

Section A — Handbook



Background to **sustainability reporting**

The first section of this publication is aimed at individuals who are new to the concept of sustainability reporting. It provides a non-technical introduction to the topic with a comprehensive list of references for those who require more in-depth details.

The first chapter of this section introduces a basic definition of corporate sustainability reporting; it presents the set of drivers for companies to produce sustainability reports; it touches on the main benefits and status quo of sustainability reporting, while making the link with the global sustainability agenda and the Sustainable Development Goals; and it provides an overview of the key existing frameworks and initiatives on the subject.

In addition, the second and third chapters of section A focus on the key areas for improving the quality of sustainability reports; they discuss the most frequently reported social and environmental topics; and they provide information on the role of monitoring and performance indicators.

1. OVERVIEW OF SUSTAINABILITY REPORTING

1.1. DEFINITIONS OF CORPORATE SUSTAINABILITY REPORTING

While there is currently no universally agreed definition for corporate sustainability reporting or sustainability reporting (both terms are used interchangeably throughout this publication), the concept is generally defined as being the practice of measuring and disclosing sustainability information alongside, or integrated with, companies' existing reporting practices. Corporate sustainability reporting is not simply the process of summarizing and analysing collated sustainability data; it is viewed as the process of assessing these data and using the analysis to internalize and improve an organization's commitment to sustainable development in a fashion that can be demonstrated to both internal and external stakeholders.

Corporate sustainability reporting has grown out of both environmental reporting and reporting on corporate social responsibility (CSR). Environmental reporting was pioneered in the late 1980s by companies in the chemical industry, which had serious image problems. While CSR has been attracting attention since the 1960s, reporting on CSR is a fairly recent trend which has expanded over the last few decades.

Many companies now produce an annual sustainability report (which may be called a non-financial report or CSR report) or present relevant sustainability information in a variety of different report types, including consolidated annual reports, shareholders' reports, director's reports, etc. One further trend to be aware of is that of environmental disclosure, whereby companies make publicly available their impact on the environment. A formal report is one form of disclosure, but other approaches are available – such as entering data (for example, data on carbon emissions) into a publicly available platform.

1.2. MAIN DRIVERS FOR COMPANIES TO PRODUCE SUSTAINABILITY REPORTS

1.2.1. Global context – environmental and social challenges

Reports such as the United Nations Environment Programme's fifth Global Environmental Outlook (GEO-5) and the Millennium Ecosystem Assessment reports have highlighted the impact that humans are having on the

natural environment. The Economics of Ecosystems and Biodiversity (TEEB) initiative for its part, has helped to translate this into economic terms, and in 2013 estimated that the world's top 100 externalities cost the global economy US\$ 4.7 trillion in terms of environmental and social costs of lost ecosystem services and pollution¹.

GEO5 for Business has also helped translate these global pressures as business risks, and these are summarized in *"Table 1. Environmental trends and their implications for companies as identified by UNEP's fifth Global Environmental Outlook", on page 13.*

Environmental trend	Implications for business
GHG emissions leading to global temperature increase	Market shifts favouring lower-carbon products and driving up the cost of energy and other commodities
Severe weather	Operational and supply chain disruption
Land converted for urban uses	Restricted access to land-based resources and loss of ecosystem services
Water availability	Markets for water-efficient products and constraints on growth due to water scarcity
Water pollution	Increased demand for pollution-control devices and increased cost of water treatment
Biodiversity loss	Increased market, reputational and regulatory pressure to reduce biodiversity impacts
Chemical exposure	Market favours greener products and public pressure for greater transparency
Waste	Increasing regulatory and customer pressure to reduce/manage waste

Table 1. Environmental trends and their implications for companies as identified by UNEP's fifth Global Environmental Outlook

From the social perspective, an increased awareness of the abuse of workers' rights, modern slavery, child labour, and other issues have all made it important for companies to be able to prove that their operations and supply chain do not suffer these issues and that they are making a positive contribution to society. See *"Case study – Enabling business to make a positive social contribution", on page 17.*

¹ TEEB for Business Coalition, Natural Capital at Risk: The Top 100 Externalities of Business (2013).

