

UNCTAD-ISAR

Measuring the contribution of the private sector to the SDG's implementation

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Content

1. The SDGs and ISAR
2. SDG reporting and challenges
3. UNCTAD tools
 - Metadata guidance 12.6.1
 - ADT
 - GCI



The SDGs and ISAR



Sustainable development goals





SDGs Follow up and Review

HLPF



**HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT**

- Main UN platform providing political leadership and guidance on sustainable development.
- Central role in the follow up and review of the 2030 Agenda.
- Takes place on a yearly basis under the auspices of ECOSOC and every 4 years under the auspices of the GA.



Voluntary National Reviews (VNRs)

- Presented and discussed during the HLPF.
- Country led
- Promote the sharing of experience and represent a rich source of examples that can lead to the identification of best practices and facilitate partnerships.
- Intent to promote accountability to citizens.

In 2016: 22 countries
In 2017: 43 countries
In 2018: 46 countries
In 2019: 47 countries



Global Indicator Framework

- The Inter-agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) was established to develop a global indicator framework to monitor the implementation of the 2030 Agenda.
- The Global Indicator Framework was agreed in March 2017 and adopted by the General Assembly on 6 July 2017.
- The **17 SDGs have 169 associated targets and there are 232** indicators on which general agreement has been achieved.
- The IAEG-SDGs prepares a report that requires global monitoring to be based on comparable and standardized national data.



Goal 12. Ensure sustainable consumption and production patterns

12.1 Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

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

12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.1.1 Number of countries with sustainable consumption and production (SCP) national action plans or SCP mainstreamed as a priority or a target into national policies

12.2.1 Material footprint, material footprint per capita, and material footprint per GDP

12.2.2 Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP

12.3.1 Global food loss index

12.4.1 Number of parties to international multilateral environmental agreements on hazardous waste, and other chemicals that meet their commitments and obligations in transmitting information as required by each relevant agreement

12.4.2 Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment

12.5.1 National recycling rate, tons of material recycled

12.6.1 Number of companies publishing sustainability reports

12.7.1 Number of countries implementing sustainable public procurement policies and action plans

12.8.1 Extent to which (i) global citizenship education and (ii) education for sustainable development (including climate change education) are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment



Accounting and reporting agenda



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



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

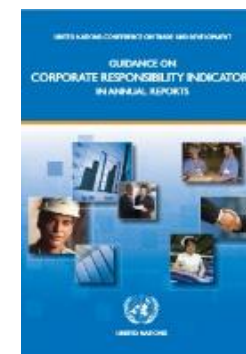
<https://isar.unctad.org/>





In 1989, ISAR took up the topic of corporate environmental accounting. In the following years, several recommendations have been published in this area, such as:

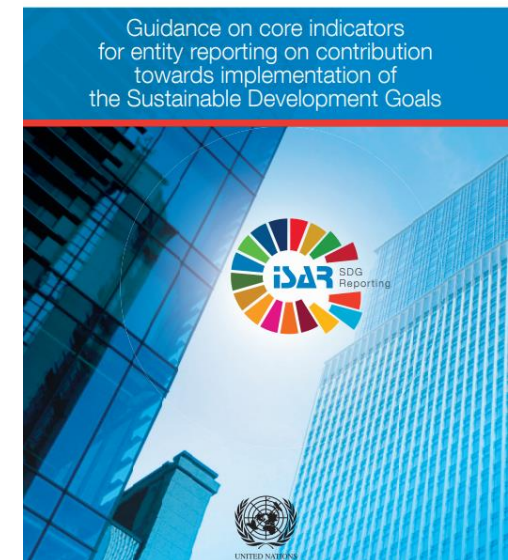
- Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives (2014)
- Guidance on Corporate Responsibility Indicators in Annual Reports (2008)
- Guidance on Good Practices in Corporate Governance Disclosure (2006)
- A Manual for the Preparers and Users of Eco-efficiency Indicators (2004)
- Guidance Manual Accounting and Financial Reporting for Environmental Costs and Liabilities (2002)





Guidance on core indicator for entity reporting on contribution towards implementation of the SDGs (GCI).

