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Agenda Item 3.
Enhancing comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

Presented by

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Enhancing comparability of sustainability reporting:

Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

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35th Session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Enhancing comparability of sustainability reporting:

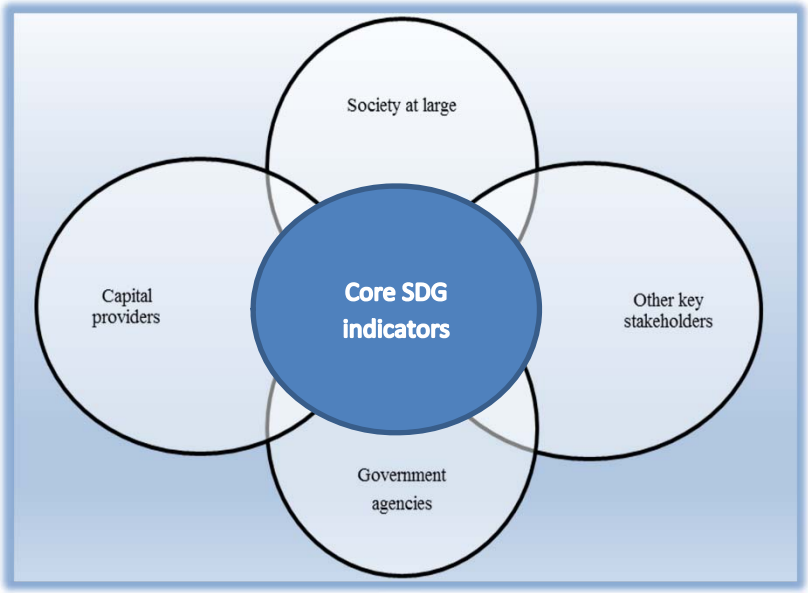
Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

1. WHY
2. HOW
3. WHAT
4. WHEN & WHERE

Ariela Caglio

1. WHY the Core SDGs Indicators? (I/II)

The Core indicators are **at the intersection of micro- and macro-level** trends and needs



- Consistent with the **evolution of the main reporting frameworks and companies reporting practices** (triple bottom line)
- Consistent with the **SDGs monitoring framework** and aligned with **countries needs** on monitoring the attainment of the SDG agenda

They represent **a set of global indicators focused on measurable outcomes that companies are providing in their reports** and that can inform **country reporting on the progresses of the private sector on SDGs**

1. WHY the Core SDGs Indicators? (II/II)

Specific selection criteria

- Relevance to SDG indicators;
- Based on existing key initiatives or reporting frameworks and/or found in corporate reports;
- Potential applicability to all reporting entities;
- Facilitate comparability;
- Address issues over which an entity has control and for which it gathers data;
- Facilitate convergence of financial and non-financial reporting;
- Support consistent measurement;
- Suitable for consolidated reporting and legal entity reporting.

2. HOW: the approach behind Core Indicators

- Simplicity
- Baseline approach
- Focus on quantitative disclosure
- Link between micro- and macro-level data
- Selectivity
- Balance between materiality and universality
- Clarity and consistency of reporting boundaries
- Incremental approach
- Consistency of data

