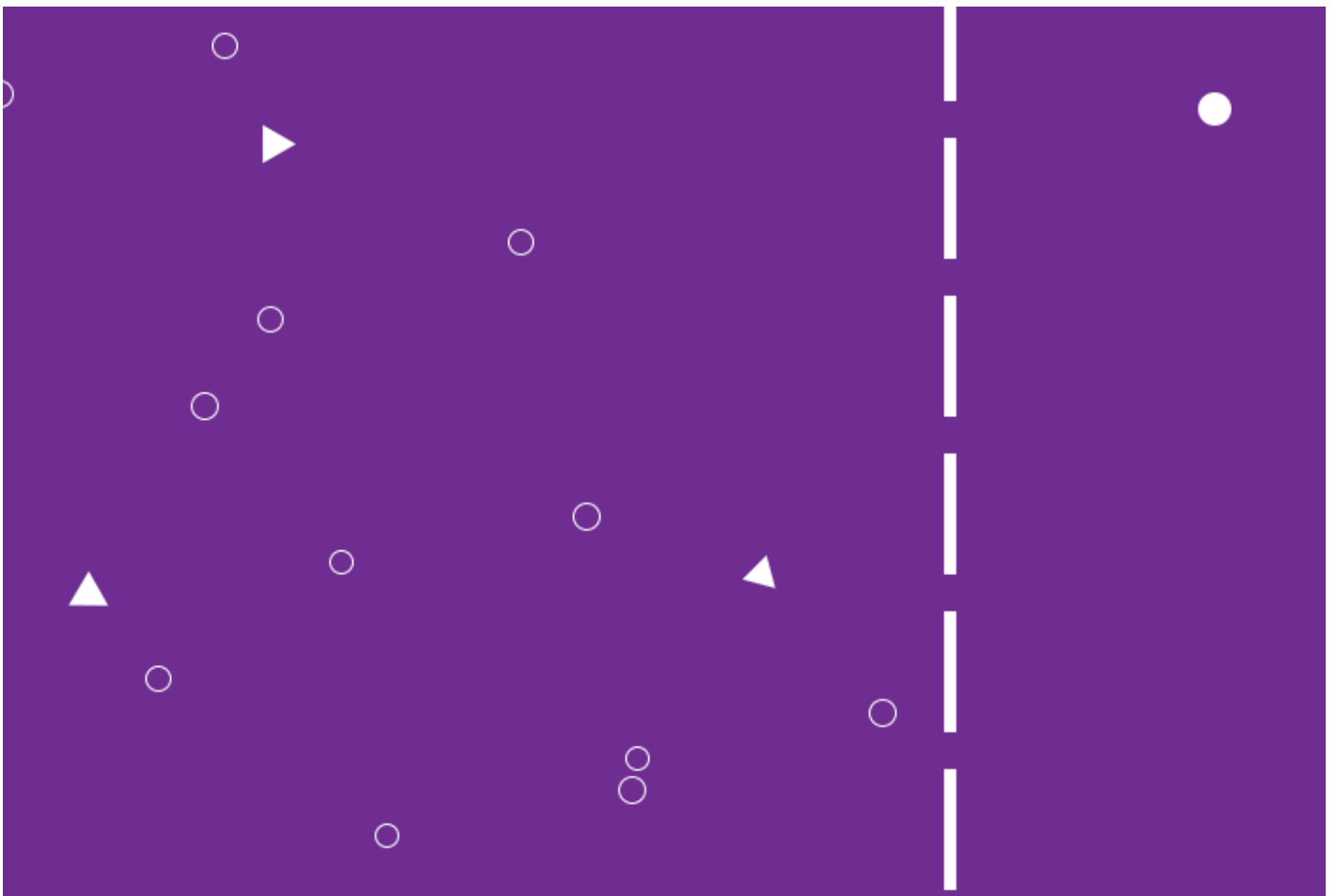


Authentic Sustainability Assessment

**A User Manual for the Sustainable
Development Performance Indicators**





UNRISD

United Nations Research Institute for Social Development

The preparation, research and writing for this Manual were undertaken by a team of UNRISD researchers. Senior Research Coordinator Ilcheong Yi led UNRISD's Sustainable Development Performance Indicators (SDPI) project, drafting and finalizing the Manual for publication; Research Analyst Samuel Brülisauer played a key role in preparing the early drafts until his departure to pursue a doctorate; and Research Analyst Zhen Lee provided invaluable editorial and logistical support, navigating the Manual on the last legs of the journey to publication.

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Executive Summary

Measuring the sustainability performance of economic entities—i.e. their positive and negative impacts on resources that are vital for the well-being of beings on the planet and the planet itself—has proved a challenging task. Despite improvements in sustainability measurement and disclosure over several decades, current indicators, methodologies and reporting models still fail to provide an adequate basis for assessing impacts related to socio-economic, governance and environmental dimensions of sustainable development. Several blind spots that render sustainability reporting ineffective need to be addressed to create meaningful assessments. Reporting overload and an excessive number of indicators are also problematic. Furthermore, as current frameworks and indicators are designed mainly for for-profit entities, sustainability reporting often bypasses entities, such as those in the social and solidarity economy, that pursue social and environmental goals in addition economic goals. In September 2018, in partnership with the Center for Social Value Enhancement Studies (CSES) and multistakeholder platform r3.0, UNRISD commenced a four-year project to address these issues. The project's aim was to develop methodologies and indicators to meaningfully measure and evaluate the performance of a broad range of economic entities in relation to the vision and goals of the 2030 Agenda for Sustainable Development. This Manual presents the main findings, including new methodologies and indicators from the project that address the blind spots of conventional measurement and reporting models. Key interventions in this regard include highlighting the importance of trend analysis to indicate the trajectory of change of reported performance over a longer period and context-based reporting to measure past and current performance relative to norms and thresholds consistent with the notion of sustainable development. In Part 1, the Manual outlines the issues, indicators and targets that should figure far more centrally in sustainability disclosure and reporting if accounting is to facilitate the type of transformative change needed to realise the 2030 Agenda. Part 2 presents a two-tiered framework comprised of 61 indicators for measuring and assessing sustainability performance and progress at the organizational level. Each indicator includes a definition, a description of how the indicator is contextualized, and its relevance to the SDGs.

Introduction: Manual on Applying the Sustainable Development Performance Indicators (SDPI)

In response to growing concerns over the negative impacts economic activity can have on both people and the planet, enterprises and organizations have attempted to measure and assess their performance in relation to sustainable development. Companies, non-governmental organizations, cooperatives, social enterprises and others must account not only for how they are performing in terms of economic efficiency and good governance, but also in relation to environmental, social and human rights impacts. The global agreement on the Sustainable Development Goals (SDGs)¹ and heightened concerns about climate change, precarious employment and inequality have fuelled the demands on businesses and other economic entities to demonstrate that they are part of the solution rather than the problem.

In recent decades, the effectiveness of sustainability measurement and reporting has improved significantly due to numerous standard-setting initiatives and revisions of existing tools and models. Yet, questions remain on whether and how fully economic entities contribute to the SDGs. There is growing consensus that conventional approaches for measuring the performance of enterprises do not adequately assess meaningful progress toward the achievement of sustainable development. These concerns lie at the heart of the UNRISD project on Sustainable Development Performance Indicators (SDPI) (see Box 1).

Box 1. The UNRISD Sustainable Development Performance Indicators Project

UNRISD's SDPI project (2018–2022) aims to contribute to the measurement and evaluation of the performance of economic entities in both the mainstream and social and solidarity economy (SSE) in relation to the vision and goals of the 2030 Agenda. Phase 1 of the project developed a state-of-the-art review of key performance issues, indicators and targets. This phase assessed the adequacy of existing methods and data associated with sustainability accounting. It also expanded the scope of sustainability measurement, disclosure and reporting beyond publicly traded or privately owned for-profit enterprises (FPEs) to encompass enterprise models in the social and solidarity economy (SSE). In the second phase that began in 2021, the project developed and pilot tested a set of indicators aimed at measuring and reporting performance more meaningfully to ensure that decision-makers and stakeholders understood better the impacts of economic entities on environmental and social resources needed for sustainable development. For more information, visit www.unrisd.org/sdpi.

The project is funded by the Center for Social Value Enhancement Studies, Republic of Korea.

The SDPI project developed a framework for measuring and assessing sustainability performance in two categories of organizations: conventional for-profit enterprises (FPE); and organizations in the social and solidarity economy (SSE), which include cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the SSE. With regard to the FPE category, the SDPI paid particular attention to large corporations with 250 or more employees, their affiliates and other enterprises in their value chains. These corporations tend to have large economic, social, environmental and political impacts, but their methods for assessing sustainability performance often do not capture the scale and scope of these impacts nor do they identify the trajectory of change in reported performance over a longer period of time. SSE organizations and enterprises (SSEOs), on the other hand, face increasing pressure to prove—rather than simply assume—their worth from a sustainability perspective. Not only are they often heavily constrained in their ability to do so, but what they are called upon to disclose (e.g. by impact investors, donors or government authorities) may ignore what in fact are key attributes of SSE.

This Manual summarizes the main findings of the project. Importantly, based on these findings, the Manual also introduces new methodologies and indicators, which address blind spots in conventional reporting. The new methodologies and indicators incorporate concerns such as the need to measure performance against norms and thresholds based on historical precedent, international agreements and scientific evidence. Part 1 of the Manual explains why conventional disclosure related to both the FPE and SSE sectors needs to change. As such, it identifies a set of issues, indicators and targets that should figure far more centrally in sustainability disclosure and reporting if accounting is to facilitate the type of transformative change needed to achieve the SDGs. It also highlights the data points and indicators related to SSE that may inform conventional approaches to sustainability measurement associated with FPEs. Part 2 presents a two-tiered framework comprised of 61 indicators (including 6 indicators specific to SSEOs) for measuring and assessing sustainability performance and progress at the organizational level. It introduces the proposed issue areas and indicators, specifies the data required, and suggests how the data can be contextualized to allow users to better grasp the implications for sustainable development.

Part 1

Overview of Sustainable Development Performance Indicators (SDPI) and the Methodologies

What needs to change?

The SDPI project paid particular attention to the following concerns with current sustainability reporting:

Toward context-based sustainability accounting

The users of sustainability reports are often unable to effectively assess where an organization is positioned in relation to sustainable development. This is not only because key issues may be ignored, but also because whatever data are presented are often devoid of context. This is similar to being unable to see the forest for the trees. Our gaze may be directed to the fact that a significant number of branches and tree trunks are in a healthy condition, but we have little idea, if any, of the overall state of the forest. Such a limitation is illustrated in Box 2, which contrasts the types of positive examples often found in sustainability reports with omissions related to key performance issues and context.

Omissions and blind spots

A major concern with sustainability reporting relates to the fact that what is not reported often relates to an issue area that is key from a sustainability perspective. For example, a company may report in detail on efforts to improve occupational health and safety or other working conditions but say little, if anything, about core labour rights such as collective bargaining. Other common blind spots relate to corporate taxation; inequalities of income distribution within the corporation or value chain; or what support, if any, is being provided for employees with caregiving responsibilities—responsibilities that can especially impact women’s pay and promotion in the workplace.

As already noted in relation to SSE, evaluation frameworks and guidance for impact investing may ignore important attributes of SSE organizations related to democratic governance and equitable distribution.

Box 2. Assessing performance in context

Conventional disclosure

- Company A reduced its carbon emissions per unit of revenue or output by 5% between 2015 and 2020.
- Company B reduced its consumption of water by 15% over the past three years.
- Company C met its fair remuneration target by ensuring that all entry level employees earned above the minimum wage. The target of equal pay for equal work was also achieved.
- Company Y covered a significant 70% of employees by collective bargaining agreements.
- Company Z paid 5 million dollars in corporate taxation.

Context-based accounting

- While Company A reduced its levels of emissions intensity, absolute levels of emissions increased by 5% due to 10% growth in manufacturing output, and also failed to align with science-based climate change mitigation targets.
- Company B reduced water consumption, but this means relatively little unless we know what the carrying capacity of the local watershed was or what a fair allocation of water resources would have been, taking into account other users in the area.
- While Company C achieved its fair remuneration targets, average workers' wages were still 30% below the living wage; the CEO-worker pay gap had increased from 100:1 to 300:1 over the last ten years; and the "unadjusted" gender pay gap was in excess of 20%.
- While a significant proportion of Company Y's employees were covered by collective bargaining agreements, over five years this declined from 85% to 70%. Furthermore, the data only related to full-time regular employees. During this period the company reduced the proportion of full-time employees and relied more on sub-contracted or part-time labour that was denied core labour rights. Additionally, the company-wide figure of 70% masked wide variations in coverage by affiliate or region where the company operated.
- While Company Z provided millions of dollars in taxes to local and federal government authorities, it also engaged in tax avoidance strategies involving significant profit shifting to low tax jurisdictions, and had a considerable tax gap; that is, its effective tax rate was substantially below the statutory tax rate.

Complexity and comparability

As increasing numbers of issues and indicators have been added to the list of reporting requirements that companies and other organizations are expected to meet, major concerns have arisen regarding the reporting burden. Furthermore, variations in which indicators are used and what data are reported often make it extremely difficult to compare the performance of different organizations. This has led to a number of initiatives by the Global Reporting Initiatives (GRI), the International Integrated Reporting Council (IIRC) and the United Nations Conference on Trade and Development (UNCTAD), among others, to streamline sustainability reporting. The challenge is how to do this without rendering what is disclosed meaningless or promoting cherry-picking that leaves out key issues and indicators.

Cherry-picking

What organizations choose to report or highlight often reflects their more positive or less negative attributes. While this is to be expected, it runs the risk of diverting attention from key issues and indicators that are part and parcel of sustainable development. As the Brundtland Commission definition of sustainable development makes clear, the notion of integrated development is key. This can be interpreted as the simultaneous pursuit of economic, social, environmental and democratic objectives. For this reason, the multiple capital approach, which is the basis of some forms of integrated reporting, is important as it draws attention to multiple capitals or sets of vital assets: financial, human, social, physical, intellectual, natural, etc. (see Box 3). Similarly, recent efforts to encourage organizations to assess their performance in relation to the SDGs serves a similar purpose.

Some standard-setting organizations have undertaken considerable work to address the concerns of cherry-picking, complexity and comparability. However, the central issues of omissions and blind spots within sustainability reporting frameworks, including the issue of contextualization noted above remains unresolved. Addressing these limitations has been a central objective of the SDPI project.

Box 3. Terminology²

Sustainable development

Defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”,³ the concept conveys three key ideas relevant for organizations: (i) development should not be defined narrowly in economic terms, for at its core are broader objectives related to human well-being and planetary health; (ii) an organization should pursue an integrated approach that addresses these broader objectives simultaneously; and (iii) an organization should be guided by not only short-term but also long-term goals aimed at ensuring the future health and longevity of the organization itself, and the well-being of the resource base on which both current and future generations depend.

Sustainability reporting

The practice of disclosing in the public domain data related to an organization’s performance that impacts sustainable development. Data that matter relate not only to economic and financial dimensions but also to environmental, social and governance (ESG) aspects. Sustainability reporting serves the dual purpose of minimizing risks and identifying opportunities both for the organization concerned and for its stakeholders. Large organizations often produce sustainability or integrated reports, following standards and guidelines produced by standard-setting and ratings organizations.

Integrated reporting

This not only combines data related to both financial and non-financial aspects of performance but also understands the process of value preservation and creation in terms of the growth in the stocks and flows of different sets of vital assets or multiple capitals. These include financial, manufactured, human, social and relationships, intellectual and natural capital. Value creation may also involve maintaining these capitals at levels sufficient to ensure and sustain well-being. Integrated reporting aims to measure changes in these resources and also considers their interdependent nature.

Contextualization of sustainability performance

A measure of the performance of an organization. It is expressed in terms of the organization’s impacts on vital capitals relative to what the standards or sustainability norms must be to ensure the well-being of stakeholders. Actual impacts divided by normative impacts provide a measure of sustainability. Gathering the necessary data and calculating how actual performance compares with sustainability norms is the task of sustainability accounting.

Sustainability Quotient

$$S = A/N$$

Where

S = Sustainability performance

A = Actual impacts on carrying capacities of vital capitals

N = Normative impacts on carrying capacities of vital capital

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Stakeholders

Generally refers to those groups or individuals who can affect the ability of an organization to achieve its objectives, or who are affected by its activities (Freeman 1984).⁵ From the perspective of a company, a stakeholder is any individual, group or entity to whom that company owes a duty or obligation to manage its impacts on vital capitals in ways that can affect their well-being (McElroy and Van Engelen 2012).⁶ The term “rightsholders” is increasingly used, as it can also remind us of the principle of intergenerational equity and the needs of future generations.

Value

Sustainability performance involves a broader notion of value: an organization should be concerned not only with value related to financial or shareholder returns and other commercial benefits, but also with how its products, services and operations create benefits that are of value to the broader society.

Impact valuation

A method used to quantify or calculate the value of the magnitude of an impact. Impact valuation indicators are incrementalist in the sense that they are used to assess the size and marginal change, if any, in the stocks and flows of vital capitals from, say, one year to the next. Such changes are often expressed in terms of their relationships with other variables, such as greenhouse gas (GHG) emissions per unit of revenue or per unit of production. This is sometimes referred to as performance intensity.

Pushing the envelope with ambitious and aspirational targets

Establishing sustainability norms, then, is key if we want to assess progress in a meaningful way in relation to sustainable development (see Box 4). It is important to note, however, that certain norms may amount to long-term and highly ambitious or aspirational targets. They may be difficult to achieve under existing institutional, economic or technological conditions. Furthermore, the organization in question may not have full responsibility or full control over the process of change required to meet the sustainability norm. Take the case, for example, of carbon emissions. While a company may have the ability to significantly reduce emissions from the factories and buildings it owns outright (so-called scope 1 emissions) and those related to the energy it purchases from others (scope 2), it will be more difficult to reduce emissions by enterprises in the supply chain for which it is indirectly responsible (scope 3). An increasing number of companies, however, are now measuring all three types of emissions and formulating long-term strategies to reduce them.

It is important that organizations know the scale of both their direct and indirect impacts and take measures to address them. Those that claim to uphold principles and goals related to sustainable development should want to know where they are positioned on the sustainable development trajectory and the scale or scope of the challenge ahead (Box 4).

Box 4. What are sustainability norms and how are they set?

A norm is a standard used to guide performance in ways that stakeholders or society more generally consider fair and just. Within sustainability reporting, norms are often quite broad: do less harm, respect labour rights, promote worker safety, reduce carbon dioxide emissions, etc. They are often expressed in terms of qualitative indicators; for example, a policy to combat harassment, or training all employees on anti-corruption. Sustainability performance accounting attempts to establish more precise, often quantifiable, normative targets against which behaviour can be judged. Since different organizations and stakeholders may have different views on what is just or fair, there needs to be a level of consensus on what the norm should be. Internationally accepted principles such as equal pay for equal work, or workers' rights to freedom of association, point to issues where such a consensus exists. So do science-based targets to reduce carbon emissions to a level that could keep global warming to no more than 1.5°C or 2°C above pre-industrial levels.

Establishing quantifiable sustainability norms within the field of sustainability reporting is, however, in its infancy. In several issue areas, quantitative norms are not yet widely recognized. For example, while there is growing recognition that extremes of income inequality within corporations need to be contained, and that an indicator such as the CEO–average employee pay ratio can illustrate how an organization is performing in this regard, little attention has been paid to what an actual fair pay ratio might be.

In the absence of a widely accepted norm, several reference points can provide guidance. In the case of income distribution, for example, these include distribution levels consistent with recognized best practice among organizations or sectors, norms set by ratings organizations to judge good performance, norms contained in existing or proposed public policies and government regulations, or norms associated with historical periods or varieties of capitalism generally considered to be fairer.

Norms also need to be tailored to the specific circumstances of the organization involved in sustainability performance accounting. This occurs in different ways. First, while all organizations may be expected to comply with general norms—for example, reduce carbon emissions by 2050 to levels consistent with the goal of limiting global warming to 1.5°C above pre-industrial levels—the actual reduction required will vary by organization, depending on its current emission levels and the rate at which they are growing, as well as the projected economic growth and eco-efficiency of the organization itself. Second, the level of responsibility an organization may have for maintaining a threshold—for example, an adequate supply of water in a watershed—will vary depending on such factors as its size or economic importance in the area. Third, in all cases, the organization will have to adopt an organization-specific strategy based on its economic circumstances and governance arrangements to achieve the normative goal. It is important that the organization identifies the multiple stakeholders to whom duties and obligations may be owed in order to manage its impacts on vital capitals in ways that can or should affect their well-being in normative ways. Ultimately, the norm will have to be agreed by those with legal responsibility for the organization in question. For these reasons, while some norms may apply universally to all organizations, norms are also considered to be organization specific.