- Based on elaborations on this issue over the last three years during ISAR sessions and at the intersessional forums, including Consultative Group meetings convened by UNCTAD from 2016-2018.
- Limited number of core SDG indicators in the economic, environmental, social and institutional areas.



https://unctad.org/en/PublicationsLibrary/diae2019d1_en.pdf





SDGs reporting and challenges



Highlights of PwC's SDG reporting Challenge 2018

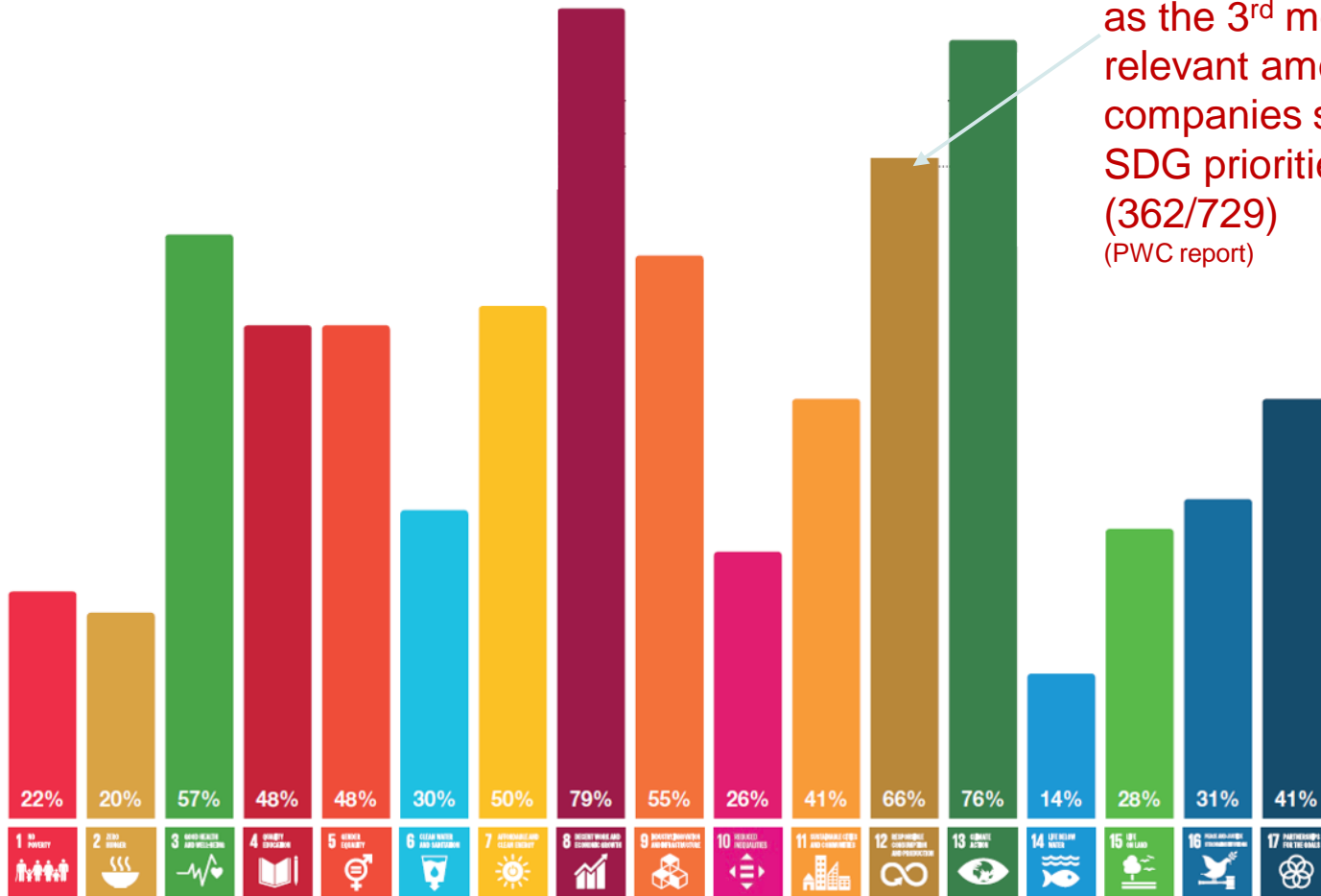
- 50% of companies selected priority SDGs
- 72% of companies mention the SDGs in their annual corporate or sustainability report
- 23% of companies disclosed meaningful Key Performance Indicators and targets related to the SDGs
- Average score for reporting quality for those companies that had prioritised SDGs was 2.71 out of 5

Source: PwC's SDG Reporting Challenge 2018. From promise to reality: Does business really care about the SDGs?



