation of board members and executives).
- Anti-corruption practices (including amount of fines paid or payable due to settlements, and average number of training hours on anti-corruption issues per year per employee).

D.1. Corporate governance disclosure

257. The Consultative Group decided to include these corporate governance indicators because of their high importance for accountability. However, they might not be applicable to all enterprises. Reporting on corporate governance is already a legal requirement in many jurisdictions for large listed entities. International benchmarks include the G20/OECD Principles of Corporate Governance⁹⁵ published in 1999 and revised for the second time in 2015, as well as the Guidance on Good Practices in Corporate Governance Disclosure⁹⁶ published by UNCTAD in 2006.

258. Regarding SMEs, it is important to clarify that such entities would have the possibility of indicating the absence of mechanisms such as boards, without affecting their ability to report on the core indicators. When reliable information exists, the following indicators could also be disclosed with reference to the corporate governance area: number of external or independent board members over total number of board members; CEO duality (an indicator on the separation of roles between CEO and Chair); the number of times when sustainability issues in general and the adherence with SDGs were discussed as part of the board agenda; gender equality.

⁹⁵ Available at www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015_9789264236882-en.

⁹⁶ Available at https://unctad.org/en/docs/iteteb20063_en.pdf.

259. The following indicators for corporate governance disclosure have been selected based on their applicability within the context of the SDGs:

- **D.1.1. Number of board meetings and attendance rate.**
- **D.1.2. Number and percentage of women board members.** This indicator is consistent with GRI G4-LA12 (composition of governance bodies) and provides a quantitative measure of gender diversity within an organization.
- **D.1.3. Board members by age range.** This indicator presents a profile of the board members, by age range.⁹⁷ A balanced age mix in a board is important for sound decision-making. For example, some emerging technology companies are often criticized for board composition dominated by very young technology experts who tended to be big risk takers. In order to calculate this indicator, entities need to define the age ranges that they wish to map. In line with the other indicators, the following groups are suggested:
 - Under 30 years of age
 - 30–50 years of age.
 - Over 50 years of age.
- **D.1.4. Number of meetings of audit committee and attendance rate.** This indicator provides a quantitative measure of whether the entity has developed effective, accountable and transparent governance mechanisms.
- **D.1.5. Compensation: total compensation per board member (both executive and non-executive directors).** This indicator is consistent with GRI Disclosure 102-35.⁹⁸

260. The relevant information to calculate indicators D1.1, D1.2 and D.1.3 is usually recorded by the investor relations office, the company secretary⁹⁹ and/or by the human resources manager. In addition to these sources, information concerning indicator D.1.4 can be also be recorded by the internal audit function.

D.1.5. Compensation: Total compensation per board member (both executive and non-executive directors)

261. In order to calculate this indicator, entities need to compute the amount of total compensation referred to a specific reporting period summing up the following elements of a compensation package:

- Fixed pay (base salary).
- Variable pay (including performance-based pay, equity-based pay, bonuses, and deferred or vested shares).
- Sign-on bonuses or recruitment incentive payments.
- Termination payments (i.e. all payments made and benefits given to a departing executive or member of the highest governance body whose appointment is terminated).

⁹⁷ This indicator is in line with the International <IR> Framework, 2013, available at <http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf> It is also consistent with the GRI G4-LA12 (composition of Governance bodies) and GRI 405-1.

⁹⁸ In addition, IFRSs require companies to disclose key management personnel compensation in total and for certain categories.

⁹⁹ This is a technical term used in companies for a management-level person in charge of the administration and compliance with regulation; in addition, this person liaises with the board.

RELEVANCE TO THE SDGs

Indicators D.1.1, D.1.4, and D.1.5 are relevant to SDG target 16.6, develop effective, accountable and transparent institutions at all levels, which at the entity level can encompass the governance practices of the Board.

RELEVANCE TO THE SDGs

Indicator D.1.2 is relevant to SDG indicator 5.5.2, proportion of women in managerial positions.

As custodian of indicator 5.5.2, ILO provides metadata guidance defining middle and senior management positions in line with ISCO. Indicator 5.5.2 is computed by expressing the proportion of women occupying a managerial position, as a percentage of all managerial positions.

RELEVANCE TO THE SDGs

Indicator D1.3 is relevant to SDG indicator 16.7.1, proportions of positions (by sex, age, persons with disabilities and population groups) in public institutions (national and local legislatures, public service, and judiciary) compared to national distributions.

Although this indicator does not explicitly refer to private organizations, there could be positive spillover effects between the public and private sectors. Furthermore, including the private sector is relevant to target 16.7, which encourages countries to ensure responsive, inclusive, participatory and representative decision-making at all levels.

- Clawbacks (i.e. repayment of previously received compensation required to be made by an executive to his or her employer in the event certain conditions of employment or goals are not met).
- Retirement benefits.

262. Total annual compensation is calculated for each executive director and each non-executive director, where the former is a member of the board of a firm who also has management responsibilities, while the latter is a board member without responsibilities for an entity's daily management or operations.