SDPI as an alternative to environmental, social and governance (ESG) reporting

ESG reporting has come to dominate much of today's sustainability discussion. As a field of practice, ESG generally takes an outside-in approach. It assesses the impacts and risks the external world imposes on the enterprise in terms of environmental, social and governance in order to ascertain the enterprise's value. This contrasts an inside-out approach that assesses the impacts and risks the enterprise imposes on the external world, which would be necessary to assess system value (see Figure 1). The SDPI approach offers an alternative to ESG or a qualitatively different form of ESG reporting (which might be called as neo-ESG). It takes an inside-out perspective on impacts and risks, assessing the impacts of a company on the external world. It transcends ESG assessment by contextualizing impacts and performance and pushing economic entities to pursue ambitious and aspirational targets.

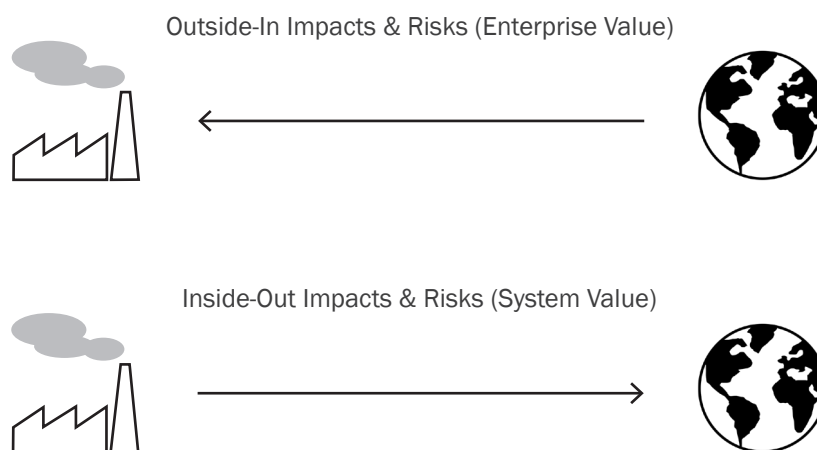


Figure 1. Outside-In Versus Inside-Out Impacts & Risks

SDPI for SSE organizations and enterprises

Certain objectives and practices of the FPE sector—profit maximization, growing market share and prioritizing the interests of shareholders, for example—pose certain risks from a sustainability perspective. In contrast, SSEOs have innate characteristics that, potentially at least, are conducive to sustainable development while maintaining their vitality as economic actors. Measuring and assessing the sustainability performance of such organizations, however, encounters several challenges, particularly given that conventional disclosure is not designed specifically for the SSE.

Box 5. The Social and Solidarity Economy

The SSE encompasses enterprises, organizations and other entities that are engaged in economic, social and environmental activities to serve the collective and/or general interest, based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence, and the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits as well as assets. SSE entities aspire to long-term viability and sustainability, and to the transition from the informal to the formal economy and operate in all sectors of the economy. They put into practice a set of values which are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability, and the attainment of decent work and livelihoods. According to national circumstances, the SSE includes cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the SSE.

Source: International Labour Organization (2022). *Resolution concerning decent work and the social and solidarity economy [ILC.110/Resolution II]*. International Labour Conference – 110th Session, 2022, Geneva, Switzerland, 10 June 2022.

Capturing the transformative potential of SSE

In a context where impact investing and results-based management have gained ground, SSE entities are being urged to measure aspects of performance that relate to the preferences of investors, donors and governments. The issues and indicators that tend to be prioritized—for example, the number of people who benefit from work integration or the provision of health, education and caregiving services—often ignore key features of the sustainability credentials and transformative potential of SSEOs. These usually include democratic forms of governance and decision making, forms of ownership and profit distribution that prioritize the equitable distribution of income and other resources, and economic activities that strengthen the social fabric and sense of community or have a small environmental footprint.

Resilience—the capacity to continue to operate and defend livelihoods in the context of external shocks or crises—is also a key feature of SSE. And whereas processes associated with globalization, such as outsourcing and long-distance trade, pose considerable sustainability risks, SSE is essentially concerned with developing local production and trade circuits, as well as healthier and more environmentally friendly consumption patterns.

Focusing on such issues and indicators is not only important for SSE and stakeholders but also for FPE that are concerned with sustainability. The for-profit sector has much to learn from sustainability accounting associated with SSE. But for this to happen, the SDPI must focus on issues that capture the transformative potential of SSE.

UNRISD's research has identified several broad issue areas that capture this potential. They include:

- promoting human dignity for workers, consumers, producers and community residents;
- equitable distribution of income;
- multiple interconnected social, environmental and economic objectives;
- democratic governance (empowerment, self-help and participation);
- decent work (work integration, quality of work, long-term stable employment);
- decommodification (protecting labour, land, technology, knowledge, production, trade and consumption from market forces);
- positive community impact (economic initiatives rooted in community and responding to expressed needs and aspirations, not market imperatives);
- resilience to external shocks and crises;
- collaboration with partners, including the private sector and government;
- new, customized tools for sustainable finance and labour market integration;
- influencing people-centered and planet-friendly policy design; and
- countering the failure of markets to meet certain basic needs, care for the environment and facilitate fair competition.

Raising the visibility of SSE as a viable model

SSE must interact with the mainstream economy and institutions, not least to obtain finance and access to government or philanthropic resources, as well as to comply with policy measures and regulations. This may result in so-called isomorphism—the process by which the objectives and practices of an organization change when influenced by norms, pressures and opportunities that arise through its interaction with other institutions. Also, as SSE organizations grow in size, they may adopt management systems and organizational cultures that resemble those of larger corporations. Such a process may have negative implications from the perspective of sustainable development. SSE principles and aspects of SSE performance, such as those related to workplace democracy, income and gender equity, and environmental protection may be undermined by changing economic, financial and managerial priorities and practices. Sustainability assessment needs to be able to discern such changes.

While advocacy for SSE often cites attributes that relate to multiple dimensions of sustainable development, in practice, however, positive performance in other issue areas may be constrained. For example, cooperatives may pay limited attention to environmental issues. Traditional social relations and cultural norms may also undermine gender equality within organizations. Therefore, the SDPI is intended to not only measure the socio-economic and environmental contribution of SSE and its transformative potential, but also to be a useful tool for SSEOE to identify gaps related to core sustainability issues.

Specificity of SSE sustainability reporting

Efforts to promote sustainability disclosure need to recognize that the many small community and not-for-profit entities and organizations that are part of the SSE are often under serious resource constraints. Considerable flexibility needs to be granted to smaller organizations in

determining issues and indicators that will be useful, not only for external stakeholders, but for enhancing (rather than constraining) the developmental and transformative potential of SSE. The focus should not be limited only to aspects of sustainability performance of interest to investors. It should capture: (i) transformative aspects that are essential to any meaningful definition of sustainable development; and (ii) whether such attributes are being strengthened or weakened through time. They are best positioned to determine what issues and indicators they believe best reflect their sustainability mission, and which they themselves will find useful for achieving their goals associated with social and environmental protection, redistribution, equality, emancipation and empowerment.

Sustainability accounting for the SSE sector, then, confronts a somewhat different set of challenges when compared to the for-profit sector. Its purpose is to both highlight and safeguard the inherent sustainability attributes that are part and parcel of SSE, and to do so in a way that is not only manageable for the organizations involved but that actually facilitates their mission.

As in the case of sustainability accounting for the for-profit sector, integrated reporting is important in the case of SSE, but the rationale is somewhat different. In the case of companies, it serves to ensure that impacts that are material from the perspective of sustainable development are not left out of the equation. In the case of SSE, it is to ensure that the core sustainability or transformative attributes are not ignored by mainstream evaluation and accounting processes, or sidelined within SSE management practice.

The SDPI: A two-tier approach

The SDPI comprises a two-tier approach that has established a list of 61 context-based indicators that aims to: facilitate trend analysis; contextualize impacts or performance with thresholds and norms; and activate the transformative change necessary to address key structural challenges by shedding light on ignored or neglected issue areas. In applying a structural and contextualized approach to assessing sustainability performance, the SDPI project identified indicators with the following four key features:

1. Trend

Most of the indicators span a minimum period of 5 years, as opposed to the conventional annual and prior year comparative data snapshots. The longer period of comparison illustrates the trajectory of change and helps to identify instances of contradictory performance.

2. Granularity and transparency

Information on performance is expected by country, region, affiliate or suppliers, when applicable. This helps to identify contradictory performances measured by different indicators.

3. Sustainability threshold or norm

These are thresholds or norms of sustainability that economic entities performance should abide by in order to be considered sustainable. While these thresholds and norms may appear highly ambitious, they are critical for alerting management and other stakeholders to the scale of the challenge ahead and for developing a long-term strategy.

4. Transformative disclosure

These are indicators that take a transformative approach to sustainability disclosure to instantiate sufficient change and address the key structural conditions that foster behaviours undermining sustainable development. This involves disclosure that would often raise the bar above conventional disclosure.

Indicators within this category also include disclosure of innovative and alternative approaches drawn from the SSE to transform unsustainable economic relations and activities for economic growth, profit distribution and value appropriation into sustainable ones that promote values of cooperation, self-help, democratic self-management, human rights, ethics and justice.

The trend feature is associated with SDPI's contextualization of performance with temporality ("soft contextualization" or "soft context"), which aims to show the performance on the longer-term period such as five years. However, they do not assess performance in relation to a norm or threshold within which economic entities can be considered to be operating sustainably. A normative target or threshold, the third element above, provides "hard contextualization" or "hard

context”. A good example is indicator on living wage—a wage that allows an employee to provide their family with a basket of essential goods and services sufficient to enable all members of the (average) household to afford a decent standard of living. Unlike minimum wage or an industry norm, a living wage is a sustainability norm for fair remuneration as it contributes to the economic and social stability aspects of sustainable development.

Hard context indicates whether an organization is making progress in relation to sustainable development. It reports what the end goal is. Without such a sustainability norm or end goal, it is impossible to know whether incremental improvements in performance are meaningful. Indicators with hard context report on sustainability performance itself, since they indicate impacts relative to sustainability norms. By contrast, indicators with soft context reveal aspects of performance that are necessary for assessing progress by shedding light on the bigger picture. Both hard and soft context are needed to see the entire picture.

Tier one indicators: Spotting a trend of UNCTAD’s core indicators

Tier 1 indicators consist of 20 indicators based on UNCTAD’s core indicators in four key areas,⁷ namely, economic, social, environmental and governance. These indicators have been developed to standardize and harmonize reporting metrics that are more systematically aligned with the SDGs. Tier 1 indicators differ from UNCTAD’s core indicators in that they provide information on performance over five years, and they are applicable to both for-profit and SSE enterprises and organizations.

These indicators are not contextualized in relation to a sustainability threshold or norm. This may be either because norm-setting is not relevant to the type of impact being measured or because there is no basis for establishing a norm in terms of historical precedent, scientific evidence or international consensus.

Tier two indicators: Contextualizing impact and disclosing transformative potential

Tier 2 indicators comprise 41 newly developed indicators in three key areas, namely environmental, socioeconomic and institutional (or governance) dimensions, and include 6 indicators that are applicable to SSEOs only. Tier 2 specifically emphasizes the inseparability of the economic and the social, with the premise that all economic activities are embedded in society.

Tier 2 includes 17 context-based indicators, which have clearly defined sustainability norms or thresholds for assessing progress in relation to sustainable development. Tier 2 also includes 24 transformative disclosure indicators, which provide data on performance in areas that are neglected but critical to transformation. This also includes indicators highlighting the features of SSE that, while key from the perspective of sustainable development, are often neglected within conventional reporting.

The full list of all 61 indicators can be found here:

Sustainable Development Performance Indicators (SDPIs)

Tier 1. Trend indicators: Spotting a trend of UNCTAD's core indicators

Tier 1. A. Economic area

- I.A.1 Revenue
- I.A.2 Net value added
- I.A.3 Taxes and other payments to the government
- I.A.4 Green investment
- I.A.5 Community investment
- I.A.6 Total expenditures on Research & Development (R&D)
- I.A.7 Percentage of local procurement

Tier 1. B. Environmental area

- I.B.1 Water recycling and reuse
- I.B.2 Reduction of waste generation by reused, re-manufactured and recycled
- I.B.3 Ozone-depleting substances (ODS) and chemicals

Tier 1. C. Social area

- I.C.1 Average hours of training per year per employee
- I.C.2 Expenditure on employee training per year per employee
- I.C.3 Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender
- I.C.4 Expenditures on employee health and safety as a proportion of revenue
- I.C.5 Percentage of employees covered by collective agreements

Tier 1. D. Institutional area

- I.D.1 Number of board meetings and attendance rate
- I.D.2 Board members by age range
- I.D.3 Number of meetings of audit committee and attendance rate
- I.D.4 Compensation: Total compensation per board member (both executive and non-executive directors)
- I.D.5 Average hours of training on anti-corruption issues per year per employee

Tier 2. Context-based and transformative disclosure indicators: Contextualizing impact and disclosing transformative potential

Tier 2. A. Environmental area

- II.A.1 GHG emissions (scope 1 and 2)
- II.A.2 GHG emissions (scope 3)
- II.A.3 Water use
- II.A.4 Hazardous waste treatment
- II.A.5 Renewable energy
- II.A.6 Life cycle assessment and circularity indicators

Tier 2. B. Socioeconomic area

- II.B.1 Fiscal disclosure
- II.B.2 Tax gap
- II.B.3 CEO–worker pay ratio
- II.B.4 Living wage gap
- II.B.5 Distribution of surplus/profits
- II.B.6 Gender pay gap: Equality of remuneration
- II.B.7 Gender diversity: Hiring at different occupational levels
- II.B.8 Gender diversity: Promotion at different occupational levels
- II.B.9 Gender equality: Proportion of women in managerial positions
- II.B.10 Caregiving support programmes
- II.B.11 Frequency/incident rates of occupational injuries
- II.B.12 Harassment and discrimination at the workplace
- II.B.13 Access to remedy
- II.B.14 Discrimination in hiring and promotion
- II.B.15 Union density and collective bargaining coverage
- II.B.16 Worker participation
- II.B.17 Contingent and subcontracted workers
- II.B.18 Hiring of vulnerable groups
- II.B.19 Long-term work contracts
- II.B.20 Employee turnover rate
- II.B.21 Responsible and ethical sourcing
- II.B.22 Training of vulnerable groups (applicable to SSEOs only)
- II.B.23 Work integration (applicable to SSEOs only)

Tier 2. C. Institutional area

- II.C.1 Corporate political influence: Policies, programmes and practices
- II.C.2 Context-based triple bottom line (TBL) accounting
- II.C.3 Amount of total fines paid or payable due to settlements
- II.C.4 Amount of corruption-related fines paid or payable due to settlements
- II.C.5 Public sharing of information and knowledge
- II.C.6 Number and percentage of women board members
- II.C.7 Term limits for board of directors
- II.C.8 Resilience
- II.C.9 Attendance at annual general meetings (applicable to SSEOs only)
- II.C.10 Democratic elections (applicable to SSEOs only)
- II.C.11 Legitimation of management (applicable to SSEOs only)
- II.C.12 Stakeholder participation (applicable to SSEOs only)

Part 2

Sustainable Development Performance Indicators: User Manual for the Two-Tier Approach

This part of the Manual provides definitions and descriptions of the indicators, and links them to the SDG Indicators Framework. The appendix to the Manual explains the methodologies, where relevant.

Tier 1

Trend indicators: Spotting a trend of UNCTAD's core indicators

● Tier 1: A. Economic area

I.A.1 Revenue

DEFINITION

Revenue is the value generated from the sale of goods or services, or any other use of capital or assets, recognized by an entity in a given reporting period. Revenue (also known as Sales or Turnover) is shown usually as the top item in an income (profit and loss, P&L) statement.⁸

TREND

To disclose revenue for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG Indicator 8.2.1.



I.A.2 Net value added

DEFINITION

Value added (VA) is defined as the difference between the revenues and the costs of bought-in materials, goods and services. Value added is the wealth the entity has been able to create and that can be distributed among different stakeholders (employees, lenders, authorities and shareholders). In other terms, VA is the sum of the value added to employees, to providers of loan capital, to governments and to owners (in the case of cooperatives, members).

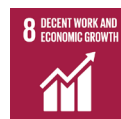
Net value added (NVA) consists of value added from which depreciation has been subtracted.

TREND

To disclose NVA for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG Indicators 8.2.1, 9.b, 9.4.1.



I.A.3 Taxes and other payments to the government

DEFINITION

The amount of taxes (encompassing not only domestic taxes, but also other levies and taxes, such as property taxes or value-added taxes) plus related penalties paid, plus all royalties, licence fees and other payments to the government (certain fees, concessions, contributions or royalty fees imposed on industries that are regulated by the government, e.g. telecommunications, mining, aviation, banking, insurance, dairy, energy and natural resources) for a given period. This figure does not include: deferred taxes as they may not be paid; amounts related to the acquisition of government assets (e.g. purchases of formerly state-owned enterprises); and penalties and fines for non-compliance issues unrelated to tax payment (e.g. environmental pollution).

TREND

To disclose taxes and other payments to the government for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG indicator 17.1.2.



I.A.4 Green investment

DEFINITION

Green investment refers to investment that can be considered positive for the environment directly or indirectly. In other words, this indicator includes all the expenditures for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment.⁹

TREND

To disclose the amount of green investment made for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG indicator 7.b.1.



I.A.5 Community investment

DEFINITION

Community investment refers to charitable and voluntary donations, and investments of funds in the broader community where the target beneficiaries are external to the entity. This excludes legal and commercial activities or investments whose purpose is driven primarily by core business needs or to facilitate the business operations of the entity (e.g. building a road to a factory). The calculation of community investment can include infrastructure built outside the main business activities of the organization, such as a school or hospital for workers and their families.

TREND

To disclose charitable and voluntary donations for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG indicator 17.17.1.



I.A.6 Total expenditures on research & development (R&D)

DEFINITION

Total expenditures on R&D include all costs related to original and planned research undertaken with the prospect of gaining new scientific or technical knowledge and understanding (i.e. expenditures on research activities), and which are related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use (i.e. expenditures on development activities). This indicator requires disclosure, in monetary units, of the expenditure on R&D by the reporting entity during the reporting period. Examples of such activities may include: research to discover new knowledge; modification of formulas, products or processes; design of tools that involve new technology; and design and test of prototypes, new products and processes.

TREND

To disclose the last five years on (i) whether there has been a policy to align R&D expenditures with sustainability-related goals or performance targets; (ii) whether such targets are set, and (iii) whether these have been achieved.

RELEVANCE TO THE SDGS

SDG Indicator 9.5.1.



I.A.7 Percentage of local procurement

DEFINITION

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

TREND

To disclose the percentage of local procurement for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

Indicator 9.3.1.



● Tier 1: B. Environmental area

I.B.1 Water recycling and reuse

DEFINITION

Water recycling and reuse is defined as the “act of processing used water and wastewater (treated or untreated) through another cycle before discharge to surface water, groundwater, or third party (in the same process, in a different process but within the same facility, or at another of the organization’s facilities.”¹⁰

“[R]eused water is wastewater supplied to another user for further use with or without prior treatment. This excludes recycling of water within the same economic unit. Information on these flows, although potentially useful for analysis of water use efficiency, is not generally available. Reused water is considered a product when payment is made by the receiving unit.”¹¹ Therefore, when possible, reused water should be reported separately from recycled water.

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

Water recycling and reuse can be implemented by almost any country. This includes:

- **Direct reuse:** An entity can reuse wastewater that is clean enough for the purpose for which it is being reused. Water can potentially be reused many times and by other entities, and this is one of the most important ways to minimize water consumption. Water can be reused for different purposes, for example: irrigation (in agriculture), heating and cooling, washing, cleaning, pH adjustment, fire protection, and production line needs.
- **Treat and reuse (recycling):** Sometimes wastewater cannot be directly reused; for example, because it has been polluted. To make it safe for reuse (or discharge in the environment), it would need to be treated to reduce the level of contaminants and impurities to a level that is safe for reuse. The choice of the treatment procedure depends on the quality required to reuse the water.

