

UNCTAD-ISAR



Enhancing comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of Sustainable Development Goals

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Agreed Conclusions ISAR 34th session

...Requests the UNCTAD secretariat to advance its work on core Sustainable Development Goal indicators, as part of a guiding document to be compiled during the intersessional period, in collaboration with the Consultative Group of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting...



Background



Target 12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



Enterprise reporting and the SDGs



Goal 6

Relevant indicators:
 6.3.1 Proportion of wastewater safely treated
 6.4.1 Change in water-use efficiency over time
 6.4.2: Level of water stress: freshwater withdrawal as a proportion of available freshwater resources

Goal 7

Relevant indicators:
 7.2.1: Renewable energy share in the total final energy consumption
 7.3.1: Energy intensity measured in terms of primary energy and GDP

Goal 17

Relevant indicators:
 17.1.2: Proportion of domestic budget funded by domestic taxes
 17.17.1: Amount committed to public-private and civil society partnerships



Key challenges on SDG reporting by companies

- ❖ **Harmonization**
- ❖ **Benchmarking (core indicators)**
- ❖ **Integration**
- ❖ **Alignment**
- ❖ **Consistency**
- ❖ **Data presentation and collection**
- ❖ **Capacity-building and coordination of national stakeholders**

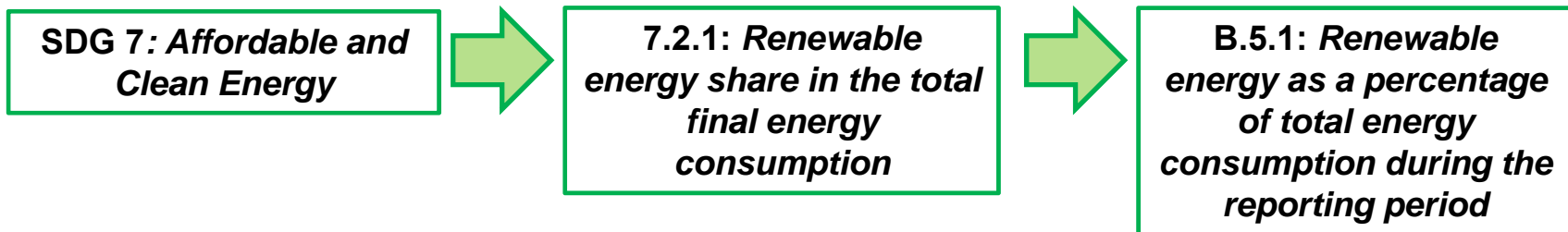


UNCTAD approach: From SDGs to Core Indicators for companies

- Logical framework:



- Example:





UNCTAD/ISAR proposal of core indicators

- ❖ **Limited number of core SDG indicators for enterprise reporting as a baseline to facilitate implementation**
- ❖ **Based on the integration of the SDGs into business models and strategies**
- ❖ **In alignment with the SDG relevant macro indicators**
- ❖ **No restriction to core indicators, but rather an encouragement for enhanced reporting to provide a broader and coherent view of company performance on the SDG/sustainability issues**



"General purpose" SDG reporting

Core SDG indicators meet common needs of different users of companies reporting





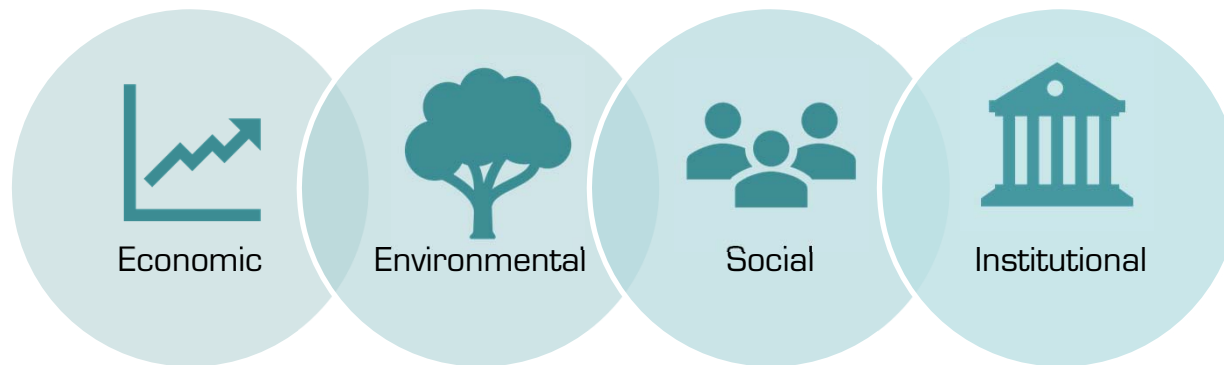
What is common to companies?

