

# Guidance on Core Indicators for Sustainability and SDG Impact Reporting



**United  
Nations**

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Geneva, 2022

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# Key abbreviations

<b>FTE</b>	full-time equivalent
<b>GAAP</b>	generally accepted accounting principles
<b>GHG</b>	greenhouse gas
<b>GRI</b>	Global Reporting Initiative
<b>IAS</b>	International Accounting Standard
<b>IFRS</b>	International Financial Reporting Standard
<b>IIRC</b>	International Integrated Reporting Council
<b>ISSB</b>	International Sustainability Standards Board
<b>ODS</b>	ozone-depleting substance
<b>SME</b>	small and medium-sized enterprise
<b>SNA</b>	System of National Accounts
<b>TCFD</b>	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 and 169 targets.<sup>1</sup> 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 was established to develop a global indicator framework to monitor implementation of the 2030 Agenda for Sustainable Development.
2. Sustainable Development Goal 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 Sustainable Development Goal 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.
3. Company reporting is therefore an important data source for the Sustainable Development Goal monitoring framework. As a primary source of information on company performance, reporting can enrich and enhance Sustainable Development Goal monitoring mechanisms by providing stakeholders such as Governments and capital providers with the means to assess the economic, environmental and social impact of companies on sustainable development.
4. UNCTAD launched the development of a limited number of core Sustainable Development Goal indicators for enterprise reporting in 2016, during its fourteenth ministerial conference in Kenya.
5. The first edition of the guidance on core indicators was prepared 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). It was based on deliberations over three years during the ISAR annual sessions<sup>2</sup> and at intersessional forums, including Consultative Group meetings convened by UNCTAD from 2016 to 2018.
6. A limited number of core Sustainable Development Goal indicators were identified, based on key reporting principles, selection criteria, main reporting frameworks and enterprise reporting practices. The core indicators are a starting or entry point for sustainability and Sustainable Development

<sup>1</sup> United Nations General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development, 21 October 2015, A/RES/70/1.

<sup>2</sup> 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](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](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](https://unctad.org/meetings/en/SessionalDocuments/ciisard85_en.pdf).



Goal reporting by enterprises and 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 the Sustainable Development Goals.

7. Since the first edition of the guidance on core indicators, UNCTAD prepared 36 case studies on the practical application of the core Sustainable Development Goal indicators in different types of entities from various countries and industries, including listed companies, SMEs and family businesses. The case studies were presented and discussed at the ISAR 36th, 37th and 38th sessions and provided further evidence of the applicability of the guidance on core indicators approach and its value in facilitating sustainability and Sustainable Development Goal reporting by companies in a consistent and comparable manner. The case studies also underscored the role of the guidance on core indicators as a capacity-building tool for the integration of sustainability information in companies' accounting and reporting cycles. They further highlighted the need to build technical expertise to report on the core Sustainable Development Goal indicators. At the thirty-seventh session of ISAR, the Group of Experts requested the secretariat to evaluate whether adjustments to the guidance on core indicators were necessary. Therefore, in preparations for the thirty-eighth session of ISAR, UNCTAD convened a Consultative Group meeting in March 2021 with the objective of collecting different perspectives and deliberating on possible updates to the core Sustainable Development Goal indicators. The meeting benefited from the participation of experts from various key stakeholders in the area of sustainability/Sustainable Development Goal reporting (including the IFRS Foundation, CDP, CDSB, GRI, IIRC, SASB, WBCSD, FAO, IOSCO, UNDESA (Financing for Sustainable Development Office and Statistics Department), UNEP, UNGC, UNRISD), representatives from beneficiary countries of UNCTAD's technical assistance project on promoting *enabling policy frameworks for enterprise sustainability and Sustainable Development Goal reporting*, and experts involved in the preparation of case studies.
8. In addition, a series of developments at the international level have changed the sustainability reporting landscape. They have culminated with the Chair of the IFRS Foundation Trustees announcing the creation of the International Sustainability Standards Board (ISSB) at the twenty-sixth Conference of the Parties under the United Nations Conference of the Parties on Climate Change (COP 26) in November 2021. This new international standards setter will issue global sustainability reporting standards that will very soon become mandatory for listed companies in many jurisdictions worldwide. Consequently, all countries will have to speed up national efforts to establish or strengthen their regulation and institutions and build technical capacity to be able to respond to the new requirements.
9. UNCTAD has also broadened and deepened its engagement with capital market stakeholders over the past decade to support improved sustainability reporting and increased flows of capital to finance the Sustainable Development Goals. UNCTAD is the Chair of the Sustainable Stock Exchanges (SSE) initiative, a United Nations Partnership Programme organized by UNCTAD, the United Nations Global Compact, UNEP FI and the PRI. Launched by the United Nations Secretary-General in 2009, the SSE has over 130 member exchanges around the world. The SSE mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations can enhance performance on environmental, social and corporate governance

issues and encourage sustainable investment, including the financing of the United Nations Sustainable Development Goals. The SSE seeks to achieve this mission through an integrated programme of conducting evidence-based policy analysis, facilitating a network and forum for multi-stakeholder consensus-building, and providing technical guidelines, advisory services and training. Over the past decade, SSE member exchanges have rapidly increased the number of written guidance documents from exchanges to listed companies on sustainability reporting from just 6 in 2012 to 67 in 2022. At the same time, the number of markets with mandatory sustainability reporting has grown from 2 in 2012 to 32 in 2022.<sup>3</sup>

10. In addition, the sustainable institutional investment programme of UNCTAD is devoted to promoting the integration of sustainable development, as defined by the Sustainable Development Goals, into the capital market, and facilitating long-term sustainable investment by institutional investors in key Sustainable Development Goal sectors, including through promotion of sustainability disclosure best practices and standards and partnership with Sustainable Development Goal investors.
11. These recent developments have reinforced the need for guidelines that support policymakers on the creation of a sound national sustainability reporting infrastructure that enables high quality reporting and supports the implementation of the future ISSB standards. These developments have highlighted once more the urgency and importance of transparent measurement and disclosure, as well as of comparability and reliability of sustainability information.
12. In this regard, the guidance on core indicators will continue to be a useful instrument for governments in their efforts to develop policy frameworks on the Sustainable Development Goal reporting by companies to strengthen the capacities to measure and monitor the contribution of the private sector to the implementation of the 2030 Agenda.
13. Based on the findings of the case studies, the deliberations at the Consultative Group meeting and taking into consideration key international developments in this area, UNCTAD has revised the core Sustainable Development Goal indicators. The modifications include light changes in measurement methodology, normalization, and clarifications and removal of inconsistencies. In addition, an indicator on land and biodiversity has been added.
14. **The objective of this Guidance** document is to provide practical information on how the indicators can be measured in a consistent manner and in alignment with countries' needs on monitoring the attainment of the 2030 Agenda. It is intended to serve as a tool **to assist Governments** in assessing the private sector contribution to the Sustainable Development Goals, enabling them to report on Sustainable Development Goal indicator 12.6.1. It also intends **to assist entities** in providing data on sustainability issues in a consistent and comparable manner. Beyond the objective of Sustainable Development Goal impact measurement, the guidance on core indicators also facilitates capacity-building in the area of sustainability reporting in general. Building technical capacity to report on sustainability is now particularly relevant in light of rapid developments and increasing demands in relation with the upcoming international sustainability reporting standards.

<sup>3</sup> See <https://sseinitiative.org/data/>.

Figure 1

**Overview of the core Sustainable Development Goal indicators in the guidance**

**GCI core indicators**



**ECONOMIC AREA**

**A.1. Revenue and Value added**

- Revenue
- Value added (gross value added, GVA)
- Net value added (NVA)

**A.2. Payments to Government**

- Taxes and other payments to the Government

**A.3. New investment/expenditures**

- Green investment
- Community investment
- Expenditures on research and development

**A.4. Local supplier/ purchasing programmes**

- Share of local procurement



**SOCIAL AREA**

**C.1. Gender equality**

- Share of women in managerial positions

**C.2. Human Capital**

- Hours of employee training
- Expenditures on employee training
- Employee wages and benefits

**C.3. Employee health and safety**

- Expenditures on employee health and safety
- Incidence rate of occupational injuries