1.2.2. Stakeholder pressure

Increasingly, mandatory requirements are forcing companies to address sustainability. The Carrots and Sticks reports² and database³ (henceforth referred to as “Carrots and Sticks”) contain a comprehensive list of mandatory and voluntary instruments which require or encourage organizations to report sustainability-related information. Four reports have been published of this information in 2006, 2010, 2013, and 2016.

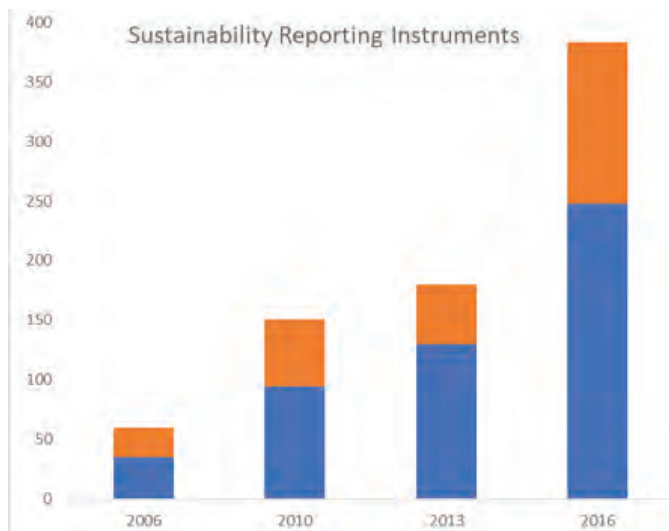


Figure 1. Growth in reporting instruments as identified in Carrots and Sticks (2016) report created on the basis of data included at page 9 (<https://www.carrotsandsticks.net/wp-content/uploads/2016/05/Carrots-Sticks-2016.pdf>)

2 <https://www.carrotsandsticks.net/about-carrots-and-sticks/>

3 KPMG, GRI, United Nations Environment Programme, and Centre for Corporate Governance in Africa, Carrots and Sticks, available at <https://www.carrotsandsticks.net/> (accessed 30 January 2019).

As noted in Carrots and Sticks, increasingly, stock exchanges are requiring listed companies to disclose sustainability information. It is likely that the Sustainable Stock Exchanges (SSE) Initiative⁴ has had an impact on the growth of stock exchange instruments. The initiative was launched in 2009 by the United Nations Conference on Trade and Development (UNCTAD), the United Nations Global Compact, the United Nations Environment Programme Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). For more information, see section A – “1.6.6. Stock exchanges”, on page 28.

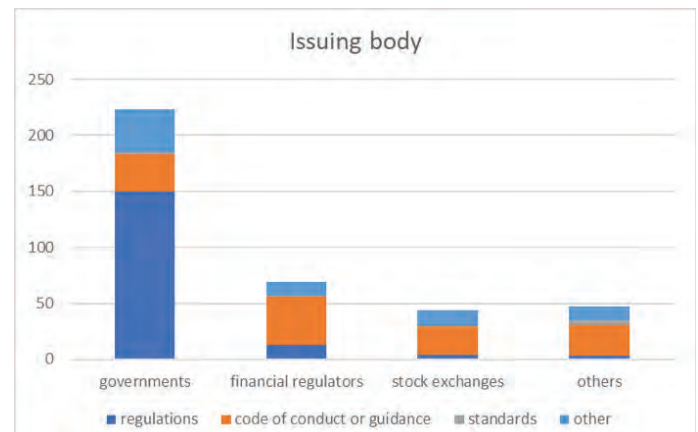


Figure 2. Breakdown of reporting instruments by type as identified in Carrots and Sticks 2016 created on the basis of data included at pages 14 and 15 (<https://www.carrotsandsticks.net/wp-content/uploads/2016/05/Carrots-Sticks-2016.pdf>)