3. WHAT are the Core indicators? An overview

Economic area indicators

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

Social area indicators

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

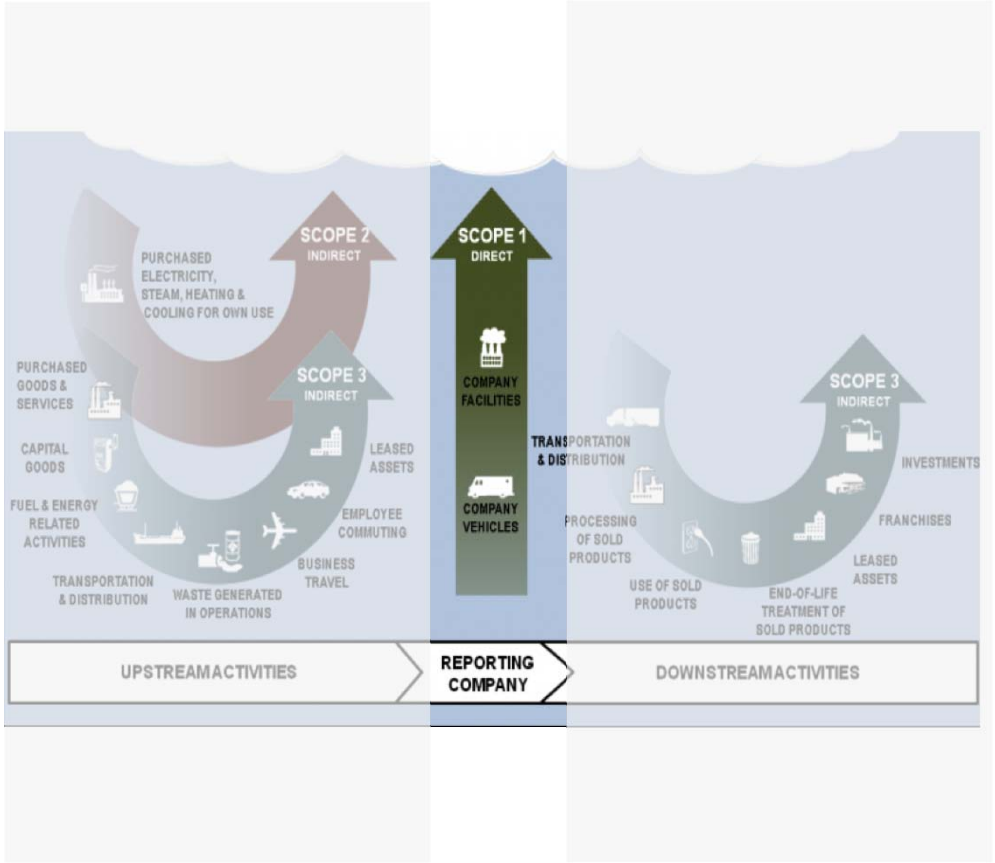
Environmental area indicators

- Water recycling and reuse
- Water use efficiency
- Water stress
- Reduction of waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste
- Greenhouse gas emissions scope 1
- Greenhouse gas emissions scope 2
- Ozone-depleting substances & chemicals
- Renewable energy
- Energy efficiency

Institutional area indicators

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

Environmental area indicators: Greenhouse gas emissions (scope 1) (I/V)