**C.4. Coverage by collective agreements**

- Share of employees covered by collective agreements



**ENVIRONMENTAL AREA**

**B.1. Sustainable use of water**

- Water recycling and reuse
- Water use efficiency
- Water stress

**B.2. Waste Management**

- Waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste generation

**B.3. Greenhouse gas emissions**

- Greenhouse gas emissions scope 1
- Greenhouse gas emissions scope 2

**B.4. Ozone-depleting substances and chemicals**

- Ozone depleting substances and chemicals dependency

**B.5. Energy consumption**

- Share of renewable energy
- Energy efficiency

**B.6. Land and Biodiversity**

- Land used adjacent to biodiversity sensitive areas



**INSTITUTIONAL AREA**

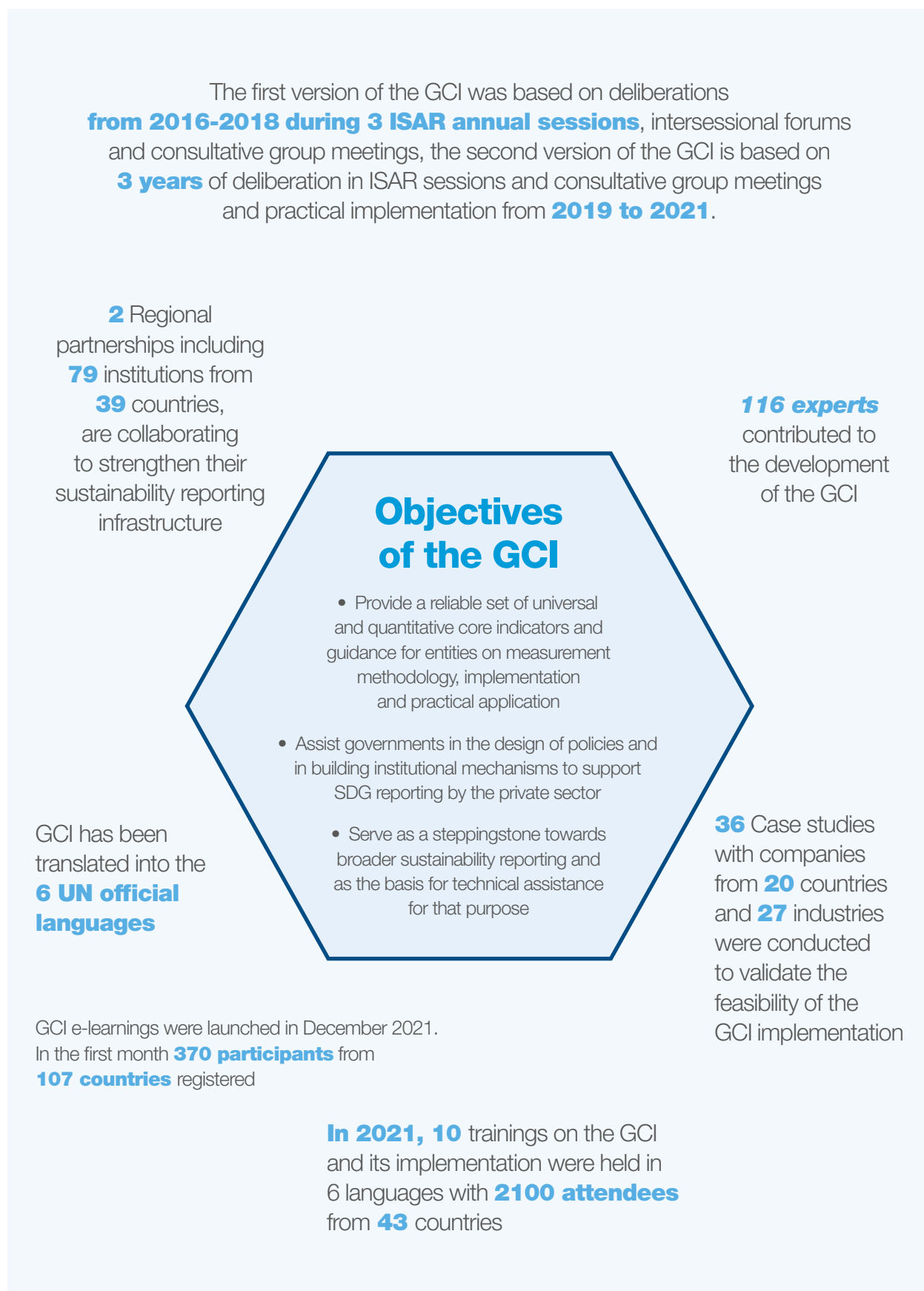
**D.1. Corporate governance disclosures**

- Board meetings and attendance
- Share of female board members
- Board members by age range
- Audit committee meetings and attendance
- Compensation per board member

**D.2. Anti-corruption practices**

- Corruption incidence
- Management training on anticorruption

Figure 2  
**Guidance on core indicators in facts and figures**



## II. Underlying principles

### 2.1 Key methodological points

15. The original development of the Guidance was based on the main methodological considerations below.
16. **Simplicity.**<sup>4</sup> 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/Sustainable Development Goal indicators.
17. **Baseline approach.** The selected core indicators are common to any business as they focus on a rational use of resources (such as water, energy, air; waste reduction); social issues related to human capital development and gender equality; as well as governance and transparency – which is part of the regular business operational 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 existent during its development and revisions; it provides a measurement methodology for each of the selected core indicators and suggests accounting sources of data collection. It remains up to individual businesses in different operating contexts to start from these baseline indicators and provide additional information as needed to reflect their specific Sustainable Development Goal-related practices and more specific needs of users, particularly those representing investors and other capital providers.
18. **Emphasis on quantitative indicators.** Although the importance of qualitative, narrative disclosure and of understanding these indicators in a specific context are acknowledged, the Guidance focuses on quantitative indicators.
19. For each reporting indicator (micro-level), the Guidance makes reference to a most relevant Sustainable Development Goal indicator (macro level) and its metadata, in order to facilitate the **alignment between the micro- and macro-level indicators**. For, instance, in the case of core indicator D.1.2 *Share of female board members*, reference is made to Sustainable Development Goal indicator 5.5.2 *Proportion of women in managerial positions*. In some cases, a macro-level indicator is referred for more than one reporting indicator, or a Sustainable Development Goal or target is linked. 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 Sustainable Development Goal macro-level. The alignment between the micro and macro-level indicators takes into account the approach of a statistical framework jointly developed by the European Commission (EC), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations and

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

the World Bank, titled “The System of National Accounts” (SNA).<sup>5</sup> 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-levels to facilitate the interface between the two kinds of data.

## 2.2. Selection criteria

20. Selection of the core indicators is based on the following criteria:
- Relevance to at least one Sustainable Development Goal monitoring indicator, to a Sustainable Development Goal target or to a Goal;
  - 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.

## 2.3 Reporting principles

21. The Guidance is based on the consideration that the reporting framework for the core Sustainable Development Goal indicators should be consistent with the existing foundations for the international financial reporting system to allow for the integration of sustainability information into company reporting cycles.<sup>6</sup>
22. **Materiality versus 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 Sustainable Development Goal reporting, materiality has a new dimension in addition to its established definition.<sup>7</sup> 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. 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.<sup>8</sup>
23. Furthermore, enhanced transparency is required on the materiality assessment process that should accompany the reporting of data on the

<sup>5</sup> EC, IMF, OECD, United Nations, WB (2009). *System of National Accounts 2008*, NY, 2009, available at <https://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>.

<sup>6</sup> For more details, see United Nations Conference on Trade and Development. *Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting* (2016). TD/B/C.II/ISAR/78.

<sup>7</sup> According to Conceptual Framework for Financial Reporting (IFRS), “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”.

<sup>8</sup> For additional information on how the UNCTAD secretariat considers materiality as part of the conceptual framework of the core indicators, reference is made to the United Nations Conference on Trade and Development, *The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making*, 2017, TD/B/C.II/ISAR/81.

core Sustainable Development Goal indicators. In its Consultation Document on the Update of the Non-Binding Guidelines on Non-Financial Reporting, the European Commission<sup>9</sup> 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 the consumers, civil society, employees and a growing number of investors as primary audience. Moreover, in the proposal for a Corporate Sustainability Reporting Directive, the European Commission includes the double materiality concept which considers that companies should be reporting on how sustainability issues affect their performance, position and development, and on their impact on people and the environment.<sup>10</sup>

24. **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 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.<sup>11</sup>
25. **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.
26. **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.
27. **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.

<sup>9</sup> See pp. 7–8 of the *Consultation Document on the Update of the Non-binding Guidelines on Non-financial Reporting* for more details on materiality. 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](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/2019-non-financial-reporting-guidelines-consultation-document_en.pdf).

<sup>10</sup> See p. 1 of the proposal for a Corporate Sustainability Reporting Directive, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021PC0189&from=EN> [accessed 30 March 2022].

<sup>11</sup> See on this point “CDSB Framework Advancing and aligning disclosure of environmental information in mainstream reports for reporting environmental information, natural capital and associated business impacts”, [https://www.cdsb.net/sites/default/files/cdsb\\_framework\\_2.1.pdf](https://www.cdsb.net/sites/default/files/cdsb_framework_2.1.pdf), April 2018, p. 27. “REQ-07 Organizational boundary” also states that the basis on which the organizational reporting boundary has been determined shall be described.

## 2.4 Underlying accounting data

### 2.4.1 Definition of the reporting unit

28. 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.
29. 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 users' 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.
30. 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 data are collected and reported at the level of individual facilities (e.g. a factory, or business office, among others).<sup>12</sup> This is the case, for example, of certain emissions trading programmes for greenhouse gases (GHG) data, or the identification of water-stressed areas. 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.<sup>13</sup>
31. 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.
32. The International Financial Reporting Standards (IFRS) require reporting entities that control other entities, for example subsidiaries, to prepare consolidated financial statements. In accordance with the 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.

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

<sup>13</sup> See also [http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual\\_2.pdf](http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual_2.pdf).