Priorities in the **SDG** reports according to PwC's report

SDG 12 was identified as the 3rd more relevant amongst companies setting SDG priorities (362/729) (PwC report)



Source: PwC, SDG Reporting Challenge 2018 Base: Companies with priority SDGs (362)



SDG reporting in the world

- Companies make a link between their CR activities and the SDGs
 - **39% of the N100** (top 100 companies by revenue in each of the 49 countries in the study)
 - **43% of the G250** (the 250 largest companies in the world by revenue in the 2016 Fortune 500 ranking)



- The world's top 10 countries for connecting CR activities to SDGs

Source: KPMG survey of corporate responsibility reporting 2017



Example of regulation



Directive 2014/95/UE for large public interest companies. They must publish reports on their policies related to:

- environmental protection
- social responsibility and treatment of employees
- respect for human rights
- anti-corruption and bribery
- diversity on company boards (in terms of age, gender, educational and professional background)

In 2017 they issued ***Guidelines*** to help companies disclose environmental and social information.

In June 2019 it published ***Guidelines on reporting climate-related information.***



Challenges in the sustainability area

- Materiality
- Existence of several frameworks and guidance
- Lack of harmonization
- Lack of consistency and comparability
- Lack of assurance of the information



Main challenges on the country level

- Lack of institutional and technical capacity to adapt their corporate reporting environments to the new demands spurred by the 2030 Agenda and effectively assess the private sector contribution towards attaining the SDGs.
- Lack of consistency with financial information of sustainability reporting in general
- Difficulties in aligning sustainability reporting with the SDGs monitoring framework and its indicators.



UNCTAD Tools



UNCTAD Tools



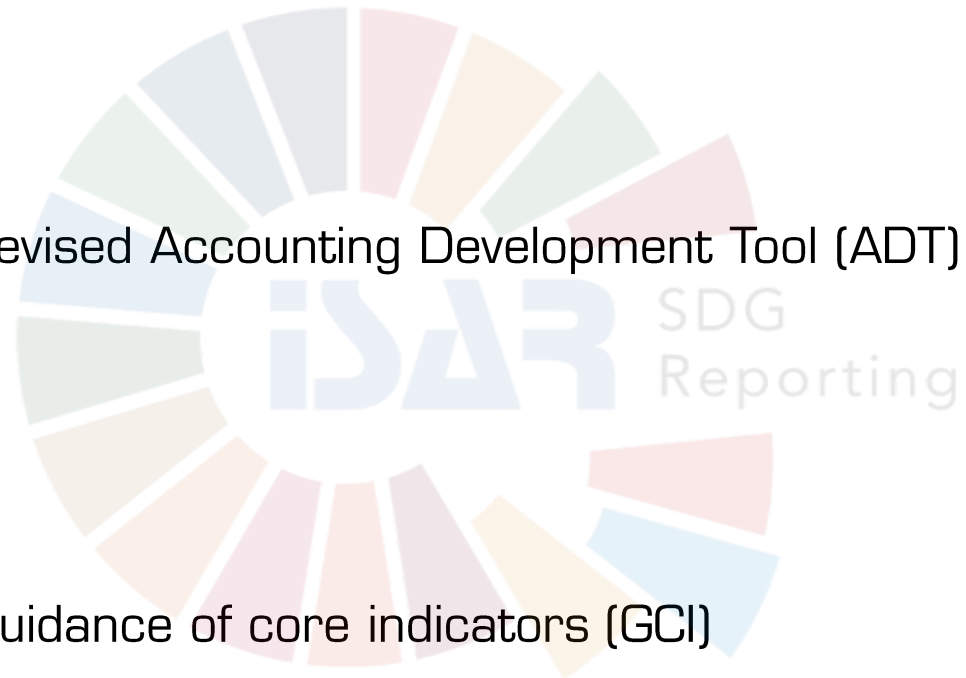
Metadata Guidance indicator 12.6.1



Revised Accounting Development Tool (ADT)



Guidance of core indicators (GCI)





Metadata guidance

- As co-custodians of indicator 12.6.1, UNCTAD and UN Environment are in charge developing a measurement methodology, overseeing the data collection and reporting process to the global SDGs database.
- The methodology aims at setting minimum criteria for a sustainability report to be counted towards the indicator. This will allow to harmonize the criteria and will facilitate reporting on 12.6.1.
- For this purpose, UNCTAD and UN Environment have developed a methodology and conducted its pilot testing.
- The indicator has been reclassified to level 2.
- Data collection is expected to be initiated in 2020.





Revised ADT-1

Strategic tool aiming at facilitating the increase of the investment attractiveness of the country by:

- Assessing a country's capacity for high-quality corporate reporting,
- Providing information on benchmarking and country progress over time; and
- Identifying and prioritizing strategic imperatives related to the building of road maps and a country action plan.