4 <http://www.sseinitiative.org/>

★ HIGHLIGHTS OF THE 2016 REPORT STATE THAT:

- The number of reporting instruments more than doubled from 2013 to 2016 (figure 1) and the growth of reporting instruments in Europe, Asia and the Pacific, and Latin America has been particularly strong.
- Government regulation accounts for the largest proportion of sustainability reporting instruments worldwide: almost three fifths of the total number of instruments identified in 2016 (figure 2).
- Stock exchanges and financial market regulators are responsible for almost one third of all sustainability reporting instruments identified.
- Around two thirds of the instruments identified are mandatory and the rest, voluntary.
- Around one in ten instruments adopts a “comply or explain” approach.
- Almost one third of reporting instruments apply exclusively to large listed companies, while the rest apply either to all companies or to other types of companies, such as State-owned companies (see “Case study – Demonstrating a commitment to sustainability”, on page 17).

1.2.3. Increasing demands from investors

The lending and investment activities of the financial sector affect individuals and business both nationally and globally and are key drivers for achieving the transition to an inclusive, low-carbon, and resource-efficient economy. Investors are increasingly demanding non-financial information to enhance their investment decisions and reduce risk. These elements have led to an increased focus on the role of investors and the finance sector in achieving sustainable development. For example, the Task Force on Climate-related Financial Disclosures concluded that all organizations should include climate-related financial disclosures in their annual financial filings to foster shareholder engagement and promote a more informed understanding of climate-related risks and opportunities among investors and others⁵. In the same vein, one of the key recommendations in the European Union High-Level Expert Group on Sustainable Finance report of 2018⁶ was to upgrade disclosure rules to make sustainability risks fully transparent. Both reports have highlighted the necessity of aligning financial and sustainability information in order to enhance the overall usefulness of reporting to all stakeholders, from governments to investors.

A detailed analysis of sustainability in the financial sector by the United Nations Environment Programme⁷ noted that while the financial sector has a limited direct impact, it has the potential for major multiplier effects if it adopts and disseminates responsible and transparent practices. Carrots and Sticks found that the financial services industry and heavy industry were a particular focus for policymakers and regulators, and that the financial services industry now accounts for 40 per cent of all sector-specific instruments. In France, for example, institutional investors are required to report on the climate risk exposure of their portfolios, the products that contribute to financing the transition to the low-carbon economy, as well as the carbon emissions of their investment portfolios. See *“Case study – Satisfying the needs of investors and civil society”*, on page 18.

5 Task Force on Climate-related Financial Disclosures, Final Report (2017), available at <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>

6 High-Level Expert Group on Sustainable Finance, Financing a Sustainable European Economy (2018), available at https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

7 United Nations Environment Programme, Sustainability Reporting in the Financial Sector (2017).

The International Integrated Reporting Framework, the Sustainability Accounting Standards Board, and the Global Reporting Initiative are aiming to make it easier for investors to be able to access this sustainability information. For example, the report *In Focus: Addressing Investor Needs in Business Reporting on the SDGs*⁸ provides perspectives and recommendations on the key parameters of corporate reports that refer to the SDGs which investors are most likely to find useful.

More information on reporting initiatives is provided in section A *“1.5. Key existing frameworks driving sustainability reporting”*, on page 23.

1.2.4. Business performance

While corporate sustainability reporting is increasingly being driven by external pressures, it has grown out of a voluntary movement whereby companies have been measuring and reporting on their sustainability impact in order to improve their business performance. The following list gives a sense of some of the drivers motivating companies to embrace sustainability reporting:

- Improved business performance by measuring, understanding, and communicating an organization’s economic, environmental, social, and governance performance
 - Streamlining processes, reducing costs, and improving efficiency
 - Comparing performance internally and between organizations and sectors to identify inefficiencies
 - Emphasizing the link between financial and non-financial performance
- Business development
 - Managing change through increased understanding of risks and opportunities
 - Influencing long-term management strategy and policy and business plans
 - Attracting investment

8 GRI and the United Nations Global Compact, *In Focus: Addressing Investor Needs in Business Reporting on the SDGs* (2017).