## 2.4.2. Quality and reliability of information for Sustainable Development Goal reporting

33. The accuracy of information available will vary depending on the source and on the subsequent ability of the reporting entity to assure this information. It is thus 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 adopted, on 21 April 2021, a proposal for a Corporate Sustainability Reporting Directive which requires the assurance of reported information.
34. In contrast to financial reporting, assurance of sustainability reporting by a third party is still voluntary in most countries. It should be noted that the GRI (Global Reporting Initiative) and Accountancy Europe,<sup>14</sup> for instance, encourage independent assurance to increase the quality of sustainability reporting. Also, the UNCTAD Research Paper No.1<sup>15</sup> 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 is done within the ISAE 3000 revised *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* review framework (which does not prevent entities from using also AA1000).<sup>16</sup> In addition, in 2021 the International Auditing and Assurance Standards Board (IAASB) issued Non-authoritative guidance on applying ISAE 3000 (revised) to sustainability and other extended external reporting assurance engagements.<sup>17</sup> The two international standards that are most referred internationally are ISAE 3000 revised and AA1000AS *Assurance Standard*. Entities can choose between reasonable and limited assurance.
35. 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.<sup>18</sup>

<sup>14</sup> Accountancy Europe was named previously as the Federation of European Accountants (FEE). It unites 51 professional organizations from 37 countries.

<sup>15</sup> 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](http://unctad.org/en/PublicationsLibrary/ser-rp-2018d1_en.pdf), p. 23.

<sup>16</sup> 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/> [accessed 30 March 2022].

<sup>17</sup> Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements | IFAC ([iaasb.org](http://iaasb.org)).

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

# III. Core Sustainable Development Goal indicators

36. This section provides information on the core indicators suggested by the UNCTAD secretariat and approved by ISAR. They were developed based on several Consultative Group meetings, case studies on their practical implementation, research and discussions at the ISAR sessions. The core indicators cover 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 Sustainable Development Goal indicators.
37. Reporting on the Sustainable Development Goal indicators requires that entities prove the following contextual information:<sup>19</sup>
- Location of the organization's headquarters.
  - Number of countries where the entity operates, and names of countries where either it 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, 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

38. 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
  - Expenditures on research and development
  - Share of local procurement.

<sup>19</sup> 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

39. Revenues should be preferably defined and measured according to the “IFRS 15 Revenue from Contracts with Customers”.<sup>20</sup> 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).<sup>21</sup>

#### Sources of data collection

40. 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.
41. 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

42. Value added is defined as the difference between the revenues and the costs of purchased materials, goods and services from external suppliers. In other terms, 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 Sustainable Development Goal 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 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.

<sup>20</sup> 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, the UNCTAD/EEI (III.G) (“A Manual for the Preparers and Users of Eco-efficiency Indicators”, [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf), p. 103) specifies that all financial items, including revenues, should be defined in line with the International Accounting Standards.

<sup>21</sup> Established by the United Nations, the European Commission, the Organization for Economic Co-operation and Development, the International Monetary Fund and the World Bank Group, the full text of the SNA is available at <https://unstats.un.org/UNSD/nationalaccount/docs/SNA2008.pdf>.

### Measurement methodology

43. Value added can be calculated as:<sup>22</sup>

Direct economic value generated MINUS the costs of goods and services<sup>23</sup> purchased from external suppliers.<sup>24</sup>

Where:

*Direct economic value generated* is calculated starting from revenues and considering also other income from financial investments (such as interest on financial loans; 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).

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 is 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 done from data in the organization's audited profit and loss statement, or its internally audited management accounts (internal management reports for the country-specific data should be used). In particular, if an entity would like 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 HR 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 profit and loss 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).

<sup>22</sup> 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", [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf), p. 103), which defines Value Added as Revenue – 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.

<sup>23</sup> These costs refer to the goods and services purchased from an outside supplier rather than being made within the organization. They can include the costs of bought in raw materials, semi-finished products, sub-assemblies and components and finished products, as well as the cost of services by external suppliers such as consulting, technology support or outsourced maintenance activities.

<sup>24</sup> Value added can be calculated also as: Salaries + Depreciation + Amortisation + 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", [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf), p. 104.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicators 8.2.1 Annual growth rate of real gross domestic product per employed person; 9.2.1 Manufacturing value added as a proportion of GDP and per capita; 9.3.1 Proportion of small-scale industries in total industry value added; 9.4.1 CO<sub>2</sub> emission per unit of value added; Sustainable Development Goal 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; and 9.b.1 Proportion of medium and high-tech industry value added in total value added.

The International Labour Organization (ILO) has prepared metadata 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 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.

### 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.<sup>25</sup>

#### Potential sources of information

49. Reference is made to the Value-Added statement and other possibilities for calculation of value added-related data, discussed in indicator A.1.2.

## A.2. Payments to the Government

### A.2.1. Taxes and other payments to the Government

#### Definition

50. 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

51. 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/country specific,<sup>26</sup> all royalties, licence fees and other payments to Government.
52. 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.
53. In case an entity receives subsidies and other payments from the Government,<sup>27</sup> it is suggested to indicate them separately.
54. If operating in more than one country, it is suggested, in line with what was already suggested for other indicators, that the organization reports 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.
55. It is important to note that 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

<sup>25</sup> 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", [https://unctad.org/system/files/official-document/itejpc20037\\_en.pdf](https://unctad.org/system/files/official-document/itejpc20037_en.pdf), p. 104.

<sup>26</sup> On this point, see also: Guidance on Corporate Responsibility Indicators in Annual Reports, published by UNCTAD in 2008 (UNCTAD/CRI). United Nations publication, UNCTAD/ITE/TEB/2007/6, available at [http://unctad.org/en/Docs/itejpc20076\\_en.pdf](http://unctad.org/en/Docs/itejpc20076_en.pdf), (indicator 14); IFRS - IFRIC 21 Levies <https://www.ifrs.org/issued-standards/list-of-standards/ifric-21-levies.html/content/dam/ifrs/publications/html-standards/english/2022/issued/ifric21/>.

<sup>27</sup> For example, tax concessions, such as exemptions, credits, or deferrals and subsidies for specific sectors (e.g. farm subsidies, oil subsidies, auto dealer subsidies, housing subsidies).

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicators 8.2.1 Annual growth rate of real gross domestic product per employed person; 9.2.1 Manufacturing value added as a proportion of GDP and per capita; 9.3.1 Proportion of small-scale industries in total industry value added; 9.4.1 CO<sub>2</sub> emission per unit of value added, and Sustainable Development Goal 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; and 9.b.1 Proportion of medium and high-tech industry value added in total value added.

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

data of the multiple entities in a country needs to be aggregated at a 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

56. Taxes and other payments to the Government can be found either as an expense or as a liability (asset) in the financial statements.
57. 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 royalties' fees imposed on industries which are regulated by the government, e.g. telecommunications, mining, aviation, banking, insurance, dairy, energy and natural resources, etc.
58. 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 a 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

59. Green investment refers to investment that can be considered positive for the environment in a direct or indirect manner. Specifically, this indicator includes all the expenditures for renewable energy (e.g. wind energy, solar energy).

##### Measurement methodology

60. 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 for renewable energy referred to in the reporting period under consideration.
61. It would be useful to calculate also an additional ratio expressing a firm's green capital expenditure amount for renewable energy in period t as a percentage of the entity's period t net value added. This indicator would be expressed in percentage (%) terms.
62. Similar to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose green investments for renewable energy by country.

##### Potential sources of information

63. Information regarding these expenditures can be found as an operating expense when the corresponding expenses are not capitalized. They can be found in the profit and loss statement. 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

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 17.1.2. Proportion of domestic budget funded by domestic taxes.

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

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 7.b.1. Installed renewable energy-generating capacity in developing countries (in watts per capita).

The International Renewable Energy Agency (IRENA) has defined the indicator as the installed capacity of power plants that generate electricity from renewable energy sources divided by the total population of a country. Capacity is defined as the net maximum electrical capacity installed at the year-end and renewable energy sources are as defined in the IRENA Statute.

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal target 17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships; and to Sustainable Development Goal 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.

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 (PPE).

### A.3.2. Community investment

#### Definition

64. Community investment refers to charitable/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

65. The amount of community investment should be expressed in monetary terms and should comprise the expenditures (both capital expenditure and operating ones if applicable) incurred in the reporting period.

Examples of expenditure that could be included in the calculation are the following:

- (a) Contributions to charities, non-governmental organizations and research institutes (not related to the entity's commercial research and development);
- (b) 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;
- (c) Direct costs of social programmes (e.g. arts and educational events) or of provision of emergency relief in times of natural disaster.

66. For what concerns the support of community infrastructures (b), 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.

67. Regarding the support of social programmes (c), the amount to calculate the indicator should refer to the specific operating costs related to the programmes financed by the entity.

68. 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).

69. It would be useful to calculate a ratio expressing a firm's community investments amount in period t as a percentage of the entity's period t net value added. This indicator would be expressed in percentage (%) terms.