TREND

To disclose the practice of recycling and reusing of water for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG Indicator 6.3.1.



I.B.2 Reduction of waste generation by reused, re-manufactured and recycled

DEFINITION

This indicator measures the change in the entity's waste generation per non-value added. Specifically, waste is intended as a non-product output. Water and air polluting emissions, although they are non-product output, are not regarded as waste. The options for waste treatment should first prioritize reuse, re-manufacturing and recycling, accordingly in this order, whenever recoverable. This is aligned with the circular economy principles.

Reuse is the further use of a component, part or product after it has been removed from a clearly defined service cycle. Reuse does not involve a manufacturing process; however, cleaning, repair or refurbishing may be performed between uses.

Re-manufacturing is the further use of a component, part or product after it has been removed from a clearly defined service cycle in a new manufacturing process that goes beyond cleaning, repair or refurbishing.

Recycling is recovery and reuse of materials from scrap or other waste materials for the production of new goods. Energy recovery (or thermal recycling) is regarded as incineration and not recycling. Pre-treatment processes that condition the waste for recycling are regarded as part of the recycling path.

It is possible to further distinguish between open- and closed-loop reuse, re-manufacturing and recycling. Open-loop means that the recycled, reused or re-manufactured material is returned to the market, not to the processes of the reporting entity; and closed-loop means that the recycled, reused or re-manufactured material is returned to the processes of the reporting entity.

TREND

To disclose the waste generation and the practice of reusing, remanufacturing and recycling for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG target 12.5., SDG indicator 12.5.1.



I.B.3 Ozone-depleting substances (ODS) and chemicals

DEFINITION

This indicator aims to quantify an entity's dependency on ozone-depleting substances (ODS) and chemicals, per NVA. ODS are all bulk chemicals/substances, existing either as a pure substance or as a mixture. These are generally chemicals containing chlorine and/or bromine. The most important ODS and chemicals are controlled under the *Montreal Protocol* and are listed in annex A, B, C or E of the Protocol.¹²

TREND

To disclose the use of ODS and chemicals for the last five years to gauge a trend.

RELEVANCE TO THE SDGS

SDG indicator 12.4.2.



● Tier 1: C. Social area

I.C.1 Average hours of training per year per employee

DEFINITION

This indicator suggests the scale of an entity's investment in employee training (i.e. in human capital) and the degree to which this investment is made across the entire employee base, in terms of hours of training.

TREND

To disclose the average hours of training per year per employee for the last five years.

RELEVANCE TO THE SDGS

SDG indicator 4.3.1.



I.C.2. Expenditure on employee training per year per employee

DEFINITION

This indicator suggests the scale of an entity's investment in employee training (i.e. in human capital) and the degree to which this investment is made across the entire employee base, in terms of hours of expenditures. The direct and indirect costs of training are to be considered; for example, course fees, trainers' fees, training facilities, training equipment and related travel costs.

TREND

To disclose the expenditure on employee training per year per employee for the last five years.

RELEVANCE TO THE SDGS

SDG indicator 4.3.1.



I.C.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

DEFINITION

This indicator should reflect the total costs of the employee workforce for the entity in the reporting period, segmented by employee type and gender as a proportion of the total revenue.

TREND

To disclose employee wages and benefits as a proportion of revenue, broken down by employment type and gender for the last five years.

RELEVANCE TO THE SDGS

SDG indicators 8.5.1, 10.4.1.



I.C.4 Expenditures on employee health and safety as a proportion of revenue

DEFINITION

This indicator refers to the total expenses incurred by an entity to guarantee employees' health and safety as a proportion of total revenue. Occupational accidents not only lower productivity and divert management attention, but they also undermine human capital development and may be indicative of poor management quality and practice.

TREND

To disclose expenditures on employee health and safety as a proportion of revenue for the last five years.

RELEVANCE TO THE SDGS

SDG targets 8.8, 3.8., SDG indicators 3.8.1, 3.8.2.



I.C.5 Percentage of employees covered by collective bargaining agreements

DEFINITION

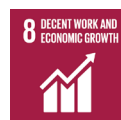
This indicator is the ratio of employees covered by collective bargaining agreements to the total number of employees of the reporting entity.

TREND

To disclose the percentage of employees covered by collective agreements for the last five years.

RELEVANCE TO THE SDGS

SDG indicator 8.8.2.



● Tier 1: D. Institutional area

I.D.1 Number of board meetings and attendance rate

DEFINITION

This indicator comprises the number of board meetings convened on an annual basis and the attendance rate at these meetings.

TREND

To disclose the number of board meetings and attendance rate for the last five years.

RELEVANCE TO THE SDGS

SDG target 16.6.



I.D.2 Board members by age range

DEFINITION

Board members by age range. This indicator presents a profile of the board members by age range.

TREND

To disclose board members by age range for the last five years.

RELEVANCE TO THE SDGS

SDG indicator 16.7.1.



I.D.3. Number of meetings of audit committee and attendance rate

DEFINITION

Number of meetings of audit committee and attendance rate. This indicator provides a quantitative measure of whether the entity has developed effective, accountable and transparent governance.

TREND

To disclose the number of meetings of audit committee and attendance rate for the last five years.

RELEVANCE TO THE SDGS

SDG target 16.6.



I.D.4 Compensation: Total compensation per board member (both executive and non-executive directors)

DEFINITION

This indicator assesses total compensation per board member. It covers both executive and non-executive directors, where the former is a member of the board of a firm who also has management responsibilities while the latter is a board member without responsibilities for daily management or operations.¹³

TREND

To disclose total compensation per board member (both executive and non-executive directors) for the last five years.

RELEVANCE TO THE SDGS

SDG target 16.6.



I.D.5 Average hours of training on anti-corruption issues per year per employee

DEFINITION

This indicator refers to the average number of training hours that employees receive in the area of anti-corruption issues.

TREND

To disclose the number of hours all workers are trained on anti-corruption policies, programmes and practices in the organization for the last five years.

RELEVANCE TO THE SDGS

SDG indicator 16.5.2.



Tier 2

Context-based and transformative disclosure indicators: Contextualizing impact and disclosing transformative potential

● Tier 2: A. Environmental area

II.A.1. GHG emissions (scope 1 and 2)

DEFINITION

A measure of the greenhouse gas emissions (GHG) by an organization that contributes to global warming. They include both scope 1 (emissions by a company that commonly relate to fuel combustion, physical or chemical processing and leakages) and scope 2 (purchased electricity, heat, steam or cooling) emissions.¹⁴

TREND

To gauge the degree of progress, emissions data should be disclosed for the last five years at least.

SUSTAINABILITY THRESHOLD OR NORM

GHG emissions by an organization shall be no more than zero. The indicator also presents science-based interim thresholds or targets consistent with mitigation pathways that limit warming to 1.5°C above pre-industrial levels. (See Appendix for several methodologies).

RELEVANCE TO THE SDGS

SDG 13; SDG indicator 9.4.1.



II.A.2. GHG emissions (scope 3)

DEFINITION

GHG scope 3 emissions measure gases contributing to global warming that are emitted into the Earth's atmosphere from sources in the organization's value chain that are not directly owned or controlled by the organization. This indicator calls for disclosure of whether efforts are taken to measure scope 3 GHG emissions, as well as to require others in the organization's supply chain to themselves measure scope 1 and scope 2 GHG emissions.

TREND

To disclose for the last 5 years whether efforts are taken by an organization to require others in its supply chain to measure their own scopes 1 and 2 GHG emissions (i.e., the organization's scope 3 emissions).

TRANSFORMATIVE DISCLOSURE

To disclose whether a scope 3 GHG emissions accounting tool or framework are being used to measure and report organization's scope 3 emissions and whether entities within the organization's value chain are being required to measure their scope 1 and scope 2 GHG emissions.

RELEVANCE TO THE SDGS

SDG 13; SDG indicator 9.4.1.



II.A.3 Water use

DEFINITION

Water use refers to the degree to which the consumption of water resources by an organization is quantitatively sustainable.

TREND

To disclose for the last 5 years to gauge the degree of progress

SUSTAINABILITY THRESHOLD OR NORM

Net water consumption at specific locations shall not exceed facility-specific fair, just and proportionate allocations of available renewable supplies. (See Appendix for the methodology).

RELEVANCE TO THE SDGS

SDG 6.



II.A.4 Hazardous waste treatment

DEFINITION

This indicator refers to the total amount of hazardous waste, in absolute terms, as well as to the proportion of hazardous waste treated, given total waste reported by the reporting entity. Hazardous waste can be classified according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention).¹⁵

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

Organization's hazardous waste, if any, shall be treated entirely.

RELEVANCE TO THE SDGS

SDG indicator 12.4.2.



II.A.5 Renewable energy

DEFINITION

This indicator is defined as the ratio of an entity's consumption of renewable energy to its total energy consumption during the reporting period. Types of renewable energy include, for example, solar energy, biomass, geothermal energy and ocean energy.

TREND

To disclose for the last 5 years to gauge the degree of progress

SUSTAINABILITY THRESHOLD OR NORM

Total energy consumption shall be in the form of renewable energy entirely.

RELEVANCE TO THE SDGS

SDG indicators 7.2.1. and 7.3.1.



II.A.6 Life cycle assessment and circularity indicators

DEFINITION

This indicator includes both circularity indicators and life cycle assessment (LCA) to establish clear relationship between sustainability and circularity by ensuring that the circularity of the system also leads to an improvement in environmental performance.¹⁶ LCA is a methodology that involves the compilation and evaluation of the inputs, outputs and potential environmental impacts of a product system throughout its life cycle.¹⁷ Circularity indicators applied at the product level track the material flows or the material circularity of a product; i.e. percentage circular inflow (resources that enter the company, e.g. materials, parts or products are renewable or non-virgin); and percentage circular outflow (material flows that leave the company, e.g. materials, parts, products, by-products and waste streams are designed and treated or demonstrably recovered).¹⁸

TREND

To disclose for the last 5 years to gauge the degree of progress

TRANSFORMATIVE DISCLOSURE

Organization should disclose whether it applies LCA to all of its goods and services and whether it tracks circular material inflow and outflow, or the circularity of material flows.

RELEVANCE TO THE SDGS

SDG 12.



● Tier 2: B. Socioeconomic area

II.B.1 Fiscal disclosure

DEFINITION

This indicator calls for enhanced fiscal disclosure to promote granular disclosure and transparency in relation to international tax justice. Fiscal disclosure refers to the external reporting of a company's revenue, profits, employees and corporate taxes. Disclosure of fiscal information about the company shall be made in: (a) the top three countries in which it does business (based on revenue, employees or physical capital); and (b) the top three countries based on profits.

TREND

To disclose for the last 5 years

TRANSFORMATIVE DISCLOSURE

To disclose revenue, profits, number of employees, corporate taxes paid, and physical capital for the top three countries (a) in which it does business and (b) based on profits.

RELEVANCE TO THE SDGS

SDG target 17.1.



II.B.2. Tax gap

DEFINITION

This indicator assesses the tax gap, measured by the difference between a company's statutory tax rate (STR) and its estimated effective tax rate (ETR). Aggressive tax planning by corporations and tax competition by governments can give rise to a significant gap between the statutory and effective tax rates; that is, between what companies are expected to pay according to official fiscal policy and what they actually pay.

TREND

To disclose for the last 5 years to gauge the degree of progress, and if any, in the top three countries (by revenue) in which it does business.

SUSTAINABILITY THRESHOLD OR NORM

The tax gap (if any) each year, and on average over a five-year period, shall not exceed 5% as suggested by Sayani's methodology.¹⁹

RELEVANCE TO THE SDGS

SDG indicator 17.1.2.



II.B.3 CEO-to-worker pay ratio

DEFINITION

This indicator focuses on the importance of tackling horizontal inequalities by measuring the CEO-to-worker pay ratio. It indicates the ratio of total compensation of the highest-paid executive in a company relative to the median compensation of the lowest quartile of employees.

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The CEO-to-worker pay ratio shall not exceed 30:1.

RELEVANCE TO THE SDGS

SDG 10.



II.B.4 Living wage gap

DEFINITION

Paying a living wage is imperative if one is to be abided by the principle of fair remuneration. A living wage is defined as:

Remuneration received [...] by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family [...] [including for] food, water, housing, education, health care, transportation, clothing, and other essential needs, including provision for unexpected events.²⁰

This indicator measures the living wage gap, which is the gap between actual wages and benefits paid to a worker and a normative living wage. It is reported annually and for all employees in the aggregate.

TREND

To disclose the living wage gap for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

Wage levels should meet the locally relevant living wage and thus the living wage gap shall be no greater than zero.

RELEVANCE TO THE SDGS

SDGs 1, 5, 8, 10.



II.B.5 Distribution of surplus/profits

DEFINITION

This indicator is drawn from the social business model whereby the surplus generated is reinvested into the business and the target group of beneficiaries rather than being passed on to investors. This indicator calls for disclosure of: (i) the extent to which surpluses and profits are distributed; and (ii) to whom such distributions are made and in what proportions.

TRANSFORMATIVE DISCLOSURE

Disclosure of the percentage of surpluses/profits distributed to: (i) members/workers/producers; (ii) employee stock ownership plans (ESOP); (iii) shareholders; (iv) reinvestment in the organization; and (v) other: specify (e.g. community investment).

RELEVANCE TO THE SDGS

SDG 10.



II.B.6 Gender pay gap: Equality of remuneration

DEFINITION

This indicator refers to disparities in the average remuneration of men and women in an organization at each occupational level. This indicator has two sub-indicators associated with it: indicator 1, which measures the overall gender pay gap, if any, at the organizational level; and indicator 2, which measures gender pay gaps at each occupational level (to be identified by the entity).

TREND

To disclose the gender pay gap for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The difference between the average remuneration of men and women in an organization shall not exceed 3%.²¹

RELEVANCE TO THE SDGS

SDG 5.



II.B.7 Gender diversity: Hiring at different occupational levels

DEFINITION

The extent to which there is gender parity in the hiring of women at different occupational levels of an organization.

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The hiring of women in an organization shall be no less than 40% of total hiring in any given year.²²

RELEVANCE TO THE SDGS

SDGs 5 and 10.



II.B.8 Gender diversity: Promotion at different occupational levels

DEFINITION

The extent to which there is gender parity in the promotion of and women at different occupational levels of an organization.

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The promotion of women in an organization shall be no less than 40% of total promotion in any given year.

RELEVANCE TO THE SDGS

SDGs 5 and 10.



II.B.9 Gender equality: Proportion of women in managerial positions

DEFINITION

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

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The percentage of women in managerial positions in an organization shall be no less than 40% in any given year.

RELEVANCE TO THE SDGS

SDG indicator 5.5.2.



II.B.10 Caregiving support programmes

DEFINITION

This indicator recognizes the need for some level of support for an employee's caregiving needs associated with prekindergarten, pre-teen and elder care. It calls for provisions in corporate compensation and benefits programmes that allow employees to periodically suspend or reschedule their work without penalty or compromise to their employment status in order to provide care to their dependents.

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

All eight defined programmes listed below shall be offered to all full- and part-time employees:

1. Paid parental leave for childbirth or adoption (both maternity and paternity) beyond legal minimum
2. Flextime and/or compressed work weeks
3. Teleworking
4. Access to on-site childcare facilities or subsidized services for longer-term care
5. Emergency back-up childcare services or subsidized support for short-term needs
6. Emergency back-up, paid leave or subsidized support for eldercare
7. Emergency back-up, paid leave or subsidized support for people with disabilities
8. Smooth transition assistance to/from extended leaves.²³

RELEVANCE TO THE SDGS

SDG indicators 4.2 and 5.4.



II.B.11 Frequency/incident rates of occupational injuries

DEFINITION

This indicator is related to the number of workdays lost due to occupational accidents, injuries and diseases²⁴ during the reporting period. It suggests the effectiveness of an entity's employee health and safety policy and its ability to build a healthy, safe and productive work environment.

TREND

To disclose for the last 5 years to gauge the degree of progress.

SUSTAINABILITY THRESHOLD OR NORM

The rate at which occupational accidents, injuries, illnesses and deaths occur shall be zero.

RELEVANCE TO THE SDGS

SDG targets 8.8, 3.8.; SDG indicators 3.8.1, 3.8.2, 8.8.1.



II.B.12 Harassment and discrimination at the workplace

DEFINITION

This indicator calls for disclosure related to whether the entity has a policy, training courses or mechanisms to address harassment and discrimination at the workplace, and whether it provides confidential grievance, resolution and non-retaliation mechanisms to ensure an environment free of violence, harassment and sexual exploitation.

TREND

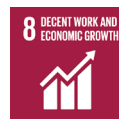
To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose policies, training or other mechanisms that exist on matters related to harassment and discrimination in the workplace and to gauge their workings and effectiveness.

RELEVANCE TO THE SDGS

SDGs 8 and 10.



II.B.13 Access to remedy

DEFINITION

This indicator calls for disclosure related to whether the entity has mechanisms for access to remedy (i.e. non-state-based grievance mechanisms) for any issues related to working conditions and labour rights.

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose whether mechanisms for access to remedy exist for any issues related to working conditions and labour rights exist and to gauge their workings and effectiveness.

RELEVANCE TO THE SDGS

SDG 8.



II.B.14 Discrimination in hiring and promotion

DEFINITION

This indicator calls for whether the entity has specific, written anti-discrimination policy to hire, promote and pay employees without discrimination and a system to monitor compliance of this policy.

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

This indicator calls for disclosure of whether policies to hire, promote and pay employees without discrimination exist and it aims to gauge their workings and effectiveness.

RELEVANCE TO THE SDGS

SDG 10.



II.B.15 Union density and collective bargaining coverage

DEFINITION

Trade union density is the percentage of workers belonging to a trade union and collective bargaining coverage is the percentage of workers covered by collective bargaining agreements. It should be noted that certain legal contexts may limit both workers and companies in their ability to enable unionization. The same need not apply for collective bargaining, however, given the possibility of diverse forms of worker participation and representation in governance within the enterprise which do not necessarily require a trade union.

TREND

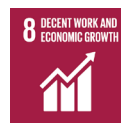
This indicator calls for the five-year trend in union density and collective bargaining coverage.

TRANSFORMATIVE DISCLOSURE

To disclose the extent to which employees are covered by trade union and/or collective bargaining agreements in an organization.

RELEVANCE TO THE SDGS

SDG indicator 8.8.2.



II.B.16 Worker participation

DEFINITION

This indicator emphasizes the importance of participative standards that promote workers' empowerment within governance systems. It calls for the extent to which employers enable and support their workers' rights to exert claims on management through different forms and levels of participation.

TREND

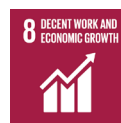
To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose whether employers enable and support their workers' rights to exert claims on management through different forms and levels of participation.

RELEVANCE TO THE SDGS

SDG 8.



II.B.17 Contingent and subcontracted workers

DEFINITION

Regressive trends related to a significant decline in permanent or fixed-term employment and/or increased reliance on subcontracted labour, often associated with weak labour rights and profit maximization. This indicator calls for the extent to which the entity relies on contingent and/or subcontracted workers and its relevant policies and practices.

TREND

To provide time-series data of 5 years.

TRANSFORMATIVE DISCLOSURE

The organization shall disclose the extent to which it utilizes contingent and/or subcontracted workers and to gauge the relationship between the use of contingent and/or subcontracted workers and the additional profit gains.

RELEVANCE TO THE SDGS

SDGs 8 and 10.



II.B.18 Hiring of vulnerable groups

DEFINITION

Vulnerable groups in society refer to those who are discriminated against (or disadvantaged) owing to age, sex, race, ethnicity or interpersonal relationships (such as family structure and marital status), or because of constrained access to resources (such as schools, jobs, income and housing). This indicator calls for disclosure on the percentage of the vulnerable population in permanent employment (e.g. ethnic or religious minorities, immigrants, refugees, persons with disabilities, those on social benefits, ex-long-term unemployed or other minorities defined in terms of sexuality or age).

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

The entity shall identify vulnerable groups in society, then disclose the percentage of its total permanent employees who fall into at least one of the identified groups.

RELEVANCE TO THE SDGS

SDGs 1 and 10.



