

ISAR 36

**Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the SDGs:
Review of case studies**



Tatiana Krylova
Head of Enterprise Branch, DIAE,
UNCTAD





- UNCTAD is the Secretariat of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR).
- UN focal point on enterprise accounting and reporting issues.
- Established in 1982 by ECOSOC.
- Within the context of the 2030 Agenda, ISAR contributes to enhancing the role of enterprise reporting in assessing the private sector contribution to the SDG implementation; facilitation of sustainable finance and investment.

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Background



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

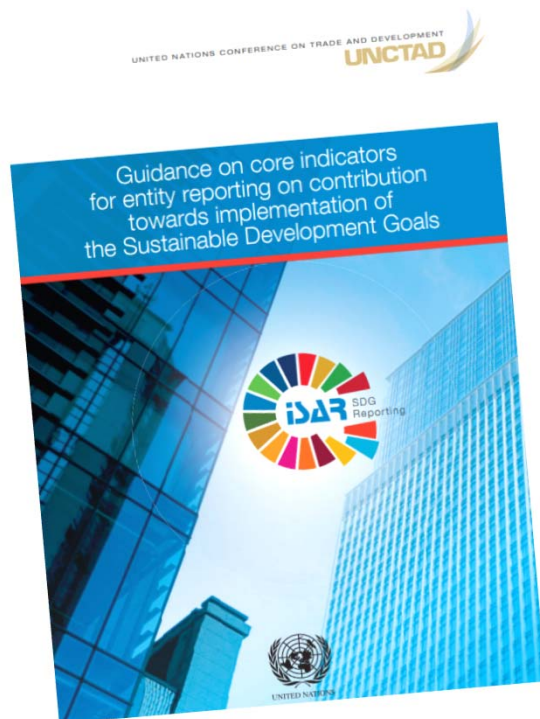
SDG 12.6.1: Reclassification of the Indicator

- The Indicator is under the custodianship of two UN agencies: **UN Environment and UNCTAD**; and as part of this responsibility they are tasked with leading the methodological development of the indicator, as well as overseeing the data collection and reporting process on 12.6.1 up to 2030.
- The development of these indicators takes place under the umbrella of the Inter-agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs).
- In September 2019 the indicator was reclassified to Tier II indicator, which means that development of an internationally recognized methodology has been approved for the further data collection since 2020.



Guidance on Core Indicators

- To facilitate companies reporting on their contribution to the SDG agenda UNCTAD launched in 2016 its work on baseline core SDG indicators with a view to improve comparability of sustainability/SDG reporting and its alignment with the SDG macro indicators. It resulted in developing Guidance on core SDG indicators as a tool to assist governments to assess the private sector contribution to the SDG implementation and to enable them to report on SDG 12.6. and indicator 12.6.1;

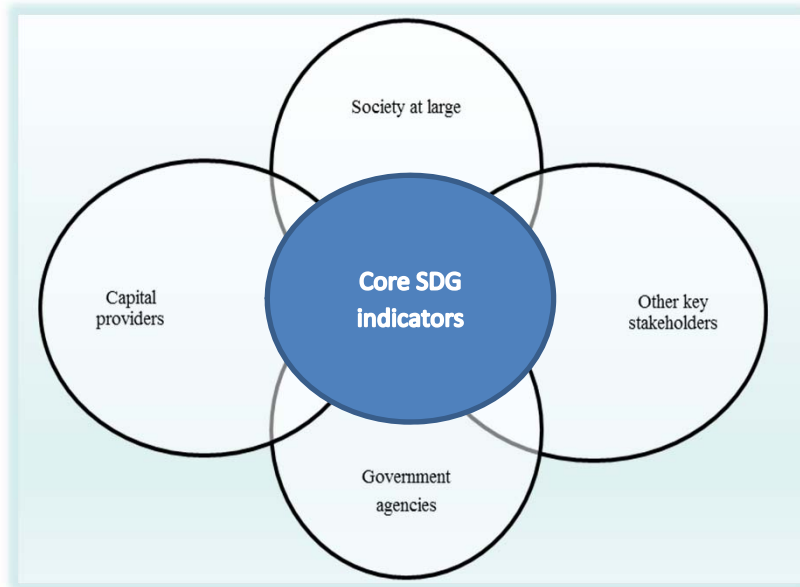


GCI provides practical information on how these core indicators could be measured in a consistent manner, be useful for key users, including national statistical agencies responsible for data collection on the private sector contribution to the SDGs.