70. Similar 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

71. 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 to compute this indicator is thus found there and is usually recorded by the finance, treasury, or accounting departments.
72. In case there is a community investment manager, she/he should be the owner of all the relevant information for calculating this indicator.

**A.3.3. Expenditures on research and development**Definition

73. 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 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

74. There are different accounting treatments of research and development expenses. Under the United States GAAP, all research and development 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. So according to IFRS, distinguishing development activities from research activities is crucial and the most important criterion to decide between expensing or capitalizing research and development expenditure is represented by the technical feasibility of completing the intangible asset so that it will be available for use or sale.
75. To calculate this indicator all research and development expenditures incurred in a certain reporting period should be considered, independently from their accounting treatment.<sup>28</sup>
76. In addition to the total research and development expenditure amount (expressed in monetary terms) it is suggested to calculate also the ratio of total research and development expenditures over net value added in the reporting period. This indicator would be expressed in percentage (%) terms.

**RELEVANCE TO THE SDGS**

This indicator is relevant to Sustainable Development Goal 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 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 from 2015 to define research and development 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".

<sup>28</sup> On this indicator see also Guidance on Corporate Responsibility Indicators in Annual Reports, published by UNCTAD in 2008 (UNCTAD/CRI). United Nations publication, UNCTAD/ITE/TEB/2007/6, available at [http://unctad.org/en/Docs/iteteb20076\\_en.pdf](http://unctad.org/en/Docs/iteteb20076_en.pdf), (indicator 9).



77. Similar to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose research and development 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

78. 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 research and development costs incurred in a certain reporting period are expensed (there is a specific line in the profit and loss for research and development expenses, included as part of the operating costs) or capitalized (as intangible assets).
79. Management accounting systems and internal management reports can be consulted for the country-specific data.

## A.4. Local supplier/purchasing programmes

### A.4.1. Share of local procurement<sup>29</sup>

Definition

80. Share of local procurement is the proportion of spending of a reporting entity on local suppliers. Costs of local procurement are a general indicator of the extent of an entity's linkages with the local economy.

Measurement methodology

81. The indicator can be calculated based on 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.
82. The "same geographical market" definition, 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 to consider the country as a distinguishing criterion. In line with UNCTAD Guidance on Corporate Responsibility Indicators in Annual Reports,<sup>30</sup> 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 the local content or entity requirements as 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

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 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" enterprise, which makes comparability a challenge. In this context, UNIDO proposes that, for compilation purpose, all countries compile the employment and value-added data by a size class of "small-scale industries" as with less than 20 persons employed. From such data, an internationally comparable data on the share of "small-scale industries" in total could be derived.

<sup>29</sup> See also GRIG4-Part2-Implementation-Manual, p.83 and p. 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 anti-competitive practice. Therefore, the guidance opts for an established and baseline approach on this matter.

<sup>30</sup> Guidance on Corporate Responsibility Indicators in Annual Reports, published by UNCTAD in 2008 (UNCTAD/CRI). United Nations publication, UNCTAD/ITE/TEB/2007/6, available at [http://unctad.org/en/Docs/iteteb20076\\_en.pdf](http://unctad.org/en/Docs/iteteb20076_en.pdf).

payments to the suppliers have been made. In this way, 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.

83. It is suggested that the total amount of local purchasing is presented both as an absolute figure (in monetary terms) and as a percentage of total purchasing of the reporting entity.
84. 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.
85. When possible, it is also suggested to categorize the amount of local purchases by size of the 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 recognized threshold figures (and to specify which criterion has been used to categorize the amount of local procurement), for example, the following threshold figures are used in the European Union: (a) based on the number of employees: micro entities have less than 10 employees; small businesses have fewer than 50 employees; and medium sized entities are those organizations with less than 250 employees; (b) based on the amount of annual revenue and total assets: micro entities are entities with 2 million of euros or less in revenue and total assets; small business are organizations with 10 million euros or less in revenue and total assets; a medium-sized entity is defined as an organization that makes 50 million euros or less in revenue and has 43 million or less in total assets.<sup>31</sup>

#### Potential sources of information

86. 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 data.<sup>32</sup>

## **B. Environmental area**

87. In the environmental area, the following core indicators are selected:
- Water recycling and reuse
  - Water use efficiency
  - Water stress
  - Waste generation
  - Waste reused, remanufactured and recycled
  - Hazardous waste generation

<sup>31</sup> See [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en).

<sup>32</sup> 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.

- Greenhouse gas emissions (scope 1)<sup>33</sup>
- Greenhouse gas emissions (scope 2)
- Ozone-depleting substances and chemicals dependency
- Share of renewable energy
- Energy efficiency
- Land used adjacent to biodiversity sensitive areas.

## B.1. Sustainable use of water<sup>34</sup>

### B.1.1. Water recycling and reuse

#### Definition

88. Water recycling and reuse<sup>35</sup> refers to the total volume of water that a reporting entity recycles and/or reuses during the reporting period.

#### Measurement methodology

89. It is suggested that the entity reports 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 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<sup>36</sup> + 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.
90. The indicator is thus expressed in both cubic metres (m<sup>3</sup>) and percentage terms (%).
91. 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

<sup>33</sup> 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. UNCTAD's Consultative Group decided to exclude scope 3 emissions from the list of core indicators until reliable measurement methods are developed.

<sup>34</sup> Useful sources of information regarding 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, UNEP report: Raising the Bar - Advancing Environmental Disclosure in Sustainability Reporting, published in 2015. United Nations publication, available at [https://wedocs.unep.org/bitstream/handle/20.500.11822/9807/-Raising\\_the\\_Bar\\_-\\_Advancing\\_Environmental\\_Disclosure\\_in\\_Sustainability\\_Reporting-2015UNEP\\_Raising\\_the\\_Bar\\_2015.pdf.pdf?sequence=3&amp%3BisAllowed=](https://wedocs.unep.org/bitstream/handle/20.500.11822/9807/-Raising_the_Bar_-_Advancing_Environmental_Disclosure_in_Sustainability_Reporting-2015UNEP_Raising_the_Bar_2015.pdf.pdf?sequence=3&amp%3BisAllowed=).

<sup>35</sup> 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" <https://www.globalreporting.org/standards/media/1775/revised-exposure-draft-gri-303-water-and-effluents-20dec17-18feb18.pdf> (p. 29). It has to be noted that 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](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.

<sup>36</sup> 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.

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.

92. It is suggested that the indicator is 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.
93. As entities should be striving to improve the amount of water recycling and reuse, it is suggested that this indicator is disclosed to reflect changes from the previous reporting period (i.e. water recycling at time t MINUS water recycling at time t-1) to monitor and communicate the progress made in this area.<sup>37</sup>

#### Potential sources of information

94. 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 for what concerns the resource recycling quantities and costs.
95. 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.
96. Also, 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.

### B.1.2. Water use efficiency

#### Definition

97. Water use efficiency refers to the net value added divided by the water use in the reporting period as well as to the change of net value added divided by the change of water use between two reporting periods.<sup>38</sup> Water use is defined in this indicator as water withdrawal plus total water received from a third party.

#### Measurement methodology

98. The indicator is expressed in €, \$, £, etc. per cubic metres (m<sup>3</sup>).
99. 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.

<sup>37</sup> 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, small boilers used to catch an overshoot of water, etc.).

<sup>38</sup> This indicator is in line with the UNCTAD/EEI (III.B), UNEP report: Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting, CDP water questionnaire <https://www.cdp.net/en/water>, GRI 303-1. It is also in line with the definition of the SEEA. Note that the terms "use" and "consumption" are sometimes employed with different specific meanings in different frameworks.

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 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.

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 6.4.1. Change in water-use efficiency over time.

According to the Food and Agriculture Organization (FAO), its metadata 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.

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Calculating such 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 use, it is suggested that this indicator is 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.

Potential sources of information

101. 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 system (operational information system tracking physical units and recording water flows) and/or environmental accounting systems/environmental management systems especially for what concerns the resource recycling quantities and costs.
102. 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.
103. Also, 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

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

Measurement methodology

105. 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/processed water. It should be reported with a breakdown by the following sources:<sup>39</sup>
- Surface water, including, for example water from wetlands, rivers and lakes
  - Groundwater
  - Rainwater collected directly and stored by the organization
  - Wastewater from another organization.
106. This indicator is expressed in cubic metres (total m<sup>3</sup> 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.

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 6.4.2. Level of water stress: freshwater withdrawal as a proportion of available freshwater resources.

The 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.

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<sup>39</sup> 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), UNEP report: Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting, CDP water questionnaire, <https://www.cdp.net/en/water>, GRI 303-1.

107. In order to contextualize how an entity manages water use and stress, it is important to take into account its operations and its water resource context. It is thus suggested that the reporting entity discloses 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.<sup>40</sup>

#### Potential sources of information

108. 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).<sup>41</sup>

109. 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 datasets that can assist entities in this process and there are also free web-based tools that use these datasets to conduct calculations, such as:

- WBCSD Global Water Tool
- WRI Aqueduct Water Risk Atlas
- WWF-DEG Water Risk Filter (Quick View)
- WFN Water Footprint Assessment Tool.