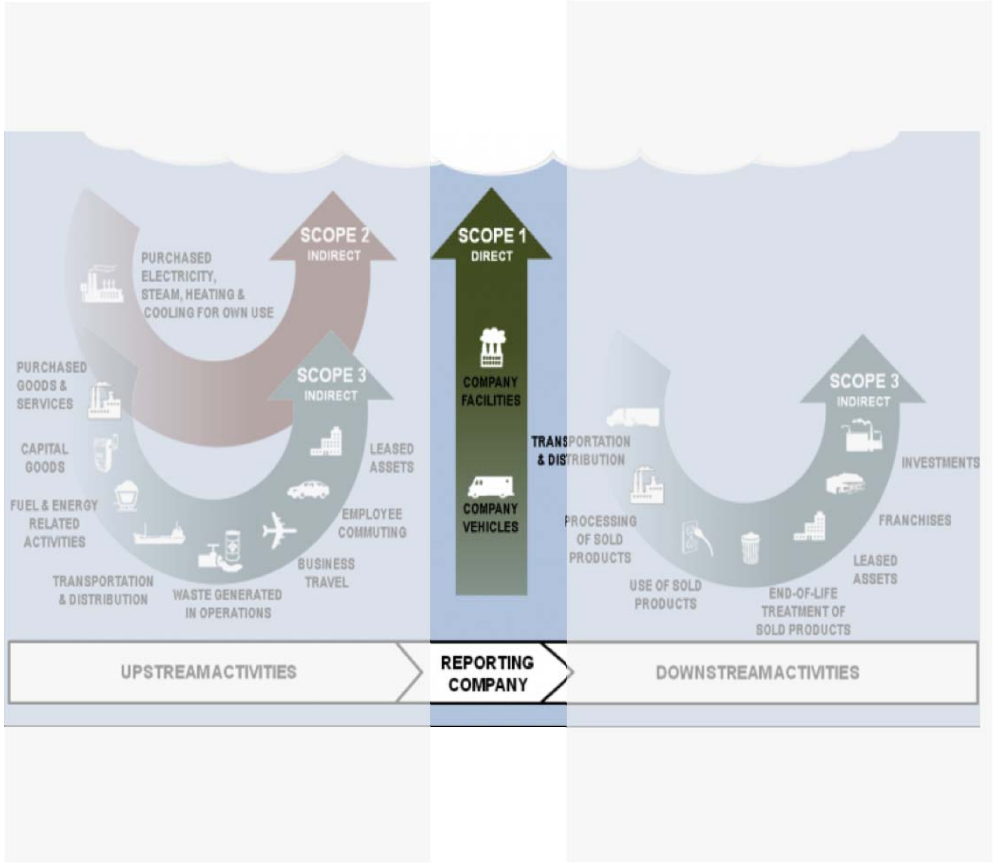


Definition:

Greenhouse gas emissions (scope 1) refer to direct greenhouse gas (GHG) emissions per unit of net value added. 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", such as:

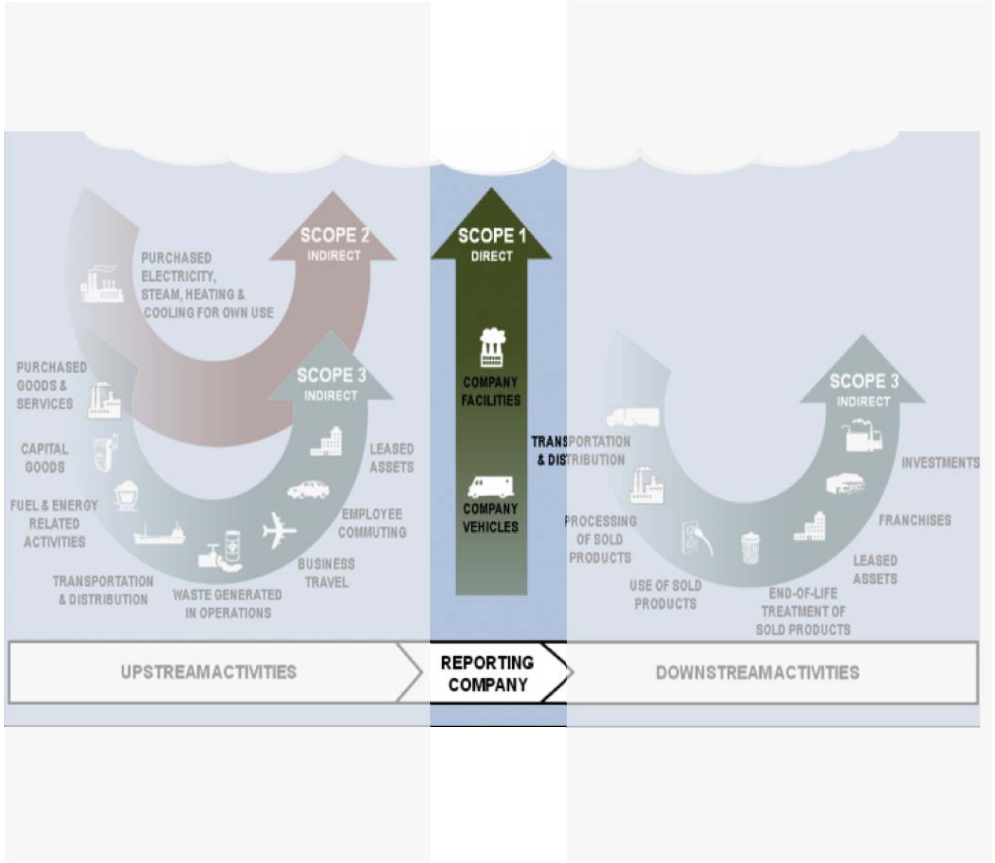
- *Stationary Combustion*: from the combustion of fossil fuels (e.g. natural gas, fuel oil, propane, etc.) for comfort heating or other industrial applications
- *Mobile Combustion*: from the combustion of fossil fuels (e.g. gasoline, diesel) used in the operation of vehicles or other forms of mobile transportation
- *Process Emissions*: 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

