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

Note by the UNCTAD secretariat

Summary

Under Sustainable Development Goal 12 on responsible consumption and production, target 12.6 is to encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle. UNCTAD and the United Nations Environment Programme are co-custodians of indicator 12.6.1 on the number of companies publishing sustainability reports. Many of the indicators, including indicator 12.6.1, refer to data already being reported by companies. Therefore, a primary source of information on company performance towards the achievement of the Goals could be company reporting. *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* was launched at the thirty-fifth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. With a view to facilitating the development of technical skills and promoting the implementation of the guidance, UNCTAD has developed a training manual and related tutorials. Over 20 case studies on the practical application of the guidance have been conducted in companies from different countries and industries and of different sizes. The guidance has proven a useful tool in facilitating the convergence of sustainability reporting frameworks by providing, early on, an initial and simple common set of universal indicators for baseline reporting by entities on sustainability issues in alignment with the 2030 Agenda for Sustainable Development. The case studies underline the importance of capacity-building efforts provided by UNCTAD to facilitate wider use of the guidance and awareness-raising and dissemination in this regard, including among small and medium-sized enterprises.

This note aims to facilitate discussions at the thirty-eighth session of the Intergovernmental Working Group of Experts on further implementation of the guidance to facilitate the harmonization and comparability of Goals-related reporting by entities, assist Governments in their efforts to measure the contribution of the private sector and help enable the collection of data under indicator 12.6.1. It provides an overview of recent key developments in the area of

sustainability and Goals-related reporting and describes lessons learned and the main challenges and recommendations with regard to the case studies on the application of the guidance. At its thirty-seventh session, the Intergovernmental Working Group of Experts requested the secretariat to determine whether adjustments to the guidance were necessary. Accordingly, UNCTAD proposes updates to the core indicators based on international developments in this area, findings from the case studies and feedback obtained during a consultative group meeting.

I. Introduction

1. High-quality corporate reporting is an essential part of an enabling environment for enterprise development, as it promotes transparency, reliability and trust among stakeholders and helps countries to become more attractive for investment. The adoption of the 2030 Agenda for Sustainable Development significantly increased and enhanced the role of enterprise reporting as a primary source of information on the contribution of the private sector to the achievement of the Sustainable Development Goals. There is also growing demand from users for sustainability and Goals-related reporting and increasing emphasis on the integration of sustainability information into the reporting cycles of companies. Under Goal 12 on responsible consumption and production, target 12.6 is to encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle; indicator 12.6.1 refers to the number of companies publishing sustainability reports. In addition, several other indicators refer to data already being reported by companies, such as on human resource management, gender equality and community development, energy and water use, carbon dioxide emissions, waste generation and recycling. Furthermore, the incorporation of environmental, social and governance-related issues in capital market activities and financial instruments has become mainstream in recent years.

2. The coronavirus disease 2019 (COVID-19) pandemic has highlighted the need for further efforts towards the harmonization and comparability of sustainability reporting, to ensure its usefulness in decision-making, including with regard to financial aid for a post-pandemic resurgence in the private sector. In this regard, efforts towards the convergence of different international sustainability reporting frameworks have been further facilitated, such as the frameworks of the following: Carbon Disclosure Project; Climate Disclosure Standards Board; Global Reporting Initiative; International Integrated Reporting Council; and Sustainability Accounting Standards Board. In addition, the transition to a new governance system has been facilitated, to develop a set of robust international standards on sustainability reporting aligned with the key principles of financial reporting.

3. To address related challenges, UNCTAD, through the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, supports member States in their efforts towards the implementation of international standards, codes and best practices, to promote the harmonization and improvement of the quality of enterprise reporting in order to facilitate financial stability, international and domestic investment and social and economic progress. Since the adoption of the 2030 Agenda, the Intergovernmental Working Group of Experts has focused on the harmonization of company reporting on the contribution towards the achievement of the Goals.

4. The Intergovernmental Working Group of Experts supports member States in the implementation of resolution 75/207 on promoting investments for sustainable development, in which the General Assembly recognized the importance of corporate sustainability, including reporting on environmental, social and governance impacts, as appropriate, to help to ensure transparency and accountability and avoid practices that counteract efforts to achieve the Sustainable Development Goals. The General Assembly also encouraged international support for Member States, to voluntarily develop practical tools on measuring and collecting timely and reliable data on the private sector contribution towards the implementation of the Sustainable Development Goals. For this purpose, the Intergovernmental Working Group of Experts revised its Accounting Development Tool, to adapt it to requirements under the 2030 Agenda. To support the implementation of the updated tool, in 2019, UNCTAD published *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals*.[1] The guidance aimed to help facilitate the harmonization and comparability of data on the private sector contribution towards the achievement of the Goals in alignment with the

[1] UNCTAD, 2019, *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* (United Nations publication, sales No. E.19.II.D.11, Geneva).