110. 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. Waste generation**

#### Definition

111. 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.<sup>42</sup>

#### Measurement methodology

112. 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.<sup>43</sup> This excludes the amount that is treated either on-site or off-site through closed-loop recycling, reuse or remanufacturing

<sup>40</sup> This is in line with the United Nations Global Compact's 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.

<sup>41</sup> As suggested in [http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual\\_2.pdf](http://waterfootprint.org/media/downloads/TheWaterFootprintAssessmentManual_2.pdf), entities can consult proprietary databases such as Ecoinvent, <https://www.ecoinvent.org/>

<sup>42</sup> 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 [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf).

<sup>43</sup> 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 refer to UNCTAD/EEI "A Manual for the Preparers and Users of Eco-efficiency Indicators", [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf), p. 93, section III.F.3.d.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal target 12.5. By 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.

The United Nations Statistical Division (UNSD) and UNEP, in their metadata 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 own purpose of production, transformation or consumption, and which he 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.

processes, i.e. the recycled, reused or remanufactured waste materials returned to the processes of the reporting entity.

113. 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, m<sup>3</sup>). Country-based Environment Agencies usually provide conversion tools to assist organizations in calculating tonnages (e.g. conversion factors based on the waste density and volume, mass balances, or similar information).<sup>44</sup>
114. Waste generated should be presented in absolute volumes (in terms of kilos or tons of waste) and also normalized. In order to normalize data on waste generation figures, total waste generated should be divided by the amount of net value added (expressed in €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is kilos or tons of waste per €, per \$ etc.
115. 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 regarding materials processing and disposal.

### Potential sources of information

116. Waste should be weighed or metered at each specific business site.
117. 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).
118. 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.

## B.2.2. Waste reused, remanufactured and recycled

### Definition

119. Among the options for waste treatment, one is reuse, remanufacturing and recycling.<sup>45</sup>
120. 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.

<sup>44</sup> See, for example, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/519078/LIT\\_10134.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519078/LIT_10134.xls), [https://www.epa.gov/sites/production/files/2016-04/documents/volume\\_to\\_weight\\_conversion\\_factors\\_memoandum\\_04192016\\_508fnl.pdf](https://www.epa.gov/sites/production/files/2016-04/documents/volume_to_weight_conversion_factors_memoandum_04192016_508fnl.pdf).

<sup>45</sup> UNCTAD/EEI “A Manual for the Preparers and Users of Eco-efficiency Indicators”, p. 93, [https://unctad.org/system/files/official-document/itepc20037\\_en.pdf](https://unctad.org/system/files/official-document/itepc20037_en.pdf). This indicator is also consistent with the spirit of GRI 301-2 on recycled input materials used.

121. Remanufacturing 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.
122. 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.
123. It is possible to further distinguish between open- and closed-loop reuse, remanufacturing and recycling, where open-loop means that the recycled, reused or remanufactured material is returned to the market, not to the processes of the reporting entity; while closed-loop means that the recycled, reused or remanufactured material is returned to the processes of the reporting entity.

#### Measurement methodology

124. The amount of reused, remanufactured, and recycled waste should be recognized in the period in which it is treated and should be measured in kilos and tons (see on this point indicator *B.2.1. Waste generation*). When possible, it would be preferable to distinguish among the three options, and specifically, between reuse and recycling versus remanufacturing.
125. Reused, remanufactured and recycled waste should be presented in absolute amounts (in terms of kilos or tons of waste) and also normalized. In order to normalize data on waste generation figures and to be consistent with the way in which indicator *B.2.1. Waste generation* is calculated, reused, remanufactured and recycled waste should be divided by the amount of net value added (expressed in €, \$, £, etc.) generated in the same reporting period (see indicator *A.1.3. Net value added*). So, in the end, the unit of measure of this indicator is kilos or tons of waste per €, per \$ etc.
126. 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, remanufacture and recycle efforts in line with the idea of circular economy.

#### Potential sources of information

127. 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 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).
128. When the recycled, reused or remanufactured material is returned to the processes of the reporting entity (closed loop), the related figures should be collected at each business site and reported through operational reporting.
129. 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 or by a 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.

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## **RELEVANCE TO THE SDGS**

This indicator is relevant to Sustainable Development Goal indicator 12.5.1. National recycling rate, tons of material.

In indicator 12.5.1, data about waste recycling is collected by UNSD and UNEP by using the municipal recycling rate as a proxy. The UNSD-UNEP questionnaire 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”.

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### B.2.3. Hazardous waste generation

#### Definition

130. 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.
131. Waste can be classified according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention)<sup>46</sup> that has defined a list of hazardous characteristics.
132. Waste is classified as hazardous also 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

133. 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 on this point indicator *B.2.1. Waste generation*).
134. 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. Waste generation* is calculated, hazardous waste should be divided by the amount of net value added (expressed in €, \$, £, etc.) generated in the same reporting period (see indicator *A.1.3. Net value added*). So, in the end, the unit of measure of this indicator is kilos or tons of waste per €, per \$ etc.
135. 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.
136. 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).
137. 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, onsite storage, other (to be specified by the organization).
138. 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

139. Hazardous waste should be weighed or metered at each specific business site. However, some entities might find it difficult to meter the quantity of hazardous waste produced. So, in line with what is advised for other indicators on waste management included in this guidance, it is suggested to use the bills from the waste management company to reconstruct the

## RELEVANCE TO THE SDGS

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

UNSD and UNEP in their work plan for indicator 12.4.2 state that the States parties to the Basel Convention must report annually on: (a) the amount of hazardous wastes generated; and (b) the amount of hazardous imported and exported and other wastes destined for reuse, recycling or recovery operations or final disposal.

<sup>46</sup> See Annex III, <http://www.basel.int/Portals/4/Basel%20Convention/docs/text/BaselConventionText-e.pdf>. See also Annex I of the Basel Convention. This indicator is also in line with UNCTAD/EEI (III.F), and with GRI disclosure 306-2 indicating that hazardous waste should be understood in the context of the national legislation definition.

relevant information required to calculate this indicator. 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) 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.

140. 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

141. Greenhouse gas emissions (scope 1) refer to direct greenhouse gas (GHG) emissions per unit of net value added.
142. 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”,<sup>47</sup> such as:
- Stationary Combustion: from the combustion of fossil fuels (e.g. natural gas, fuel oil, propane, etc.) 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

##### Measurement methodology

143. For most entities, the stationary and mobile combustion sources of scope 1 GHG are the most relevant.
144. 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](http://www.ghgprotocol.org).<sup>48</sup> 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 (CO<sub>2</sub>). 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 1 ton of a gas will absorb

<sup>47</sup> According to the GHG protocol, direct CO<sub>2</sub> 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, etc. shall not be included in scope 1 but may be reported separately.

<sup>48</sup> UNEP 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 the Raising the Bar report) 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 (<https://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 <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 9.4.1. CO<sub>2</sub> emissions per unit of new value added and to Sustainable Development Goal indicator 13.2.2 Total greenhouse gas emissions per year

UNIDO and the IEA metadata for indicator 9.4.1 encompasses all types and sources of CO<sub>2</sub> emissions. The latter are expressed in kilograms per constant 2010 United States dollars per unit of manufacturing value added.

United Nations Climate Change (UNFCCC Secretariat) metadata on indicator 13.2.2. states that countries that are Parties to the Climate Change Convention submit national GHG inventories to the Climate Change secretariat. The unit of measure is metric tons (Mt) for CO<sub>2</sub>-equivalent.

over a given period of time, relative to the emissions of 1 ton of CO<sub>2</sub>. GWP values convert GHG emissions data for non-CO<sub>2</sub> gases into units of CO<sub>2</sub> 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.

145. 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.<sup>49</sup>
146. 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 €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is tons of CO<sub>2</sub> per €, per \$ etc.
147. It is also suggested to provide a breakdown of the direct (scope 1) GHG emissions by: business unit or facility; country; type of source (stationary combustion, process, fugitive); type of activity.
148. 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

149. 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 m<sup>3</sup> or litres).
150. The collection of these data needs to 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.3.2. Greenhouse gas emissions (scope 2)**

#### Definition

151. This indicator refers to indirect GHG emissions (from consumption of purchased electricity, heat or steam) per unit of net value added.
152. 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 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.<sup>50</sup>

<sup>49</sup> There are other calculation tools that can be used for these purposes, such as <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>. As suggested in the 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.

<sup>50</sup> [http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%20%20Guidance\\_Final\\_0.pdf](http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%20%20Guidance_Final_0.pdf).

### Measurement methodology

153. To calculate scope 2 emissions, the Corporate Standard<sup>51</sup> recommends multiplying activity data (MWhs of electricity consumption) by emission factors to arrive at the total GHG emissions impact of electricity use.

154. There are two methods that can be used:

- Market-Based Method: it is 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. The location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period.

155. 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](http://www.ghgprotocol.org) that converts activity data into emissions of carbon dioxide (CO<sub>2</sub>).<sup>52</sup> Refer to indicator B.3.1. for more details on this approach.

156. 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 €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is tons of CO<sub>2</sub> per €, per \$ etc.