Environmental area indicators: Greenhouse gas emissions (scope 1) (II/V)



Potential sources of information:
Data can be recovered from accounts payable, e.g., from invoices of providers of fuels.
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.
The calculation of GHG (scope 1) is most commonly and easily done by means of a tool that can be downloaded from www.ghgprotocol.org. The calculation is based on the use of some emissions factors that are specific for each fuel/material type. 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 meters; lubricants in litres) and the tool automatically converts these amounts into GHG emissions.

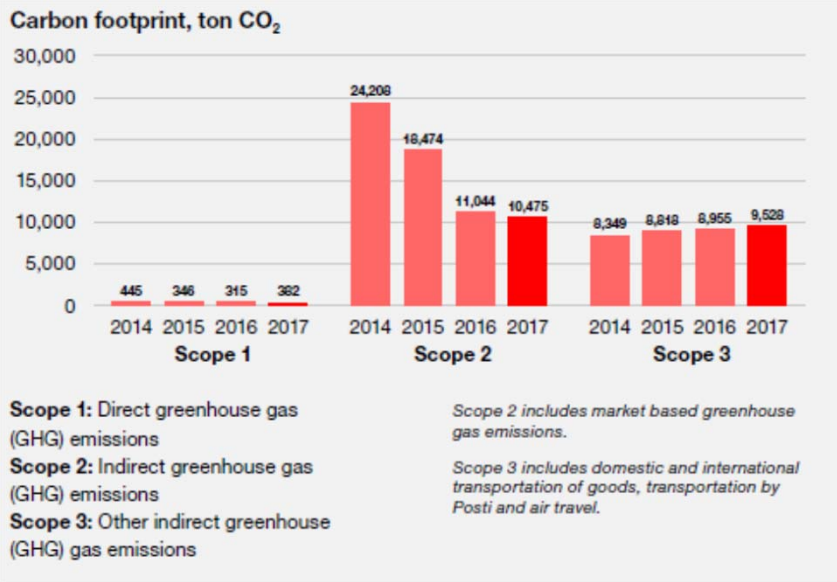
Environmental area indicators: Greenhouse gas emissions (scope 1) (III/V)



Relevant SDG indicator/s:

- Indicator 9.4.1: CO2 emission per unit of value added

Environmental area indicators: Greenhouse gas emissions (scope 1) (IV/V)



Scope 1: Direct greenhouse gas (GHG) emissions
Scope 2: Indirect greenhouse gas (GHG) emissions
Scope 3: Other indirect greenhouse (GHG) gas emissions

Scope 2 includes market based greenhouse gas emissions.

Scope 3 includes domestic and international transportation of goods, transportation by Posti and air travel.

305-1 Direct greenhouse gas emissions (Scope 1)

Consumption of own energy production and CO_2 emissions

	Unit	2014	2015	2016	2017	Change, %
Non-renewable (oil)	MWh	461	96	359,8	324	-9.9
Non-renewable (gas)	MWh	1,637	1,623	1,104.4	1,484	34.4
Greenhouse gas emissions	ton CO_2	445	346	315	382	21.1

Direct greenhouse gas emissions include own heat production's emissions (In Tokmanni heat is produced by gas and oil).