Goals monitoring framework and to support the preparation of voluntary national reviews under the High-level Political Forum on Sustainable Development. With a view to facilitating the development of technical skills and promoting the implementation of the guidance, UNCTAD has developed a training manual and related tutorials to be used for training purposes, whether conducted in-person or through remote participation.[2]

5. The Intergovernmental Working Group of Experts, at its thirty-seventh session, considered the impact of the pandemic on private sector activities and progress on and the main challenges to improving the quality and usefulness of sustainability and Goals-related reporting by companies, as well as trends and good practices in climate-related financial disclosures. Several case studies conducted by UNCTAD on the practical application of the *Guidance on Core Indicators* in different types of entities from various countries and industries were presented and discussed. The case studies provided further evidence of the usefulness of the approach in the guidance to the facilitation of baseline sustainability and Goals-related reporting by companies in a consistent and comparable manner and underscored the role of the guidance as a capacity-building tool in integrating sustainability information into the accounting and reporting cycles of companies. Finally, experts at the session reviewed progress on and challenges in Goals-related data collection by companies on their contribution towards the implementation of the 2030 Agenda; and discussed the role of UNCTAD and the United Nations Environment Programme as co-custodians of indicator 12.6.1 on the number of companies publishing sustainability reports.

6. The Intergovernmental Working Group of Experts emphasized the need to foster efforts and cooperation in all initiatives towards a single, coherent and robust set of standards on sustainability reporting; recognized the important role that the guidance has been playing as a useful tool to facilitate the convergence of sustainability reporting frameworks by providing early on an initial and simple common set of universal indicators for entities' baseline reporting on sustainability issues in alignment with the 2030 Agenda; noted the usefulness of capacity-building efforts and training tools provided by UNCTAD to facilitate wider use of the guidance, raising awareness and dissemination thereof, including for small and medium-sized enterprises, and encouraged further activities in this area; and encouraged UNCTAD to continue engaging with relevant United Nations agencies, as well as with key regional and international institutions promoting work on the harmonization and comparability of sustainability accounting and reporting by entities in the public and private sectors, with a view to facilitating the further convergence and alignment of reporting frameworks and practices, and to continue developing metrics and tools on measuring and collecting timely and reliable data on the private sector contribution towards the implementation of the Sustainable Development Goals.[3]

7. In this regard, UNCTAD has made the guidance available in all official languages of the United Nations, as a voluntary practical and useful tool for Member States in measuring and collecting timely and reliable data on the private sector contribution. UNCTAD has also continued to implement activities under the Development Account project titled "Enabling policy frameworks for enterprise sustainability and SDG [Sustainable Development Goal] reporting in Africa and Latin America". The main objective is to strengthen the capacities of Governments to measure and monitor the private sector contribution towards the implementation of the 2030 Agenda and to provide data under indicator 12.6.1. The above-mentioned tools are all being used in the project activities. Case studies on the implementation of the guidance have been prepared as part of assessments of national infrastructures for sustainability reporting.

8. In addition, in cooperation with the United Nations Environment Programme, UNCTAD developed a methodology to measure the number of companies publishing sustainability reports, which led to its reclassification as a tier II indicator in 2019. In 2020, UNCTAD began the pilot process of data collection in cooperation with countries,

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[2] UNCTAD, 2020, *Core SDG[Sustainable Development Goal] Indicators for Entity Reporting: Training Manual* (United Nations publication, sales No. E.20.II.D.17, Geneva) and https://isar.unctad.org/tutorials-gci.
Note: All websites referred to in footnotes were accessed in August 2021.

[3] TD/B/C.II/ISAR/95.

including Guatemala, Qatar, South Africa and Ukraine. The mechanism of data collection was replicated in other regions to aggregate the global statistics, as reported to the Inter-Agency and Expert Group on Sustainable Development Goals Indicators in February 2021. In 2020, 3,375 companies issued sustainability reporting at the minimum level and 1,593, at the advanced level.

9. With a view to encouraging further efforts and cooperation in all initiatives towards a single, coherent and robust set of standards on sustainability reporting, the Intergovernmental Working Group of Experts has continued to foster partnerships with key players in the area of sustainability reporting, including, among other international and regional stakeholders in this area, the following: Global Reporting Initiative; International Financial Reporting Standards Foundation; International Integrated Reporting Council; Professional Accountancy Organization Development Committee of the International Federation of Accountants; Sustainability Accounting Standards Board; and World Business Council for Sustainable Development. In addition, UNCTAD has strengthened cooperation with other United Nations entities working in this area.[4] The Department of Economic and Social Affairs is using the core indicators as business statistics inputs for national accounts, which highlights the relevance of sustainability reporting in measuring the contribution of the private sector to achieving the Goals; the United Nations Global Compact refers to the core indicators in its new questionnaire for the communication on progress report; and the United Nations Research Institute for Social Development is developing indicators for social and solidarity entities, building on the core indicators. Such cooperation has been critical to UNCTAD consensus-building efforts among stakeholders in the diverse corporate reporting community, towards facilitating the harmonization and comparability of reporting by companies and raising awareness of the role of high-quality reporting in monitoring the implementation of the 2030 Agenda. In this context, in 2020, chief executive officers of the Global Investors for Sustainable Development Alliance agreed on five key deliverables, including on sustainability reporting, under which they aim to engage with the Intergovernmental Working Group of Experts, as well as the International Business Council and the World Economic Forum, on their respective lists of core industry-agnostic sustainability metrics and cooperate towards further convergence and complementarity.

10. Finally, the Intergovernmental Working Group of Experts called upon UNCTAD to continue conducting further case studies; requested UNCTAD to convene consultative meetings during the intersessional period, with a view to analysing the main findings of the case studies; welcomed the feedback shared in applying the guidance; and requested UNCTAD to continue monitoring progress on the implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures and of other initiatives, with a view to facilitating the exchange of experiences and good practices on this topic at future sessions of the Intergovernmental Working Group of Experts.