Revised ADT-2

- SDG reporting is an integrated part of the reporting infrastructure available in a country.
- In 2017 and 2018, UNCTAD conducted a process of thorough revision of its ADT.
- The ADT has recently been adapted to reflect the needs of the SDG agenda. This includes a stronger emphasis on ESG and SDG reporting.
- **UNCTAD's revised ADT enables a comprehensive and integrated assessment and improvement of national capacity in enterprise sustainability and SDG reporting.**





ADT Content

- The ADT is structured into four main pillars:

Legal and
Regulatory
Framework

The diagram illustrates the ADT structure as a classical building with a triangular pediment and four pillars. Each pillar is shaded in light gray and contains text. The pillars are arranged horizontally across the width of the building. The first pillar on the left is labeled 'Legal and Regulatory Framework', the second 'Institutional Framework', the third 'Human Capacity', and the fourth 'Capacity – Building Process'. The building is outlined in black, and the pillars are separated by thin white gaps.

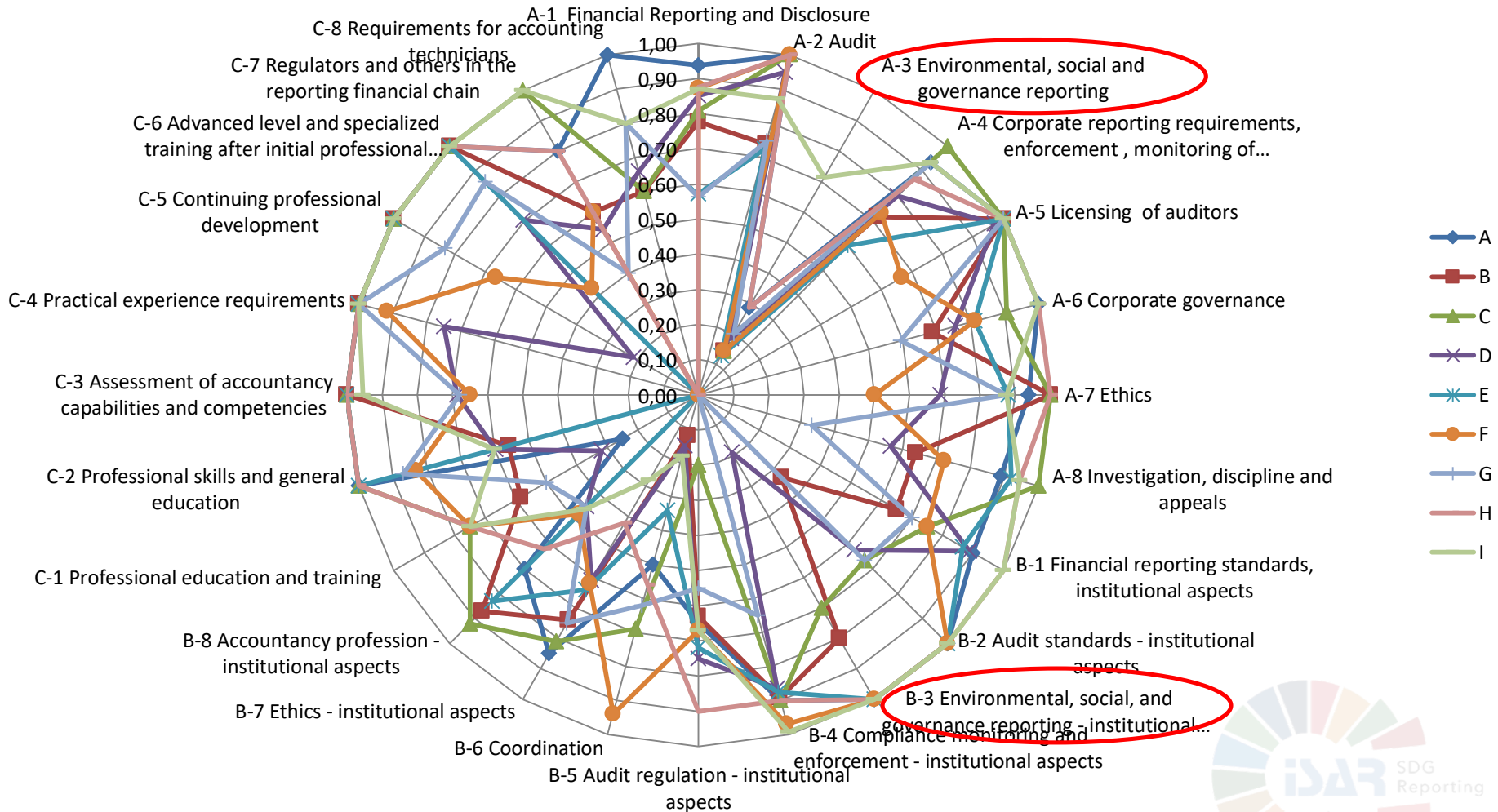
Institutional
Framework

Human
Capacity

Capacity –
Building
Process



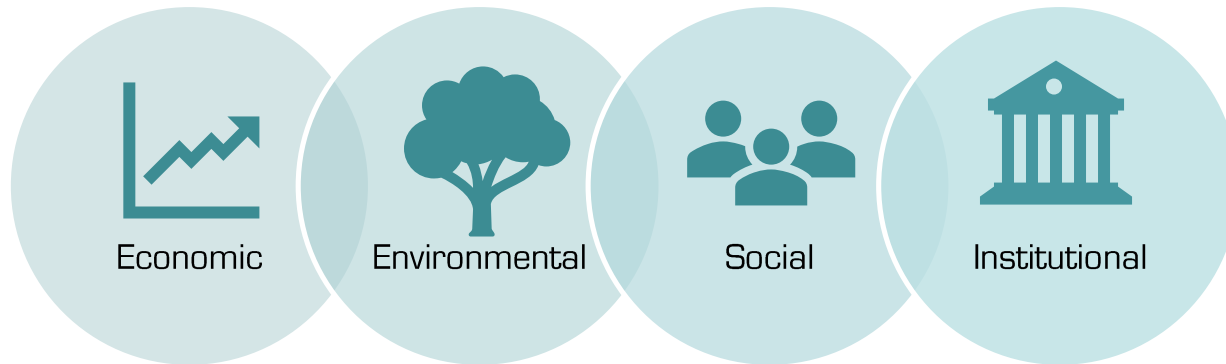
Spidergraph





GCI

Four areas

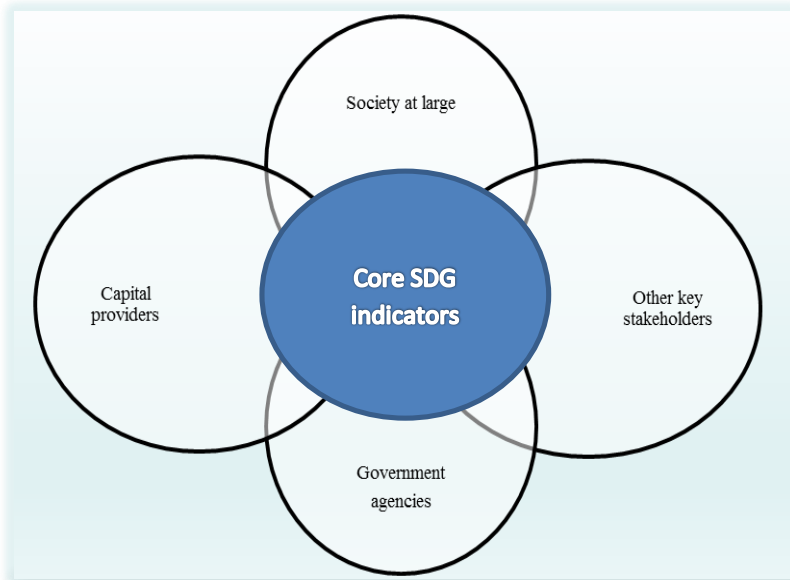


Limited number of core SDG indicators have been identified, based on key reporting principles, selection criteria, main reporting frameworks and companies reporting practices.





GCI



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

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





Economic area

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

Social area

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

GCI core indicators

Environmental area

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

Institutional area

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

UNCTAD's approach

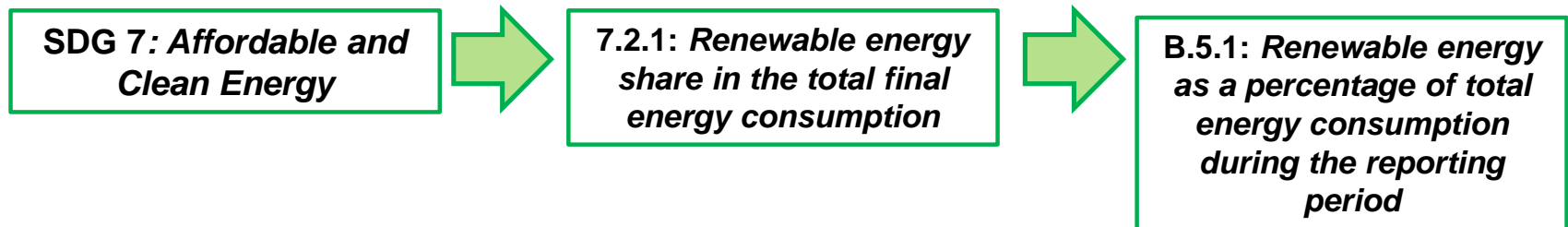
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- Logical framework:



- Example:



Economic Area

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A.	Economic area		Measurement	Relevant SDG indicator
A.1.	Revenue and/or (net) value added	A.1.1. Revenue	IFRS 15	8.2.1
		A.1.2. Value added	Revenue minus costs of bought-in materials, goods and services (Gross Value Added, GVA)	8.2.1; 9. b. 9.4.1
		A.1.3. Net value added	Revenue minus costs of bought-in materials, goods and services and minus depreciation on tangible assets (Net Value Added, NVA)	8.2.1; 9.4.1
A.2	Payments to the Government	A.2.1. Taxes and other payments to the Government	Total amount of taxes paid and payable (encompassing not only income taxes, but also other levies and taxes, such as property taxes or value added taxes) plus related penalties paid, plus all royalties, license fees, and other payments to Government for a given period	17.1.2
A.3.	New investment/exp expenditures	A.3.1 Green investment	Total amount of expenditures for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment in absolute amount and in % terms	7.b.1
		A.3.2. Community investment	Total amount of charitable/voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in % terms	17.17.1
		A.3.3. Total expenditures on research and development	Total amount of expenditures on research and development (R&D) by the reporting entity during the reporting period in absolute amount and in % terms	9.5.1.
A.4.	Local supplier/purchasing programmes	A.4.1. Percentage of local procurement	Proportion of procurement spending of a reporting entity at local suppliers (based on invoices or commitments made during the reporting period) in % terms and in absolute amount	9.3.1.

Environmental Area



B.	Environmental area	Indicators	Measurement	Relevant SDG indicator
B.1.	Sustainable use of water	B.1.1. Water recycling and reuse	Total volume of water recycled and/or reused by a reporting entity during the reporting period in absolute amount and in % terms	6.3.1.
		B.1.2. Water use efficiency	Water use per net value added in the reporting period as well as change of water use per net value added between two reporting periods (where water use is defined as water withdrawal plus total water received from third party) in % terms, in terms of change and in absolute amount	6.4.1.
		B.1.3. Water stress	Water withdrawn with a breakdown by sources (surface, ground, rainwater, waste water) and with reference to water-stressed or water-scarce areas (expressed as a percentage of total withdrawals) in absolute amount and in % terms	6.4.2.
B.2.	Waste management	B.2.1. Reduction of waste generation	Change in the entity's waste generation per net value added in % terms, in terms of change and in absolute amount	12.5.
		B.2.2. Waste reused, re-manufactured and recycled	Total amount of waste reused, re-manufactured and recycled in absolute amount, in % terms and in terms of change	12.5.1.
B.3.	Greenhouse gas emissions	B.3.1. Greenhouse gas emissions (scope 1)	Scope 1 contribution in absolute amount, in % terms and in terms of change	9.4.1.
		B.3.2. Greenhouse gas emissions (scopes 2)	Scope 2 contribution in absolute amount, in % terms and in terms of change	9.4.1.
B.4.	Ozone-depleting substances and chemicals	B.4.1. Ozone-depleting substances and chemicals	Total amount of ozone-depleting substances (ODS) (bulk chemicals/substances existing either as a pure substance or as a mixture) per net value added.	B.4.
B.5.	Energy consumption	B.5.1. Renewable energy	Renewable energy consumption as percentage of total energy consumption in the reporting period	7.2.1.
		B.5.2. Energy efficiency	Energy consumption per net value added	7.3.1.

Social Area

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



C.	Social area	Indicators	Measurement	Relevant SDG indicator
C.1.	Gender equality	C.1.1. Proportion of women in managerial positions	Number of women in managerial positions to total number of employees (in terms of headcount or FTE)	5.5.2.
C.2.	Human capital	C.2.1. Average hours of training per year per employee	Average number of hours of training per employee per year (as total hours of training per year divided by total employees) possibly broken down by employee category	4.3.1.
		C.2.2. Expenditure on employee training per year per employee	Direct and indirect costs of training (including costs such as trainers' fees, training facilities, training equipment, related travel costs etc.) per employee per year possibly broken down by employee category.	4.3.1.
		C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender	Total costs of employee workforce (wages and benefits) divided by the total revenue in that reporting period.	8.5.1; 10.4.1
C.3.	Employee health and safety	C.3.1. Expenditures on employee health and safety as a proportion of revenue	Total expenses for occupational safety and health-related insurance programmes, for health care activities financed directly by the company, and all expenses sustained for working environment issues related to occupational safety and health incurred during a reporting period; divided by the total revenue in that same period.	3.8.; 8.8
		C.3.2. Frequency/incident rates of occupational injuries	Frequency rates: number of new injury cases divided by total number of hours worked by workers in the reporting period; incident rates: total number of lost days expressed in terms of number of hours divided by total number of hours worked by workers in the reporting period	8.8.1.
C.4.	Coverage by collective agreements	C.4.1. Percentage of employees covered by collective agreements	Number of employees covered by collective agreements to total employees (in terms of headcount or FTE)	8.8.2.