II.B.19 Long-term work contracts

DEFINITION

The age of the entity and the share of employees with long-term contracts.

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose the age of the entity and the share of employees with long-term contracts.

RELEVANCE TO THE SDGS

SDG 8.



II.B.20 Employee turnover rate

DEFINITION

The percentage of employees who leave an entity in a given year.

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose the percentage of employees who leave an organization in a given year.

RELEVANCE TO THE SDGS

SDG 8.



II.B.21 Responsible and ethical sourcing

DEFINITION

This indicator calls for disclosure of the extent to which an entity engages in responsible sourcing and purchasing practices. It does so bearing in mind that suppliers are often subject to pressures related to: (i) aggressive pricing that may constrict wages and benefits; (ii) product development and short production lead times, which can result in excessive and unplanned overtime; and (iii) short-term or insecure contractual relationships between affiliates and suppliers.

TRANSFORMATIVE DISCLOSURE

To disclose the extent to which policies and programmes are engaged to ensure responsible sourcing and purchasing practices and it aims to gauge their working and effectiveness.

RELEVANCE TO THE SDGS

SDG 12.



II.B.22 Training of vulnerable groups (applicable to SSE0Es only)

DEFINITION

The percentage of people hired for job skill training purposes for future employment who belong to vulnerable groups in society. Vulnerable groups in society refer to those who are discriminated against, or disadvantaged, owing to age, sex, race, ethnicity or interpersonal relationships (such as family structure and marital status) or because of constrained access to resources (such as schools, jobs, income and housing).

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose the percentage of people hired for job skill training purposes for future employment who belong to vulnerable groups in society.

RELEVANCE TO THE SDGS

SDGs 4 and 10.



II.B.23 Work integration (applicable to SSE0Es only)

DEFINITION

The percentage of workers who receive job skill training through work integration programmes and who subsequently move on to find employment or pursue education.

TREND

To disclose for the last 5 years to gauge the degree of progress.

TRANSFORMATIVE DISCLOSURE

To disclose of the percentage of workers who received job skill training and subsequently went on to find employment or pursue education.

RELEVANCE TO THE SDGS

SDGs 4 and 8.



● Tier 2: C. Institutional area

II.C.1 Corporate political influence: Policies, programmes and practices

DEFINITION

The degree to which an entity engages in political influence by way of political contributions, lobbying and other activities aimed at shaping public policies.

TRANSFORMATIVE DISCLOSURE

To disclosure of the descriptions of all material aspects of its corporate political influence, including its policies, programmes and practices.

RELEVANCE TO THE SDGS

SDG 16.



II.C.2 Context-based triple bottom line (TBL) accounting

DEFINITION

The degree to which an entity uses context-based tools, methods and metrics (i.e. measurement systems that express performance relative to sustainability norms and not only in incremental terms) to measure, manage and report its TBL performance and assess progress in relation to sustainability criteria.

SUSTAINABILITY THRESHOLD OR NORM

The organization shall utilize context-based accounting tools, methods and metrics to measure, manage and report its TBL performance, and shall meet the criteria explained in the methodology (see the Appendix for the methodology).²⁵

RELEVANCE TO THE SDGS

SDG 12.6.1.



II.C.3 Amount of total fines paid or payable due to settlements

DEFINITION

The total of all fines paid by the entity, or payable due to settlements, which are attributable to unlawful behaviours of all types (including, but not limited to, corruption).

SUSTAINABILITY THRESHOLD OR NORM

Fines paid or payable by the entity, due to unlawful behaviours of all types, shall be no more than virtually zero.

RELEVANCE TO THE SDGS

SDG indicator 16.5.2.



II.C.4 Amount of corruption-related fines paid or payable due to settlements

DEFINITION

This indicator refers to the total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period. Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion and money laundering. It also includes the offer or receipt of gifts, loans, fees, rewards or other advantages as an inducement to do something that is dishonest or illegal, or that represents a breach of trust. It may also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment and obstructing justice.²⁶

SUSTAINABILITY THRESHOLD OR NORM

Fines paid or payable by the entity, due to unlawful behaviours of all types, shall be no more than virtually zero.

RELEVANCE TO THE SDGS

SDG indicator 16.5.2.



II.C.5 Public sharing of information and knowledge

DEFINITION

Whether the information, knowledge and data generated by an entity is freely available to the public.

TRANSFORMATIVE DISCLOSURE

The entity shall determine and disclose whether the information, knowledge and data (including code) it produces is freely available to the public.

RELEVANCE TO THE SDGS

SDG 16.



II.C.6 Number and percentage of women board members

DEFINITION

This indicator comprises the number and percentage of women board members, and provides a quantitative measure of gender diversity within an organization.²⁷

SUSTAINABILITY THRESHOLD OR NORM

The organization shall have at least 40% representation of women on the board in any given year.

RELEVANCE TO THE SDGS

SDG indicator 5.5.2.



II.C.7 Term limits for board of directors

DEFINITION

Whether there is a term limit for members of the board of directors in an entity.

TRANSFORMATIVE DISCLOSURE

The entity shall determine and disclose whether there is a term limit for members of the board of directors.

RELEVANCE TO THE SDGS

SDG 16.



II.C.8 Resilience

DEFINITION

An entity's capacity to learn, innovate and adapt in the face of disruptive change.

TRANSFORMATIVE DISCLOSURE

This indicator calls for disclosure of an entity's own assessment of its capacity to learn, innovate and adapt in the face of disruptive change.

RELEVANCE TO THE SDGS

SDG 9.



II.C.9 Attendance at annual general meetings (applicable to SSEOs only)

DEFINITION

Disclosure of attendance at the annual general meeting (AGM) or an equivalent mechanism (for members' participation in decision making).

TRANSFORMATIVE DISCLOSURE

The organization shall determine and disclose the average level of attendance at AGMs or equivalent meetings/mechanisms by members in the past five years.

RELEVANCE TO THE SDGS

SDG 16.



II.C.10 Democratic elections (applicable to SSE0Es only)

DEFINITION

Whether or not the election of persons in an organization's managerial, executive and organizational governance roles occurs by way of a democratic process.

TRANSFORMATIVE DISCLOSURE

The organization shall determine and disclose whether it utilizes a "one person, one vote" system (with or without delegation of votes) for electing persons in an organization's managerial, executive and organizational governance roles.

RELEVANCE TO THE SDGS

SDG 16.



II.C.11 Legitimation of management (applicable to SSE0Es only)

DEFINITION

The percentage of persons in an organization's managerial roles who are selected by their own employees (through a formal consultation process, selection committee participation, etc.). This indicator calls for two disclosures: (i) the organization shall determine and disclose the proportion of managers who are selected by their own staff (in any way); and (ii) the specific way(s) in which staff have in fact participated in making such selections, in cases where they have (through a formal consultation process, selection committee participation, etc.).

TRANSFORMATIVE DISCLOSURE

The organization shall disclose the proportion of persons in managerial roles who are selected by their own staff in some way.

RELEVANCE TO THE SDGS

SDG 16.



II.C.12 Stakeholder participation (Applicable to SSE0Es only)

DEFINITION

Whether there are formal mechanisms in place for non-employee stakeholders (members, consumers, communities, etc.) to participate in decision-making on strategic issues.

TRANSFORMATIVE DISCLOSURE

The organization shall determine and disclose whether there are formal mechanisms in place for non-employee stakeholders (members, consumers, communities, etc.) to participate in decision-making on strategic issues.

RELEVANCE TO THE SDGS

SDG 16.



Appendix: Measurement Methodology

Tier 1

Trend indicators: Spotting a trend of UNCTAD's core indicators

● Tier 1: A. Economic area

I.A.1 Revenue

Measurement methodology

The figure for total revenues should correspond to the same data as reported elsewhere in the entity's management accounts and in its audited financial statements.

For the entity applying International Financial Reporting Standards (IFRS) 15 or using IFRS for small and medium-sized entities (IFRS for SMEs), five steps are provided for a reporting entity to apply to recognize revenue:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract(s). Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.²⁸

If an entity is neither applying IFRS 15 nor using IFRS for SMEs, this should be clearly stated and explained. The entity is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally audited management accounts, whenever possible.

Potential sources of information

Revenues are to be found as the first line of the income statement. The information about the single transactions to calculate revenues in the reporting period are recorded within financial accounting systems (accounts receivable, revenue cycle).²⁹ Management accounting systems and internal management reports usually present segment revenues with reference to different dimensions (segment reporting).

I.A.2 Net value added

Measurement methodology

Value added can be calculated using the following:

Direct economic value generated (revenues and other income) *minus* operating costs (the costs of goods and services purchased from external suppliers). This is normally referred to as gross value added (GVA).

Net value added is calculated by subtracting depreciation of tangible assets from value added.

Equation:

$$\begin{aligned}\text{Value Added} &= 1a + 1b - 2a - 2b \\ \text{Net Value Added} &= 1a + 1b - 2a - 2b - 3a - 3b\end{aligned}$$

where:

- 1a = Revenue;
- 1b = Other income (investment income, other gains and losses);
- 2a = Cost of sales (costs of goods and services from external suppliers);
- 2b = Operating expenses (costs of goods and services from external suppliers);
- 3a = Cost of sales (depreciation); and
- 3b = Operating expenses (depreciation).

Potential sources of information

Value-added statement: A financial statement that depicts wealth created by an organization and how that wealth is distributed among various stakeholders comprising employees, shareholders, government, creditors and the wealth that is retained in the business.

The preparation of a value-added statement is based on the data collected within the traditional accounting system, so that value added is calculated on an accruals basis.

If an entity does not prepare a value-added statement, the calculation of value added should be made from data in the organization's audited profit and loss statement, or its internally audited management accounts (internal management reports for the country-specific data should be used). In particular, if an entity wishes to prepare a value-added statement, operating costs can be derived from all the bills to external suppliers of goods and services (recorded in the accounts payable); the data on employee wages and benefits and the related information flows are normally managed

by the human resources function, typically within a compensation and payroll management information system. Many entities use specialized software for collection and elaborating payroll information; payments to the different providers of capital are recorded in specific accounts (e.g. interest or dividends payable) and can be found in the P&L as interest expenses or in the cash flow statement as dividends paid; and community investments in the form of donations are recorded in a specific account that is usually called charitable contributions (in an internal report they will appear as a discrete expense line item most likely called charitable contributions).

I.A.3 Taxes and other payments to the government

Measurement methodology

An organization can calculate this indicator by summing up all of the organization's taxes (which can include income and property) as well as excise duties; value-added tax (VAT); local rates and other levies and taxes that may be industry- or country-specific; and all royalties, licence fees and other payments to the government.

Potential sources of information

Taxes and other payments to the government can be found either as an expense or as a liability on the balance sheet.

I.A.4 Green investment

Measurement methodology

An organization can determine its expenditures in green investment by using various frameworks or checklists developed by international organizations. They include the full sustainability taxonomy developed by the High-Level Expert Group on Sustainable Finance (HLEG), in collaboration with the Action Plan on Sustainable Finance of the European Commission;³⁰ a list of environment-related technologies by researchers of the European Patent Office and the Organization for European Co-operation and Development (OECD); and the European Union's Classification of Environmental Protection Activities (CEPA) list of expenditures for environmental protection.

To understand which types of underlying technologies are related to green investments, and as a starting point to decide which investments can be incorporated in the calculation of this indicator, the following checklist is suggested:

- General environmental management (including waste management, air and water pollution abatement, soil remediation)
- Renewable energy (including biofuels)
- Combustion technologies for improved efficiency
- Climate change mitigation (e.g. capture, storage, sequestration, disposal GHG)
- Indirect contribution (e.g. energy storage)

- Transportation (emissions abatement, efficiency)
- Buildings (energy efficiency).

The European Union's CEPA list also includes the expenditures for environmental protection, outlays and other transactions related to:

- capital formation and the purchase of land for environmental protection activities;
- the purchase of environmental protection products, i.e. goods that directly contribute to preservation efforts (e.g. septic tanks, rubbish containers and compost containers); and
- investment in adapted goods, which are goods that have been specifically modified to be greener (e.g. mercury-free batteries; chlorofluorocarbon- (CFC)- free products). Only the extra cost paid in excess of the cost of the normal product is counted.

In any case, given the lack of a shared definition across industries and that the definition of green investment is likely to depend on the entity's location and operational context, it is important to complement the disclosure of this indicator with a consistent explanation of why an investment has been categorized as green.

These frameworks provide useful information on how to identify, classify and calculate the total amount of green investments over a certain reporting period. By using these frameworks or checklists, two indicators can be calculated:

- the total amount of green investments over a certain reporting period. This indicator should be measured in monetary units (the costs as indicated on the corresponding invoices); and
- a ratio expressing a firm's green investment in period t as a percentage of the entity's period t total assets (and/or revenue). These indicators would be expressed in percentage terms.

Potential sources of information

Information on these expenditures can be found as an operating expense when the corresponding expenses are not capitalized. These expenditures can be found in the P&L statement as part of production costs, or as part of selling expenses, depending on the nature of the corresponding investment. When these investments are material, they are most likely capitalized, and they are budgeted at the beginning of the reporting period. So, it is possible to find the corresponding amounts in internal management reports such as capital budgets. Once the entity has capitalized such expenses, they are included in the fixed assets in the balance sheet of the entity (typically as part of plant, property and equipment).

I.A.5 Community investment

Measurement methodology

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

Two indicators can be calculated:

- the total amount of community investments over a certain reporting period. Community investments should be expressed in monetary terms and should comprise the expenditures (both capital expenditure and operating ones if applicable) incurred in the reporting period; and
- a ratio expressing a firm's community investments in period t as a percentage of the entity's period total assets (and/or revenue). These indicators would be expressed in percentage (%) terms.

To calculate the first indicator and the numerator of the second indicator(s) the following classification can be used to keep track of community investments over a certain reporting period.

- Contributions to charities, non-governmental organizations (NGOs) and research institutes (not related to the entity's commercial research and development).
- Funding of community infrastructures (e.g. education, medical and recreational facilities) including infrastructures outside the main business activities of the entity, such as a school or hospital for employees and their families.
- Direct costs of social programmes (e.g. arts and educational events) or of provision of emergency relief in times of natural disaster.

With respect to support for community infrastructures, if the entity buys an existing infrastructure, the calculation should refer to the amount of expenditures incurred. If the entity contributes to building the facility, then the costs of materials, labour and all construction costs specific to the facility need to be included in the calculation. If the entity is funding the daily operations of a community facility, the reported amount should include the related operating costs. Regarding the support of social programmes, the amount to calculate the indicator should refer to the specific operating costs related to the programmes financed by the entity. The calculation of this indicator should also include non-monetary contributions by entities, for instance in the context of an entity whose workers lend their time and capabilities to build infrastructure for a community project, as well as in-kind donations (at fair value).

Potential sources of information

Donations or charitable contributions are generally recorded in an entity's general ledger in a separate account. This is necessary for tax purposes: entities should use a dedicated account for tax-deductible contributions. Information for computing this indicator is found there and is usually recorded by the finance, treasury or accounting departments.

I.A.6 Total expenditures on research & development (R&D)

Measurement methodology

There are different accounting treatments of R&D expenses. Under US generally accepted accounting principles (GAAP), all R&D costs are expensed as incurred (i.e. they are written off to the income statement as an expense when incurred). Under IFRS (International Accounting

Standards 38; IAS 38), research costs are expensed, while development expenditures need to be capitalized (i.e. treated as an intangible asset, amortized and reported in the balance sheet). An example of research expense could be the expenditures for tests aimed at obtaining new knowledge to develop a new vaccine by an entity in the pharmaceutical industry. An example of development expense could be the design, construction and testing of a pre-production car model by an automotive entity. Therefore, according to IFRS, distinguishing development activities from research activities is crucial and the most important criterion to decide between expensing or capitalizing R&D expenditure is represented by the technical feasibility of completing the intangible asset so that it will be available for use or sale.

Apply (and disclose) which approach (GAAP or IFRS) the entity uses in its accounting and reporting.

To calculate this indicator, all R&D expenditures incurred in a certain reporting period should be considered, independently from their accounting treatment.

There could be two ratio indicators, which would be calculated as in Equations (I.3) and (I.4):

$$\begin{aligned} & \text{Total R\&D expenditures} / \text{Total assets} \\ & \text{Total R\&D expenditures} / \text{Total revenue} \end{aligned}$$

Potential sources of information

Information to calculate this indicator can be found in financial statements/financial accounting systems, either in the P&L statement or in the balance sheet, depending on whether R&D costs incurred in a certain reporting period are expensed (there is a specific line in the P&L for R&D expenses, included as part of the operating costs) or capitalized (as intangible assets).

Management accounting systems and internal management reports can be consulted for the country-specific data.

I.A.7 Percentage of local procurement

Measurement methodology

The indicator can be calculated using invoices or commitments made during the reporting period based on the accrual accounting principle. Invoices or commitments to local suppliers are those toward organizations or people that provide products or services to the organization and that are based in the same geographical market as the reporting organization.

The definition of same geographical market and local may refer to the community surrounding operations (within a certain reach defined in terms of kilometres or miles), a region within a country or a country. Therefore, as there could be considerable variation in how organizations define local and as tracking local purchases requires systems, staff time and specific skills that are not part of the procurement operations of many entities, it is suggested that the country is considered to be a distinguishing criterion. In line with UNCTAD's *Guidance on Core Indicators*

for *Entity Reporting*, purchasing is defined as local when it concerns products or services produced in the same country as the reporting entity, or provided by an entity that is incorporated in the same country as the reporting entity, or otherwise meets the local content or entity requirements as defined by the government of that country. Following this line of reasoning, as a starting point to decide whether or not to include certain purchases in the calculation of this indicator, it could be useful to check whether transnational payments to the suppliers have been made. By looking at invoices in this way, reporting entities can identify the items of local purchasing included in the reporting period and calculate the costs on an accrual basis.

The total amount of local purchasing is presented both as an absolute figure (in monetary terms) and as a percentage of total purchasing of the reporting entity.

Potential sources of information

Information about local procurement can be found by looking at the bills of the entity's suppliers (accounts payable) and, if applicable, at the internal reporting system—in particular, the operational information system for recording supplier master data. This is a reference to the enterprise resource planning system that records information on the entity's suppliers, including records of payments and other transactions.

● Tier 1: B. Environmental area

I.B.1 Water recycling and reuse

Two indicators can be calculated.

The total volume of water recycled and reused: this indicator should be expressed in total cubic metres (m³). If the entity has water or flow meters, it is suggested that the indicator is calculated at the level of facility/individual business site, where appropriate documentation and reporting should exist, based on water or flow meters that are used to directly measure the quantity of water recycled and/or reused at the site. Data on the total volume of water recycled and/or reused need to be collected with reference to a relevant time unit (e.g. day, week, month) so they can be cumulated with reference to the total reporting period. If the entity does not have water or flow meters, the water recycled and reused needs to be estimated. Calculation of the volume of recycled and reused water can be based on the volume of water demand by the entity that is satisfied by recycled and/or reused water, rather than by further withdrawals/supplies from third parties.

The total volume of water recycled and reused as a percentage of the total water withdrawal and total water received from a third party, expressed in percentage terms. The denominator takes into account water withdrawn either directly by the organization or through intermediaries such as water utilities. More specifically, total water withdrawal is calculated as the sum of all water drawn into the boundaries of the entity for any use over the course of the reporting period, and from different sources, including fresh surface water; groundwater; seawater water; produced/process water; and third-party water.³¹

It is suggested that the entity should report the total volume of water recycled and reused (total m³), as well as the total volume of water recycled and reused as a % of the total water withdrawal plus total water received from a third party (where total water withdrawal is calculated as the sum of all water drawn into the boundaries of the organization from all sources for any use over the course of the reporting period. Sources of water withdrawal can include fresh surface water + groundwater + seawater/brackish water + produced/process water). The total volume withdrawn and received from a third party is a proxy for the organization's relative size and importance as a user of water, as well as a baseline figure for other calculations relating to efficiency and use. The indicator is thus expressed in both m³ and percentage terms.