11. In preparation for the thirty-eighth session of Intergovernmental Working Group of Experts, UNCTAD convened a consultative group meeting in March 2021 with the objective of collecting different perspectives and deliberating on possible updates to the core indicators. Participants included experts from various key stakeholders in the area of sustainability and Goals-related reporting,[5] representatives from beneficiary countries of the Development Account project and experts involved in the preparation of the case studies.

[4] Including the following: Department of Economic and Social Affairs; United Nations Environment Programme; United Nations Global Compact; United Nations Research Institute for Social Development.

[5] Including the following: Carbon Disclosure Project; Climate Disclosure Standards Board; Financing for Sustainable Development Office and Statistics Division of the Department of Economic and Social Affairs; Food and Agriculture Organization of the United Nations; Global Reporting Initiative; International Financial Reporting Standards Foundation; International Integrated Reporting Council; International Organization of Securities Commissions; Sustainability Accounting Standards Board; United Nations Environment Programme; United Nations Global Compact; United Nations Research Institute for Social Development; World Business Council for Sustainable Development.

12. This note aims to facilitate discussions at the thirty-eighth session of the Intergovernmental Working Group of Experts on further implementation of the guidance to facilitate the harmonization and comparability of Goals-related reporting by entities. It provides an overview of recent key developments in the area of sustainability and Goals-related reporting and describes lessons learned and the main challenges and recommendations with regard to the case studies on the practical application of the guidance. In addition, it builds on feedback obtained during the consultative group meeting on suggested updates to the core indicators.

II. Recent developments in sustainability and Goals-related reporting by entities

13. Several initiatives took place in 2020 and are under way in 2021 to develop global standards for sustainability reporting. These initiatives have the common aim of improving the consistency and comparability of sustainability disclosures provided by companies. Some of these important developments are highlighted in this chapter.

14. In September 2020, an open letter was sent to the International Organization of Securities Commissions from the following: Carbon Disclosure Project; Climate Disclosure Standards Board; Global Reporting Initiative; International Integrated Reporting Council; and Sustainability Accounting Standards Board. The entities highlighted two steps towards "the foundation of a global architecture for sustainability disclosures that enable consistent reporting of information that is relevant for enterprise value creation, as part of comprehensive corporate reporting".[6] The letter referred to a consultation paper on sustainability reporting issued by the International Financial Reporting Standards Foundation, proposing the creation of a global sustainability standards board.[7] Also in September, the World Economic Forum issued a set of universal environmental, social and governance metrics and disclosures to promote reporting by companies on non-financial issues.[8]

15. In June 2021, the International Integrated Reporting Council and Sustainability Accounting Standards Board merged into an international organization titled the Value Reporting Foundation, which will maintain the integrated reporting framework, advocate integrated thinking and set sustainability disclosure standards for enterprise value creation. This merger responds to requests from global investors and corporations to simplify the corporate reporting landscape and intends to advance the work (detailed in the "statement of intent to work together towards comprehensive corporate reporting" that outlines a vision for a comprehensive corporate reporting system) of the following: Carbon Disclosure Project; Climate Disclosure Standards Board; Global Reporting Initiative; International Integrated Reporting Council; and Sustainability Accounting Standards Board.[9] The Value Reporting Foundation will have a single strategy and governance board and will develop the following principle projects: integrated thinking principles; standards of the Sustainability Accounting Standards Board; and integrated reporting framework. The Foundation will use the framework in connection with financial reporting and sustainability disclosures and the Sustainability Accounting Standards Board will provide industry-specific standards for sustainability reporting. The Foundation will also support a global sustainability standards board under the governance of the International Financial Reporting Standards Foundation.

16. Following the consultation paper issued by the International Financial Reporting Standards Foundation and the open letter, in February 2021, the International Organization

[6] https://www.globalreporting.org/about-gri/news-center/2020-09-30-open-letter-to-the-international-organization-of-securities-commissions-iosco/.

[7] https://www.ifrs.org/projects/work-plan/sustainability-reporting/consultation-paper-and-comment-letters/.

[8] https://www.weforum.org/press/2020/09/measuring-stakeholder-capitalism-top-global-companies-take-action-on-universal-esg-reporting/.

[9] https://integratedreporting.org/news/iirc-and-sasb-announce-intent-to-merge-in-major-step-towards-simplifying-the-corporate-reporting-system/.

of Securities Commissions issued a statement stating the need to improve the consistency, comparability and reliability of sustainability reporting and welcoming the next phase of work towards the establishment of a global sustainability standards board under the International Financial Reporting Standards Foundation.[10] The International Organization stated it would work with the Foundation to establish the board. In March, the trustees of the Foundation announced a strategic direction and next steps based on feedback received from consultations, which had confirmed an urgent need for global sustainability reporting standards.[11] The Foundation would establish the board within its existing governance structure and welcomed support from and collaboration with the International Organization, which could include possible endorsement of the board and standards. In April, the trustees published the following documents on a sustainability reporting project: feedback statement, recapping issues raised by respondents to the consultation paper; and exposure draft, describing proposed targeted amendments to the constitution of the Foundation, to allow the board to set sustainability standards under the Foundation. In June, the trustees issued a call for nominations for the chair and vice-chair of the board. A final determination on the board is intended to be made before the twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, to be held from 31 October to 12 November 2021.