157. 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

158. In order to obtain activity data (kWhs and MWhs), it is suggested to consult utility bills.

159. The collection of these data needs to 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.

## **RELEVANCE TO THE SDGS**

This indicator is relevant to Sustainable Development Goal indicator 9.4.1. CO<sub>2</sub> emissions per unit of new value added and to Sustainable Development Goal indicator 13.2.2 Total greenhouse gas emissions per year.

As indicated above in indicator B.3.1, the metadata for indicator 9.4.1 encompasses all types and sources of CO<sub>2</sub> emissions.

United Nations Climate Change (UNFCCC Secretariat) metadata on indicator 13.2.2. states that countries that are Parties to the Climate Change Convention submit national GHG inventories to the Climate Change secretariat. The unit of measure is metric tons (Mt) for CO<sub>2</sub>-equivalent.

<sup>51</sup> [http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%202%20Guidance\\_Final\\_0.pdf](http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%202%20Guidance_Final_0.pdf) , p. 5.

<sup>52</sup> 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.

## B.4. Ozone-depleting substances and chemicals

### B.4.1. Ozone-depleting substances and chemicals dependency

#### Definition

160. This indicator aims at quantifying an entity's dependency on ozone-depleting substances (ODS) and chemicals, per net value added.
161. 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.<sup>53</sup>

#### Measurement methodology

162. 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.
163. The dependency of an entity on ozone-depleting substances (ODS)<sup>54</sup> is defined as:

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.<sup>55</sup>
- Purchases of ODS can assume different forms:
  - Ozone-depleting substances embodied in supplied goods
  - Ozone-depleting substances embodied in equipment for own use
  - 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.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal target 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment; and to Sustainable Development Goal 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 by UNEP and UNSD for Sustainable Development Goal indicator 12.4.2.

<sup>53</sup> For a complete list, see <https://ozone.unep.org/sites/default/files/Handbooks/MP-Handbook-2020-English.pdf>.

<sup>54</sup> Definitions of production, purchase and stocks of ODS can be found in UNCTAD/EEI (III.E). ("A Manual for the Preparers and Users of Eco-efficiency Indicators", [https://unctad.org/system/files/official-document/iteipc20037\\_en.pdf](https://unctad.org/system/files/official-document/iteipc20037_en.pdf)). 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.

<sup>55</sup> 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.

164. 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 €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is kg per €, \$ etc.

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 sources of information

166. 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:

- 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
  - If it is 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.
  - If it is 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. Share of renewable energy**

#### Definition

167. 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

168. The entity should consider only the amount of renewable energy consumed. Therefore, the numerator can be calculated as:

Renewable fuel sources (such as biofuels), solar energy, biomass, hydropower, geothermal energy and ocean energy,<sup>56</sup> including heat from renewable sources and electricity from renewable sources<sup>57</sup>

<sup>56</sup> International Recommendations for Energy Statistics (IRES) can be used as a guide for this indicator as it provides a list of renewable energy sources (<https://unstats.un.org/unsd/energy/ires/IRES-web.pdf>). Also, United Nations/EEI (III.C) provides definitions on types of renewable energy.

<sup>57</sup> 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.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 7.2.1. Renewable energy share in the total final energy consumption.

The 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, solid biofuels, wind, solar, liquid biofuels, biogas, geothermal, marine and waste.

169. Total energy consumption within the organization (denominator) can be calculated as:

Non-renewable<sup>58</sup> 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

170. In calculating this indicator, when computing the numerator, it is suggested to distinguish 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.

171. 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) then these values should be used. Otherwise, the default value should be applied.<sup>59</sup>

172. 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); type of activity.

173. In order to normalize data on renewable energy and to be consistent with the way the other environmental indicators are calculated, it is suggested to normalize the amount of joules of renewable energy by the amount of net value added (expressed in €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is joules per €, \$ etc.

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.<sup>60</sup>

### Potential sources of information

175. 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.

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

177. If the entity has an energy manager, the collection of energy data is carried out by this professional. 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.

<sup>58</sup> According to the 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.

<sup>59</sup> For factors, see also, A Manual for the Preparers and Users of Eco-efficiency Indicators, UNCTAD/ITE/IPC/2003/7, from p.34.

<sup>60</sup> 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.

## B.5.2. Energy efficiency

### Definition

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

### Measurement methodology

179. To calculate the numerator, the entity should consider total energy consumption within the organization that can be calculated as:<sup>61</sup>

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.

180. 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) then these values should be used. Otherwise, the default value should be applied.<sup>62</sup>

181. 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 €, \$, £, etc.) generated in the same reporting period (see indicator A.1.3. *Net value added*). So, in the end, the unit of measure of this indicator is joules per €, \$ etc.

182. Also, for this indicator it is suggested that entities report information by business unit or facility; country; type of source (see the previous indicator for a definition of non-renewable and renewable energy); type of activity.

### Potential sources of information:

183. 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 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.

## **RELEVANCE TO THE SDGS**

This indicator is relevant to Sustainable Development Goal indicator 7.3.1. Energy intensity measured in terms of primary energy and GDP.

In the metadata 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.

<sup>61</sup> 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.

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



## B.6. Land and biodiversity

### B.6.1. Land used adjacent to biodiversity sensitive areas

#### Definition

184. This indicator is defined<sup>63</sup> as the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA),<sup>64</sup> i.e. those areas on the planet that are critical for the survival of unique plants and animals, and ecological communities.

#### Measurement methodology

185. This indicator is measured in line with the proposal by WEF<sup>65</sup> according to which “KBAs provide a science-based and internationally recognized means of identifying sites contributing significantly to the global persistence of biodiversity, while protected areas indicate nationally (and often internationally) recognized areas of ecological or cultural importance, typically with specific legal protections. Having operations inside or close to such areas indicates heightened risk of adverse impacts on biodiversity and heightened risk of exposure to associated legal or reputational risk”.

186. In order to calculate this indicator, the reporting entity needs:

- To identify the position of the surface and underground land that may be owned, leased or managed by the organization
- To evaluate if owned, leased or managed land is located in the protected areas/KBAs, and/or adjacent to the protected area/KBAs, and/or contains portions of the protected area/KBAs
- To define the number and size of owned, leased or managed land is located in the protected areas/KBAs, and/or adjacent to the protected area/KBAs, and/or contains portions of the protected area/KBAs expressed in number of hectares.

#### Potential sources of information

187. Information regarding the location of KBAs can be found at <http://www.keybiodiversityareas.org/kba-data>. In addition, protected areas can be found by searching the global database at <https://www.protectedplanet.net/en>.

## C. Social area

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

- Share of women in managerial positions;
- Hours of employee training;
- Expenditures on employee training;
- Employee wages and benefits;
- Expenditures on employee health and safety;

<sup>63</sup> To define this indicator, different views are taken into account: the GRI (Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas; Disclosure 304-2 Significant impacts of activities, products, and services on biodiversity), the WEF approach (which requires to report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA), also in line with GRI-304-1), and the FAO indicators.

<sup>64</sup> KBAs are defined by the KBA partnership and can be consulted at <http://www.keybiodiversityareas.org>.

<sup>65</sup> Measuring Stakeholder Capitalism towards Common Metrics and Consistent Reporting of Sustainable Value Creation”, WEF Whitepaper, September 2020, p. 57.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

- Incident rate of occupational injuries;
- Share of employees covered by collective agreements.

## C.1. Gender equality

### C.1.1. Share of women in managerial positions

#### Definition

189. This indicator is expressed as the number of women in managerial positions divided by the total number of employees in managerial positions in a given reporting period.<sup>66</sup>

#### Measurement methodology

190. 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).<sup>67</sup> This latter choice is especially suggested when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods.

191. As a first step, it is required to identify those employees that occupy managerial positions. In order to do so, it is suggested to use internal job classifications as well as a check list, the occupational classification system of major, submajor, minor and unit groups endorsed by the Meeting of Experts in Labour Statistics (the International Standard Classification of Occupations, 2008 (ISCO-08)). According to this list,<sup>68</sup> 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, minor and unit groups are the “skill level” and “skill specialization”, including for managers.

192. 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 UN-Women.<sup>69</sup>

193. After having expressed the employees occupying managerial positions in the reporting entity in terms of either headcounts or FTEs, it is required to identify and express the female employees occupying managerial positions in the reporting entity in terms of either headcount or FTE (numerator of the indicator).

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 5.5.2. Proportion of women in managerial positions.

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

<sup>66</sup> See on this point the Guidance on Corporate Responsibility Indicators in Annual Reports, UNCTAD/CRI (indicator 5). This indicator is also consistent with indicator number 45 “Women's share of managerial positions” (ILO) in the EDGE (Evidence and Data for Gender Equality) project *Minimum set of gender indicators* (<https://gender-data-hub-2-undesa.hub.arcgis.com/>).

<sup>67</sup> The 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.

<sup>68</sup> ILO International Standard Classification of Occupations, available at [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_172572.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_172572.pdf).

<sup>69</sup> For further information on the project, please consult: <https://unstats.un.org/edge>.