Potential sources of information

The calculation of the indicators involves water data collected at each facility/site by direct measurement (through water meters). Determining water use and recycling involves water withdrawal, delivery, release and return flow data collected at each business unit/facility by direct measurement (through water meters). Water should be metered and measured in litres or m³. If such information is collected, it can be found in internal reporting systems (operational information system tracking physical units and recording water flows) and/or environmental accounting systems/environmental management systems, especially regarding resource recycling quantities and costs. Reporting entities would need to disclose if these instruments are not used at their facilities, and an estimation thus required. Estimates are based on coefficients (area statistics) relating water use to another characteristic, usually representing a proxy for the volume of business activity, such as number of employees or production values and volume, and applying it to a site-specific quantity of that characteristic. In addition, information collected in accounts payable based on water suppliers' bills can be used to calculate this indicator.

I.B.2 Reduction of waste generation by reused, re-manufactured and recycled

Measurement methodology

Total waste generated during a reporting period is defined as the sum of the amounts of all mineral, non-mineral and/or hazardous waste treated by any waste treatment technology. This excludes the amount that is treated either on-site or off-site through closed-loop recycling, reuse or re-manufacturing processes (i.e. the recycled, reused or re-manufactured waste materials returned to the processes of the reporting entity). Waste should be weighed or metered. As waste can be solid, liquid or have a paste-like consistency, it can be measured in kilograms (kg) and metric tonnes (mt), litres or m³. However, for the purpose of this indicator, waste should be reported according to weight (kg, t) and not volume (litres, m³).

Waste generated should be presented in absolute volumes (in terms of kg or t of waste) and also normalized. To normalize data concerning waste generation figures, total waste generated should be divided by the amount of NVA (expressed as EUR, USD, GBP, etc.) generated in the same reporting period (see NVA indicator). Therefore, the unit of measure of this indicator is kg or t of waste per EUR, per USD, etc.

The difference between year t and year t^{-1} should be computed so it is possible to monitor the level of progress the organization has made toward waste reduction efforts (i.e. the change in the entity's waste generation). For the entity, such difference may also signal improvements in process efficiency and productivity and, from a financial perspective, some cost savings on materials processing and disposal.

The amount of reused, re-manufactured and recycled waste should be recognized in the period in which it is treated and should be measured in kg and t (see I.B.2.1 Reduction of waste generation). If possible, it is preferable to distinguish among the three options; specifically, between reuse and recycling versus re-manufacturing.

Reused, re-manufactured and recycled waste should be presented in absolute amounts (in terms of waste in kg or t) and normalized.

Potential sources of information

Waste should be weighed or metered at each specific business site. However, some entities may find it difficult to meter the volume of waste produced. Therefore, as waste is normally collected from an organization by a third party, it is possible to calculate the amount of waste generated in a reporting period via bills from the waste management company (information provided by the waste disposal contractor usually includes—along with the type of waste—the amount of waste managed, in kg or t).

The data required for the calculation of these indicators and the related information flows are normally managed by a facility manager or a general services administrator. When such positions are not present in an entity, the related information is to be found in the accounts payable as part of the waste management costs calculation of the reporting period.

In many countries, various forms of waste treatment are required by law, and (normally) a waste disposal contractor is involved in open-loop recycling. Therefore, relevant information for a specific reporting period can be found on the bills from the waste management company (information provided by the waste disposal contractor usually includes, along with the type of waste, the amount of waste managed in kg or t). When the waste generated by an entity can be sold (e.g. because it represents a suitable raw material for another manufacturing company), relevant information can be found on the invoice issued by the entity selling waste materials (accounts receivable).

When the recycled, reused or re-manufactured material is returned to the processes of the reporting entity (closed-loop processes), the related figures should be collected at each business site and reported through operational reporting.

I.B.3 ODS and chemicals

Measurement methodology

In the annex of the *Montreal Protocol*, every substance controlled is listed, together with a value expressing the ozone-depletion potential. An ozone-depletion potential value indicates how much impact a certain substance has on the depletion of the ozone layer relative to a reference substance. The reference substance normally taken is trichlorofluoromethane (CFC 11), which has been given an ozone-depletion potential of 1; therefore, ozone-depletion potential values are expressed in kg CFC 11 equivalents per kg of the respective substance.

The dependency of an entity on ODS is defined as: production of ODS + purchases of ODS + stocks of ODS, where production of ODS means the amount of virgin (i.e. not recovered, reclaimed or recycled) ODS added by the reporting entity.

Potential sources of information

ODS should be weighed or metered at each specific business site (ODS should be measured in kg, tonnes, litres and m³). This is an area that is regulated in many countries and therefore the information regarding this indicator should be found in the following locations.

- When ODS are produced: in the operating information systems of each specific plant (as part of amounts of outcomes produced in a specific reporting period t see also the bills of materials).
- When ODS are purchased/stocked:
 - When relating to ODS for production processes: in the accounts payable and in the operating information systems of each specific plant. The owner of such information in this case should be the plant manager/purchasing manager.
 - When relating to ODS embodied in equipment in use outside production processes and part of general services (e.g. air conditioning, firefighting equipment), it can be derived from the description of the specific equipment bought by the entity at each facility. The owner of such information in this case should be the facility manager/general services administrator.

● Tier 1: C. Social area

I.C.1 Average hours of training per year per employee

Measurement methodology

The first step in calculating the number of hours is to identify all the training programmes undertaken by an entity in a reporting period so that the related hours can be cumulated. These may include internal training courses, external training or education (supported by the entity), the provision of sabbatical periods with guaranteed return to employment (supported by the entity, e.g. paid educational leave provided by the reporting entity for its employees), and training in specific topics such as health and safety.

The denominator should be expressed as either headcount or full-time equivalent (FTE), and the approach applied consistently in the period, and between periods. The data should be presented with a breakdown by employment category and possibly by gender (see description for I.C.1.1. Proportion of women in managerial positions).

Equation:

$$\text{Average training hours per employee} = \frac{\text{total number of training hours provided to employees}}{\text{total number of employees}}$$

If possible, this indicator should be broken down by category as in the following equation:

$$\text{Average training hours per employee category} = \frac{\text{total number of training hours provided to each category of employees}}{\text{total number of employees in category.}}$$

Multinational entities are encouraged to disclose hours of training by country, and possibly by gender, similar to recommendations for other economic indicators included in this Manual.

Potential sources of information

Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software) for collecting and elaborating information regarding employees, including the other data that are necessary to calculate this indicator. The software and related information flows are normally managed by the human resources function that is also usually in charge of defining a training budget.

Training expenses can also be found in the P&L statement as a specific line item that is part of the operating costs (general expenses). Entities usually employ a specific account to record training costs that can be called employee training expenses (in the accounts payable). Management accounting systems/internal management reports can be also used for the hour-specific, category-specific and country-specific data (if an entity has a balanced scorecard, these indicators are often included as key performance indicators in the learning and growth perspective).

I.C.2 Expenditure on employee training per year per employee

Measurement methodology

To calculate the expenditure referred to training programmes, it is suggested that direct and indirect costs of training be considered; for example course fees, trainers' fees, training facilities, training equipment and related travel costs.

The denominator should be expressed as either headcount or FTE, and the approach should be applied consistently in the period and between periods. The data should be presented with a breakdown by employment category (see description relating to I.C.1.1. Proportion of women in managerial positions).

Average training expenditures per employee =
total amount of training expenses/total number of employees.

If possible, this indicator should be broken down by category in the following way:

Average training expenditures per employee category =
total amount of training expenses for each category of employees/
total number of employees in category

Multinational entities are encouraged to disclose training expenditures and hours of training by country, and possibly by gender, similar to recommendations for other economic indicators included in this Manual.

I.C.3 Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

Measurement methodology

The first step in calculating this indicator is to compute total payroll, including employee salaries and amounts paid to government institutions on behalf of employees, plus total benefits (excluding training costs, costs of protective equipment or other cost items directly related to the employee's job function). In this context, payments to the government can include contributions, pensions, employment taxes, levies and employment funds. Then, the amount of employee benefits and wages will be divided by the total revenue in that reporting period.

If an entity prepares a value-added income statement, the total amount of employee wages and benefits is already disclosed there (among the items included in the economic value distributed).

The total amount of employee wages and benefits should be broken down according to the following categories:³²

- employees and supervised workers,
- type of employment contract (permanent or temporary),
- type of employment (full time or part time),
- age group: under 30 years of age, 30–50 years of age, over 50 years of age,
- region, and
- gender.

Potential sources of information

Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software) for collecting and elaborating information on employees, including the other data that are necessary to calculate this indicator. The software and the related information flows on wages and benefits are normally managed by the human resources function in a specific module that is usually labelled payroll accounting. Many firms also have a payroll accounting specialist in the accounting department who is the owner of this information. The total revenue can be obtained from the P&L statement.

I.C.4 Expenditures on employee health and safety as a proportion of revenue

Measurement methodology

This indicator is expressed as a % and is calculated by adding up the expenses for occupational safety- and health-related insurance programmes, for health care activities financed directly by the entity and all expenses sustained for working environment issues related to occupational safety and health incurred during a reporting period. This amount is divided by the total revenue in this reporting period.

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

Some of these elements are related to operating costs, for example the entity's cost of health care activities financed directly by the entity as such, either through self-insurance or in operating the entity's own health care facilities or any other expense related to the supervision of the health of workers. Some other elements are capital expenditures, such as investments in radiation protection equipment or in fire prevention kits.

Total expenditure on health and safety (expressed in monetary terms) should be divided by total revenue in period t . This indicator would be expressed in percentage terms.

Multinational entities are encouraged to disclose health and safety expenditures by country, similar to recommendations for other economic indicators included in this Manual.

Potential sources of information

Some entities have occupational safety and health management and reporting systems that are used to collect all the relevant information for calculating this indicator. The related information flows are owned by the occupational safety and health manager/programme administrator/committee when present. As part of this information system, and depending on the specific legislation of the country where the entity operates, entities also keep specific registers, such as the register of medical visits.

For those expenses that are material and thus can be capitalized by the entity, it is possible to use capital budgets to find the relevant amounts. In contrast, when the amount spent on health and safety is immediately expensed in the reporting period, the related costs are to be found in the P&L statement as part of the operating costs of an entity (depending on the nature of the expenses, they can be found as part of the production overheads or as part of the selling expenses, etc.). The revenue (denominator) can be obtained from the P&L statement.

I.C.5 Percentage of employees covered by collective bargaining agreements

Measurement methodology

Collective bargaining refers to all negotiations that take place between one or more employers or employers' organizations, on the one hand, and one or more workers' organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers.

Negotiations can take place at various levels. Collective bargaining agreements may comprise agreements at the sectoral, national, regional, organizational or workplace level. This standard is based on the *Collective Bargaining Convention*, 1981 (No. 154) of the International Labour Organization.³³

This indicator should be calculated by taking into consideration the employee numbers at the end of the reporting period. Employee numbers may be expressed as headcount or FTE. In any case, the approach chosen should be applied consistently between periods.

As a first step, it is necessary to express the total workforce of the reporting entity at the end of the reporting period, either in terms of headcount or FTE (denominator of the indicator).

Next, those employees who are covered by collective agreements should be identified, and expressed either in terms of headcount or FTE, consistent with the denominator.

Beyond the percentage figure, narrative information is essential to clarify the entity context since, in some instances, agreements are not allowed by regulators, requested by employees or reached among relevant stakeholders.

Potential sources of information

Entities should set up arrangements, in accordance with national laws or regulations, to define collective employment agreements/contracts. These are usually negotiated collectively between management (on behalf of the entity) and union representatives. Information relevant to calculating this indicator can be found in these contracts (number of employees covered by collective agreements). Such information can be found also in human resources information systems. When involved, the legal affairs department can also be one of the owners of such information.

● Tier 1: D. Institutional area

I.D.1 Number of board meetings and attendance rate

Measurement methodology

Identify the number of board meetings conducted, and the attendance rate at each meeting. This rate is determined by identifying the number of board members in attendance at each meeting as the numerator, with the overall number of board members as the denominator. An overall annual attendance rate can be determined by averaging the attendance rates over the year.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or the human resources manager.

I.D.2 Board members by age range

Measurement methodology

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

- Under 30 years of age.
- 30–50 years of age.
- Over 50 years of age.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or by the human resources manager.

I.D.3 Number of meetings of audit committee and attendance rate

Measurement methodology

Identify the number of audit committee meetings conducted, and the attendance rate at each meeting. This rate is determined by identifying the number of audit committee members in attendance at each meeting as the numerator, with the overall number of audit committee members as the denominator. An overall annual attendance rate can be determined by averaging the attendance rates over the year.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or by the human resources manager. In addition to these sources, information concerning this indicator can also be recorded by the internal audit function.

I.D.4 Compensation: total compensation per board member (both executive and non-executive directors)

Measurement methodology

To calculate this indicator, entities need to compute the amount of total compensation referred to a specific reporting period, summing up the following elements of a compensation package:

- fixed pay (base salary),
- variable pay (including performance-based pay, equity-based pay, bonuses and deferred or vested shares),
- sign-on bonuses or recruitment incentive payments,
- termination payments (i.e. all payments made and benefits given to a departing executive or member of the highest governance body whose appointment is terminated),
- clawbacks (i.e. repayment of previously received compensation required to be made by an executive to his or her employer in the event that certain conditions of employment or goals are not met), and
- retirement benefits.

Total annual compensation is calculated for each executive director and each non-executive director.

Potential sources of information

The data required for the calculation of this indicator and the related information flows are normally managed by the human resources function, typically within a compensation and payroll management information system. Many entities use specialized software for collecting and elaborating this type of information. The data may also be obtained from the company secretary.

Another source of information is the remuneration report, where the compensation of board members (both executives and non-executives) is presented. The information is owned by the remuneration committee which, when present, is in charge of defining the compensation strategy and policy.

I.D.5 Average hours of training on anti-corruption issues per year per employee

Measurement methodology

The organization shall calculate the aggregate number of hours each year in which its employees and other workers are engaged in anti-corruption training, disclosed over the past five years.

Report annual and five-year trend in hours of training on anti-corruption issues as follows:

Year	t	t-1	t-2	t-3	t-4
THT					

where:

THT = total hours of anti-corruption training, and
t = most recent year.

Potential sources of information

All data regarding an organization's expenditures for anti-corruption training and related disclosures can be obtained from its own human resources, finance and legal functions.

Tier 2

Thresholds-based and transformative indicators

● Tier 2: A. Environmental area

II.A.1 GHG emissions (scope 1 and 2)

The ultimate goal set by the SDPI methodology on GHG emissions (scope 1 and 2) indicator is achieving zero GHG emissions—that is, no direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles) and no indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. The achievement of negative emissions, while desirable in the long-run, is beyond the scope of the current indicator.

Accordingly, the sustainability threshold or norm of an organization’s GHG emissions is zero (i.e. Net Zero) and the indicator assesses the sustainability of an organization as follows:

- When actual GHG emissions (scopes 1 and 2) of a specific year are less than or equal to zero (i.e. Net Zero), the organization’s performance can be qualified as being sustainable; and
- When actual GHG emissions (scopes 1 and 2) of a specific year are greater than zero (i.e. Net Zero), the organization’s performance can be qualified as being unsustainable.

The SDPI methodology sets the minimum goal of Net Zero GHG emissions which have been recognized by the UN and the IPCC. Net Zero GHG emissions means that some greenhouse gases may still be released, but if so, these are offset by anthropogenic removals of an equivalent (or greater) amount of greenhouse gases from the atmosphere and storing them permanently in soil, geological formations, plants or materials. Achieving a Zero GHG emissions goal (in absolute terms) would, by definition, also achieve the Net Zero GHG emissions goal, but not the other way around. Both concern the maximum impact (e.g., maximum GHG emissions) the environment can sustain without undergoing changes perceived to be unacceptable, agreed to be represented by a global change of 1.5 °C above pre-industrial levels.

The need for interim targets

In recognition of the fact that worldwide GHG emissions will take some decades to reduce to the sustainability threshold of zero (or Net Zero) GHG emissions, the impact of organisations’ GHG emissions can be assessed relative to an interim (non-zero) target on a yearly basis:

$$RGG_t = \frac{AGG_t}{NGG_t}$$

where:

- RGG_t = ratio of actual scopes 1 and 2 GHG emissions to a normative emissions target
- AGG_t = actual GHG emissions (scopes 1 and 2);
- NGG_t = normative GHG emissions target from a science-based tool (see below); and
- t = a specific year.

When $RGG_t \leq 1$, the organisation's GHG emissions are aligned to the global 1.5°C pathway.

When $RGG_t > 1$, the organisation's GHG emissions are not aligned to the global 1.5°C pathway.

Following this logic, the impact of organizations' GHG emissions in cumulative terms can be assessed:

$$RGG_c = \frac{\sum_b^t AGG_t}{\sum_b^t NGG_t}$$

Where:

- t = current year, b = baseline year and c = cumulative
- RGG_c = ratio of actual scopes 1 and 2 GHG emissions to a normative allocation of emissions (cumulative)

General specification for tools

Several tools are available to derive a normative allocation from the reducing global pool of GHG emissions. The list below provides a set of requirements for tools to derive an interim allocation of GHG emissions to an organisation consistent with the global emissions reduction pathway:

1. Tools should be based on a peer-reviewed, science-based 1.5°C mitigation scenario(s) per the Paris Agreement
2. Tools should include a mechanism for making organization-specific allocations of global and/or regional GHG budgets and mitigation targets (e.g., economic, per capita, activity-based, etc.)
3. Tools should express targets in both annual and cumulative terms starting with a defined baseline year* per the science-based mitigation scenario(s) being used (in absolute terms)
4. Tools minimally require entry of scopes 1 and 2 emissions, with scope 3 emissions being optional (all in absolute terms at a minimum)
5. Tools should report performance annually and cumulatively (i.e. actual emissions relative to targets)

* For organizations without continuous data extending back to the baseline year (e.g., organizations that did not exist, or have undergone significant restructuring such as mergers or disaggregation, a major change in core business, diversification or divestiture, etc.), tools should offer an alternative mechanism for deriving meaningful targets, including how to consider cumulative emissions in such cases.

Interpretation of results

The ethical and scientific principles for allocating emissions and setting targets from steadily declining global GHG budgets to individual entities are diverse, and result in various indicators. Depending on which indicators are used, specific targets for individual companies will therefore vary. To help make sense of such company-level target emissions and their performance against them, SDPI also offers a “traffic light” or checklist system in which multiple metrics can be combined to enable a company’s performance to be assessed both in terms of its outright position relative to where it should be, and the direction and magnitude of the change it is undergoing. An organization contributing to sustainability would be one with all green lights, whereas a combination of green and red lights would offer rapid insights into the organization’s performance. An example is provided in Table 1.

Table 1. Basic “traffic light” system		
Sustainability threshold		
Metric	● Sustainable	● Unustainable
AGG_t	$AGG_t \leq 0$ ● Meaning: organisation’s emissions are at sustainable levels	$AGG_t > 0$ ● Meaning: organisation’s emissions are not yet sustainable: proceed to interim targets
Interim targets		
Metric	1.5°C-aligned: moving towards sustainability	Moving further away from sustainability
Magnitude of emissions: $RGG_t = \frac{AGG_t}{NGG_t}$	$RGG_t \leq 1$ ● Meaning: organisation’s emissions are lower than the target level	$RGG_t > 1$ ● Meaning: organisation’s emissions are higher than the target level
$RGG_c = \frac{\sum_b^t AGG_t}{\sum_b^t NGG_t}$	$RGG_c \leq 1$ ● Meaning: organisation’s cumulative emissions are lower than the cumulative emissions in the target pathway	$RGG_c > 1$ ● Meaning: organisation’s cumulative emissions are higher than cumulative emissions in the target pathway
Change in emissions intensity:* $\Delta EI = \left(\frac{\frac{AGG_t}{CGDP_t} - \frac{AGG_{t-1}}{CGDP_{t-1}}}{\frac{AGG_{t-1}}{CGDP_{t-1}}} \right)$	$\Delta EI \leq 0$ ● Meaning: organisation’s emissions intensity is decreasing.	$\Delta EI > 0$ ● Meaning: Organisation’s emissions intensity is increasing.
Relative rate of change: $R = \frac{(\Delta AGG_t - \Delta NGG_t)}{ \Delta NGG_t }, \Delta NGG_t \neq 0$ $R = \Delta AGG_t, \Delta NGG_t = 0$	$R \leq 0$ ● Meaning: change in organisation’s emissions is better than change in emissions on target pathway.	$R > 0$ ● Meaning: change in organisation’s emissions is worse than change in emissions on target pathway.