17. In addition, the International Federation of Accountants has proposed a building-blocks approach to sustainability reporting; the first block enables enterprise value reporting for investors and other providers of financial capital and the second block enables multi-stakeholder reporting on sustainable development.[12]

18. In March 2021, the European Financial Reporting Advisory Group submitted two reports to the European Commission setting out recommendations on the development of European Union sustainability reporting standards; the first responded to a request for technical advice mandating the Group to undertake preparatory work for the elaboration of possible sustainability reporting standards in a revised non-financial reporting directive and the second, to an invitation to provide recommendations on the possible need for changes to the governance and funding of the Group if it became the European Union sustainability reporting standard setter.[13] The non-financial reporting directive is being reviewed, with a legislative process to take place in 2022. The preparatory work noted above is carried out by the project task force on non-financial reporting standards appointed by the European Lab Steering Group in September 2020, which incorporates a broad range of stakeholders from across the European Union with an interest in non-financial information, including the public sector, the private sector, small and medium-sized enterprises and civil society. During the consultative group meeting, an update was provided on sustainability-related developments in the European Union, including three key initiatives with regard to sustainability reporting.[14] The final report published in March set out 54 recommendations on the development of European Union sustainability reporting standards. The foundations of the new standards should include a combination of principles and objectives; there needs to be an inclusive range of stakeholders, including investors and others; the standards should be principle-based and contain detailed prescriptions when necessary; and their objectives should align sustainability reporting with sustainable development, sustainable finance and the public good. In addition, it is important to ensure that reporting delivers the data needed for investment-related decisions and to consider sector-specific and sector-agnostic relevance; the standards should also take into account the importance of intangibles in value creation and sustainability reporting. The conceptual framework will include guidelines on how to align the standards with the public good; dramatically increase

[10] https://www.iosco.org/news/pdf/IOSCONEWS594.pdf.

[11] https://www.ifrs.org/news-and-events/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/.

[12] https://www.ifac.org/system/files/publications/files/IFAC-enhancing-corporate-reporting-sustainability-building-blocks.pdf.

[13] https://www.efrag.org/News/Project-476/Reports-published-on-development-of-EU-sustainability-reporting-standards.

[14] https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

the quality of reporting; promote a retrospective and forward-looking vision; cover upstream and downstream value chains; operationalize the concept of double materiality; and promote the connectivity between financial and sustainability reporting. The structure of the standards proposed includes three layers of reporting (sector-agnostic, sector-specific, entity-specific), reporting areas (strategy, implementation, performance measurement) and topics (environmental, social, governance plus, i.e. including intangibles). The information would be included in sustainability statements in corporate reports. The initial application is expected in 2024, with reporting for 2023. Accordingly, a pragmatic set of standards need to be ready before the end of 2022. In April 2021, the European Commission adopted a proposal for a corporate sustainability reporting directive to amend the current reporting requirements under the non-financial reporting directive.[15] This proposal aims to simplify the reporting process for companies by suggesting the adoption of common European Union sustainability reporting standards. It will extend sustainability reporting obligations to all large companies and all companies listed on regulated markets except listed microenterprises; demand the limited assurance of reported information; establish more comprehensive reporting requirements, including the need to report according to mandatory European Union sustainability reporting standards; and request digital tags on the information reported by companies to make them machine-readable and include them in the single access point envisioned in the capital markets union action plan. About 50,000 companies, compared with the present 11,000, would have to report on sustainability. The European Financial Reporting Advisory Group will be responsible for developing the standards to be adopted by the European Commission.

19. During the consultative group meeting, the representative from the International Organization of Securities Commissions reinforced the urgent need for global sustainability reporting standards in the light of investor demand for sustainability information and the necessity to improve the consistency, reliability, comparability and auditability of this information, including through industry-specific metrics. The statement issued by the International Organization expressed support for the establishment of a global sustainability standards board under the International Financial Reporting Standards Foundation and stressed work done, in collaboration with the International Accounting Standards Board, the International Integrated Reporting Council and the Sustainability Accounting Standards Board, to prepare a prototype of climate disclosure standards in moving towards developing standards covering Goals-related issues. The International Organization supported a building-blocks approach to establishing a global sustainable reporting system with baseline reporting and flexibility for coordination on reporting requirements that captured wider sustainability impacts; and supported the creation of a multi-stakeholder consultative committee to assist in identifying relevant sustainability topics.

20. All of these developments signal a major change in the area of sustainability reporting towards its standardization; the establishment of a governance structure that can facilitate the interconnectivity of financial and sustainability reporting; and the improvement of the quality of sustainability and Goals-related reporting.