Potential sources of information:

263. The data required for the calculation of this indicator and the related information flows are normally managed by the human resources function, typically within a compensation and payroll management information system. Many entities use specialized software for collecting and elaborating this type of information. The data could also be obtained with the company secretary.

264. Another source of information is the remuneration report where the compensation of Board members, both executives and non-executives, is presented. The information is owned by the remuneration committee that, when present, is in charge of defining the compensation strategy and policy.

D.2. Anti-corruption practices

D.2.1. Amount of fines paid or payable due to settlements

Definition

265. This indicator refers to the total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period.

266. Corruption¹⁰⁰ includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; as well as the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. It can also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.

267. Corruption is broadly linked to several negative effects, such as damage to the environment, abuse of human rights, abuse of democracy, misallocation of investments and undermining the rule of law.

Measurement methodology

268. The steps involved in the computation of this indicator are the following:

- Identify all convictions and other settlements for violations of corruption related laws or regulations.
- Identify the amount of fines paid/payable for each of the convictions.
- Sum up all the amounts identified with reference to the reporting period.

269. The total number of convictions relevant to the reporting entity and the total amount of fines paid and or payable should be disclosed.

Potential sources of information:

270. The amount of fines paid is to be found among the expenses included in the income statement during the reporting period. Such costs would be charged

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 16.5.2, proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official or were asked for a bribe by those public officials during the previous 12 months.

Developed by the World Bank, the metadata guidance for indicator 16.5.2 is calculated in the United Nations metadata guidance for each country from the World Bank Enterprise Surveys that are conducted every four to five years by private contractors under strict confidentiality.

¹⁰⁰ This definition is consistent with GRI 205 and UNCTAD/CRI (indicator 16).

to the income statement directly. They are often recorded in a separate expense account that can be called fines and penalties.

271. When an obligation might likely arise to pay fines or penalties under the legislation because the obligating event has occurred, the entity should set a provision account (for this purpose the entity will recognize a liability in the balance sheet against an expense account in the income statement).

272. The owners of this information are usually the legal affairs department and the finance and accounting department.

D.2.2 Average hours of training on anti-corruption issues per year per employee

Definition

273. This indicator refers to the average number of training hours that employees receive in the area of anti-corruption issues. For further information on the definition and context of corruption, please see indicator D.2.1.

Measurement methodology

274. The methodology for measurement of this indicator draws on the methodology for indicator C.2.1 on the average hours of training per employee. In this case, the computation of hours of training should only take into account those hours of training related to anti-corruption issues. This classification could be undertaken either by the entity's overall training department (e.g. human resources), or by the legal department or other office dedicated to advancing anti-corruption efforts.

275. It is suggested that this indicator on anti-corruption could also cover the issue of codes of conduct used to remedy convictions and, more generally, that the reporting entity provide information about any actions taken in response to incidents of corruption, for example new or revised entity policies, training and initiatives to prevent such incidents.

Potential sources of information:

276. Please see indicators C.2.1 and D.2.1 for the sources of information for the measurement of this indicator.

RELEVANCE TO THE SDGs

This indicator is relevant to SDG indicator 16.5.2, proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official or were asked for a bribe by those public officials during the previous 12 months.

Developed by the World Bank, the metadata guidance for indicator 16.5.2 is calculated in the United Nations metadata guidance for each country from the World Bank Enterprise Surveys that are conducted every four to five years by private contractors under strict confidentiality.

Annex I. Table of selected core SDG indicators

A.	Economic area	Indicators	Measurement	Relevant SDG indicator
A.1.	Revenue and/or (net) value added	A.1.1. Revenue	IFRS 15	8.2.1
		A.1.2. Value added	Revenue minus costs of bought-in materials, goods and services (gross value added, GVA)	8.2.1, 9. b. 9.4.1
		A.1.3. Net value added	Revenue minus costs of bought-in materials, goods and services and minus depreciation on tangible assets (net value added, NVA)	8.2.1, 9.4.1
A.2.	Payments to the Government	A.2.1. Taxes and other payments to the Government	Total amount of taxes paid and payable (encompassing not only income taxes, but also other levies and taxes, such as property taxes or value added taxes) plus related penalties paid, plus all royalties, licence fees, and other payments to Government for a given period	17.1.2
A.3.	New investment/ expenditures	A.3.1 Green investment	Total amount of expenditures for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment in absolute amount and in percentage terms	7.b.1
		A.3.2. Community investment	Total amount of charitable/voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in percentage terms	17.17.1
		A.3.3. Total expenditures on research and development	Total amount of expenditures on research and development (R&D) by the reporting entity during the reporting period in absolute amount and in percentage terms	9.5.1.
A.4.	Local supplier/ purchasing programmes	A.4.1. Percentage of local procurement	Proportion of procurement spending of a reporting entity at local suppliers (based on invoices or commitments made during the reporting period) in percentage terms and in absolute amount	9.3.1.
B	Environmental area			
B.1.	Sustainable use of water	B.1.1. Water recycling and reuse	Total volume of water recycled and/or reused by a reporting entity during the reporting period in absolute amount and in percentage terms	6.3.1.
		B.1.2. Water use efficiency	Water use per net value added in the reporting period, as well as change of water use per net value added between two reporting periods (where water use is defined as water withdrawal plus total water received from third party) in percentage terms, in terms of change and in absolute amount	6.4.1.
		B.1.3. Water stress	Water withdrawn with a breakdown by sources (surface, ground, rainwater, waste water) and with reference to water-stressed or water-scarce areas (expressed as a percentage of total withdrawals) in absolute amount and in percentage terms	6.4.2.