EXAMPLE

Environmental area indicators: Greenhouse gas emissions (scope 1) (V/V)

Carbon emissions extrapolated [1]			
in kilotonne CO_2e	2016	2015	2014
Coverage (% of employees)	96	95	90
Total carbon[2]	63	82	92
Total carbon per FTE in tonne	1.2	1.5	1.6
Total extrapolated carbon	74	94	101
Total carbon Scope 1[3]	20	22	23
Total carbon Scope 2[3]	14[4]	32[4]	42[4]
Total carbon Scope 3[3]	29	29	27

Institutional area indicators: Number of Board meetings and attendance rate (I/V)

Definition:

This indicator is the amount of Board meetings and their attendance rate in a given reporting period.

In order to calculate this indicator, entities need to:

- count the Board meetings during the reporting period (number),
- add up the number of Board members (directors) who participated at each Board meeting during the reporting period and divide this by the total number of directors sitting on the Board multiplied by the number of Board meetings during the reporting period (attendance rate).

Institutional area indicators: Number of Board meetings and attendance rate (II/V)

Potential sources of information:

As the amount of these meetings per reporting period is quite small (e.g., one per month), it is easy to keep track of the number of Board meetings. Furthermore, Board meetings are usually scheduled in advance (there is a Board meeting calendar that is communicated at the beginning of the reporting period) therefore locating this information is not difficult. Also, the number of Directors sitting on a Board is usually small and Directors need to communicate before the meeting whether they will participate or not. Therefore, tracing these figures is also unproblematic.

The relevant information on this aspect is usually recorded by the Corporate Legal affairs, by the Investor relator, by the assistant to the CEO.

Institutional area indicators: Number of Board meetings and attendance rate (III/V)

Relevant SDG indicator/s:

- Target 16.6: Develop effective, accountable and transparent institutions at all levels

Institutional area indicators: Number of Board meetings and attendance rate (IV/V)

Attendance	Board service years	Board	Audit
Number of meetings scheduled for the year		6	2
MA Brey	21	6/6	
ZBM Bassa	5	6/6	2/2
ABA Conrad Resigned 30 April 2016	8	1/1	
PG de Beyer	8	6/6	2/2
NP Doyle	3	6/6	
GG Fortuin Appointed 12 May 2016	4 months	3/3	
FP Kuttel	4	5/5	
LC Mac Dougall Appointed 13 July 2016	2 months	2/2	
PB Matlare	8	3/6	
S Pather	20	6/6	2/2
NV Simamane	7	6/6	
I Soomra	3	5/5	
T Tapela Resigned 12 May 2016	6	3/3	
Internal Auditors – KPMG Attends Audit; Risk; Daybrook governance			2/2
External Auditors – Deloitte & Touche Attends Audit and Daybrook governance			2/2

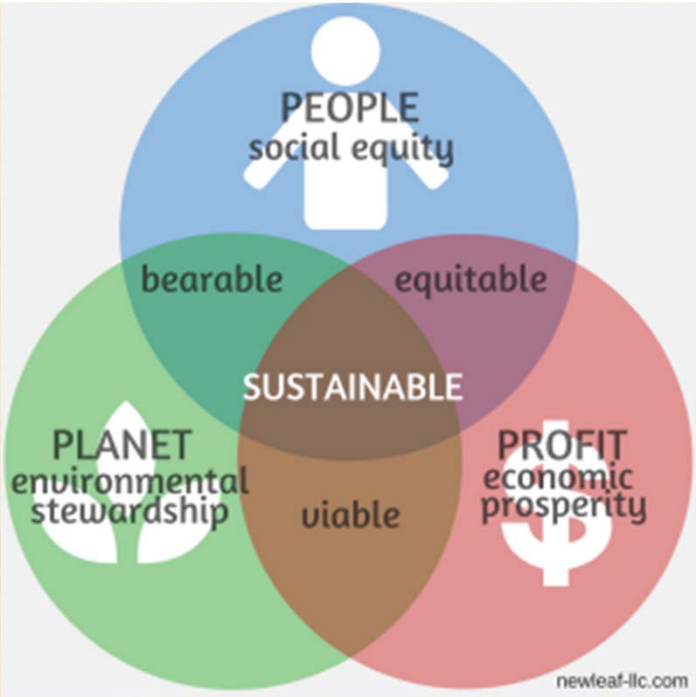
Institutional area indicators: Number of Board meetings and attendance rate (V/V)