III. Case studies: Lessons learned, challenges and recommendations

21. The *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals* offers a practical and pragmatic approach towards baseline reporting with regard to the Goals. The core indicators are intended as a starting point on the path towards sustainability reporting by companies and represent the minimum disclosures that companies need to provide to stakeholders and for Governments to be able to assess the contribution of the private sector to achieving the Goals. The guidance provides a measurement methodology for each indicator and suggests accounting sources for data collection. The core indicators covering the economic, environmental, social and institutional areas were identified through a multi-stakeholder consultative process and intergovernmental consensus-building, based on key reporting

[15] Ibid.

principles, the main reporting frameworks and the reporting practices of companies. The indicators cover key areas common to all businesses, comprising economic contributions, the rational use of natural and material resources (water, energy, land, air, waste) and social issues (e.g. worker health and safety, access to training, gender equality, good governance and anti-corruption practices). They were selected based on the macro-level indicators included in the global indicator framework for the Goals of the Inter-Agency and Expert Group on Sustainable Development Goals Indicators. To ensure consistency in the measurement methodology and data comparability, the core indicators are designed to be comparable across entities, time and geographical areas; and require transparent and traceable documentation on scope, data quality and methodology used. In addition, the guidance is in alignment with the minimum requirements in the metadata guidance for indicator 12.6.1. To facilitate technical capacity-building and enhance the implementation of the core indicators, UNCTAD has prepared a training manual and related tutorials, with definitions, potential information sources, measurement methodologies, examples and self-assessment questions with solutions for all core indicators. Electronic learning materials are in development.

22. Since 2019, to conduct pilot tests and gain insights into the practical implementation of the guidance and training manual, UNCTAD has conducted more than 20 case studies in companies from different geographical areas; countries with various levels of economic development; a broad range of industries; and companies of different sizes, including small and medium-sized enterprises and family businesses.[16] An overview and analysis of the implementation of the guidance was conducted in Egypt and the United States of America, involving several companies. Additional case studies are in progress.

23. The key challenges emerging from the case studies can be distinguished into firm-level and national-level challenges.

24. At the firm level, one of the main challenges is the lack of data collection processes and/or of data availability. Several companies noted that they lacked a solid process for gathering data and elaborating quantitative information under the indicators, particularly in the environmental area. However, among all the companies in the case studies, there was no indicator not reported on. Companies faced challenges in collecting data related to the environmental area as they did not measure, among others, waste management, water recycling, the emission of ozone-depleting substances and chemicals or the use of renewable energy. In addition, there was a lack of knowledge of information sources for calculations under some indicators, such as on greenhouse gas emissions or water stress levels. In some cases, the information was not available or not recorded in previous reporting periods. However, calculations under some of these indicators were completed with support provided through the use of the *Guidance on Core Indicators* and the training manual. Several companies (e.g. in the case studies in Guatemala, Italy and Kenya) stressed the importance of the training manual in supporting the efforts of first-time reporters and helping to build capacity in data collection.

25. Some indicators are equal to zero or are not reported on because companies do not have in place the activities, structures or practices related to these indicators. For example, as shown in the case studies in Guatemala, the following indicators are at zero or are not reported on (see tables 3 and 4): C.4.1 (companies participating in the case study did not have a collective agreement for their employees); D.1.4 (an audit committee was not in place during the reporting period); and D.2.2 (companies did not have any training related to anti-corruption issues). Feedback received also indicated that entities such as an audit committee or board are not necessarily present in family businesses. The two case studies of small and medium-sized enterprises in Italy showed similar issues, for example, with regard to the following indicators (see table 2): B.1.1 (neither company recycled or reused

[16] Including the following countries: China; Colombia; Denmark; Egypt; Guatemala; India; Italy; Kenya; Netherlands; Poland; Russian Federation; Saudi Arabia; South Africa; Turkey; Ukraine; United Republic of Tanzania.
Industries included the following: academia; agriculture; apparel retailers; chemical manufacturing; commodity paper products; cosmetics; cutting tools; energy; engineering; garments; health care; hospitality; oil and gas; paints and coating solutions; telecommunications; textiles.

water during the reporting period); and B.4.1 (neither company tracked this area). In one of the two companies, the institutional area was almost entirely not covered; the founder and president of the board of directors held 100 per cent of shares and the company had a simple governance structure.

26. In addition, in various case studies, the concept of materiality was highlighted; this concept was discussed during the consultative group meeting since a lack of materiality was the reason provided by some companies for not reporting on some indicators, particularly in the environmental and institutional areas. The adoption of the Goals required multi-stakeholder consultations and agreement that certain aspects of economic, environmental, social and institutional activities were material to the Member States of the United Nations. For example, with regard to social indicators, the International Labour Organization promotes collective agreements and anti-corruption is a key topic in the principles of the United Nations Global Compact. The emphasis on environmental indicators is consistent, for example, with the report of the Task Force on Climate-Related Financial Disclosures in 2017, which indicates that climate-related risks are non-diversifiable risks that affect nearly all industries.[17] In the context of the Goals and Goals-related reporting, materiality has a new meaning and dimension, as it is not entity- or industry-specific, but universal. The core indicators covering the four areas were initially identified through a multi-stakeholder consultative process and intergovernmental consensus-building and are material for society as a whole and for the planet. To understand the contribution of the private sector to achieving the Goals, all activities with an impact on the environment and society, even a small one, are material by definition, and companies need to embrace a new concept of materiality, i.e. universal materiality. This concept is also consistent with the European Commission double-materiality perspective comprising financial materiality, which considers a company’s development, performance and position and has investors as the primary audience; and environmental and social materiality, which considers the impact of a company’s activities and has consumers, civil society, employees and a growing number of investors as the primary audience.