GCI Framework



- The Core indicators are at the intersection of micro- and macro-level trends and needs
- Consistent with the SDGs monitoring framework and aligned with countries needs on monitoring the attainment of the SDG agenda

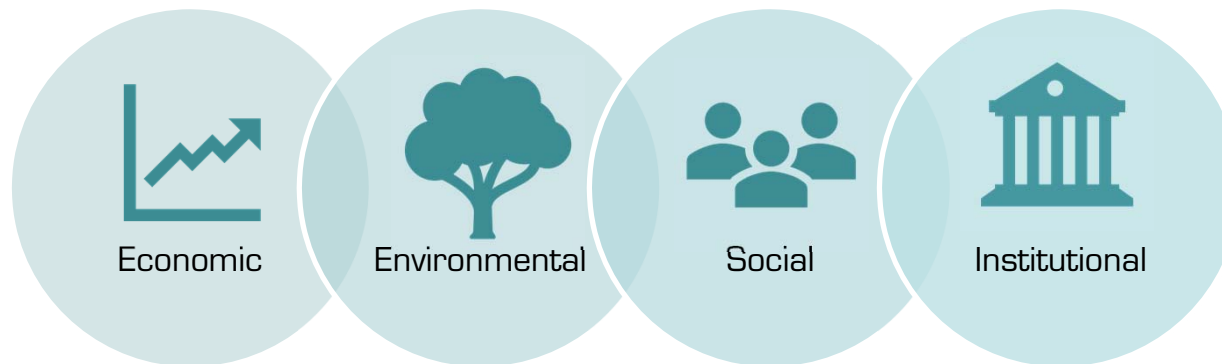
A set of global indicators focused on measurable outcomes that companies are providing in their reports and that can inform country reporting on the progress of the private sector on SDGs.





GCI

Four areas



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





Economic area

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

Social area

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

GCI core indicators

Environmental area

- 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
- Renewable energy etc.

Institutional area

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

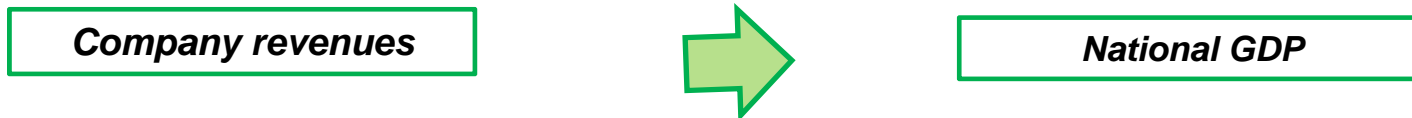
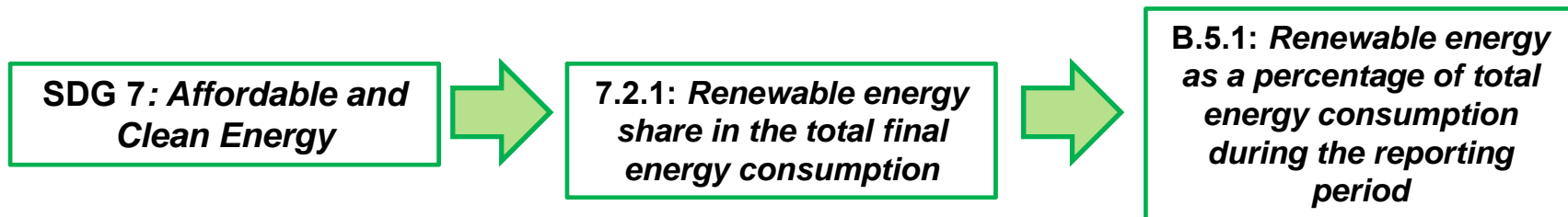
UNCTAD's approach



- Logical framework:



- Example:



