
**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

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Wednesday, 10 November 2021

**Agenda item 3. Review of practical implementation, including
measurement, of core indicators for entity reporting on the
contribution towards the attainment of the Sustainable
Development Goals**

Presented by

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Review of practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainability Development Goals

Mexican Experience

Elsa Beatriz García Bojorges

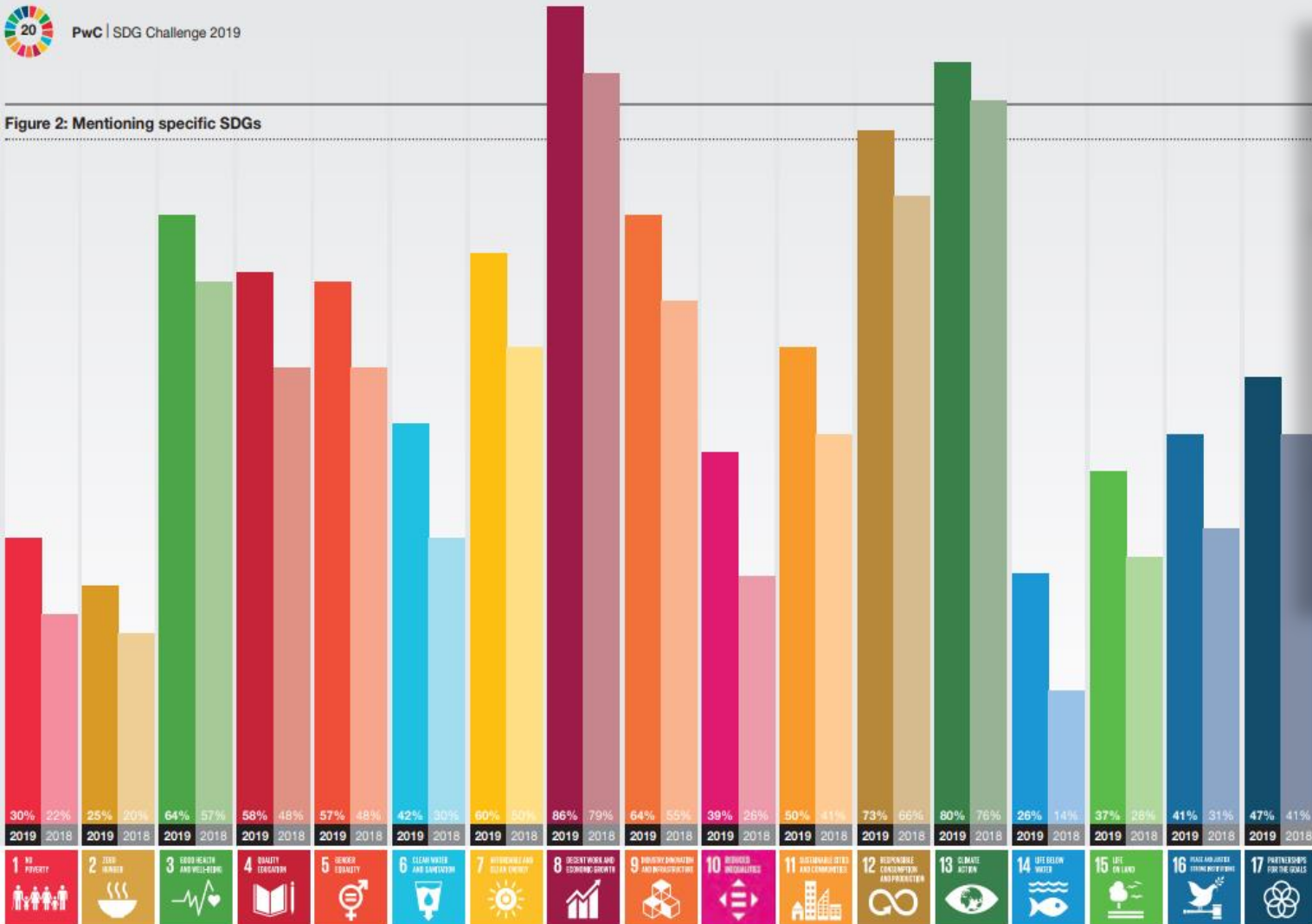
President of the Mexican Financial Reporting Standards Board
Consejo Mexicano de Normas de Información Financiera (CINIF)





PwC | SDG Challenge 2019

Figure 2: Mentioning specific SDGs



SUSTAINABILITY DEVELOPMENT GOALS (SDG) 2030 AGENDA INCLUDES:

- **Goal 12.6:** “encouraging companies, especially large and transnationals, to adopt sustainability practices and disclose them in their corporate reports”
- **Indicator 12.6.1:** “increase the number of companies that issue sustainability / ESG reports”



MÉXICO – ODS 2030 AGENDA COMPLIANCE STATUS

- National sustainability plan is ongoing
- There is a national sustainability committee which:
 - is integrated by domestic government entities: main regulators
 - is supported by private organizations
- It is evaluating the main sustainability reporting framework
- CINIF is evaluating the best practices for SME reporting. A case study was carried out using **Guidance on Core Indicators (GCI) – UNCTAD's tool**



- MG Interlomas, Mexican company based in Mexico City
- It is in the Small and Medium-sized Entities (SME) category
- Privately owned company
- Car dealership
- Size: 22 employees & US\$2.6m of revenue
- Started operations in October 2020
- Initial stage of their corporate sustainability journey