- Reputation
 - Improving reputation and brand loyalty
 - Avoiding being implicated in environmental, social, and governance scandals
 - Benchmarking and assessing sustainability performance with respect to laws, performance standards, and voluntary initiatives
 - Enabling external stakeholders to understand an organization's true value
 - Demonstrating how an organization influences, and is influenced by, expectations about sustainable development
- Improved stakeholder engagement
 - Enabling external stakeholders to understand an organization's true value
 - Raising company's profile among stakeholders by being transparent and accountable to them
 - Prompting a change in the organizational approach to stakeholder relationships which can contribute to raising awareness of "creating shared value"

Additionally, as a sustainability performance report is most likely to help drive improvement where the reporting framework is part of a company-wide sustainability management strategy, many have started developing sustainability strategies.

A sustainability strategy should:

- set a clear sustainability vision for a company;
- articulate how the company's policies, strategies, and management practices are aligned with this sustainability approach and vision;
- include clear goals and commitments;
- include both near-term and long-term targets that are rooted in science and local context; and
- have a clear monitoring strategy with key performance indicators (KPIs) to assess impact and progress.

The combination of a comprehensive sustainability management strategy and a transparent reporting system will be the most effective method for improving sustainability performance and deriving business benefits.

1.3. BENEFITS OF COMPANY SUSTAINABILITY REPORTING TO NATIONAL GOVERNMENTS

The analysis undertaken in Carrots and Sticks highlights that governments are the main actors in developing sustainability reporting instruments, though the reasons for their actions can vary. In some cases, the aim is to monitor compliance with existing laws, while in others, the driver may be to increase international competitiveness. For example, national governments are responsible for regulating businesses in their respective countries, which includes ensuring compliance with all laws, including environmental and social laws. Financial reporting is a key part of demonstrating compliance, which is, increasingly, further supported by non-financial information.

Furthermore, as noted in section A *"1.2.4. Business performance", on page 15*, reporting, and specifically, corporate sustainability reporting, can play a key role in improving business performance and, therefore, boosting the national economy and creating more local employment opportunities. For example, Denmark launched the national Action Plan for Corporate Social Responsibility to increase the competitive advantage of Danish companies in the global markets (see *"Case study – International competitiveness", on page 17*).

Ultimately, governments are answerable to their constituents, and as corporate sustainability reporting can help protect the local environment as well as boost the national economy, increasingly, governments are looking at how they can facilitate increased and improved sustainability reporting.

The United Nations Environment Programme's *Evaluating National Policies on Corporate Sustainability Reporting*⁹ assesses the key policies in five countries. While all countries will have developed regulations for a variety of reasons, the primary drivers for each country have been outlined in the following case studies.

9 United Nations Environment Programme, *Evaluating National Policies on Corporate Sustainability Reporting* (2015).



Case study – International competitiveness

Led by the Ministry of Business and Growth, Denmark launched the Government's Action Plan for Corporate Social Responsibility in 2008. The Action Plan, as directed by the Government, set out to strengthen Danish companies' competitive advantages in global markets by promoting them as responsible businesses contributing to "responsible growth". The Action Plan identified a strong link between companies' CSR activities, their business strategies, and their core competencies promoting the concept of "business-driven social responsibility" with a clear underlying economic rationale.

The 2008 Action Plan for CSR set two overall goals for companies:

- to promote the application of CSR principles and standards; and
- to promote the integration of CSR in a company's core business strategy.

The Action Plan shifted the discussion on CSR from one which views CSR as a voluntary endeavour to one which views it as an activity regulated by law. It established the requirement for the country's largest companies to report annually on their approach to social responsibility.

In effect, the Government aimed to drive national economic growth by demonstrating that Danish companies were leaders in creating "responsible growth".