D.	Institutional area	Indicators	Measurement	Relevant SDG indicator
D.1.	Corporate governance disclosures	D.1.1. Number of board meetings and attendance rate	Number of board meetings during the reporting period and number of Board members who participate at each Board meeting during the reporting period divided by the total number of directors sitting on the Board multiplied by the number of Board meetings during the reporting period	16.6.
		D.1.2. Number and percentage of female board members	Female board members to total board members	5.5.2.
		D.1.3. Board members by age range	Number of Board members by age range (e.g., under 30 years old, between 30 and 50, over 50)	16.7.1.
		D.1.4. Number of meetings of audit committee and attendance rate	Number of board meetings during the reporting period and number of Audit committee members who participate at each Audit committee meeting during the reporting period divided by the total number of members sitting on the Audit committee multiplied by the number of Audit committee meetings during the reporting period	16.6.
D.2.	Anti-corruption practices	D.2.1. Amount of fines paid or payable due to settlements	Total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period	16.5.2.
		D.2.2. Average number of hours of training on anti-corruption issues, per year per employee	Average number of hours of training in anti-corruption issues per employee per year (as total hours of training in anti-corruption issues per year divided by total employees)	16.5.2.



Social area indicators' example: Proportion of women in managerial positions



Relevant SDG indicator/s:

- Indicator: 5.5.2: 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 employees in a given reporting period.

Potential sources of information:

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



Social area indicators' example: Proportion of women in managerial positions

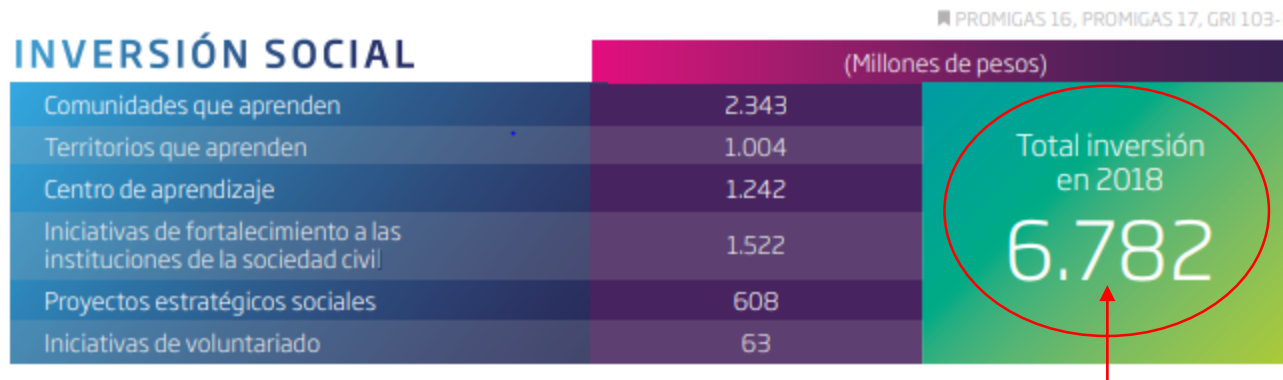
Diversity and equal opportunity

Diversity (in per cent)			2015 ¹⁾	2016 ²⁾	2017	
PALFINGER GROUP	Generations	0-29	25.8%	20.0%	18.9%	
		30-50	53.2%	57.5%	59.1%	
		50+	20.9%	22.5%	22.0%	
	Level	Management position	8.9%	9.5%	9.6%	
	Categories	COGS direct ³⁾	52.0%	51.5%	52.4%	
		Struct. cost - Production	24.0%	24.0%	22.3%	
		R&D	5.5%	5.3%	5.7%	
		Sales, Services & Marketing	9.1%	9.7%	10.0%	
		Administration	9.4%	9.4%	9.6%	
	Level		Female & Male	Female	Male	Female
Management position	0-29	0.5%	0.2%	0.7%	0.1%	0.3%
	30-50	5.9%	1.1%	5.0%	1.3%	5.5%
	50+	2.4%	0.4%	2.1%	0.3%	2.1%
	SUM	8.9%	1.6%	7.9%	1.7%	7.9%