B.2.	Waste management	B.2.1. Reduction of waste generation	Change in the entity's waste generation per net value added in percentage terms, in terms of change and in absolute amount	12.5.
		B.2.2. Waste reused, re-manufactured and recycled	Total amount of waste reused, re-manufactured and recycled in absolute amount, in percentage terms and in terms of change	12.5.1.
		B.2.3. Hazardous waste	Total amount of hazardous waste, in absolute terms, as well as proportion of hazardous waste treated, given total waste reported by the reporting entity (in absolute amount, in percentage terms and in terms of change)	12.4.2.
B.3.	Greenhouse gas emissions	B.3.1. Greenhouse gas emissions (scope 1)	Scope 1 contribution in absolute amount, in percentage terms and in terms of change	9.4.1.
		B.3.2. Greenhouse gas emissions (scope 2)	Scope 2 contribution in absolute amount, in percentage terms and in terms of change	9.4.1.
B.4.	Ozone-depleting substances and chemicals	B.4.1. Ozone-depleting substances and chemicals	Total amount of ozone-depleting substances (ODS) (bulk chemicals/substances existing either as a pure substance or as a mixture) per net value added.	12.4.2.
B.5.	Energy consumption	B.5.1. Renewable energy	Renewable energy consumption as percentage of total energy consumption in the reporting period	7.2.1.
		B.5.2. Energy efficiency	Energy consumption per net value added	7.3.1.
C	Social area			
C.1.	Gender equality	C.1.1. Proportion of women in managerial positions	Number of women in managerial positions to total number of employees (in terms of headcount or FTE)	5.5.2.
C.2.	Human capital	C.2.1. Average hours of training per year per employee	Average number of hours of training per employee per year (as total hours of training per year divided by total employees), possibly broken down by employee category	4.3.1.
		C.2.2. Expenditure on employee training per year per employee	Direct and indirect costs of training (including costs such as trainers' fees, training facilities, training equipment and related travel costs) per employee per year, possibly broken down by employee category.	4.3.1.
		C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender	Total costs of employee workforce (wages and benefits) divided by the total revenue in that reporting period.	8.5.1, 10.4.1
C.3.	Employee health and safety	C.3.1. Expenditures on employee health and safety as a proportion of revenue	Total expenses for occupational safety and health-related insurance programmes, for health-care activities financed directly by the company, and all expenses sustained for working environment issues related to occupational safety and health incurred during a reporting period, divided by the total revenue in that same period.	3.8., 8.8
		C.3.2. Frequency/incident rates of occupational injuries	Frequency rates: number of new injury cases divided by total number of hours worked by workers in the reporting period; incident rates: total number of lost days expressed in terms of number of hours divided by total number of hours worked by workers in the reporting period	8.8.1.
C.4.	Coverage by collective agreements	C.4.1. Percentage of employees covered by collective agreements	Number of employees covered by collective agreements to total employees (in terms of headcount or FTE)	8.8.2.

Guidance on core indicators for entity reporting on the contribution towards the implementation of the Sustainable Development Goals

D	Institutional area			
D.1.	Corporate governance disclosures ^a	D.1.1. Number of board meetings and attendance rate	Number of Board meetings during the reporting period and number of Board members who participate at each Board meeting during the reporting period divided by the total number of directors sitting on the Board multiplied by the number of Board meetings during the reporting period	16.6.
		D.1.2. Number and percentage of women board members	Women board members to total board members	5.5.2.
		D.1.3. Board members by age range	Number of Board members by age range (e.g. under 30 years of age, between 30 and 50, over 50)	16.7.1.
		D.1.4. Number of meetings of audit committee and attendance rate	Number of board meetings during the reporting period and number of audit committee members who participate at each audit committee meeting during the reporting period divided by the total number of members sitting on the audit committee multiplied by the number of audit committee meetings during the reporting period	16.6.
		D.1.5. Compensation: total compensation per board member (both executive and non-executive directors)	Total annual compensation (including base salary and variable compensation) for each executive and non-executive director	16.6.
D.2.	Anti-corruption practices	D.2.1. Amount of fines paid or payable due to settlements	Total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period	16.5.2.
		D.2.2. Average number of hours of training on anti-corruption issues, per year per employee	Average number of hours of training in anti-corruption issues per employee per year (as total hours of training in anti-corruption issues per year divided by total employees)	16.5.2.

^a These indicators are not universal, but relevant to publicly listed companies responsible for the use of a highest proportion of natural and human resources. Therefore, they are included as core indicators for that reason.

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