Case study – Demonstrating a commitment to sustainability

The electricity sector in Brazil has been under pressure from a range of stakeholders to demonstrate its social and environmental responsibility. Stakeholders wish to see the sector's role as an engine of economic development balanced with the social and environmental impacts of the construction and operation of large-scale infrastructure, such as hydroelectric plants and fossil fuel power-stations.

In response to this, the Brazilian Electricity Regulatory Agency, ANEEL¹⁰, issued a requirement in 2006 for all the electric energy companies to produce an annual sustainability report. ANEEL believes that the sustainability report can help demonstrate the CSR policies and actions being delivered by the sector, both as a service provider and as an investor in energy efficiency.

10 <http://www.aneel.gov.br/>



Case study – Enabling business to make a positive social contribution

The Government of Chile established the Council of Social Responsibility for Sustainable Development in April 2013. Its members are stakeholders from the public, private, and civil society sectors. The Council aimed to create a space for discussion on how to design policies, programmes, and instruments that integrate economic, social, and environmental issues.

A key output of the Council was the National Action Plan on Social Responsibility for Sustainable Development, which was approved in March 2015. The main objective of the Action Plan is to enable business to make a positive contribution to sustainable development through corporate social responsibility, as defined in Rio+20, article 46.



Case study – Satisfying the needs of investors and civil society

France first passed a law requiring companies of more than 300 employees to publish a form of social accounts in 1977. While this was an effective start, there were still issues in achieving broad corporate transparency, and these shortcomings were articulated by a range of stakeholders.

Non-governmental organizations (NGOs) were a major voice, pushing for increased transparency through more prescriptive legislation targeting a larger number of companies and addressing a broader range of issues. Investors, including those dealing with venture capital funds, and specialist rating agencies were also vocal in pushing for change as they sought more and better reporting to help evaluate risks in their portfolios.

This law was subsequently strengthened in 2002 and again in 2007, after being identified as a key issue during the Grenelle for the Environment Forum.¹¹

1.3.1. Fulfilment of international agendas¹¹

The adoption of the Paris Agreement, in 2015, means that almost all countries are bound to monitor, manage, and reduce their greenhouse gas emissions. While the Paris Agreement is one of the most prominent international agreements, countries are already bound by a multitude of other international accords covering environmental concerns (pollution, conservation, the marine environment, chemicals and waste, and so on), as well as social and human rights issues. For instance, the Bonn Agreement¹², by which the North Sea States and the European Union work together in combating pollution in the North Sea area, is one such accord. Similarly, the

11 The Grenelle for the Environment Forum was an open multi-party debate in France that brought together representatives of national and local government and key stakeholders from industry, labour, professional associations, and non-governmental organizations on an equal footing. The aim was to define the key points of public policy on ecological and sustainable development issues over the following five-year period. For more information, see <https://legrenelleenvironnement.fr/>.

12 <https://www.bonnagreement.org/>

Universal Declaration of Human Rights¹³, while not an enshrinement of human rights in law, does provide an internationally agreed standard and is the basis for the International Bill of Human Rights.

Latterly, the Millennium Development Goals and the Sustainable Development Goals have similarly codified international aspirations regarding social and environmental performance and while only target 12.6 of the SDG framework specifically mentions corporate sustainability reporting, it is clear that transparent reporting of social and environmental issues can help countries meet their commitments in respect of these international conventions, goals, and aspirations.

1.4. CURRENT CONTEXT

The importance of the role CSR and sustainability reporting play in meeting international agreements has become increasingly apparent. While the number and quality of corporate sustainability reports are generally improving, particularly amongst larger organizations¹⁴, on the other hand, small and medium-sized enterprises (SMEs) continue to account for a small fraction of the number of company sustainability reports, in spite of accounting for a significant portion of the global economy.

1.4.1. Sustainability reporting in the global sustainability agenda

The non-binding document released as a result of the 2012 Rio+20 Conference and entitled The Future We Want¹⁵ outlines the importance of CSR and of corporate sustainability reporting in advancing sustainable development. Subsequently, corporate sustainability reporting has been identified as a key tool in meeting the objectives of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

The status of the sustainability reporting of the world's largest organizations is well understood, with over 90 per cent of the world's largest 250 companies undertaking sustainability disclosures and a sample of the largest 4,900 showing a reporting rate of 75 per cent.