Case studies

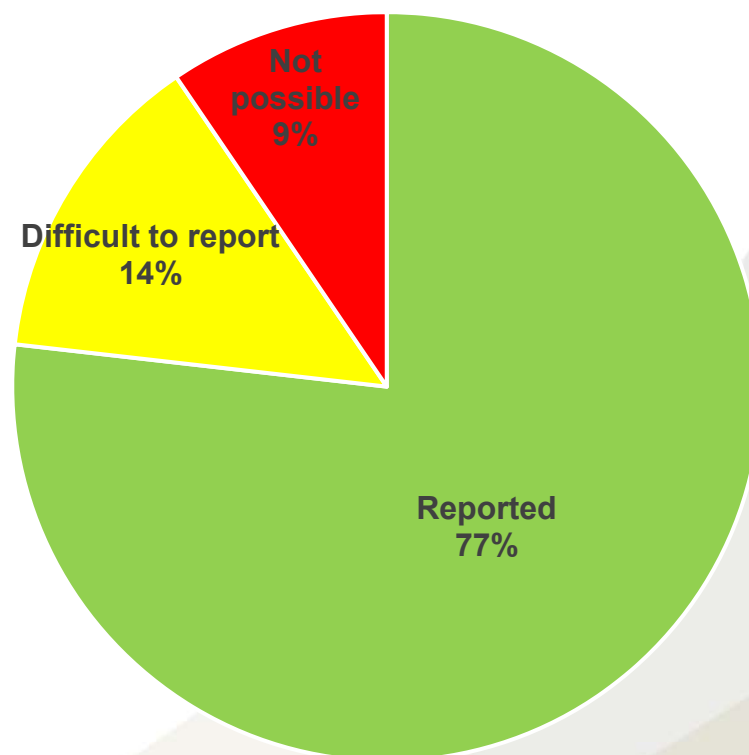
- Conducted in **different geographical areas**, countries with various levels of economic development, a **range of industries** and companies of different sizes.
- **Objective:** to examine the relevance and applicability of the GCI and to validate suggested approach and accounting data availability.

Companies participating in the case studies

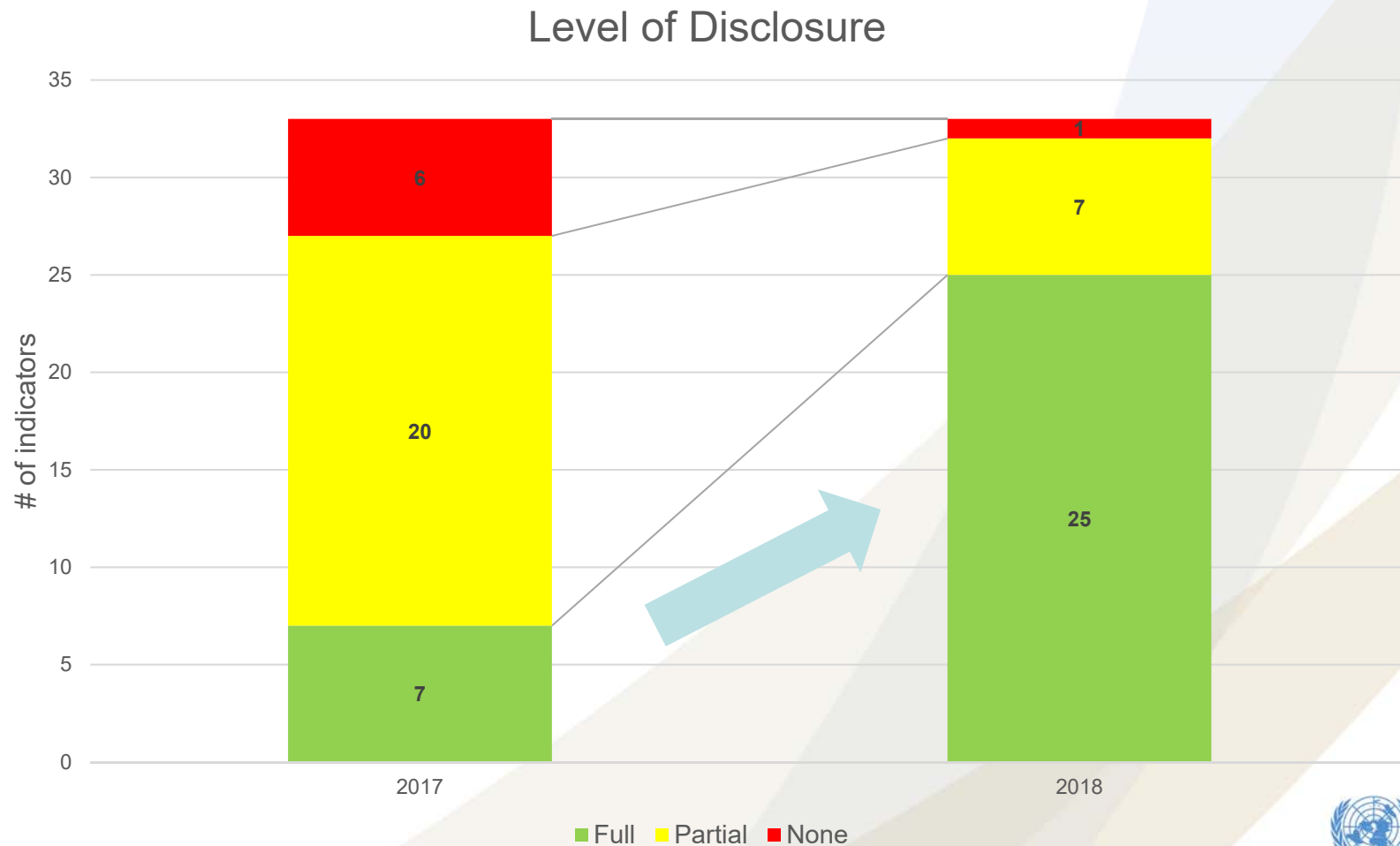
- **Represented industries:**
 - Telecommunications, oil and gas, mining, health care, manufacturing, retail, hospitality and energy
- **Represented countries:**
 - Colombia, Denmark, Guatemala, Kenya, the Russian Federation and Ukraine
 - An overview of the implementation of the Guidance in several companies was conducted in Egypt
 - Several more case studies are in progress