27. Even if data are available and an indicator can be reported on, confidentiality can still be a challenge for companies. For example, the case study in Colombia indicated that information on indicator B.4.1 (see table 2) was only presented to the regulatory bodies due to the type of business in which the company was involved. The case study in Kenya indicated that data confidentiality was an issue in obtaining information and data sources in a timely manner, particularly under some environmental indicators, with delays in obtaining information due to clearance protocols at the company required before information could be given to third parties external to the company. The case study in Saudi Arabia highlighted confidentiality issues with regard to some indicators measured internally but that could not be shared externally (A.4.1; C.1.1; C.2.2; C.2.3; C.3.1; D.1.3; see tables 1, 3 and 4).

28. Finally, several case studies highlighted that one of the main challenges related to the implementation of the guidance is capacity-building and changing the way managers and employees think about sustainability. The environmental and social education of workers is crucial. The case studies in Guatemala showed the need for additional training on the use of the guidance and in measuring, calculating and reporting on all core indicators. Capacity challenges were related to both data gathering and reporting and to the limited capacity of entities to set up systems required to track and collect the relevant data in reporting entities. The case study in Poland stressed the importance of educating stakeholders to understand the Goals and Goals-related reporting. In the United Republic of Tanzania, interviews illustrated that most employees and owners did not have any knowledge of the core indicators prior to the case study. Some additional considerations are noted with reference to small and medium-sized enterprises, as follows: in Saudi Arabia, the maturity of sustainability is much lower, particularly among small and medium-sized enterprises; and in the United Republic of Tanzania, efforts have been made at the national level yet the companies in the case studies, both small and medium-sized enterprises, had less exposure to the Goals and to the core indicators prior to the case studies.

[17] https://www.fsb-tcfd.org/publications/.

29. To address the challenges noted with regard to obtaining and elaborating on information for sustainability reporting, several case studies showed that the training manual could alleviate many of the difficulties as it contains clear recommendations on measurements under each indicator. Capacity-building using the training manual has proven useful in enhancing the skills of reporting teams.

30. At the national level, several cases studies highlighted issues related to the lack of regulations requiring sustainability and Goals-related reporting and of coordination among the different authorities, including coordination between accounting standards and requirements in the area of environmental, social, governance-related and Goals-related reporting. Companies noted that different legal regimes and disclosure requirements at the national level might impact their ability to report according to the guidance. For example, in Egypt, some gaps in disclosures are due to the fact that national-level mandates or regulations are not yet in place that require institutions to disclose their Goals-related impacts, and Goals-related reporting is considered a novel idea; in Guatemala, non-listed companies are not required to report shareholder names and payments; in Kenya, there is a lack of uniform standards on sustainability reporting, and competing frameworks are a significant challenge; in Poland, some initiatives aimed at achieving the Goals are in place, yet there is a lack of awareness of the core indicators; and the case study in Saudi Arabia underlined challenges similar to those in Kenya.

31. Based on these challenges, some recommendations have emerged from the analysis of the case studies. In some instances, there is a need for coherent efforts to support countries in strengthening their corporate reporting infrastructure for sustainability and Goals-related reporting and to provide capacity-building in this area. There is also an urgent need to support efforts and cooperation towards a global, coherent and sound set of standards on sustainability reporting that can provide for consistent and comparable reporting and ensure coherence between financial and sustainability reporting. Collaboration between the public sector, the private sector and civil society is crucial. For example, in Guatemala, the Centre for the Action of Corporate Social Responsibility works in coordination with the Government to support the private sector in the area of sustainability reporting.[18] Fostering strategic alliances with such organizations can help enable UNCTAD to raise awareness of the Goals and the core indicators. The *Guidance on Core Indicators* is directly related to the Goals and this allows for a greater degree of Government participation in the structuring of a cross-sectional reporting methodology that can enable the comparability of companies between countries and sectors. Governments have a significant role to play as regulators, in supporting companies to understand the 2030 Agenda and in providing the tools and resources needed to overcome the challenges that entities might face. Government support and societal expectations can fuel greater awareness of the Goals and the adoption of the guidance by businesses. Promotion of the guidance and related training tools among companies can also result in the wider use of the core indicators in corporate reporting. Reporting according to the guidance can be improved by providing training to companies and tools for implementation, such as the training manual. Several case studies indicate a critical need for education and training, including with the aim of demonstrating the necessity and importance of the required Goals-related disclosures and how they can benefit companies. These initiatives could take into consideration the specificities of different types of companies such as microenterprises, small and medium-sized enterprises and family businesses.

32. Finally, several case studies suggested that the information provided through the guidance should be validated by a third party. Organizations wishing to disseminate information could use the provision of professional services by a third party to assure the disclosed indicators and give an opinion on the reasonableness, integrity and objectivity of the reported data. This may be done using limited or reasonable levels of assurance that would allow for an increase in the reliability of information and data and improve the

[18] The Centre was founded in 2003 and has over 100 associated companies from over 20 sectors and subsectors employing 150,000 families; it is the most influential coalition of companies promoting corporate social responsibility in the country and one of the most important at the regional level (see https://centrors-ca.org/oprofile.php?mid=60).

credibility, coherence and transparency of the quantifications made and the information reported, as well as the monitoring of underlying processes.