13 <http://www.un.org/en/universal-declaration-human-rights/index.html>

14 KPMG, *The Road Ahead – The KPMG Survey of Corporate Responsibility Reporting* (2015 and 2017). The reviews conclude that increasing numbers of companies are producing higher-quality reports.

15 United Nations General Assembly, Resolution A/RES/66/288 - The Future We Want (2012).

While this shows significant progress, it accounts for a fraction of a percent of the global economy, which is dominated by SMEs.

What constitutes an SME varies across the globe, but there is no doubt as to SMEs' importance to the global economy¹⁶:

- In the European Union, SMEs (enterprises comprising fewer than 500 people) account for nearly 60 per cent of gross value added (the value of outputs minus the value of intermediate consumption).
- Globally, it is estimated that formal SMEs account for 52 per cent of private sector value added; if the informal sector is included, this figure is significantly higher.
- SMEs provide between 58 per cent of employment in North America to 88 per cent in South East Asia.

Clearly, sustainability reporting can make a significant contribution to improving sustainability at a global level, but to have a significant impact, it needs also to penetrate the SME sector.

1.4.2. The Sustainable Development Goals (SDGs)

The importance of corporate sustainability reporting to meeting the objectives of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals is recognized through specific SDG target 12.6 (encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle), and its dedicated indicator, 12.6.1 (number of companies publishing sustainability reports).

Aside from the specific indicator cited, the broad impact of companies extends to many more aspects of the SDGs. The GRI undertook an assessment of how companies' disclosures map to the SDG targets and indicators and found the following¹⁷:

- About 40 per cent of SDG indicators are directly or indirectly related to corporate disclosures, with 14 per cent being directly related¹⁸.
- Even when there is a direct link to the GRI disclosures, the information companies disclose can represent just one component of the total figure required by the SDG indicator. This is because the SDG indicators aim at providing a broad, global picture.

Nonetheless, it is clear that corporate sustainability reporting can contribute to the 2030 Agenda for Sustainable Development beyond SDG target 12.6. For example, sustainability reporting can:

- Generate data that can then be used to measure progress against a range of the SDG targets;
- Provide context for the statistical information captured by the SDG indicator;
- Provide details on different aspects of each topic represented by an SDG indicator – this is useful for future breakdown of information, for example, or as input for any proposed actions (by governments);
- Provide valuable insights into how to create further SDG indicators, or how to get more detail on specific areas in the future;
- Provide valuable topic-related expertise and perspectives.

There are a range of initiatives aimed at linking sustainability reporting and the SDGs. For example, the GRI and the United Nations Global Compact have developed an action platform for reporting on the SDGs, which aims to link SDGs and common corporate disclosures and to provide guidance to companies on how to report most effectively on the SDGs¹⁹. Additional information can be found in section B.3 . [“2.2. Context”, on page 37.](#)

16 The Edinburgh Group, Growing the Global Economy through SMEs (2013).

17 Global Reporting Initiative, Measuring Progress on the SDGs: A Mapping of the SDG Indicators and the GRI Standards (2017).

18 A direct link between an SDG indicator and GRI disclosure means that the GRI disclosure measures (a part of) the business contribution to the SDG indicator. An indirect link between an SDG indicator and GRI disclosure means that business action relating to the GRI disclosure can affect the SDG indicator (both positively and negatively); however, this GRI disclosure does not measure (a part of) the business contribution to that SDG indicator.

19 Global Reporting Initiative and the United Nations Global Compact, Business Reporting on the SDGs, available at www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx

Also, countries and regions are already acting to ensure improved sustainability reporting in line with target 12.6. For example, the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean²⁰ was adopted in March 2018. All parties to the agreement guarantee that the relevant competent authority will collate and ensure the public availability of environmental information. Additionally, all parties agree to encourage public and private companies, particularly large companies, to prepare sustainability reports that reflect their social and environmental performance.