Most companies were able to provide data on most of the core indicators

Applicability of Core Indicators

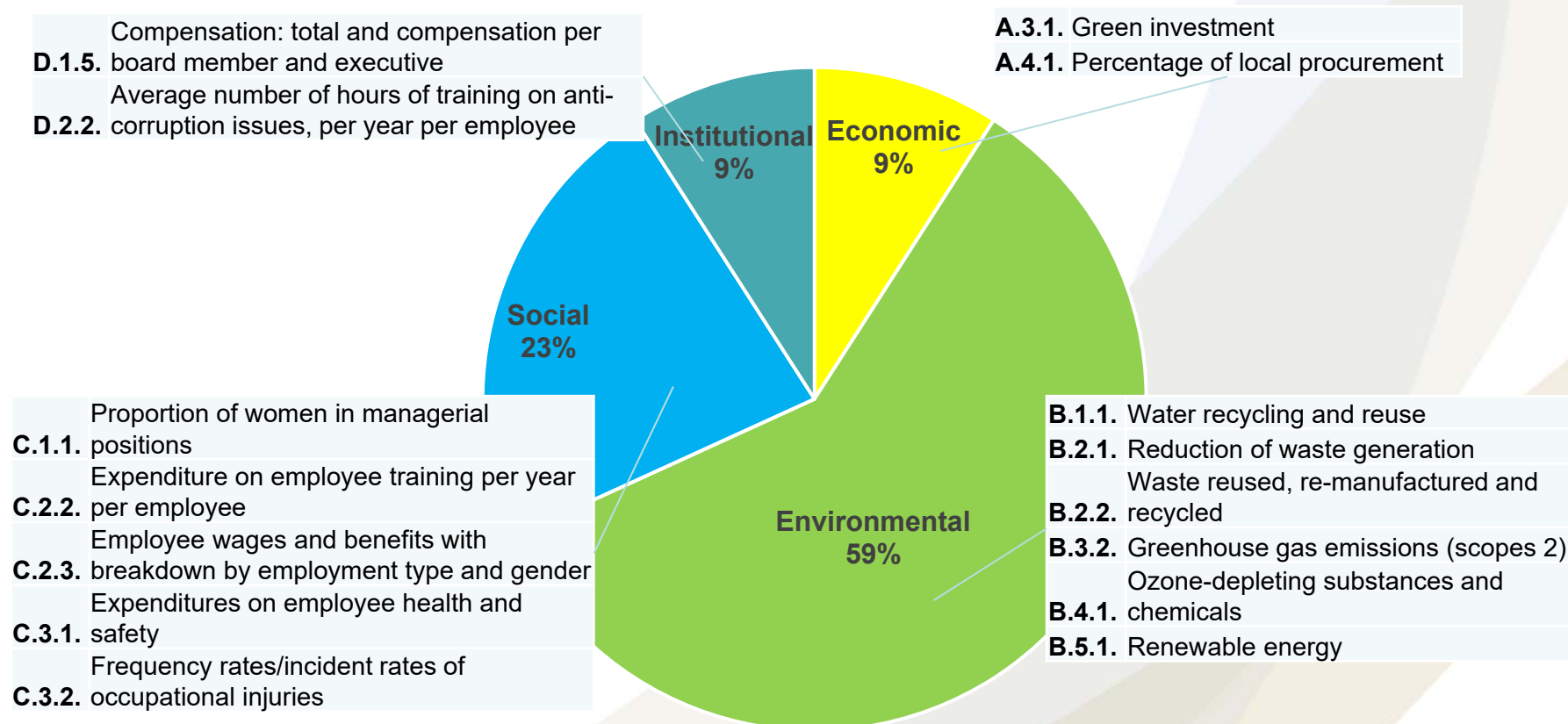


Significant improvement in the number of UNCTAD core indicators disclosed by companies in sustainability reports