194. In addition, the reporting entity is encouraged to also calculate the breakdown of managers according to the following categories:<sup>70</sup>

- Type of employment contract (permanent<sup>71</sup> or temporary<sup>72</sup>)
- Employment type (full time or part time)
- Age group: under 30 years old, 30-50 years old, over 50 years old
- Region.

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

Potential sources of information

196. Information to calculate this indicator is typically found in HR information systems (employee records, payroll information available at the national or site level). Many entities use specialized software (Human Resource software)<sup>73</sup> 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 HR function.

197. If an equal opportunity committee exists, important information could also be found in the minutes of this committee's meetings.

## C.2. Human capital

### C.2.1. Hours of employee training

Definition

198. 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

199. In order to calculate the average training hours per employee, the first step is to calculate the total number of training hours by identifying 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.

200. The denominator corresponds to the total number of employees and 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 breakdown by employment category (i.e. employees and supervised workers, type of employment contract (permanent or temporary),

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 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 for indicator 4.3.1 states that the indicator is calculated using 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.

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<sup>70</sup> Definitions on employment types and contracts based on the ILO's International Standard Classification of Occupations (ISCO) can be found at the following address: <https://www.ilo.org/public/english/bureau/stat/isco/isco08/>.

<sup>71</sup> Indefinite or permanent contract is a permanent contract of employment with an employee for full-time or part-time work for an indeterminate period.

<sup>72</sup> 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, etc.

<sup>73</sup> For an overview of some examples, see <https://www.capterra.com/human-resource-software/>.

employment type (full time or part time), age group: under 30 years old, 30–50 years old, over 50 years old, and region) and possibly by gender.

201. Similar to what is recommended for other economic indicators included in this guidance, multinational entities are encouraged to disclose hours of training by country<sup>74</sup> and also by gender.

Potential sources of information:

202. Information to calculate these indicators is typically found in HR 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 HR function that is also usually in charge of defining a training budget.
203. 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

Definition

204. 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

205. In order to determine the average training expenditures per employee, the first step is to calculate the total amount of expenditure referred to training programmes, it is suggested to consider direct and indirect costs of training, such as course fees, trainers' fees, training facilities, training equipment, and related travel costs.
206. The denominator corresponds to the total number of employees, and it 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 breakdown by employment category. On these points, refer to what already described for indicator C.2.1.
207. Similar 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

208. For information on the different sources of information within the entity, please consult indicator C.2.1.
209. Training expenses can be found also in the profit and loss statement as a specific line item 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).

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 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 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.

<sup>74</sup> This approach is in line with UNCTAD/CRI (indicators 10 and 11) and with the GRI Guidance G4-EC1 and GRI 404-1 and 404-2.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal 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 the ILO, requires information on hourly earnings, disaggregated by gender but also of persons with disabilities. The ILO is also the custodian agency of indicator 10.4.1, whose metadata states that “social protection transfers” include social insurance contributions payable by employers, but not payroll-related taxes.

### C.2.3. Employee wages and benefits

#### Definition

210. 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 net value added.<sup>75</sup>

#### Measurement methodology

211. The first step to calculate 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). Payments to the government, in this context, can include contributions pensions, employment taxes, levies and employment funds, among others. Then, the amount of employee benefits and wages will be divided by the net value added in that reporting period.

212. 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).

213. The total amount of employee wages and benefits needs to be broken down according to the following categories:<sup>76</sup>

- Employees and supervised workers<sup>77</sup>
- Type of employment contract (permanent<sup>78</sup> or temporary<sup>79</sup>)
- Employment type (full time or part time)
- Age group: under 30 years old,<sup>80</sup> 30–50 years old, over 50 years old
- Region
- Gender.<sup>81</sup>

<sup>75</sup> This is in line with UNCTAD/CRI (indicator 6), IAS 19, GRI 201-1.

<sup>76</sup> Definitions on employment types and contracts based on the ILO’s International Standard Classification of Occupations (ISCO) can be found at the following link: <http://www.ilo.org/public/english/bureau/stat/isco/docs/resol08.pdf>.

<sup>77</sup> Supervised worker: Person who directly supplies work and services to the reporting organization but whose formal contract of employment is with another organization.

<sup>78</sup> Indefinite or permanent contract is a permanent contract of employment with an employee for full-time or part-time work for an indeterminate period.

<sup>79</sup> 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, etc.

<sup>80</sup> In some countries, it would be important to give details in this category to highlight issues related to child and forced labour.

<sup>81</sup> Reporting on gender pay gap is becoming more common in some jurisdictions and could be incorporated into this indicator. Such 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 the indicator number 13) Gender gap in wages (ILO) in the EDGE project’s minimum set of gender indicators.

Potential sources of information

214. Information to calculate these indicators is typically found in HR information systems (employee records available at the national or site level). Many entities use specialized software (Human Resource software)<sup>82</sup> 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 HR 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.

**C.3. Employee health and safety****C.3.1. Expenditures on employee health and safety**Definition

215. This indicator refers to the total expenses incurred by an entity to guarantee employees' health and safety as a proportion of net value added. It is related to an important aspect of corporate responsibility as occupational accidents<sup>83</sup> not only lower productivity and divert management attention, but also undermine human capital development, and could be indicative of poor management quality and practice.<sup>84</sup>

Measurement methodology

216. 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 net value added in this reporting period.

217. More specifically, in order to calculate this indicator, it is suggested to refer to the checklist of elements that are related to employee health and safety from the ILO Occupational Safety and Health Recommendation, ILO R164, II, 3 to understand which expenses should be considered.<sup>85</sup>

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

219. 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.

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

<sup>82</sup> For an overview of some examples, see <https://www.capterra.com/human-resource-software/>.

<sup>83</sup> Occupational accidents can refer to physical injuries in the case of certain sectors, but it can also include mental health issues in others.

<sup>84</sup> This indicator is in line with UNCTAD/CRI (indicator 12), ILO R164.

<sup>85</sup> The ILO Occupational Safety and Health Recommendation, ILO R164, II, 3, is available at Recommendation R164 - Occupational Safety and Health Recommendation, 1981 (No. 164) (ilo.org). This categorization is in line with UNCTAD/CRI.

**RELEVANCE TO THE SDGS**

This indicator is relevant to Sustainable Development Goal 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 Sustainable Development Goal 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.

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

Potential sources of information

222. Some entities have occupational safety and health management and reporting system 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.
223. For those expenses that are material and can thus be capitalized by the entity, it is possible to use capital budgets in order 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 profit and loss 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, etc.).

### C.3.2. Incidence rate of occupational injuries

Definition

224. This indicator is related to the number of occupational accidents, injuries and diseases<sup>66</sup> 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

225. This indicator is calculated as:

Number of injuries/Total number of workers

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

Potential sources of information

227. 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 competent person 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,<sup>67</sup> in accordance with national laws or regulations.
228. Generally, the information and the operating information system that is used to track and report on health and safety accidents is owned by the HR function.

## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 8.8.1. Fatal and non-fatal occupational injuries, by sex and migrant status.

The ILO's metadata for indicator 8.8.1 provides information on the number of fatal and non-fatal occupational injuries per 100,000 workers in the reference group during the reference period. It is a measure of the personal likelihood or risk of having a fatal or a non-fatal occupational injury for each worker in the reference group.

<sup>66</sup> 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.

<sup>67</sup> For more detailed information, please refer to "Recording and notification of occupational accidents and diseases", An ILO code of practice Geneva, International Labour Office, 1996. Available at [https://www.ilo.org/wcmsp5/groups/public/@ed\\_protect/@protrav/@safework/documents/normativeinstrument/wcms\\_107800.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_protect/@protrav/@safework/documents/normativeinstrument/wcms_107800.pdf).

229. Many entities use specialized software (Human Resource software)<sup>88</sup> 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. The software and the related information flows are normally managed by the HR function.

230. 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. Share of employees covered by collective agreements

#### Definition

231. This indicator is the ratio of employees covered by collective agreements to the total number of employees of the reporting entity.<sup>89</sup>

#### Measurement methodology

232. 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.

233. 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).<sup>90</sup>

234. 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), as already suggested for indicator C.1.1. In any case, the approach chosen should be applied consistently between periods.

235. Then it is required to identify those employees who are covered by collective agreements (numerator) and also express them either in terms of headcount or FTE.

236. Beyond the percentage figure, narrative information would be essential to illuminate 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

237. Entities need to 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 the union representatives. Information relevant for calculating this indicator can be found in these contracts (number of employees covered by collective agreements). Such information can be found also in HR information systems. When involved, also the legal affairs department can be one of the owners of such information.

<sup>88</sup> For an overview of some examples, see <https://www.capterra.com/human-resource-software/>.

<sup>89</sup> This indicator is in line with GRI standard 102-41 and with UNCTAD/CRI (indicator 8).

<sup>90</sup> See [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312299](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312299).

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## RELEVANCE TO THE SDGS

This indicator is relevant to Sustainable Development Goal indicator 8.8.2 Level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization textual sources and national legislation, by sex and migrant status.