Meetings attendance register 2017

Names	Scheduled board (6)	Special board (2)	Risk (4)	Special audit (6)	Audit (4)	Nomina-tions (1)	Remco (4)	Social and ethics (4)
PF Nhleko	6	2				1	4	
R Shuter^ (by invitation)	5	2	3	1	3		3	3
PB Hanratty	6	2		6	4			
A Harper	6	2				1	4	
KP Kalyan	6	2	4					4
S Kheradpir	6	1	3					
NP Mageza	4	2	4	5	4			4
SP Miller	6	2	3					
MLD Marole	5	2	4					4
AT Mikati	6	2				1	4	
NL Sowazi†	6	2	1			1	3	
KC Ramon	6	2	4	6	4			
AF van Biljon	6	2				1		
J van Rooyen	6	2		6	4		4	4
RT Mupita‡ (by invitation)	5	2	3	2	3		3	

^ Appointed 13 March 2017.
‡ Appointed 3 April 2017.
† Appointed to the risk committee on 25 May 2017.

4. WHERE and WHEN: concluding remarks



- Sustainability can be described as a never-ending of learning, adaption, and progressing. **Engaging companies in the sustainability journey is no longer optional but is nowadays sheer necessity**
- **All companies need to be engaged, including SMEs, which are an important part of worldwide business economies**. Studies on French, UK, Indian, Malaysian, Dutch, Chinese, Brazilian, Italian SMEs have shown that
  - SMEs are more and more implementing sustainability practices
  - They are benefitting from sustainability practices

Appendix

Economic area indicators: Value added and Net Value added (I/V)

PROFIT AND LOSS (INCOME STATEMENT) - ILLUSTRATIVE EXAMPLE

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

Definition:

Value added is the wealth the entity has been able to create and that can be distributed among different stakeholders (employees, lenders, authorities, shareholders).

Value added (gross value added, GVA) is defined as the difference between the revenues and the costs of bought-in materials, goods and services.

Net value added (NVA) consists of value added (GVA) from which depreciation has been subtracted

Economic area indicators: Value added and Net Value added (II/V)

PROFIT AND LOSS (INCOME STATEMENT) - ILLUSTRATIVE EXAMPLE

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

Potential sources of information:

- Value Added Statement
- The preparation of a Value-Added Statement is based on the data collected within the traditional accounting systems
- 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 (P&L) statement, or its internally audited management accounts (internal management reports for the country-specific data should be used).
- For example: operating costs for purchased goods and services can be derived from all the bills to external suppliers of goods and services (recorded in the accounts payable)

Economic area indicators: Value added and Net Value added (III/V)

PROFIT AND LOSS (INCOME STATEMENT) - ILLUSTRATIVE EXAMPLE

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

Relevant SDG indicator/s:

- Indicator: 8.2.1: Annual growth rate of real GDP per employed person
- Indicator 9.4.1: CO2 emission per unit of value added
- Indicator 9.b.1: Proportion of medium and high-tech industry value added in total value added

Economic area indicators: Value added and Net Value added (IV/V)