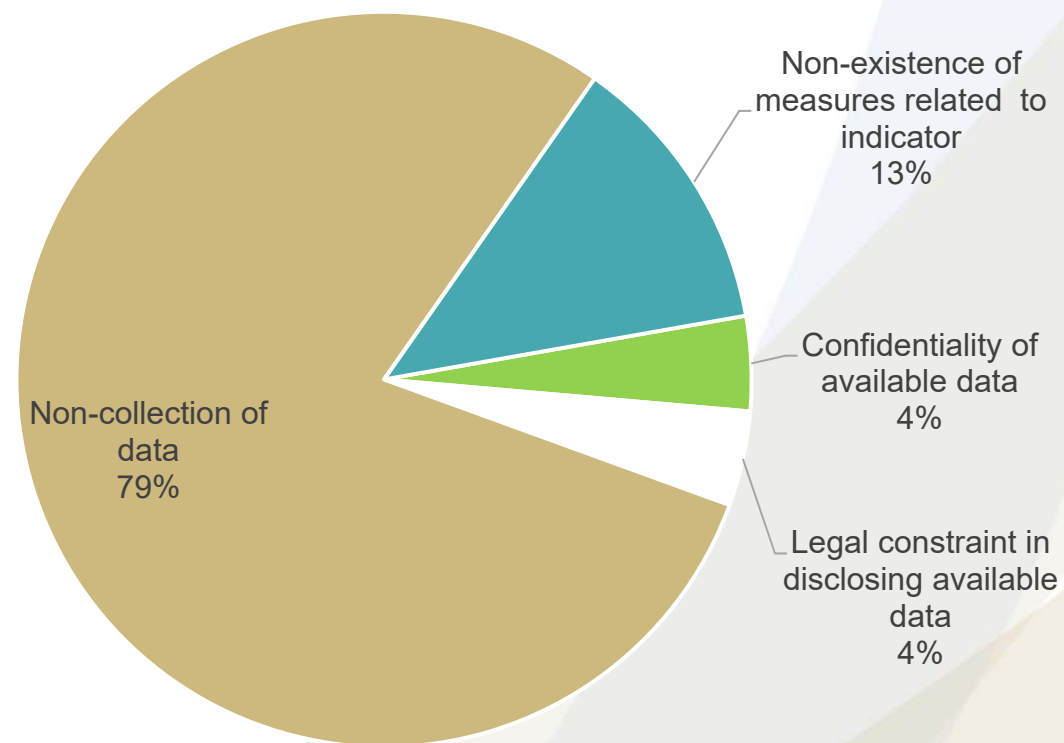
Key issues when reporting on core indicators

Share of difficult to report or not reported indicators



Data compiled from finalized case studies. Data collection and case studies are still ongoing.