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## D. Institutional area

238. 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 female 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); and
- 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

239. The Consultative Group decided to include these corporate governance indicators because of their high importance for accountability. In the Consultative meeting in March 2021, experts agreed on the importance of such indicators and on good governance as a prerequisite for good sustainability reporting. 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 Governance<sup>91</sup> published in 1999 and revised for the second time in 2015, as well as the Guidance on Good Practices in Corporate Governance Disclosure<sup>92</sup> published by UNCTAD in 2006.

240. 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.

241. The following indicators for the corporate governance disclosure have been selected based on their applicability within the context of the Sustainable Development Goals:

- **D.1.1. Number of board meetings and attendance rate.**
- **D.1.2. Number and share of female board members.** This indicator is consistent with the GRI 2: General Disclosures 2021 (Disclosure 2-9 Governance structure and composition) and provides a quantitative measure of gender diversity within an organization.
- **D.1.3. Board members by age range.** A balanced age mix in a board is important for sound decision making.<sup>93</sup> For example, some emerging technology companies were often criticized for boards which were dominated by very young technology experts who tended to be big risk takers.

### RELEVANCE TO THE SDGS

Indicators D.1.1, D.1.4, and D.1.5 are relevant to Sustainable Development Goal 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 and/or of the audit committee.

### RELEVANCE TO THE SDGS

Indicator D.1.2 is relevant to Sustainable Development Goal indicator 5.5.2. Proportion of women in managerial positions.

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

<sup>91</sup> Available at [https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015\\_9789264236882-en](https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015_9789264236882-en).

<sup>92</sup> Available at [https://unctad.org/en/docs/iteteb20063\\_en.pdf](https://unctad.org/en/docs/iteteb20063_en.pdf).

<sup>93</sup> 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. It

In order to calculate this indicator, entities need to define the age ranges that they want to map. In line with the other indicators, the following groups are suggested:

- Under 30 years old
- 30–50 years old
- Over 50 years old.
- **D.1.4. Number of meetings of audit committee and attendance rate.** It 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 the GRI 2: General Disclosures 2021 (Disclosure 2-19 Remuneration policies).<sup>94</sup>

242. The relevant information to calculate indicators D1.1, D1.2, and D.1.3 is usually recorded by the investor relations office, the company secretary<sup>95</sup> and/or by the HR manager. In addition to these sources, information relevant for indicator D.1.4 can also be recorded by the Internal Audit Function.

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

243. 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 the 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)
- 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.

244. 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.

<sup>94</sup> In addition, the IFRSs require companies to disclose key management personnel compensation in total and for certain categories.

<sup>95</sup> 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.

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## **RELEVANCE TO THE SDGS**

Indicator D1.3 is relevant to Sustainable Development Goal 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 spill-over effects between the public and private sectors. Furthermore, including the private sector is relevant with target 16.7, which encourages countries to ensure responsive, inclusive, participatory and representative decision-making at all levels.

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Potential sources of information

- 245. The data required for the calculation of this indicator and the related information flows are normally managed by the HR 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.
- 246. Another source of information is the remuneration report where the compensation of Board members, both executives and non-executives, is described. The underlying 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. Corruption incidence**

Definition

- 247. This indicator refers to the total number of confirmed incidents of corruption during the reporting period, i.e. those that have been substantiated.
- 248. Corruption<sup>96</sup> includes practices such as bribery, facilitation payments, fraud, extortion, collusion and money laundering; 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.
- 249. 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

- 250. To measure this indicator, all confirmed incidents of corruption during the reporting period need to be considered. Incidents of corruption under investigation should not be included yet. To identify confirmed incidents, it is necessary to refer to those classified as such by the code of conduct, code of ethics, the regulators and courts based on the law, etc.
- 251. It is suggested that the entity provides information concerning the nature of the incidents of corruption.

Potential sources of information

The owners of this information are usually the legal affairs department, the investor relations office, the company secretary<sup>97</sup> and/or the HR manager.

**RELEVANCE TO THE SDGS**

This indicator is relevant to Target 16.5: Substantially reduce corruption and bribery in all their forms, and to Sustainable Development Goal 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 says that indicator 16.5.2 is calculated for each country from the World Bank Enterprise Surveys that are conducted every 4–5 years by private contractors with strict confidentiality.

<sup>96</sup> This definition is consistent with the GRI 205 and with UNCTAD Guidance on Corporate Responsibility Indicators in Annual Reports (indicator 16).

<sup>97</sup> 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.

## D.2.2 Management training on anti-corruption

### Definition

252. This indicator refers to the total number and percentage of members of the management of the entity who have received training 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

253. In order to calculate this indicator, it is necessary to identify the number of managers who have been trained in anticorruption issues up until the current reporting period, including the members of the board of directors when present. The indicator needs to be calculated in absolute number and in percentage terms.

254. 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 provides 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

255. The owners of this information are usually the legal affairs department, the investor relations office, the company secretary and/or the HR manager.

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## **RELEVANCE TO THE SDGS**

This indicator is relevant to Target 16.5: Substantially reduce corruption and bribery in all their forms, and to Sustainable Development Goal 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 state that indicator 16.5.2 is calculated for each country from the World Bank Enterprise Surveys that are conducted every 4–5 years by private contractors with strict confidentiality.

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# Annex I. Table of selected core SDG indicators

A.	Economic area	Indicators	Measurement	Relevant SDG target and/or 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 from external suppliers (gross value added, GVA)	8.2.1; 9.2.1; 9.3.1; 9.4.1; 9. b; 9.b.1.
		A.1.3. Net value added	Revenue minus costs of bought-in materials, goods and services from external suppliers and minus depreciation on tangible assets (Net Value Added, NVA)	8.2.1; 9.2.1; 9.3.1; 9.4.1; 9.b; 9.b.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 renewable energy (e.g. wind energy, solar energy) in the reporting period in absolute amount and in % 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 % terms	17.17; 17.17.1
		A.3.3. Expenditures on research and development	Total amount of expenditures on research and development by the reporting entity during the reporting period in absolute amount and in % terms	9.5.1.
A.4.	Local supplier/ purchasing programmes	A.4.1. Share 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 % terms and in absolute amount	9.3.1.
<b>B</b>	<b>Environmental area</b>			
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 % terms	6.3.1.
		B.1.2. Water use efficiency	Net value added divided by the water use in the reporting period as well as change of net value added divided by the change of water use between two reporting periods (where water use is defined as water withdrawal plus total water received from third party)	6.4.1.
		B.1.3. Water stress	Water withdrawn with a breakdown by sources (surface, ground, rainwater, wastewater) and with reference to water-stressed or water-scarce areas (expressed as a percentage of total withdrawals) in absolute amount and in % terms	6.4.2.
B.2.	Waste management	B. 2.1. Waste generation	Change in the entity's waste generation per net value added in % terms, in terms of change and in absolute amount	12.5.

A.	Economic area	Indicators	Measurement	Relevant SDG target and/or indicator
		B.2.2. Waste reused, remanufactured and recycled	Total amount of waste reused, remanufactured and recycled in absolute amount, in % terms and in terms of change	12.5.1.
		B.2.3. Hazardous waste generation	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 % 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 % terms and in terms of change	9.4.1, 13.2.2
		B.3.2. Greenhouse gas emissions (scopes 2)	Scope 2 contribution in absolute amount, in % terms and in terms of change	9.4.1, 13.2.2
B.4.	Ozone-depleting substances and chemicals	B.4.1. Ozone-depleting substances and chemicals dependency	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; 12.4.2.
B.5.	Energy consumption	B.5.1. Share of 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.
B.6	Land and biodiversity	B.6.1 Land use adjacent to biodiversity sensitive areas	Number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas	15
<b>C</b>	<b>Social area</b>			
C.1.	Gender equality	C.1.1. Share of women in managerial positions	Number of women in managerial positions to total number of employees in managerial positions (in terms of headcount or FTE)	5.5.2.
C.2.	Human capital	C.2.1. Hours of employee training	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. Expenditures on employee training	Direct and indirect costs of training (including costs such as trainers' fees, training facilities, training equipment, related travel costs etc.) per employee per year possibly broken down by employee category.	4.3.1.
		C.2.3. Employee wages and benefits	Total costs of employee workforce (wages and benefits) divided by the net value added 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	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 net value added in that same period.	3.8; 8.8
		C.3.2. Incidence rate of occupational injuries	Total number injuries divided by total number of workers in the reporting period	8.8.1.
C.4.	Coverage by collective agreements	C.4.1. Share 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.

A.	Economic area	Indicators	Measurement	Relevant SDG target and/or indicator
<b>D Institutional area</b>				
D.1.	Corporate governance disclosures <sup>98</sup>	D.1.1. Board meetings and attendance	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. Share of female board members	Female 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 old, between 30 and 50, over 50)	16.7.1.
		D.1.4. Audit committee meetings and attendance	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 per board member	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. Corruption incidence	Number of confirmed incidents of corruption in the reporting period	16.5, 16.5.2.
		D.2.2. Management training on anti-corruption	Total number and percentage of managers who have received training on anti-corruption issues	16.5; 16.5.2.

<sup>98</sup> These indicators are not universal, but relevant to publicly listed companies responsible for the use of a highest proportion of natural and human resources, and therefore are included as core indicators for that reason.