- ❖ **Economic impact (GDP, taxes)**
- ❖ **Rational use of natural resources (water, land, energy, materials), waste generation, impact on climate change (stressed in the Final Recommendations Report of the Task Force on Climate-related Financial Disclosures)**
- ❖ **Rational use of human capital (safety of workers, wages, gender aspects, training, human rights)**
- ❖ **Governance principles (resilience to corruption)**



GCI

Four areas



Limited number of core SDG indicators have been identified, based on key reporting principles, selection criteria, main reporting frameworks and companies reporting practices.



Economic area

- Revenue
- Value added (gross value added, GVA)
- Net value added (NVA)
- Taxes and other payments to the Government
- Green investment
- Community investment
- Total expenditures on research and development
- Percentage of local procurement

Social area

- Proportion of women in managerial positions
- Average hours of training
- Expenditure on employee training
- Employee wages and benefits by type and gender
- Expenditures on employee health and safety
- Frequency/incident rates of occupational injuries
- Percentage of employees covered by collective agreements

GCI core indicators

Environmental area

- Water recycling and reuse
- Water use efficiency
- Reduction of waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste
- Greenhouse gas emissions scope 1
- Greenhouse gas emissions scope 2

Institutional area

- N. of board meetings and attendance rate
- N. and percentage of female board members
- Board members by age range
- N. of meetings of audit committee and attendance rate
- Total compensation per board member and executive
- Amount of fines paid or payable due to convictions
- Average n. of hours of training on anti-corruption issues