Where:

AGG_t = Actual company GHG emissions in year t;

ΔAGG_t = annual change in actual company emissions;

NGG_t = target company emissions (tonnes CO₂-e/yr) in year t provided by the adopted tool;

ΔNGG_t = change in target emissions (tonnes CO₂-e/yr) in year t on the adopted pathway;

ΔEI = relative change in emissions intensity;

RGG_t = ratio of actual to target GHG emissions in year t;

$CGDP_t$ = company's contribution to GDP (for-profit organisations); and

R = relative rate of change in emissions compared to rate of change of target emissions.

* Note that $CGDP_t$ can be replaced with population (headcount) for non-profit organisations.

Calculation examples

Below is an example calculation to illustrate how allocations (NGG_t) may be derived using the science-based-target approach. The variance of these interim targets reflects different principles or choices on how to allocate or specify fair shares of allowable emissions, sectoral differences of carbon budgets, baseline years, and emission pathways.

For organizations with data extending to a “baseline” year

Companies with continuous data extending back to a baseline year may choose to adopt the Centre for Sustainable Organisations' (CSO) method. There have been two comprehensive scientific studies on science-based climate target-setting methods, Bjorn et al 2021 and Rekker et al 2022, and both found the CSO method to be the strongest.³⁴ This is one tool that can be used to set interim annual targets for emissions when an organization's GHGs are not already zero or less. This context-based carbon metric (first piloted with Ben & Jerry's in 2006) measures the GHG emissions of a company against reduction targets rooted in science-based mitigation scenarios, two of which it now supports: SSP1-1.9 scenario, a “well-below 1.5 °C” warming model with a 2015 baseline year, and a CERC-LED-OECD scenario, an equity-sensitive, “No BECCS” (Bioenergy with Carbon Capture and Storage) “1.5°C” warming model, also with a 2015 baseline year. The CSO metric allocates emissions entitlements (and reduction burdens) to individual organizations based upon their contributions to GDP and adjusts them annually in these terms, while also keeping them aligned with the annual global carbon budgets specified in SSP1-1.9 (Shared Socioeconomic Pathways) on the one hand, and CERC-LED-OECD (Climate Equity Reference Calculator – Low Energy Demand) on the other. Targets and performance scores for both are reported. The latest version of CSO's Context-Based Carbon Metric (an Excel spreadsheet) is available free of charge (for non-commercial end-user applications only) and can be downloaded by clicking here.³⁵ Allocations made in the CSO tool are based, in part, on the “grandfathering” principle (Bjorn 2021), which allows the initial emissions for a company (in the baseline year, 2015) to influence annual targets for ongoing emissions thereafter, creating a more gradual entry path for reducing GHG emissions no matter what an organisation's emissions might be at the outset. For for-profit organizations, CSO's allocation principle goes on to set targets in terms of contributions to GDP; for non-profit organizations, it does so in terms of the headcount size of an organization as calculated in the method.

The target company-level emissions (tonnes/yr) in the current year t is given by $CE_{t,target}$:

$$NGG_t = CE_{t,target} = GE_{t,target} \times \frac{CGDP_t}{GDP_t} \times \frac{\left(\frac{CE_{baseline}}{CGDP_{baseline}}\right)}{\left(\frac{GE_{baseline}}{GDP_{baseline}}\right)}$$

where:

$GE_{t,target}$ is the target global emissions (tonnes CO_2 -e/yr) in year t on the adopted pathway;
 $CGDP_t$ is the company's contribution to global gross domestic product (GDP) in year t ;
 $CE_{baseline}$ and $GE_{baseline}$ are the company and global emissions in the baseline year (nominally 2015) respectively in tonnes CO_2 -e/yr; and
 $CGDP_{baseline}$ and $GDP_{baseline}$ are the company's contribution to GDP and global GDP respectively in the baseline year.

The calculation above can be adapted to non-profit organizations by swapping the GDP terms for corresponding population terms (headcount in the organization versus global population).

For organizations without data extending to a "baseline" year

For companies that lack continuous data extending back to the baseline year, e.g., for one or more of the reasons listed above (see General specification for tools), the CSO's calculation of NGG_t could, in principle, be simplified by removing the final ratio in the above equation, thus providing an alternative allocation without "grandfathering":

$$NGG_t = CE_{t,target} = GE_{t,target} \times \frac{CGDP_t}{GDP_t}$$

This provides an instantaneous emissions allocation based simply on the organization's current (year t) contribution to GDP (or population, in the non-profit case) and is consistent with other SDPI allocation procedures, such as that used for equitable water allocation.³⁶ The result of this calculation can be interpreted within the traffic light system above to provide valuable insights. However, this simplified (non-grandfathering) calculation option is not currently available within the CSO tool, due to a key disadvantage: it does not create a pathway from the organization's historical emissions, meaning it may over- or under-allocate emissions depending on the nature of the organization (i.e. relatively high-emitting organizations may receive a much lower allocation compared to the grandfathering calculation, and *vice versa*). Therefore, alternative approaches may be recommended by individual tool providers for organizations without continuous data.

For brevity, the formulas shown above are for annual emissions. The calculation procedures to derive targets for cumulative emissions are more complex and users are referred to the individual tool providers for more information.

II.A.2 GHG emissions (scope 3)

Measurement methodology

It is important that organizations know the scale of both their direct and indirect impacts and take measures to address them. As such, an increasing number of companies are now measuring all three types of emissions (scope 1, 2 and 3) and formulating long-term strategies to reduce them.

To disclose whether:

- The organization is measuring scope 3 GHG emission based on a given scope 3 framework?³⁷
- The organization requires its suppliers to measure scope 1 and scope 2 GHG emissions?³⁸

Potential sources of information

All scope 3 GHG emissions data can be obtained from an organization's suppliers, customers and other third parties in its value chain.

II.A.3 Water use

Measurement methodology

This indicator is based on hydrological models of stream flows and human withdrawals (for both consumptive and non-consumptive use). Using satellite images, national statistics and the water withdrawal and consumption data, the indicator measures the gross water available, the net water available, and allocated water available for the use of economic entity at different geographical scales (the circular regions of 10, 50, 100, 200 and 300 km surrounding the facility location). By performing this calculation at several "scales" we gain insight as to the "context" sensitive nature of the metric.³⁹

There are four water allocations based on gross withdrawals (GW), consumptive use (C), GDP, and population (Pop).

$$W_{\text{facility (GW,GDP)}} = Q_{\text{GW,max}} \left(\frac{\text{GDP}_{\text{facility}}}{\text{GDP}_{\text{region}}} \right) \quad \& \quad W_{\text{facility (C,GDP)}} = Q_{\text{C,max}} \left(\frac{\text{GDP}_{\text{facility}}}{\text{GDP}_{\text{region}}} \right)$$

$$W_{\text{facility (GW,POP)}} = Q_{\text{GW,max}} \left(\frac{\text{POP}_{\text{facility}}}{\text{POP}_{\text{region}}} \right) \quad \& \quad W_{\text{facility (C,POP)}} = Q_{\text{C,max}} \left(\frac{\text{POP}_{\text{facility}}}{\text{POP}_{\text{region}}} \right)$$

These allocations represent the maximum sustainable water use for the facility based on each cell in the 2x2 matrix of attributes (GW vs Con, and GDP vs Pop).

The sustainability indicator uses the allocation relative to the actual water use of the facility where $W_{\text{facility,gross}}$ and $W_{\text{facility,con}}$ are the actual gross and consumptive use of the facility, respectively.

Information the economic entity is supposed to collect for this indicator is as follows.

- Pop Facility (e.g. the number of employees)
- GW Facility (m³) (e.g. the volume of water used in the utility bill)
- GDP Facility (e.g. the value added)
- Con Use Facility (m³)
(e.g. Con Use Facility = GW Facility – water drained off through sewerage system)
- GPS (Global Positioning System) coordinates of Facility (e.g. using Google Map to find latitude and longitude coordinates)

II.A.4 Hazardous waste treatment

Measurement methodology

Total hazardous waste generated during a reporting period is defined as the sum of the amounts of all types of hazardous waste listed in the Basel Convention definitions and should be measured in kilos and metric tonnes.

An entity should also disclose the proportion of hazardous waste treated to reduce or eliminate their danger to people and the environment compared to the total waste reported by the reporting entity (indicator expressed in percentage terms).

Where applicable, the total weight of hazardous waste should be broken down by disposal methods (i.e. reuse; recycling; composting; recovery, including energy recovery; incineration (mass burn); deep well injection; landfill; on-site storage; and/or other (to be specified by the organization)).

Any hazardous waste left untreated will be deemed as unsustainable.

Potential sources of information

Hazardous waste should be weighed or metered at each specific business site. However, some entities may find it difficult to meter the quantity of hazardous waste produced. Therefore, in line with what is advised for other indicators on waste management included in this Manual, it is suggested that the bills from the waste management company be used to reconstruct the relevant information required to calculate this indicator.

II.A.5 Renewable energy

Measurement methodology

To calculate the numerator, the entity should consider only the amount of renewable energy consumed. Therefore, the numerator can be calculated as: renewable fuel sources (such as biofuels), solar energy, biomass, hydropower, geothermal energy and ocean energy,⁴⁰ including heat from renewable sources and electricity from renewable sources.⁴¹

The denominator, total energy consumption within the organization, can be calculated as: non-renewable fuel consumed + renewable fuel consumed + electricity, heating, cooling and steam purchased for consumption + self-generated electricity, heating, cooling and steam (which are not consumed) – electricity, heating, cooling and steam sold.

In calculating this indicator, when computing the numerator, it is suggested that a distinction be made between different types of renewable energy resources, as these range from infinitely renewable sources (such as solar power) to cyclically renewable resources (such as biomass).

Fuel consumption is expressed in joules (J) or multiples. Electricity, heating, cooling and steam consumption are expressed in J, watt hours (Wh) or multiples. However, both the numerator and the denominator should be expressed in J, and so conversion factors are needed. Different energy commodities have a different caloric content. To make them comparable, they are converted into thermal equivalents using their respective net caloric content. If the energy commodity is used in a country for which specific values are listed (i.e. there are local conversion factors), these values should be used; otherwise, the default value should be applied.

The sustainability norm or threshold for renewable energy is to use 100% renewable energy

Equation:

$$PRE_t = \frac{RE_t}{TEC_t}$$

where:

PRE = Proportion of renewable energy

RE= Renewable energy consumed

TEC = Total energy consumption

t = most recent year.

And where:

PRE scores of ≥ 1.0 are sustainable; and

PRE scores of < 1.0 are unsustainable.

Potential sources of information

As the majority of entities purchase energy, the amount of energy consumed for a reporting period, subdivided into the different types, can be found by collating the bills of the energy suppliers and of fuel providers.

In many countries, renewable energy certificates (RECs) are used to claim renewable energy purchased. Thus, specific information about renewable energy can also be derived from these certificates, when present.

II.A.6 Life cycle assessment (LCA) and circularity indicators

Measurement methodology

This indicator focuses on the use of LCA and the tracking of product material flows by organizations as an indicator of activity or practice in circular economies. Determine and disclose the degree to which the company applies LCA to all of its goods and services, and whether circular material inflow and outflow are being tracked?

Circular material inflow: Resources that enter the company, e.g. materials, parts or products are renewable or non-virgin

Circular material outflow: Material flows that leave the company, e.g. materials, parts, products, by-products and waste streams are recovered⁴²

Potential sources of information

Information about a company's LCA studies and product material flows can be obtained from its corporate social responsibility (CSR), sustainability or product/service engineering and design functions.

● Tier 2: B. Socioeconomic area

II.B.1 Fiscal disclosure

Measurement methodology

Disclosure of fiscal information about the company shall be made in: the top three countries in which it does business (based on revenue, employees or physical capital); and the top three countries based on profits.

For (a) the top three countries in which the company does business (based on revenue, employees or physical capital), disclose its:

- revenue,
- profits,
- number of employees,
- corporate taxes paid, and
- physical capital.

For (b) the top three countries in which the company does business (based on profits), disclose its:

- revenue,
- profits,
- number of employees,
- corporate taxes paid, and
- physical capital.

Potential sources of information

All fiscal data can be obtained from a company’s own finance, human resources, payroll and accounting functions.

II.B.2 Tax gap

Measurement methodology

Calculations of actual taxes paid by organizations (ETR) shall be compared to calculations of statutory taxes due (STR) to determine if there are any gaps. The tax gap is calculated as the difference between a company’s STR and its ETR. The STR is the tax rate that companies would have to pay on the basis of the geographical mix of their revenue (at least three countries/regions with the biggest revenue). That is, it is the average tax rate, weighted by revenue, from (each) respective country/region. The ETR is the average of the ratio of the annual income tax payable to the annual earnings before tax (EBT) as disclosed by companies, weighted by revenue, from each respective country/region. When calculated in this way, actual average taxes paid in any one year (ETR) should not be any less than 95% of statutory taxes due (STR).

Equation:

$$\text{Annual tax gap calculation with tax credits regularly subtracted: } ATG_t = \frac{ETR_t}{(STR \cdot .95)_t}$$

Report five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4	5-year average
ATG						

where:

- ATG = annual tax gap (percentage),
- ETR = effective tax rate,
- STR = statutory tax rate, and
- t = most recent year.

And where:

- ATG scores of ≥ 1.0 are sustainable, and
- ATG scores of < 1.0 are unsustainable.

Potential sources of information

All ETR data can be obtained from a company’s own finance and accounting functions; all STR data can be obtained from the taxation authorities in each country.

II.B.3 CEO-to-worker pay ratio

Measurement methodology

Total compensation of the CEO (i.e. the highest-paid executive) is defined as including salary, bonuses, benefits, restricted stock grants, long-term incentive payouts and options realized and/or options granted. Worker compensation is similarly defined as wages including all benefits (but not overtime).

Equation:

$$CWP_t = \frac{CC_t / WC_t}{30}$$

where:

CWP = CEO:worker pay ratio;

CC = CEO compensation;

WC = median compensation of lowest-paid quartile of workers;

t = a specific year; and

30 = normative maximum CEO:worker pay ratio in any year.

And where:

CWP scores of ≤ 1.0 are sustainable; and

CWP scores of > 1.0 are unsustainable.

Potential sources of information

All compensation-related data can be obtained from an organization's own human resources, payroll and accounting functions.

II.B.4 Living wage gap

Measurement methodology

Actual wages and benefits paid shall be calculated as the annual compensation paid to individual employees, and shall include regular pay only, and not overtime pay or productivity bonuses or allowances. In-kind or other benefits may be included if they have the effect of reducing the amount of cash income employees need for a decent living standard.

Normative living wages shall be expressed in nominal national currency terms at the highest end of the monthly ranges specified for living wages for individuals in average households in specific countries by the Wage Indicator Foundation (i.e. which represent the 50th percentile of wage norms).⁴³ Such monthly wages shall be multiplied by 12 to arrive at annual norms. Comparable norms or standards from other sources that are expressed at a more local level, if available, may be used instead.

The sum of all individual living wage gaps greater than zero shall then be calculated and reported as such (i.e. in the aggregate) for each of the most recent five years. For purposes of this indicator, all living wage gaps less than zero shall be disregarded.

Equation:

$$LWG_t = \sum_{i=1}^n (LWN_{it} - AWP_{it})$$

Report five-year trend in living wage gap (LWG) as follows:

Year	t	t-1	t-2	t-3	t-4
LWG					

where:

- LWG = living wage gap for all employees for whom $AWP < LWN$ (in the aggregate),
- LWN = regional/national living wage norm for a specific employee (annual),
- AWP = actual wages paid to a specific employee (annual),
- i = a specific employee for whom $AWP < LWN$,
- n = total number of employees for whom $AWP < LWN$, and
- t = most recent year.

And where:

- LWG scores of ≤ 0 are sustainable, and
- LWG scores of > 0 are unsustainable.

Potential sources of information

All compensation-related data can be obtained from a company’s own human resources, payroll and accounting functions. Regional or national norms for living wages can, in turn, be obtained by reference to the Global Living Wage Coalition’s *Anker Methodology for Estimating a Living Wage*⁴⁴ or to local government agencies in cases where such datasets exist.

II.B.5 Distribution of surplus/profits

Measurement methodology

This aspect of performance has six sub-indicators associated with it.

Equation:

- Distribution of surplus/profits = $TSP_t = MWP_t + ESO_t + SHR_t + RIO_t + OTH_t$
- Percentage of surplus/profits distributed to MWP = MWP_t / TSP_t
- Percentage of surplus/profits distributed to ESO = ESO_t / TSP_t

Percentage of surplus/profits distributed to SHR = SHR_t / TSP_t

Percentage of surplus/profits distributed to RIO = RIO_t / TSP_t

Percentage of surplus/profits distributed to OTH = OTH_t / TSP_t

where:

TSP = total surplus/profits distributed,

MWP = total TSP distributed to members/workers/producers,

ESO = total TSP distributed to ESOPs,

SHR = total TSP distributed to shareholders,

RIO = total TSP for reinvestment in the organization,

OTH = total TSP distributed to other purposes or programmes, and

t = a specific year.

Potential sources of information

Information regarding a company's distributions of surplus/profits can be obtained from its own finance and accounting functions.

II.B.6 Gender pay gap: Equality of remuneration

Measurement methodology

This indicator has two sub-indicators associated with it: indicator 1, which measures the overall gender pay gap, if any, at the organizational level; and indicator 2, which measures gender pay gaps at each occupational level (to be identified by the entity).

Gender pay gaps shall be calculated in terms of women's pay as a percentage of men's, and in a way that includes not only base salary or wages, but also compensation associated with incentives and rewards (but no overtime).

In addition, all such calculations shall not be adjusted in ways that take differences in other factors into account, such as hours worked, age, experience or education. All calculations shall also include both full- and part-time employees, with all averages to be expressed in terms of the median rather than the mean.

The first sub-indicator is:

Equation:

Annual gender pay gap indicator 1 (percentage disparity at organizational level) =

$$GPG_t = \frac{AWP_t}{AMP_t}$$

where:

- GPG = annual gender pay gap,
- AWP = average women’s pay,
- AMP = average men’s pay, and
- t = a specific year.

And where:

- annual gender pay gap indicator 1 scores of 1.0 ± 0.03 are sustainable, and
- annual gender pay gap indicator 1 scores of > 1.03 or < 0.97 are unsustainable.

The second sub-indicator is:

Equation:

Annual gender pay gap indicator 2 (percent disparity at various occupational levels) =

$$GPG_{ty} = \frac{AWP_{ty}}{AMP_{ty}}$$

where:

- GPG = annual gender pay gap,
- AWP = average women’s pay,
- AMP = average men’s pay,
- t = a specific year, and
- y = a specific occupational level.

And where:

- annual gender pay gap indicator 1 scores of 1.0 ± 0.03 are sustainable, and
- annual gender pay gap indicator 1 scores of > 1.03 or < 0.97 are unsustainable.

Both indicators 1 and 2 shall be reported for the last five years.

Report five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
GPG (indicator 1) [organizational level]					
GPG (indicator 2): [for each occupational level]					

Potential sources of information

All compensation-related data can be obtained from a company’s own human resources, payroll and accounting functions.

II.B.7 Gender diversity: Hiring at different occupational levels

Measurement methodology

This indicator should be calculated by first identifying the total number of hiring of women in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE.⁴⁵ The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods.⁴⁶ The information shall be reported annually for the past five years.

Equation:

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
PWM					

where:

- PWM = percentage of women hired in the organization,
- TWM = total number of hiring in the organization (headcount or FTE);
- TNM = total number of all hired in the organization (headcount or FTE), and
- t = most recent year.

And where:

- PWM scores of ≥ 0.4 are sustainable, and
- PWM scores of < 0.4 are unsustainable.

Potential sources of information

All hiring and promotion-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.8 Gender diversity: Promotion at different occupational levels

Measurement methodology

This indicator should be calculated by first identifying the total number of promotion of women in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE. The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods. The information shall be reported annually for the past five years.

Equation:

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
PWM					

where:

- PWM = percentage of women promoted in the organization,
- TWM = total number of women promoted in the organization (headcount or FTE),
- TNM = total number of all promotion in the organization (headcount or FTE), and
- t = most recent year.

And where:

- PWM scores of ≥ 0.4 are sustainable, and
- PWM scores of <0.4 are unsustainable.

Potential sources of information

All hiring and promotion-related data can be obtained from a company’s own human resources, payroll and accounting functions.