Reasons for non-disclosure



Key Issues: Reporting On Core Indicators

- Companies could report on most of the indicators, there is no indicator that was reported by all companies as not reportable;
- There is no systemic consistency among the companies regarding problems of reporting on other core indicators;
- Indicators highlighted as being not possible to report or difficult to report in selected cases, while they were provided in most other cases:
- Difficulties on data collection relating to the core indicators:
 - With a high number of suppliers, further efforts are needed to create a level of transparency in the supply chain in order to calculate the percentage of local procurement
 - Only the total employee costs, including wages, salaries, pensions, social security contributions and other employee costs, are disclosed, and further breakdown is not possible
 - Tracking the percentage of employees having completed business ethics training is a better measurement than the number of hours of training in anti-corruption issues

Reasons for Non-disclosure

- Main reasons for the non-disclosure of certain indicators were the lack of legislative requirement and the lack of technical guidance and expertise on data collection and measurement
- In some cases, confidentiality was another reason for non-disclosure; despite the availability of data and the fact that companies provide certain information to the environmental and social authorities, they do not disclose such information in their sustainability reports
- Several cases studies raised issues relating to
 - Lack of regulation requiring environmental, social and governance/SDG reporting
 - Lack of coordination among different authorities in charge of such reporting, including coordination between accounting standards and requirements in the area of environmental, social and governance and SDG reporting
 - Existence of several entities in charge of different type of companies

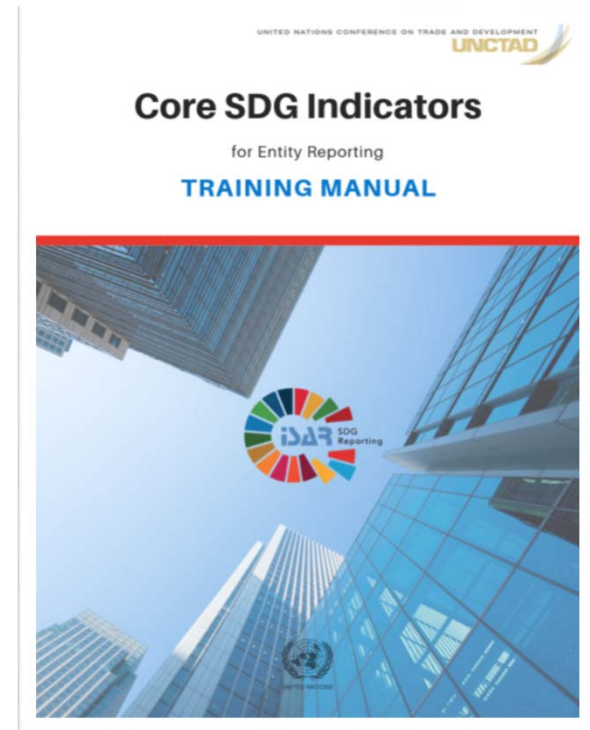
Case Studies Outcome

- However, consistent measurement and comparability of reported indicators continues to be a challenge.
- Need for further coordination and cooperation at a national level of key stakeholders in the public and private sectors;
- Further efforts on building national institutional and regulatory mechanisms on SDG reporting to ensure its quality, comparability, reliability and consistency with accounting and financial reporting; capacity building at all levels to facilitate progress.
- It is recommended that this study be repeated in the future to measure the degree of change in the level of SDGs disclosure over time.
- The case studies process reflected that when further technical guidance was provided, data availability for the core indicators at a company level was improved. Therefore, building technical capacity and providing guidance could be important means for further implementation of core indicators for a baseline SDG reporting by companies.



Training Manual

- More technical guidance is being prepared to improve the data availability.
- Building technical capacity and providing guidance are essential.
- 4 chapters with a list of selected references.
- For each indicator the manual includes:
 - ✓ Definition
 - ✓ Measurement methodology (with illustrative, numerical examples)
 - ✓ Potential sources of information
 - ✓ Examples of how these indicators have been already incorporated in the reporting practices of companies around the world
 - ✓ Self-assessment questions with solutions.



Key issues to address

- How useful is the GCI in assisting companies to provide reporting on their contribution to the SDGs?
- How can GCI supplement/differentiate/interact with other existing sustainability reporting frameworks and standards?
- Which core indicators need to be reviewed and adjusted based on the results of the case studies?
- How useful is the GCI in enabling countries to collect data on the private sector contribution to the implementation of the SDGs and to report on the SDG 12.6 and 12.6.1?
- How useful is the GCI for informing the Voluntary National Reports (VNR) processes at a national level?
- What measures should policymakers take to promote the alignment of national accounts and statistics methodologies with the SDG reporting by entities?
- What are the most pressing capacity building needs that would enable countries to collect useful and comparable data on companies' contribution towards the implementation of the Goals at the national level?
- What is the most efficient way to address these capacity building needs?
- How can global forums such as the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting further contribute to enhancing the role of entity reporting in monitoring the progress on SDG implementation?

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