IV. Proposed updates to the core indicators

33. A set of suggested possible updates to the core indicators was presented for consideration and discussion during the consultative group meeting, based on the information gathered during the case studies. Key issues to be considered included the removal or addition of indicators, changes to the measurement methodology, normalization and possible clarifications and amendments to resolve inconsistencies. Alignment with indicators under the Global Reporting Initiative and the World Economic Forum was also discussed. A general outcome from the discussions is that indicators should not be eliminated even if it is difficult to report on them. Rather, efforts should be focused on capacity-building to help companies overcome reporting difficulties. As noted, feedback from the case studies shows that no single indicator was found not reportable. The following outline of proposed changes is based on the results of the discussion at the consultative group meeting, research on the latest trends in reporting, the analysis of the case studies and changes in indicators under the Goals.

A. Economic area

34. Economic indicators were widely reported on by the companies in the case studies (table 1).

Table 1
Economic indicators, relevant Goals indicators and share of companies reporting

A	Economic area	Indicators	Relevant indicator(s) under the Goals	Share of companies reporting (percentage)
A.1	Revenue and/or (net) value added	A.1.1 Revenue	8.2.1	100
		A.1.2 Value added	8.2.1; 9.b; 9.4.1	68
		A.1.3 Net value added	8.2.1; 9.4.1	73
A.2	Payments to the Government	A.2.1 Taxes and other payments to the Government	17.1.2	95
A.3	New investment and/or expenditure	A.3.1 Green investment	7.b.1	59
		A.3.2 Community investment	17.17.1	95
		A.3.3 Total expenditure on research and development	9.5.1	91
A.4	Local supplier and/or purchasing programmes	A.4.1 Percentage of local procurement	9.3.1	77

Source: UNCTAD.

35. Green investments are typically in low-carbon power generation and vehicles, smart grids, energy efficiency, pollution controls, recycling, waste management and reducing the waste of energy and other technologies that contribute to solving particular environmental problems. However, indicator 7.b.1 under the Goals has recently been amended and refers only to installed renewable energy generating capacity in developing countries. The

proposal, therefore, as discussed during the consultative group meeting, is to change indicator A.3.1 to focus on renewable energy investment, aimed at ensuring further alignment with the macro-level indicator under the Goals and promoting comparability and feasibility for data collection.

B. Environmental area

36. Environmental indicators were less reported on by companies in the case studies (table 2).

Table 2
Environmental indicators, relevant Goals indicators and share of companies reporting

B	Environmental area	Indicators	Relevant indicator(s) under the Goals	Share of companies reporting (percentage)
B.1	Sustainable use of water	B.1.1 Water recycling and reuse	6.3.1	45
		B.1.2 Water use efficiency	6.4.1	77
		B.1.3 Water stress	6.4.2	77
B.2	Waste management	B.2.1 Reduction of waste generation	12.5	59
		B.2.2 Waste reused, re-manufactured and recycled	12.5.1	59
		B.2.3 Hazardous waste	12.4.2	68
B.3	Greenhouse gas emissions	B.3.1 Greenhouse gas emissions (scope 1)	9.4.1	82
		B.3.2 Greenhouse gas emissions (scope 2)	9.4.1	77
B.4	Ozone-depleting substances and chemicals	B.4.1 Ozone-depleting substances and chemicals	12.4.2	23
B.5	Energy consumption	B.5.1 Renewable energy	7.2.1	59
		B.5.2 Energy efficiency	7.3.1	86

Source: UNCTAD.

37. Indicator B.1.2 is linked to indicator 6.4.1 under the Goals, which, according to the metadata guidance, is measured as the change in the ratio of the value added to the volume of water use, over time. Water use efficiency is defined in the metadata guidance as the value added of a given major sector divided by the volume of water used. The *Guidance on Core Indicators* states that indicator B.1.2 should be calculated as water use per net value added in the reporting period, as well as change in water use per net value added between two reporting periods. The proposed change is to align the guidance with the indicator under the Goals and calculate the ratio as net value added divided by the volume of water used.

38. An additional indicator on land and biodiversity in the environmental area is proposed and was supported during discussions at the consultative group meeting. In addition, the Global Investors for Sustainable Development requested UNCTAD and the World Economic Forum to work on the convergence of their metrics; those of the latter include an indicator on land and biodiversity and this area is not currently addressed in the core indicators. With regard to measurement, the new indicator would be linked with indicator 15.3.1 under the Goals. Different elements are taken into account, including indicators under the following: Food and Agriculture Organization of the United Nations; Global Reporting Initiative (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); and World Economic Forum (requiring reporting on the number and area in hectares of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas).[19] The proposed new indicator is in line with the following proposal by the World Economic Forum: "Key biodiversity areas 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".[20] The proposed new indicator is defined as the number and area in hectares of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas.

C. Social area

39. Social indicators were widely reported on by companies in the case studies (table 3).

Table 3

Social indicators, relevant Goals indicators and share of companies reporting

C	Social area	Indicators	Relevant indicator(s) under the Goals	Share of companies reporting (percentage)
C.1	Gender equality	C.1.1 Proportion of women in managerial positions	5.5.2	91
C.2	Human capital	C.2.1 Average hours of training per year per employee	4.3.1	68
		C.2.2 Expenditure on employee training per year per employee	4.3.1	59
		C.2.3 Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender	8.5.1; 10.4.1	77
C.3	Employee health and safety	C.3.1 Expenditures on employee health and safety as a proportion of revenue	3.8; 8.8	55
		C.3.2 Frequency/incident rates of occupational injuries	8.8.1	95
C.4	Coverage by collective agreements	C.4.1 Percentage of employees covered by collective agreements	8.8.2	64

Source: UNCTAD.