II.B.9 Gender equality: Proportion of women in managerial positions

Measurement methodology

This indicator should be calculated by first identifying the total number of managers in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE. The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods. The information shall be reported annually for the past five years.

Equation (II.9):

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
PWM					

where:

- PWM = percentage of women managers in the organization,
- TWM = total number of women managers in the organization (headcount or FTE),
- TNM = total number of all managers in the organization (headcount or FTE), and
- t = most recent year.

And where:

- PWM scores of ≥ 0.4 are sustainable, and
- PWM scores of < 0.4 are unsustainable.

Potential sources of information

Information to calculate this indicator is typically found in human resources information systems (employee records and payroll information available at the national or site level).

II.B.10 Caregiving support programmes

Measurement methodology

This area of impact has one indicator associated with it, which is to be calculated and reported separately for full- and part-time employees:

Equation:

$$DCS_t = \frac{CPO_t}{8}$$

DCS _t score for full-time employees	
DCS _t score for part-time employees	

where:

- DCS = dependent caregiving support,
- CPO = actual number of defined caregiving programmes offered,
- 8 = normative number of defined caregiving programmes offered, and
- t = a specific year.

And where:

- DCS scores of ≥ 1.0 are sustainable, and
- DCS scores of < 1.0 are unsustainable.

Potential sources of information

All dependent-care-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.11 Frequency/incident rates of occupational injuries

Measurement methodology

In calculating this indicator, lost days should be regarded as time off work by workers affected by occupational accidents, injuries and diseases. In other words, these are days that could not be worked, and thus are lost, as a consequence of workers being unable to perform their usual job because of an occupational accident, injury or disease.

The frequency rate is calculated as:

$$\frac{\text{Number of new injury cases/}}{\text{total number of hours worked by workers in the reporting period}}$$

The incident rate is calculated as:

$$\frac{\text{Total number of lost days expressed in terms of number of hours/}}{\text{total number of hours worked by workers in the reporting period}}^{47}$$

When calculating lost days, the entity needs to specify whether “days” means calendar days or scheduled workdays and at what point the lost-days count begins (for example, the day immediately after the accident or three days after the accident).

Given the increasing importance of the services sectors and its intrinsic characteristics, this indicator should also reflect reporting on mental health and stress. Multinational entities are encouraged to disclose this indicator by gender, similar to recommendations for other indicators in this Manual.

Any occupational injuries, illnesses and deaths resulting from an occupational accident will be deemed as unsustainable.

Potential sources of information

Entities need to set up arrangements, in accordance with national laws or regulations, to record occupational accidents, occupational diseases, commuting accidents, dangerous occurrences and incidents, including the identification of a person authorized to prepare and keep records of all these occurrences. Organizations should prepare appropriate records for inspection purposes and as information for workers’ representatives and health services. These accidents are typically recorded within a register of accidents, in accordance with national laws or regulations.⁴⁸

Generally, all workplace accident, injury, illness and death-related data can be obtained from a company’s own human resources and/or environment, health and safety (EHS) functions.

II.B.12 Harassment and discrimination at the workplace

Measurement methodology

Determine and disclose: (i) whether the entity has a policy, or training courses or mechanisms to address harassment and discrimination at the workplace; and (ii) whether there are any incidents relating to harassment and discrimination, and if yes, (a) has the issues been notified to the designated unit, senior management or board of directors (b) are there safeguards in place to prevent retaliation, and (c) are there mechanisms to protect the confidentiality of the complainant?

Potential sources of information

Information about a company's harassment and discrimination policies and programmes can be obtained from its own human resources function.

II.B.13 Access to remedy

Measurement methodology

Determine and disclose: (i) whether the entity has mechanisms for access to remedy (i.e. non-state-based grievance mechanisms) for any issues related to labour rights; (ii) whether there are clear and known procedures with an indicative time frame of the grievance process; and (iii) whether there are any cases where access to remedy have been demanded?

Potential sources of information

Information about a company's mechanisms for access to remedy for any issues related to labour rights can be obtained from its own human resources function.

II.B.14 Discrimination in hiring and promotion

Measurement methodology

Determine and disclose: (i) whether the entity has policies to hire, promote and pay employees without discrimination; (ii) whether the entity has policies for equal pay for equal work; (iii) whether the entity has any positive, diversity, equity and inclusion (DEI) action plan in place; and (iv) whether the entity regular review or report the result of these policies?

Potential sources of information

Information about a company's policies to hire, promote and pay employees without discrimination can be obtained from its own human resources function.

II.B.15 Union density and collective bargaining coverage

Measurement methodology

The organization shall disclose the following information:

- Does the organization, or any of its suppliers, in any way discourage, obstruct or forbid worker participation in trade unions over the most recent five-year period of time? (Y/N).
- Is union membership by an organization's own workers, or those of any of its suppliers, forbidden by law or regulation in any of the places where it/they does/do business on a country-by-country [CbC] basis over the most recent five-year period of time? (Y/N).
- What is the percentage of an organization's *own workers belonging to a trade union*, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of an organization's *own workers covered by collective bargaining agreements* in the aggregate and in the places where it does business, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of an organization's *Tier 1 suppliers' workers belonging to a trade union*, on a CbC basis, reported annually over the most recent five-year period of time?⁷⁴⁹
- What is the percentage of an organization's *Tier 1 suppliers' workers covered by collective bargaining agreements* in the aggregate and in the places where they do business, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of workers in an organization and its suppliers who are *employees versus subcontracted or contingent workers* over the same five-year period, reported both in the aggregate and on a CbC basis (itemized by employer, including the organization itself and its suppliers)?

Potential sources of information

All union density and collective agreement data can be obtained from a company's own human resources, payroll and accounting functions, and those of its suppliers.

II.B.16 Worker participation

Measurement methodology

The organization shall disclose the extent to which it takes steps to enable and support its workers' and its suppliers' workers' rights to exert claims on management through collective bargaining and freedom of association. Support for the following specific forms of participation shall be indicated (Y/N; please indicate all that apply).

Forms of participation

- Consultative participation (Y/N)
- Informative participation (Y/N)
- Administrative participation (Y/N)
- Decision/decisive participation (Y/N)

- Associative participation (Y/N)
- Full participation (Y/N)

Levels of participation

- Collective bargaining (Y/N)
- Work committees (Y/N)
- Shop/department councils (Y/N)
- Joint councils (Y/N)
- Board representations (Y/N)
- Workers' ownership of enterprise (Y/N)
- Workers' ownership of enterprise with democratic control (Y/N)
- Kaizen (or quality circles) (Y/N)

Brief definitions for each of the forms and levels of participation listed above are provided below.

Forms of participation:

Consultative participation

Under this kind of workers' participation in management, employees may be consulted on matters of workers' safety, health and their welfare at the workplace. Even so, while employees' views are considered, ultimate decisions lie in the hands of management.

Informative participation

This ensures that employees are able to receive information and express their views pertaining to matters of general importance.

Administrative participation

Managers and employees share the managerial functions. Employees participate in making decisions by selecting the best option for implementation from those proposed by the management.

Decision/decisive participation

Employees and management take decisions together on matters related to workers' welfare and production-related issues.

Associative participation

This is a higher level of participation compared to consultation. Under associative participation, in a collective of equals, managers are morally bound to accept and implement the opinion of employees. While there is an (informal) expectation that managers will accept employees' opinion, managers are solely responsible for the final decision.

Full participation

Workers make autonomous decisions on all issues in the organization, in consultation with peers who are affected by the decisions taken.

Levels of worker participation:

Collective bargaining

Collective bargaining is a voluntary process through which employers and workers discuss and negotiate their relations, in particular terms and conditions of work. It can involve employees directly (or as represented through their organizations) and trade unions (or, in their absence, representatives freely designated by the workers).

Work committees

(workers' councils, consultative committees, office committees or joint panels)

Work committees are permanent bodies based on legal statutes or collective agreements. They consist of representatives of employers and workers. In general, they are consultative bodies, and their recommendations are suggestive and not binding.

Shop/department councils

Shop floor or plant councils are composed of representatives of employers and employees of a plant. They are under the leadership of the chief executive of the plant. They discuss and determine the issues associated with production, schedules, training and welfare schemes. Department councils are the department version of shop floor or plant councils.

Joint councils (or joint management councils)

These councils are similar to work committees in terms of their composition and functions. The scope of issues that joint councils deal with is slightly broader than that of work committees. It includes matters associated with administration, restructuring, closure, production, sales, welfare, safety, training, etc.

Board representations

Board representation (or co-determination) refers to employees' representation on corporate boards of directors. It allows employees to vote for representatives on a board of directors. Many Organization for Economic Co-operation and Development (OECD) and European Union (EU) countries have some form of law guaranteeing the right of employees to vote for board representation.

Workers' ownership of enterprise

Employee ownership of enterprise (investment shares) allows employee participation according to rights afforded by ownership of capital shares. ESOPs are the most common form, where employees may have a range of ownership rights, from negligible to 100%.

Workers' ownership of enterprise with democratic control

Enterprise is jointly owned and controlled by the workers. Workers' control is exercised via a "one person one vote" system. Workers' control extends to all decisions, from operations through to governance and finance. Enterprise forms include worker cooperatives; producer cooperatives owned and self-managed by the worker-owners; and democratic partnerships with indivisible shares held in a trust.

Kaizen (or quality circles)

Quality circles or Kaizen are voluntary groups of employees who work on similar tasks or share an area of responsibility, and who meet on a regular basis to discuss and solve problems related to particular tasks.

Potential sources of information

All worker empowerment data can be obtained from a company's own human resources, finance and executive functions.

II.B.17 Contingent and subcontracted workers

Measurement methodology

The organization shall disclose the extent to which it utilizes contingent and/or subcontracted workers, and additional related information, as follows:

- The total number of its contingent and/or subcontracted workers, both in terms of actual headcount and as a percentage of its total number of workers.
- The proportion of its total contingent and/or subcontracted workers that are under contract with its suppliers versus independent workers directly under contract with the organization itself.
- Whether or not it abides by formalized ethical recruitment practices and/or formal international standards or protocols of any kind (e.g. IRIS).⁵⁰
- A time series comparison of how trends in company growth (or contraction) in turnover and net profits have compared to changes, if any, in the proportion of contingent and/or subcontracted workers in the organization's total number of workers over the most recent five years.

Potential sources of information

All contingent and/or subcontracted worker and financial performance data can be obtained from an organization's own human resources and finance/payroll functions, respectively.

II.B.18 Hiring of vulnerable groups

Measurement methodology

The entity shall identify vulnerable groups in society, then disclose the percentage of its total permanent employees who fall into at least one of the identified groups.

Vulnerable groups in society are those who are discriminated against, or disadvantaged, owing to age, sex, race, ethnicity or interpersonal relationships (such as family structure and marital status) or because of constrained access to resources (such as schools, jobs, income and housing).

Equation:

$$\text{PVP} = \frac{\text{EVP}}{\text{TNE}}$$

where:

PVP = percentage of employees in vulnerable populations,

EVP = number of employees in vulnerable populations, and

TNE = total number of employees.

Potential sources of information

All employment, training and work integration data can be obtained from an organization's own human resources function.

II.B.19 Long-term work contracts

Measurement methodology

The entity shall determine and disclose the age of the organization and the percentage of employees who fall into each of the following categories of contract length:

- 0–6 months,
- 6–12 months,
- 12–24 months, and
- more than 24 months.

Potential sources of information

Information (and software) needed to calculate this indicator is typically found in human resources information systems. Many entities use specialized software (human resources software) for collecting and elaborating information on employees, including the other data that are necessary to calculate this indicator.

II.B.20 Employee turnover rate

Measurement methodology

Determine and disclose the number of employees who left the entity during a given year, divided by the average number of employees during that same year.

Potential sources of information

All employee turnover data can be obtained from an organization's own human resources function.

II.B.21 Responsible and ethical sourcing

Measurement methodology

The entity shall disclose whether or not it engages in responsible sourcing and purchasing practices as follows.⁵¹

- Policies and programmes aimed at ensuring consistency and alignment between commercial and sustainability goals and outcomes (e.g. related due diligence and management systems) (Y/N).
- Policies that guard against subjecting suppliers to:
 - aggressive pricing that may constrict workers' rights, wages or benefits; place workplace and/or product safety at risk; or otherwise result in negative social or environmental outcomes (Y/N);
 - product development and short production lead times that can result in excessive and unplanned overtime (Y/N); or
 - short-term or insecure contractual relationships between affiliates and suppliers (Y/N).
- The capacity of workers to contest and help shape the upgrading of supply chains (Y/N).
- The level of financial support and incentives provided to suppliers in support of their own efforts to upgrade their labour standards and their social and environmental impacts, including the percentage of suppliers and/or facilities receiving such incentives and support (Y/N).

Potential sources of information

All responsible sourcing and purchasing information can be obtained from an organization's own finance and procurement functions.

II.B.22 Training of vulnerable groups (applicable to SSEOs only)

Measurement methodology

The organization shall identify vulnerable groups in society, then determine the percentage of its employees hired for job skill training purposes who fall into at least one of the identified groups.⁵²

Equation:

$$VPH_t = \frac{VPT_t}{TNE_t}$$

where:

VPH = vulnerable population hired to be trained,

VPT = number of employees from vulnerable populations hired to be trained,

TNE = total number of employees, and

t = a specific year.

Potential sources of information

All data regarding the training of vulnerable groups can be obtained from an organization's own human resources function.

II.B.23 Work integration (applicable to SSEOs only)

Measurement methodology

The organization shall determine and disclose the percentage of workers who received job skill training through its work integration programme(s), who subsequently went on to find employment or pursue education in the last two years.

Equation:

$$WIQ_t = \frac{WFE_t}{WIP_t}$$

where:

WIQ = work integration quotient,

WFE = number of workers in work integration programme(s) who found employment or education in a specific two-year period,

WIP = total number of workers in work integration programme(s) in a specific two-year period, and

t = a specific two-year period.

Potential sources of information

Information regarding the percentage of workers who received job skill training and subsequently moved on to find employment or pursue education can be obtained from programme participants themselves.

● Tier 2: C. Institutional area

II.C.1 Corporate political influence: Policies, programmes and practices

Measurement methodology

The entity shall disclose descriptions of all material aspects of its corporate political influence, including its policies, programmes and practices, as follows.⁵³

- Group- or company-wide expenditure divided by revenue (both direct and indirect) related to political campaigns/candidates and advocacy/lobbying (last five years),
- Whether this expenditure includes national, state/provincial level and local jurisdictions,
- Top five issues according to expenditure,
- Top five recipients of expenditure,

- Indirect payments to lobbying firms/organizations and business/trade associations/industry groups,
- Whether the entity has a policy to align lobbying with its own commitments to CSR, environmental social and corporate governance (ESG) performance, SDGs or other sustainability performance framework, and
- To what extent lobbying is aligned with the above policy: fully, mainly, partly or not aligned (tick box for whichever applies).

Potential sources of information

All data can be obtained from an entity's own governance and human resources functions.

II.C.2 Context-based triple bottom line (TBL) accounting

Measurement methodology

The organization shall utilize context-based accounting tools, methods and metrics to measure, manage and report its TBL performance, and shall meet the following four criteria in particular:

1. The entity measures, manages and reports its performance (at least internally) in TBL terms (i.e. social, economic and environmental).⁵⁴
2. The entity determines the scope and materiality of its TBL accounting.⁵⁵ The materiality determination process involves:
 - (a) assessing and prioritizing impacts on the carrying capacities of resources that are vital for human well-being and planetary health⁵⁶; and
 - (b) stakeholder engagements: to incorporate the views of a broad range of stakeholders; and to discharge its duties and obligations of managing its impacts affecting stakeholder well-being.
3. The entity defines sustainability norms or targets for material areas of impact in terms of:
 - (a) identifying thresholds in the carrying capacities of resources that are vital for stakeholder well-being (social foundations) and planetary health (ecological ceilings); and
 - (b) identifying the fair, just and proportionate allocations of responsibilities to maintain such resources at required levels.
4. For each material area of impact, the entity measures performance by assessing actual impacts against normative, context-based thresholds and allocations; and subsequently the entity reports its sustainability performance.⁵⁷

This area of impact has one indicator associated with it.

Equation:

$$TBL_t = \frac{CBA_t}{4}$$

where:

- TBL = extent of context-based TBL accounting practiced by entity,
- CBA = actual number of defined context-based TBL accounting criteria met in year t,
- 4 = normative number of defined context-based TBL accounting criteria met in year t, and
- t = a specific year.

And where:

- TBL scores of ≥ 1.0 are sustainable, and
- TBL scores of < 1.0 are unsustainable.

Potential sources of information

All data can be obtained from an entity's own executive and governance functions, as well as any other functions to which performance accounting responsibilities are assigned.

II.C.3 Amount of total fines paid or payable due to settlements

Measurement methodology

All fines paid or payable by the entity, due to unlawful behaviours (including, but not limited to, corruption), shall be summed up on an annual basis and disclosed. Any fines paid, or payable due to settlements, attributable to unlawful behaviours of all types, by the entity in any one year; will be deemed as unsustainable.

Potential sources of information

Data regarding the amount paid or payable in fines due to settlements by the entity can be obtained from its finance and legal functions.

II.C.4 Amount of corruption-related fines paid or payable due to settlements

Measurement methodology

The steps involved in the computation of this indicator are to:

1. identify all convictions and other settlements for violations of corruption-related laws or regulations,
2. identify the amount paid/payable in fines for each of the convictions, and
3. sum up all the amounts identified with reference to the reporting period.

The total number of convictions relevant to the reporting entity and the total amount of fines paid and or payable should be disclosed. Any fines paid, or payable due to settlements, attributable to unlawful behaviours of all types, by the entity in any one year; will be deemed as unsustainable.

Potential sources of information

The amount paid in fines is to be found among the expenses included in the income statement during the reporting period. Such costs would be directly charged to the income statement. They are often recorded in a separate expense account that may be called fines and penalties.

When an obligation to pay fines or penalties under the legislation is likely to arise because the obligating event has occurred, the entity should set up a provision account (for this purpose the entity will recognize a liability in the balance sheet against an expense account in the income statement).

The owners of this information are usually the legal affairs department and the finance and accounting department.

II.C.5 Public sharing of information and knowledge

Measurement methodology

The entity shall determine and disclose whether the information, knowledge and data (including code) it produces is freely available to the public.

Potential sources of information

Data regarding the public sharing of information, knowledge and data produced by an entity can be obtained from its executive and legal functions.

II.C.6 Number and percentage of women board members

Measurement methodology

There are two sub-indicators or metrics for this dimension of performance, one for an annual measure and another for a five-year trend.

Equation:

$$RWB_t = \frac{WB_t}{40}$$

Report the five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
RWB					

where:

RWB = ratio of women members on a board (as a percentage) to the sustainability norm of no less than 40%,

WB = actual percentage of women on the board of directors or governance function of an organization,

40 = normative minimum percentage of women on the board of directors or governance function of an organization, and

t = most recent year.

And where:

- RWB scores of ≥ 1.0 are sustainable, and
- RWB scores of < 1.0 are unsustainable.

Potential sources of information

Data regarding the composition of an organization's board or other governance function can be obtained from the human resources or governance function itself.

II.C.7 Term limits for board of directors

Measurement methodology

The entity shall determine and disclose whether there is a term limit for members of the board of directors (Yes/No).

Potential sources of information

Data regarding term limits for board members in an entity can be obtained from its legal function.

II.C.8 Resilience

Measurement methodology

The entity shall rate the strength of each of the following attributes in its culture and operations at this time (low, medium, high):

	Low	Medium	High
Financial strength (cash flow, profitability or return on investment)			
Capacity of the entity to mobilize internal and/or external resources and networks (including government support) to help face disruptive events or crises			
Degree of awareness and alertness of the entity to possible disruptive events or crises (continuous monitoring and analysis, access to information, etc.)			
Culture, environment or system to easily adopt innovative measures in dealing with disruptive events or crises			
Engagement and involvement of employees in dealing with disruptive events or crises			
Leadership in dealing with disruptive events or crises			

Potential sources of information

Data regarding the resilience of the entity can be obtained from its executive and governance functions.

II.C.9 Attendance at annual general meetings (applicable to SSEOs only)

Measurement methodology

The organization shall determine and disclose the average level of attendance at AGMs or equivalent meetings/mechanisms by members in the past five years.