NATIONAL SUSTAINABILITY STRATEGY

GCI CASE STUDY – INDICATORS

Economic Area

1. Revenue
2. Value added (Gross Value Added, GVA)
3. Net value added (NVA)
4. Taxes and other payments to the Government
5. Green investment
6. Community Investment
7. Total expenditures on research and development
8. Percentage of local procurement

Institutional Area

9. Number of board meetings and attendance rate
10. Number and percentage of female board members
11. Board members by age range
12. Number of meetings of audit committee and attendance rate
13. Total compensation per board member
14. Amount of fines paid or payable due to settlements
15. Average number of hours of training on anti-corruption issues, per year / per employee

GCI Indicators

Environmental Area

16. Water recycling and reuse
17. Water use efficiency
18. Water stress
19. Reduction of waste generation
20. Waste reused, re-manufactured and recycled
21. Hazardous waste
22. Greenhouse gas emissions (scope 1)
23. Greenhouse gas emissions (scope 2)
24. Ozone depleting substances and chemicals
25. Renewable energy
26. Energy efficiency

Social Area

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

Reported Indicators: 82% (27/33)

| | Economic | Environmental | Social | Institutional |
|---|----------|---------------|--------|---------------|
| Reported 2020 | 8/8 | 6/11 | 7/7 | 6/7 |
| To be reported in the next reporting period | | 5 | | 1 |
| No information available | 0 | 0 | 0 | 0 |

1. Initial stage

- The application of GCI helped to establish a base for the company's sustainability impacts and corresponding communication

2. Challenges

- The main challenges lay in the environmental area indicators due to the lack of quantitative information and data collection processes

3. Agile adoption

- The company will reach 100% coverage in the next reporting periods and will produce its first sustainability report

4. Link to SDG Contribution

- The application of GCI indicators facilitated the quantification of sustainability impacts and contributions towards the SDGs

5. Training & Capacity Building

- The GCI Training Manual served as a key resource for the measurement of the indicators, pointing to the importance of training materials

6. High Coverage

- 82% of indicators were reported; it was possible to calculate most of them based on existing information

7. Implementation period

- 4 – 8 weeks, depending on company size

- *Key points to start a national sustainability strategy:*

1. A working group should be created... and it should be:

Multi-sectoral

- Sectors: public, private and social

Multi-institutional (national entities)

- Government (regulators should be included)
- National financial reporting standards setter
- Accountants associations
- Academic associations, etc.

Multi-disciplinary and experts

- Accountants, economists, engineers, etc.
- Sustainability experts

- *Key points to start a national sustainability strategy:*

2. Memorandum of understanding is suggested:

- Inter-institutional agreement
- To ensure resources and collaboration for the implementation of the action plan
- To ensure complete implementation of the strategy

3. National agenda should be aligned with SDG's 2030 Agenda

- Achieving the SDG's Agenda would be best

4. SME's should be included

- Most companies in the world are SMEs, so they must be included in the national sustainability strategy to meet the SDG's 2030 Agenda

- The suggested due process to build a national sustainability strategy is the following:

1. **Diagnosis**

To determine the status of the national infrastructure to sustainability/ESG reporting

2. **Build problem trees**

To identify the key problems

3. **Development and implementation of a national sustainability plan**

- To solve the key problems
- To issue/improve *Sustainability / ESG Reports*

Use of the **Accounting Development Tool (ADT)** of UNCTAD is recommended to determine the status of the national infrastructure to sustainability/EGS reporting.

ADT is focused on 5 pillars:

Legal and regulatory framework

Adoption of international standards: IFRS, IAS, etc.

Institutional framework

Institutional aspects: Are there accounting standards setters, regulators, professional associations, etc.?

Human capacity

Professional education and training; professional skills, continuing professional development, etc.

Capacity building process

Is there a strategic national plan for capacity-building in corporate reporting?

Public sector

Adoption of international standards: IPSAS, IAS, etc.

Use of the *Problem Trees Tool* is recommended to:

Identify the core problems



*Identify cause and effect
of the core problems*

Example:

ADT detection

The companies in the country do not issue sustainability/SDG reports

What could be the problem?

- There is no regulator entity to require the reports
- There is no reporting framework
- People don't have the skills...

... Identifying the cause of the problem is needed to solve it

- Main items in the national sustainability plan:

Sustainability taxonomy is needed

What are the sustainability actions and what are not?... this will strengthen comparability

Select a sustainability/ESG reporting framework

- International framework for public companies
- *Guidance on Core Indicators* for SME's is recommended

Strategy to strengthen human capacities is needed

- Professional education and training
- Continuing professional development

NATIONAL SUSTAINABILITY STRATEGY

REGIONAL PARTNERSHIP OF LATIN AMERICA

October 4-8, 2021, Mexico Regional Partnership for the promotion of sustainability and SDG reporting in Latin America was created, with the support of **UNCTAD**

Objective of the Partnership

Create a space for collaboration among the countries of the region to share experiences and lessons learned on sustainability issues to:

- a) Strengthen the national infrastructure to prepare high-quality sustainability reports
- b) Increase the number of high-quality sustainability reports by companies
- c) Measure the contribution of the private sector to the implementation of the SDGs
- d) Promote sustainable enterprise development

First Chair: México



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