40. With a view to further aligning the indicator on the proportion of women in managerial positions with the macro-level indicator under the Goals, a modification in the measurement methodology is suggested, namely, from "number of women in managerial positions in total number of employees" to "number of women in managerial positions in total number of employees in managerial positions".

41. With regard to the indicator on frequency/incident rates of occupational injuries, the guidance requires the following two measurements within a reporting period: frequency rate, i.e. number of new injury cases over the total number of hours worked by workers; and incident rate, i.e. total number of lost days expressed as number of hours over the total number of hours worked by workers. Although the Global Reporting Initiative and the

[19] http://www.keybiodiversityareas.org/sites/search.

[20] https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation.

World Economic Forum also consider the number of hours worked in calculations under these indicators, to better align the guidance with the metadata guidance on the Goals (focused on the number of occupational injuries expressed per a given number of workers in the reference group), the use of one single measurement method is proposed (i.e. number of injuries divided by total number of workers).

D. Institutional area

42. Some institutional indicators were among the least reported on by companies in the case studies, particularly small and family firms, which are mostly not required to disclose them (table 4). Experts at previous meetings of the consultative group expressed strong views with regard to maintaining governance-related indicators. Experts at the most recent meeting agreed on the importance of such indicators and on good governance as a prerequisite for good sustainability reporting.

Table 4
Institutional indicators, relevant Goals indicators and share of companies reporting

D	Institutional area	Indicators	Relevant indicator(s) under the Goals	Share of companies reporting (percentage)
D.1	Corporate governance disclosures	D.1.1 Number of board meetings and attendance rate	16.6	77
		D.1.2 Number and percentage of women board members	5.5.2	95
		D.1.3 Board members by age range	16.7.1	86
		D.1.4 Number of meetings of audit committee and attendance rate	16.6	95
		D.1.5 Compensation: total compensation per board member (both executive and non-executive directors)	16.6	55
D.2	Anti-corruption practices	D.2.1 Amount of fines paid or payable due to settlements	16.5.2	73
		D.2.2 Average number of hours of training on anti-corruption issues per year per employee	16.5.2	55

Source: UNCTAD.

E. Normalization

43. Among the 33 indicators, normalization is carried out using revenue, total assets, value added or net value added, for the following indicators: A.3.1; A.3.2; A.3.3; B.2.1; C.2.3; and C.3.1. Normalization by gross value added or net value added would be more consistent with the collection of metadata. At the same time, not all companies report gross value added or net value added (table 1).

V. Conclusion and issues for further discussion

44. This note provides an overview of recent key developments in the area of sustainability and Goals-related reporting and describes lessons learned and the main challenges and recommendations with regard to the case studies on the practical application of the *Guidance on Core Indicators*. In 2020 and 2021, a series of key international developments in this area have taken place, including the following: establishment of the Value Reporting Foundation; adoption by the European Commission of a proposal for a

corporate sustainability reporting directive; and proposal for the creation of a global sustainability standards board. Such recent developments signal a move towards harmonizing sustainability reporting and establishing a governance structure to facilitate the integration of financial and sustainability reporting while at the same time improving the quality and comparability of sustainability and Goals-related reporting and making such reporting mandatory for certain companies.

45. The *Guidance on Core Indicators* is aligned with the current trends and represents an early move in this direction by UNCTAD. The role of UNCTAD is crucial in supporting capacity-building efforts to facilitate wider use of the guidance and in raising awareness and the dissemination thereof, with a view to facilitating the further convergence and alignment of reporting frameworks and practices. The case studies on the implementation of the guidance confirm that efforts need to be focused on capacity-building, for companies to be able to collect data and report on the indicators. This note presents a set of possible updates to the core indicators for consideration, including issues such as minimal changes to the measurement methodology, normalization and possible clarifications and amendments to remedy inconsistencies. An additional indicator related to land and biodiversity is proposed.

46. In addition, in its role as co-custodian of indicator 12.6.1, UNCTAD will continue to work on capacity-building and the collection of data, to report to the Inter-Agency and Expert Group on Sustainable Development Goals Indicators and advise on progress under this indicator. In this regard, the minimum level of reporting included in the metadata guidance for this indicator is in alignment with the *Guidance on Core Indicators*; the guidance thus supports countries in their efforts to measure the contribution of the private sector to achieving the Goals.

47. In addition to the issues presented in this note, delegates at the thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting may wish to consider the following questions:

(a) How could collaboration between the public sector, the private sector and civil society be fostered to further contribute to enhancing the role of entity reporting in assessing the contribution of the private sector to achieving the Sustainable Development Goals?

(b) What are good practices to address the major challenges in Goals-related reporting by companies?

(c) What are the most pressing capacity-building needs for companies, particularly small and medium-sized enterprises and family businesses, and what is the most efficient way to address such capacity-building needs?

(d) What would be the best way to strengthen the efforts of countries to measure the contribution of the private sector to achieving the Goals?

(e) How can UNCTAD better support countries to speed up the collection of data under indicator 12.6.1?