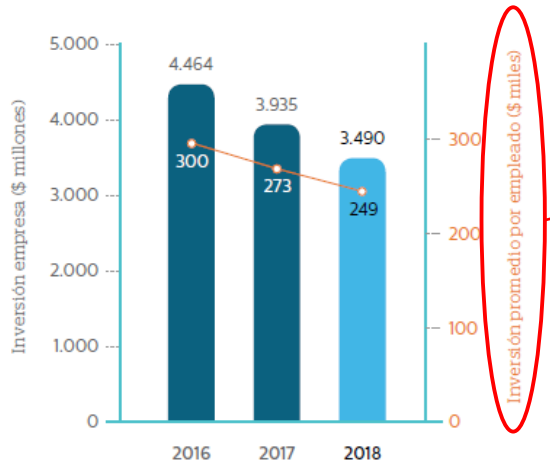
Examples of application on indicators in economic area:

A.3.2. Community investment





Inversión en formación y capacitación



C.2.2. Expenditure on employee training per year per employee

C.3.2. Frequency/incident rates of occupational injuries





Case studies

- Conducted in different geographical areas, countries with various levels of economic development, a range of industries and companies of different sizes.
- Objective: to examine the relevance and applicability of the GCI and to verify suggested measurement methodology and accounting data availability.
- Industries: telecommunications, oil and gas, mining, health care, manufacturing, retail, hospitality and energy.
- Key finding: **most of the core indicators could be reported.**





Case studies

Challenges identified include the need for:

- **Consistent measurement** and **comparability** of reported indicators.
- Further **coordination and cooperation** at the national level of key stakeholders in the public and private sectors.
- Further efforts on building national **institutional and regulatory mechanisms** on SDG reporting.
- **Capacity-building** at all levels to facilitate progress.





Case studies

Example from Latin America

- **Industries:** natural gas, hospitality, retail and manufacturing and energy.
- Disclose **27 or more core indicators**.
- Challenges particularly with **environmental indicators** due to **lack of technical expertise**.
- Improvement with the use of **training manuals**.
- However, companies continued to struggle with some environmental indicators **due to lack of data and systems to keep records**.
- Some reasons for difficulties with other indicators include:
 - lack of the activity/structure/practice,
 - lack of data,
 - information was considered confidential.





Training manual

- More technical guidance improved the data availability.
- Building technical capacity and providing guidance are essential.

Core SDG Indicators

for Entity Reporting

TRAINING MANUAL





Training manual

- 4 chapters with a list of selected references.
- For each indicator the manual includes:
 - ✓ Definition
 - ✓ Measurement methodology (with illustrative, numerical examples)
 - ✓ Potential sources of information
 - ✓ Examples of how these indicators have been already incorporated in the reporting practices of companies around the world
 - ✓ Self-assessment questions with solutions.





Development Account Project 11th Tranche

*Enabling policy frameworks for
enterprise sustainability and SDG
reporting.*



Main Objective

Strengthening the capacities of Governments to **measure and monitor the private sector contribution to the 2030 Agenda** for Sustainable Development, in particular on **target 12.6** *Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.*



SDG indicator

12.6.1 Number of companies publishing sustainability reports.



Project's goals

The
Project
aims at

Developing and implementing a tool to enable policy-makers to coordinate efforts among different national authorities in establishing a sustainability reporting framework

Providing tools for companies to report on their SDG contribution in a comparable and consistent manner, and in alignment with the SDG monitoring indicators at a macro level

Supporting Governments in the collection of comparable and reliable information on companies' contribution towards the SDG implementation aligned with the global framework of SDG indicators

Raising awareness and fostering experience-sharing among policy makers



Project strategy





Outputs

1. Enhanced national capacity to measure and monitor the private sector contribution on the implementation of the SDGs.
2. Enhanced national capacity to formulate and implement a framework on SDG reporting by companies to facilitate its harmonization, comparability and usefulness for key stakeholders.
3. National action plan on capacity building for high quality sustainability and SDG reporting.
4. Assessment Report and a mechanism for further application of the ADT, including a focus on ESG and SDG reporting.
5. Raised awareness on international best practices in the area of sustainability and SDG reporting.
6. Fostered coordination and collaboration among policy makers and other stakeholders at the national and regional levels in the area of SDG reporting by companies.



- **30 October – 1 November 2019**, Palais des Nations, Geneva
- Main agenda items are as follows:
 - Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals: **Review of case studies.**
 - Review of current developments in international standards of accounting and reporting in the public and private sectors.
- **Technical workshop** on climate-related financial disclosures on 29 October 2019.
- **ISAR Honours 2019.**

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