Table 1: 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 18	8.2.1
		A. 1.2. Value added	Revenue minus cost of goods and services purchased	8.2.1; 9.b.. 9.4.1
		A.1.3. Net value added	Revenue minus the purchase of goods and services minus depreciation	8.2.1; 9.b.
A.2.	Payments to the Government	A.2.1. Taxes and other payments to the Government	Total taxes paid and payable for the reporting period, including tax penalties; royalties, license fees and other payments to the government excluding payments for government assets and penalties for non-compliance unrelated to tax payments	17.1.2
A.3.	New investment/expenditures	A.3.1. Green investment/products	TBD	7.b.1
		A.3.2. Community investment	See D. 2 below	17.17.1
		A.3.3. Total expenditures on Research and Development	IAS 38	9.5.1
A.4.	Total local supplier/purchasing programmes	A.4.1. Percentage of local procurement	The total amount of local purchasing is presented both as an absolute figure and as a percentage of total purchasing. The percentages are required to be based on invoices or commitments made during the reporting period, using accruals accounting.	9.3.1.
B	Environmental area	I.		
B.1.	Sustainable use of water	B.1.1. Water recycling	Total volume of water recycled and reused as a percentage of the total water withdrawal	6.3.1.
		B.1.2. Water use efficiency	Change in water consumption per net value added in the reporting period	6.4.1.
		B.1.3. Water stress	Water withdrawn with a breakdown by sources as a as a proportion of available freshwater resources	6.4.2.
		B.1.4. Integrated water Resource management	Degree of integrated water resources management implementation	6.5.1.
B.2.	Waste management	B. 2.1. Reduction of waste generation	Waste generated per net value added (change)	12.5.
		B.2.2. Waste recycling	Percentage of recycled input materials used to manufacture the organization's primary products and services	12.5.1.
B.3.	Greenhouse gas emissions	B.2.3. Hazardous waste	Total weight of hazardous waste and proportion of hazardous waste treated	12.4.2.
		B.3.1. Greenhouse gas emissions (scope 1)	Scope 1 contribution per unit of (net) value added	9.4.1.
		B.3.2. Greenhouse gas emissions (scopes 2)	Scope 2 contribution per unit of (net) value added	9.4.1.
B.4.	Chemicals, including pesticides and ozone-depleting substances	I.	See B.2.3 above	12.4.2.
B.5.	Energy consumption	B.5.1. Renewable energy	Renewable energy consumption as percentage of final energy consumption	7.2.1.
		B.5.2. Energy efficiency	Energy consumption per net value added	7.3.1.
C	Social area	I.		
C.1.	Gender equality	C.1.1. Proportion of women in managerial positions	Number of women in managerial positions to total number of employees	5.5.1.
C.2.	Research and development	C.2.1. Expenditure on research and development	IAS 38	9.5.1.
C.3.	Human capital	C.3.1. Average hours of training per year per employee broken down by employee category	Average number of hours of training per employee per year per category as total hours of training per year per category divided by total employees per category	4.3.1.
		C.3.2. Expenditure on employee training per year per employee broken down by employee category	Direct and indirect costs of training, including costs such as trainers fees, training facilities, training equipment, related travel costs etc.	4.3.1.
		C.3.3. Employee wages and benefits with breakdown by employment type and gender	Wages are calculated as total costs of employee workforce; benefits - IAS 19	8.5.1; 10.4.1
C.4.	Employee health and safety	C.4.1. Expenditures on employee health and safety	Total company's cost of occupational safety and health related programmes, direct cost of enterprise health care activities, costs on related working environment issues	3.8.
		C.4.2. Frequency rates/incident rates of occupational injuries or	Frequency rates: number of new injury cases by the total number of hours worked by workers; incident rates: number of new cases divided by average number of workers	8.8.1.
C.5.	Collective agreements	C.5.1. Percentage of employees covered by collective agreements	Number of employees covered by collective agreements to total employees	8.8.2.
D	Institutional area	I.		
D.1.	Corporate governance disclosures	D.1.1. Number of board meetings and attendance rate	Number of board meetings during the reporting period	16.6.
		D.1.2. Number/percentage of female board members	Female board members to total board members	5.5.1.
		D.1.3. Board members by age range	Average age of board members	16.7.1.
		D.1.4. Number of meetings of audit committee and attendance rate	Number of board meetings during the reporting period	16.6.
		D.1.5. Compensation: total and compensation per board member and executive	IAS 24	16.6.
D.2.	Donations (unspecified) and donations to community projects	D.2.1. Expenditures on charitable donations	Actual expenditures on charitable donations and investments of funds in the broader community where the target beneficiaries are external to the company; itemized; on the accrual basis	17.17.1
D.3.	Anti-corruption practices	D.3.1. Amount of fines paid or payable due to convictions	Total number of convictions; total amount of fines paid and or payable for violation of corruption related laws	16.5.2.



GCI

❖ **The Guidance provides practical information on how these core 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 12.6. and indicator 12.6.1.**



Discussion on core indicators:

- ❖ **Would the proposed indicators enable enterprises to provide comparable data on their performance towards the achievement of the **SDGs**, in alignment with the **SDG** monitoring framework?**
- ❖ **What could be main challenges on collecting underlying accounting data required for the proposed **SDG** indicators? Could cost and management accounting information be used for these purposes? What kind of assurance is required to facilitate reliability of such data?**
- ❖ **Are the suggested **SDG** indicators for companies useful for enabling countries to collect data on the private sector contribution to implementation of the **SDGs** and to report on the **SDG** target 12.6 and indicator 12.6.1; as well as on other **SDG** indicators in the area of environmental protection, waste generation; rational use of natural resources such as energy, water and land; social issues such as gender equality, good governance and anti-corruption practices?**



Discussion on core indicators:

- ❖ **Would measures to promote alignment of a limited number of core SDG indicators for companies with the national accounts and statistic methodologies be helpful to facilitate usefulness and comparability of such reporting for different stakeholders, including the national SDG monitoring authorities?**
- ❖ **What kind of solutions can new data companies provide to support harmonisation and comparability of the SDG reporting by companies and to improve monitoring and aggregation of the SDG data at a company level, including the proposed core indicators?**
- ❖ **Would the GCI be a useful tool to develop case studies to advance high quality reporting by entities on their contribution to the SDG agenda?**

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