DOWNLOAD

VALUE ADDED GENERATED BY

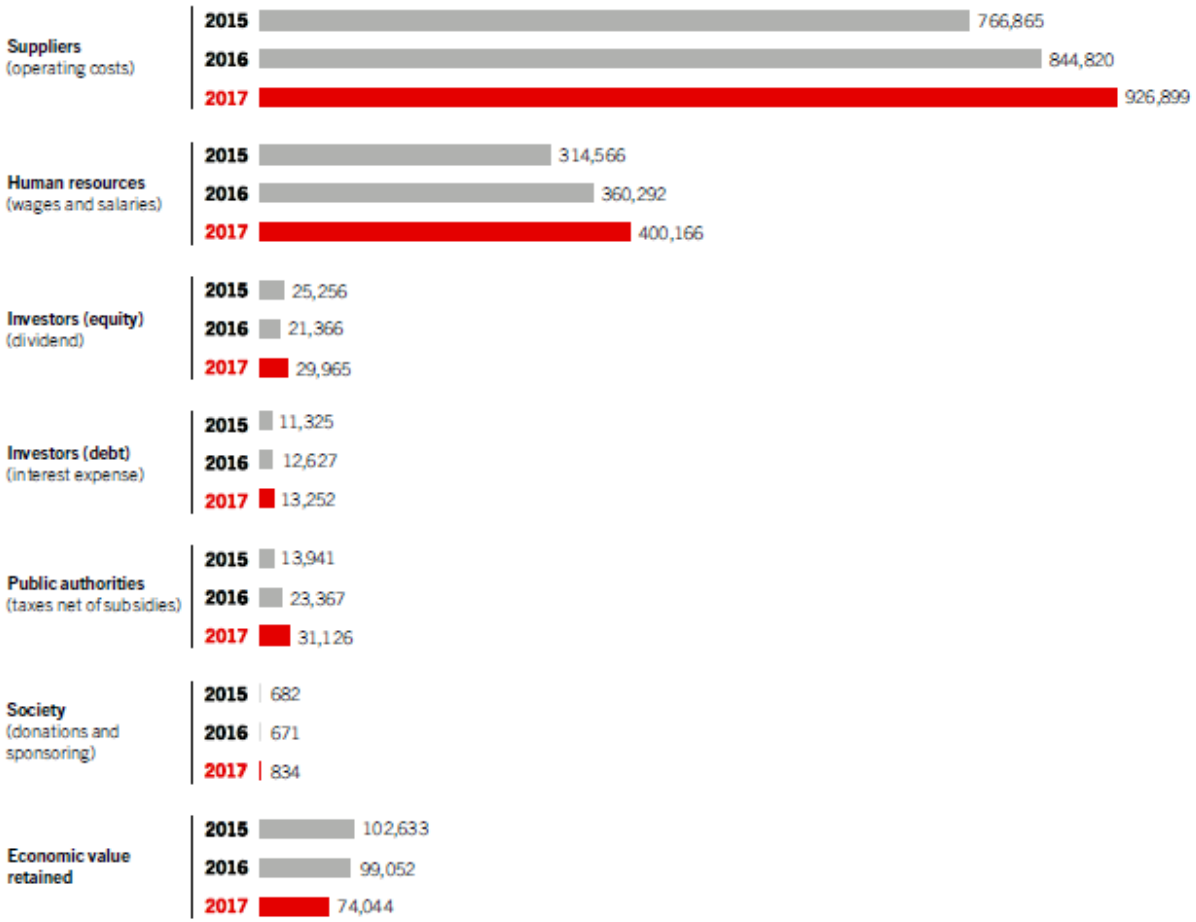
Source of funds in € million	2015		2014	
Sales revenue	213,292		202,458	
Other income	20,092		14,192	
Cost of materials	−143,700		−132,514	
Depreciation and amortization	−19,693		−16,964	
Other upfront expenditures	−28,578		−15,063	
Value added	**41,413**		**52,109**	

DOWNLOAD

Appropriation of funds in € million	2015	%	2014	%
to shareholders (dividend, 2015 dividend proposal)	68	0.2	2,294	4.4
to employees (wages, salaries, benefits)	36,268	87.6	33,834	64.9
to the state (taxes, duties)	3,033	7.3	3,817	7.3
to creditors (interest expense)	3,472	8.4	3,389	6.5
to the Company (reserves)	−1,428	−3.4	8,774	16.8
Value added	**41,413**	**100.0**	**52,109**	**100.0**

Economic area indicators: Value added and Net Value added (V/V)

MONETARY FLOWS TO STAKEHOLDERS[1)] (EUR thousand)
Direct economic value generated and distributed



Social area indicators: Proportion of women in managerial positions (I/V)

Definition:

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

As a first step, it is necessary to define the total workforce of the reporting entity at the end of the reporting period (denominator of the indicator).