Overall, although companies are not reporting with regard to the SDGs (this is done by national governments), they can contribute by providing information for monitoring and through activities that support progress towards achieving the SDGs.

1.4.3. Increasing reporting rates

Sustainability reporting rates amongst large companies continues to grow²¹:

- Since 2011, approximately 95 per cent of the world's largest 250 companies have been publishing annual corporate responsibility reports, up from 35 per cent in 1999.
- Around 75 per cent of the next largest 4,900 companies published corporate responsibility reports in 2017, compared to 18 per cent in 2002.

In spite of this growth amongst large companies, there has been a slower uptake amongst SMEs. GRI reports that globally, approximately 90 per cent of businesses are SMEs and yet only 10 per cent of sustainability reports in GRI's disclosure database are published by these companies. There are a range of strategies that can be used for increasing sustainability reporting amongst this important group; these strategies include specific guidance for SMEs, supplier engagement, and collaborative reporting. This is also an area where governments can lead by example.

20 C.N.196.2018.TREATIES-XXVII.18 available at <https://treaties.un.org/doc/Treaties/2018/03/20180312%2003-04%20PM/CTC-XXVII-18.pdf>

21 KPMG, The Road Ahead – The KPMG Survey of Corporate Responsibility Reporting 2017 (2017).

SME guidance

Several organizations have developed tools and guidance aimed at supporting SMEs in developing and implementing sustainability strategies. In this respect, GRI has developed the following guides:

- Small Business Big Impact²² – This report introduces the concept of sustainability reporting and makes the case for sustainability reporting by SMEs.
- Ready to Report²³ – This document takes a company through the key steps in creating a sustainability report using the GRI guidelines, and directs the reader to the key sections of the full GRI implementation manual.
- Empowering Small Business²⁴ – This report aims at providing a comprehensive overview of the current policy practices that are shaping the reporting behaviour of SMEs, focusing on the policy elements that enable the creation of an environment conducive to reporting by SMEs on their sustainability impacts.

Supplier engagement

Many SMEs are suppliers for larger companies which will require all their suppliers to demonstrate their sustainability criteria. Therefore, supply chain engagement can be an effective way of incentivizing SMEs to report. For example, the Supplier Ethical Data Exchange (Sedex) is a not-for-profit, membership organization that works with buyers and suppliers to deliver improvements in responsible business practices in global supply chains. A group of retailers founded Sedex in 2001 to drive convergence in social audit standards and monitoring practices by providing a harmonized framework within which suppliers could demonstrate their social and environmental performance.

Sedex was primarily set up to drive the establishment of an ethical supply chain, but it covers environmental issues as well. The Sedex Members Ethical Trade Audit (a widely used ethical audit format) covers:

22 Global Reporting Initiative, Small Business Big Impact – SME Sustainability Reporting from Vision to Action.

23 Global Reporting Initiative, Ready to Report – Introducing Sustainability Reporting for SMEs (2014).

24 Global Reporting Initiative, Empowering Small Business - Recommendations for Policy Makers to Enable Corporate Sustainability Reporting for SMEs (2018).

- Labour standards
- Health and safety
- Universal rights covering the United Nations Global Compact
- Management systems
- Entitlement to work
- Subcontracting and homeworking
- Environment
- Business ethics

Any organization that is used to using Sedex to demonstrate its responsible business practices to buyers could relatively easily adapt this information to provide a sustainability report. Where suppliers or buyers are using a supply chain platform, such as Sedex or another platform, this can be used as a simple starting point for sustainability reporting.

The Organisation for Economic Co-operation and Development (OECD) has also provided guidance for responsible supply chains for both the minerals²⁵ and the apparel²⁶ sectors. The guidance provides detailed recommendations to help companies respect human rights and avoid contributing to human rights abuses through their purchasing decisions and practices.