Equation:

$$ROA_t = \frac{NOM_t}{TSM_t}$$

Report five-year trend in rate of attendance at AGM or equivalent mechanism as follows:

Year	t	t-1	t-2	t-3	t-4
ROA					

where:

ROA = rate of attendance at each AGM or equivalent mechanism,

NOM = number of members at AGM or equivalent mechanism,

TSM = total standing members at the time of specific AGM or equivalent mechanism, and

t = most recent year.

Potential sources of information

Data regarding members' participation in the AGM events or equivalent mechanisms of an organization can be obtained from its membership and/or governance functions.

II.C.10 Democratic elections (applicable to SSEOs only)

Measurement methodology

The organization shall determine and disclose whether it utilizes a "one person, one vote" system (with or without delegation of votes) for electing persons in an organization's managerial, executive and organizational governance roles (Yes/No).

Potential sources of information

Information regarding whether an organization follows a democratic process to elect its officers and/or board members can be obtained from its executive or governance functions.

II.C.11 Legitimation of management (applicable to SSEOs only)

Measurement methodology

This indicator calls for two disclosures: (i) the organization shall determine and disclose the proportion of managers who are selected by their own staff (in any way); and (ii) the specific way(s) in which staff have in fact participated in making such selections, in cases where they have (through a formal consultation process, selection committee participation, etc.).

There are two sub-indicators for this dimension of performance:

Proportion of managers selected by staff as:

$$PMH_t = \frac{MSS_t}{TME_t} * 100$$

where:

- PMH = percentage of managers selected by their own staff,
- MSS = total number of managers selected by their own staff,
- TME = total number of managers employed, and
- t = a specific year.

Disclosure of specific participation process(es) or mechanism(s):

Specific processes or mechanisms by which staff participate in selection of their own managers	
1.	
2.	
3.	

Potential sources of information

Information regarding the proportion of managers who are selected by their own staff through consultation, discussion, participation (including election) and co-determination can be obtained from the organization's executive or governance functions.

II.C.12 Stakeholder participation (applicable to SSEOs only)

Measurement methodology

The organization shall determine and disclose whether there are formal mechanisms in place for non-employee stakeholders (members, consumers, communities, etc.) to participate in decision making on strategic issues.

Potential sources of information

Information regarding non-employee stakeholder participation in the strategy-related decision-making processes of the organization can be obtained from its community relations, executive or governance functions.

Endnotes

- ¹ United Nations General Assembly. 2015. *Transforming Our World: The 2030 Agenda for Sustainable Development*. 21 October 2015, A/RES/70/1. <https://www.refworld.org/docid/57b6e3e44.html>, accessed on 7 December 2020.
- ² Utting, Peter, with Kelly O’Neill, 2020. *Corporate Sustainability Accounting: What Can and Should Corporations Be Doing?* Research Report. Geneva: UNRISD. <https://www.unrisd.org/en/library/publications/corporate-sustainability-accounting-what-can-and-should-corporations-be-doing-full-report>; McElroy, Mark. 2019. *Making Materiality Determinations: A Context-Based Approach*. UNRISD Working Paper 2019-6. Geneva: UNRISD. <https://www.unrisd.org/en/library/publications/making-materiality-determinations-a-context-based-approach>; Baue, Bill. 2019. *Compared to What? A Three-Tiered Typology of Sustainable Development Performance Indicators From Incremental to Contextual to Transformational*. Working Paper 2019-5. Geneva: UNRISD. <https://www.unrisd.org/en/library/publications/compared-to-what-a-three-tiered-typology-of-sustainable-development-performance-indicators-from-incr>
- ³ World Commission on Environment and Development. 1987. *Our Common Future*. Oxford: Oxford University Press, p. 43. <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>.
- ⁴ McElroy, Mark. 2008. “Social Footprints: Measuring the Social Sustainability Performance of Organizations.” *PhD Thesis, University of Groningen*. <https://www.rug.nl/research/portal/files/13147569/DISSERTATION-2.pdf>
- ⁵ Freeman, R. Edward. 1984. *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
- ⁶ McElroy, Mark and Jo Van Engelen. 2012. *Corporate Sustainability Management: The Art and Science of Managing Non-Financial Performance*. London: Earthscan.

- ⁷ UNCTAD, in accordance with the agreed conclusions with International Standards of Accounting and Reporting (ISAR), developed several core indicators to assist entities to provide baseline data on sustainability issues in a consistent and comparable manner, and to assess the private sector contribution to the SDG implementation. See UNCTAD's *Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals* https://unctad.org/system/files/official-document/diae2019d1_en.pdf
- ⁸ UNCTAD. 2020. *Core SDG Indicators for Entity Reporting – TRAINING MANUAL*, p. 7: https://isar.unctad.org/wp-content/uploads/2020/04/UNCTAD_DIAE_2020_2.pdf.
- ⁹ This means that investments that are beneficial to the environment but that primarily satisfy the technical needs or the internal requirements for hygiene or safety and security of an entity are excluded from this definition.
- ¹⁰ Global Reporting Initiative. 2017. *Exposure Draft GRI 303: Water and Effluents: Public Consultation Form for Submitting Comments to the Draft Standard*. 20 December 2017, p. 29. <https://www.globalreporting.org/standards/media/1775/revised-exposure-draft-gri-303-water-and-effluents-20dec17-18feb18.pdf>.
- ¹¹ System of Environmental and Economic Accounting. 2017. *SEEA Technical Note: Water Accounting*. 27 October 2017, p. 10. https://seea.un.org/sites/seea.un.org/files/water_note_final_27-10-17_clean_0.pdf.
- ¹² United Nations Environment Programme Ozone Secretariat. 2020. *Handbook for the Montreal Protocol on Substances that Deplete the Ozone Layer*. Fourteenth edition. <https://ozone.unep.org/sites/default/files/Handbooks/MP-Handbook-2020-English.pdf>.
- ¹³ This indicator is consistent with “Disclosure 102-35: Remuneration policies,” *GRI 102: General Disclosures*, 2016. <https://www.globalreporting.org/standards/media/1037/gri-102-general-disclosures-2016.pdf#page=25>. In addition, IFRSs require companies to disclose key management personnel compensation in total and for certain categories.
- ¹⁴ Greenhouse Gas Protocol. *GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard*. https://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope%20%20Guidance_Final_0.pdf.
- ¹⁵ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention). *Protocol on Liability and Compensation for Damage Resulting from Transboundary Movements of Hazardous Wastes and Their Disposal: Texts and Annexes*. United Nations Environment Programme. <http://www.basel.int/Portals/4/Basel%20Convention/docs/text/BaselConventionText-e.pdf>; see Annex III.

- ¹⁶ Rigamonti, L., Mancini, E. Life cycle assessment and circularity indicators. *Int J Life Cycle Assess* 26, 1937–1942 (2021). <https://doi.org/10.1007/s11367-021-01966-2>
- ¹⁷ ISO 14040:2006(en), Environmental management – Life cycle assessment – Principles and framework. <https://www.iso.org/obp/ui/#iso:std:iso:14040:ed-2:v1:en>.
- ¹⁸ WBCSD (2022). Circular Transition Indicators v3.0 <https://www.wbcd.org/contentwbc/download/14172/204337/1>
- ¹⁹ Sayani, A. 2017. *The Tax Gap: Regulatory Responses and Implications for Institutional Investors*. pp. 11-12. <https://www.msci.com/documents/10199/93765fb6-7685-4a04-b124-d71d4f6195a2>
- ²⁰ From the Global Living Wage Coalition’s Anker Methodology for Estimating a Living Wage: <https://www.globallivingwage.org/about/what-is-a-living-wage/>.
- ²¹ Equileap. 2018. Bridging the Gap: How Governments, Companies and Investors Can Tackle Gender Pay Inequality. Research Paper. May. http://equileap.org/wp-content/uploads/2018/05/Equileap_Bridging-the-Gap_EN.pdf.
- ²² Based in part on the Directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012PC0614>: “The proposed objective of 40% for the minimum share of both sexes is in line with the targets currently under discussion and set out in a number of EU Member States/EEA countries. This figure is situated between the minimum of the ‘critical mass’ of 30%, which has been found necessary in order to have a sustainable impact on board performance and full gender parity (50%).” This norm is extended to hiring, promotion and managerial positions on the same grounds.
- ²³ See, for example, McKinsey 2019 *Women in the Workplace* <https://www.mckinsey.com/~ /media/McKinsey/Featured%20Insights/Gender%20Equality/Women%20in%20the%20Workplace%202019/Women-in-the-workplace-2019.pdf>); Bloomberg’s Gender Equality Reporting framework (https://data.bloomberglp.com/company/sites/46/2020/05/GEI2021-Framework_PDF_FNL.pdf); and the EU Directive on Work-Life Balance (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017PC0253>).
- ²⁴ Occupational accidents and injuries are non-fatal or fatal injuries arising out of or in the course of work; occupational diseases are those arising from the work situation or activity (e.g. stress or regular exposure to harmful chemicals), or from a work-related injury.

- ²⁵ See UNEP. 2015. *Raising the Bar: Advanced Environmental Disclosure in Sustainability Reporting*. Accessed 30 September 2019. <https://www.unenvironment.org/resources/report/raising-bar-advancing-environmental-disclosure-sustainability-reporting>; GRI 101 Foundation (2016a, p. 9); Reporting 3.0 Data Blueprint (2017); and SAI Triple Bottom Line Accounting Certification (2019–2020).
- ²⁶ Corruption is broadly linked to several negative effects such as damage to the environment, abuse of human rights, abuse of democracy, misallocation of investments and undermining the rule of law.
- ²⁷ This indicator is consistent with “Disclosure 405-1: Diversity of governance bodies and employees” in GRI 405: *Diversity and Equal Opportunity*. 2016. <https://www.globalreporting.org/standards/media/1020/gri-405-diversity-and-equal-opportunity-2016.pdf#page=6>.
- ²⁸ International Financial Reporting Standards. *IFRS 15 Revenue from Contracts with Customers*, <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/>.
- ²⁹ The figure for total revenues should correspond to the same data as reported elsewhere in the entity’s management accounts and in its audited financial statements.
- ³⁰ European Commission. 2018. Action Plan: Financing Sustainable Growth. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>.
- ³¹ The total volume withdrawn and received from a third party is a proxy for the organization’s relative size and importance as a user of water, as well as a baseline figure for other calculations relating to efficiency and use.
- ³² For definitions of employment types and contracts, see International Labour Organization. 2007. *Resolution Concerning Updating the International Standard Classification of Occupations*. 6 December 2007. <http://www.ilo.org/public/english/bureau/stat/isco/docs/resol08.pdf>.
- ³³ International Labour Organization. 1981. *C154 - Collective Bargaining Convention*, No. 154. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312299.
- ³⁴ “The CSO method, followed by the SDA method, has the overall lowest emission imbalance across all scenarios... our results indicate that concerns over emission imbalance should favour the CSO and SDA methods, rather than ACA and SDA.” Bjørn, A., Lloyd, S., and Matthews, D. 2021. From the Paris Agreement to corporate climate commitments: evaluation of seven methods for setting ‘science-based’ emission targets. *Environmental Research Letters*, Volume 16, Number 5. 22 April 2021. <https://iopscience.iop.org/article/10.1088/1748-9326/abe57b>

“[W]e find that the SDA and Context-based Carbon Metric by the CSO are the only two methods that meet our two conditions, whilst the CSO also meets the desirable condition of differentiated responsibilities, with companies in developed countries required to decarbonise much faster than those in developing countries.” Rekker, S., Ives, M.C., Wade, B. et al. 2022. Measuring corporate Paris Compliance using a strict science-based approach. *Nature Communications*, 13, 4441. 10 August 2022. <https://doi.org/10.1038/s41467-022-31143-4>

³⁵ See <https://www.sustainableorganizations.org/context-based-metrics-public-domain/>

³⁶ Wang, X., Ward, J., Yi, I., McElroy, M. W., & Sutton, P. (2022). Supporting the Sustainable Development Goals: A context sensitive indicator for sustainable use of water at the facility level. *Sustainable Development*.

³⁷ See, for example The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI & WBCSD, 2011), together with the Scope 3 Calculation Guidance, which provides detailed guidance on how to complete a scope 3 inventory; and SBTi Corporate Manual to set a science-based target on scope 3 sources.

³⁸ See, for example WBCSD’s Value Chain Carbon Transparency Pathfinder to track end-to-end emissions

³⁹ Wang, X., Ward, J., Yi, I., McElroy, M. W., & Sutton, P. (2022). Supporting the Sustainable Development Goals: A context sensitive indicator for sustainable use of water at the facility level. *Sustainable Development*.

⁴⁰ United Nations Department of Economic and Social Affairs, Statistics Division. 2018. *International Recommendations for Energy Statistics (IRES)*. Statistical Papers Series M No. 93. <https://unstats.un.org/unsd/energy/ires/IRES-web.pdf>.

⁴¹ Renewable sources of electricity are composed of hydro, wind, solar (photovoltaic and solar thermal), geothermal, wave, tide and other marine energy, as well as the combustion of biofuels. Renewable sources of heat are solar, thermal, geothermal and the combustion of biofuels.

⁴² WBCSD (2022). Circular Transition Indicators v3.0 <https://www.wbcd.org/contentwbc/download/14172/204337/1>

⁴³ <https://wageindicator.org/salary/wages-in-context>, with selections set for (i) national currency; (ii) living wage; and (iii) typical family.

⁴⁴ Global Living Wage Coalition. N.d. “What is a Living Wage?” <https://www.globallivingwage.org/about/what-is-a-living-wage/>.

- ⁴⁵ FTE is calculated by summing up all the hours worked in one reporting period by both part-time and full-time workers and dividing this number by the number of hours worked by a full-time worker.
- ⁴⁶ Resolution Concerning Updating the International Standard Classification of Occupations. <https://www.ilo.org/public/english/bureau/stat/isco/docs/resol08.pdf>.
- ⁴⁷ This indicator can also be calculated as: number of cases/number of workers.
- ⁴⁸ For details on the data include in these registers, see International Labour Office. 1996. *Recording and Notification of Occupational Accidents and Diseases, in particular pp.25-26*. https://www.ilo.org/wcmsp5/groups/public/~/ed_protect/~/protrav/~/safework/documents/normativeinstrument/wcms_107800.pdf.
- ⁴⁹ A Tier 1 supplier is a supplier from whom goods or services are provided directly, as opposed to suppliers from Tiers 2, 3 or beyond, from whom goods or services are supplied indirectly by way of other suppliers.
- ⁵⁰ See: Iris Standards: <https://iris.iom.int/iris-standard>
- ⁵¹ See, for example, ILO 2017b *Purchasing practices and working conditions in global supply chains: Global Survey results*. INWORK Issue Brief No. 10. Accessed 30 September 2019. https://www.ilo.org/wcmsp5/groups/public/~/ed_protect/~/protrav/~/travail/documents/publication/wcms_556336.pdf; Merk, Jeroen. 2005. *From Code Compliance to Fair Purchasing Practices: Some Issues for Discussion*. Clean Clothes Campaign. Accessed 30 September 2019. <https://digitalcommons.ilr.cornell.edu/globaldocs/1018/>; and Blasi, Jeremy and Jennifer Blair. 2019. *An Analysis of Multiparty Bargaining Models for Global Supply Chains*. Conditions of Work and Employment Series. Number 105. Geneva: ILO. Accessed 30 September 2019. https://www.ilo.org/wcmsp5/groups/public/~/ed_protect/~/protrav/~/travail/documents/publication/wcms_655541.pdf.
- ⁵² All to be determined and specified by the organization itself, based on its local context.
- ⁵³ See, for example, SustainAbility and WWF UK. 2005. *Influencing Power: Reviewing the Content of Corporate Lobbying*. Accessed 30 December 2018. <https://www.eldis.org/document/A19837>; OECD. 2010. *Recommendation of the Council on OECD Legal Instruments Principles for Transparency and Integrity in Lobbying*. Accessed 30 September 2019 <https://legalinstruments.oecd.org/public/doc/256/256.en.pdf>; GRI. 2016b. *GRI 415: Public Policy 2016.*; and RobecoSAM. 2018. “The Good, the Bad, and the Ugly: Corporate Policy Influence Under Scrutiny in the Age of SDGs.” In *The Sustainability Yearbook 2018*.

- ⁵⁴ See UNEP. 2015. *Raising the Bar: Advanced Environmental Disclosure in Sustainability Reporting*. <https://www.unep.org/resources/report/raising-bar-advancing-environmental-disclosure-sustainability-reporting>; GRI 101 Foundation (2016a, p. 9); Reporting 3.0 *Data Blueprint* (2017); and SAI *Triple Bottom Line Accounting Certification* (2019–2020); and see, for example, Thomas and McElroy 2016 *The MultiCapital Scorecard*.
- ⁵⁵ See, for example, Baue (2019) *Compared to What? A Three-Tiered Typology of Sustainable Development Performance Indicators*, pp. 6–7; r3.0 2018 *Transformation Journey* p. 24; and McElroy 2019 *Making Materiality Determinations*
- ⁵⁶ Adapted from the term “carrying capacities of vital capitals”. See McElroy (2013) *The Carrying Capacities of Capitals*
- ⁵⁷ This is demonstrated throughout the Manual whereby there are 17 indicators with clearly defined sustainability norms or thresholds for assessing progress in relation to sustainable development See, for example, McElroy (2015) *Science- Versus Context-Based Metrics*.

Abbreviations and Acronyms

%	percentage
AGM	Annual General Meeting
CEPA	Classification of Environmental Protection Activities
CFC 11	trichlorofluoromethane
CFC	chlorofluorocarbon
CO₂	carbon dioxide
CSR	corporate social responsibility
EDGE	Evidence and Data for Gender Equality
ESG	environmental, social and governance
ESOP	employee stock ownership plans
ET	evapotranspiration
EU	European Union
FPE	for-profit enterprise
FTE	full-time equivalent
GAAP	generally accepted accounting principles
GDP	gross domestic product
GHG	greenhouse gas
GIIN	Global Impact Investing Network
GPS	global positioning system
GRI	Global Reporting Initiative
GVA	gross value added
GWP	global warming potentials
HLEG	High Level Expert Group
IAS	International Accounting Standards
ICA	International Cooperative Alliance
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPCC	Intergovernmental Panel on Climate Change
ISAR	International Standards of Accounting and Reporting

ISCO	International Standard Classification of Occupations
IWP	identified watershed polygon
j	joule
kg	kilogram
LCA	life cycle assessment
mt	metric tonne
NGO	non-governmental organization
NVA	net value added
ODS	ozone-depleting substances
OECD	Organisation for Economic Co-operation and Development
OSHA	Occupational Safety and Health Administration
P&L	profit and loss
R&D	research and development
REC	renewable energy certificate
SASB	Sustainability Accounting Standards Board
SDG	Sustainability Development Goal
SDPI	Sustainable Development Performance Indicator
SME	small and medium-sized enterprise
SSE	social and solidarity economy
SSEOs	social and solidarity economy organizations and enterprises
t	time
TBL	triple bottom line
UNCTAD	United Nations Conference on Trade and Development
UNRISD	United Nations Research Institute for Social Development
USD	US dollars
VAT	value added tax
Wh	watt hours

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Authentic Sustainability Assessment

A User Manual for the Sustainable Development Performance Indicators

This Manual proposes a new, more authentic approach for measuring and reporting on the sustainability performance of economic entities in relation to the 2030 Agenda for Sustainable Development and the sustainable development goals (SDGs). The approach is grounded in a two-tiered framework with a set of 61 sustainable development performance indicators (SDPIs) that assess sustainability impacts and performance against context-based normative thresholds and transformative change potential—thereby transcending the limitations of existing indicators and frameworks. Each SDPI includes a definition, trend analysis dimension, relevance to the SDGs and, where relevant, a sustainability threshold or norm. UNRISD’s SDPI approach empowers both for-profit enterprises (FPEs) and social and solidarity economy (SSE) entities to meaningfully assess the extent to which their economic behaviours are well-governed and contributing to maintaining environmental and socioeconomic resources at levels required for sustainable development.

The Manual was developed based on the findings of a pilot test of all 61 indicators that showed that implementing the SDPI approach is both feasible and desired by economic entities, standard setters and framework providers. It is the main output of the UNRISD SDPI project. UNRISD’s easy-to-use SDPI Online Platform helps users make the most of this novel approach to measuring sustainability.



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