Then 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, as a check list, the occupational classification system endorsed by the Meeting of Experts in Labour Statistics (the International Standard Classification of Occupations, 2008 (ISCO)).

Finally, it is required to identify and express the number of female employees occupying managerial positions in the reporting entity (numerator of the indicator).

Social area indicators: Proportion of women in managerial positions (II/V)

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

Social area indicators: Proportion of women in managerial positions (III/V)

Relevant SDG indicator/s:

- Indicator: 5.5.2: Proportion of women in managerial positions

Social area indicators: Proportion of women in managerial positions (IV/V)

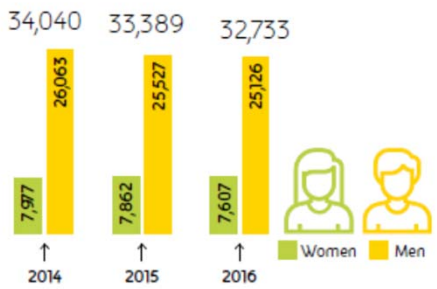
Diversity and equal opportunity

Diversity (in per cent)			2015[1]	2016[2]	2017
	Generations	0-29	25.8%	20.0%	18.9%
		30-50	53.2%	57.5%	59.1%
		50+	20.9%	22.5%	22.0%
	Level	Management position	8.9%	9.5%	9.6%
	Categories	COGS direct[3]	52.0%	51.5%	52.4%
		Struct. cost - Production	24.0%	24.0%	22.3%
		R&D	5.5%	5.3%	5.7%
		Sales, Services & Marketing	9.1%	9.7%	10.0%
		Administration	9.4%	9.4%	9.6%

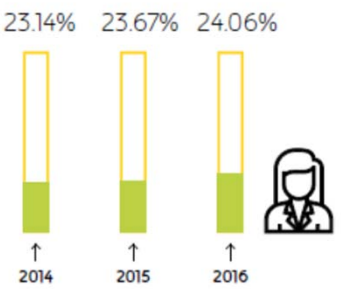
Level		Female & Male	Female	Male	Female	Male
Management position	0-29	0.5%	0.2%	0.7%	0.1%	0.3%
	30-50	5.9%	1.1%	5.0%	1.3%	5.5%
	50+	2.4%	0.4%	2.1%	0.3%	2.1%
	SUM	**8.9%**	**1.6%**	**7.9%**	**1.7%**	**7.9%**

Social area indicators: Proportion of women in managerial positions (V/V)

→ Women and men



→ % women in managerial positions
(senior and middle managers)



The main initiatives on gender equality continued in 2016 included:

Female presence in the Board	Equal treatment	Work life balance	Attracting female employees
• Presence of women in the Board of Directors of subsidiaries in Italy has reached 35% • Gender representation has also been extended to foreign Boards with 25% of female appointments	• Monitoring of female population • Alignment of women's salaries to men's (pay gap 97%) at the same position and seniority level • Targeted development paths for the managerial population including targeted training sessions	• Maternity as a Master program, a learning path centred around parenting and aimed at supporting skills that are useful socially and for work • Smart Working project for mothers and fathers enabling greater working flexibility	Initiatives to attract women to technical careers: • in high schools to promote technical and scientific studies • in universities by participating in sector events with testimonies from women working in Eni • through the publication of video testimonies of expatriates and employees of foreign subsidiaries

EXAMPLE