Collaborative reporting

A growing emphasis on companies reporting on the sustainability impact of their value chains has led to an increased collaboration between companies in the same value chain to improve data quality and comparability. Examples of this can be seen in the oil and gas sector and the cement sector:

- The International Petroleum Industry Environmental Conservation Association (IPIECA) issued the *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting* in 2010²⁷ to help companies shape the structure and content of their sustainability reporting. The guidance provides direction on the content of a typical industry report.

25 Organisation for Economic Co-operation and Development, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016).

26 Organisation for Economic Co-operation and Development, OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (2017).

27 Available at <http://www.ipieca.org/our-work/reporting/sustainability-reporting-guidance/>

- The Cement Sustainability Initiative (CSI)²⁸ has developed:
 - *Technology Roadmap: Low-Carbon Transition in the Cement Industry*, which updates the first global sectoral roadmap, was produced in 2009. The updated roadmap aims to: identify and develop international collaborative efforts; and provide evidence for public and private decision-makers to move towards a more sustainable cement sector that can contribute to long-term climate goals.
 - *The Cement CO2 and Energy Protocol: CO2 and Energy Accounting and Reporting Standard for the Cement Industry (2011)*, which provides sector-specific guidance on carbon accounting in the cement sector.
 - The Getting the Numbers Right (GNR) database, which aims to provide the industry with information on its present and future sustainability performance and currently covers around 20 per cent of worldwide cement production.

Governments leading by example

Government actors can lead by example and develop their own sustainable procurement standard to which suppliers should conform (see *“Case study – Sustainable procurement standards”, on page 22*). They can also impose sustainability reporting requirements, including supplier due diligence, on public entities and State-owned companies (see case studies in section B.1 Policy Review *“Case study – 2.5. Brazil – Sector-specific regulation for the energy sector”, on page 64 and “Case study – 2.6. South Africa – Building on stock exchange requirements”, on page 65*).

While a sustainable procurement standard will not guarantee improved sustainability reporting by requiring suppliers to demonstrate performance, it will ensure that they are in a better position to produce high-quality sustainability reports. Additionally, publishing a sustainability report can be made a requirement for suppliers – most likely for contracts over a certain threshold.

28 All documents available at <https://gccassociation.org/>



Case study – Sustainable procurement standards

There are different approaches that can be taken to improving sustainable procurement. Here, various examples are provided, ranging from one of the world's largest companies to local governments.

1. Walmart – minimum standards and a sustainability index:

- Walmart's *Standards for Suppliers* list covers minimum social requirements.
- Suppliers' performance data are collated in the anonymous and aggregated Sustainability Index. This is shared with suppliers so that they can see how they rank in their field and gain insight into how to improve their performance.

2. Local government - overview

Local government can use procurement to address certain chosen agendas by buying solutions that will contribute to community or environmental goals or to diversity or equality targets. In 2006, the Greater London Authority (GLA) became the first public body to publish a sustainable procurement policy. Key elements of the 2017 version of The GLA Group Responsible Procurement Policy²⁹ are:

- A clear definition of the issues that suppliers are expected to address

- A commitment to embedding relevant and proportionate responsible procurement requirements into supplier contracts – though this varies from department to department

The second point is a key component of the policy and is most easily illustrated with an example. The City of Fremantle introduced a new procurement policy requiring that all tenders above \$ 150,000 be assessed on minimum 10 per cent sustainability criteria³⁰.

3. Public procurement – South Africa

In South Africa³¹, public procurement is leveraged to provide preferential treatment not only for historically disadvantaged groups and individuals, but also for small and medium-sized enterprises and to support domestic manufacturing capacities. While efforts to introduce sustainability criteria have to date had relatively limited success, local governments have found other opportunities for promoting sustainable procurement. For example, the City of Cape Town undertakes an annual review of its supply chain management, and this process was used to embed a contractual provision to “promote resource efficiency” through procurement. Similarly, Nelson Mandela Bay Municipality focuses on working with the government's suppliers of goods and services, encouraging suppliers to evaluate their own environmental performance in order to be awarded a so-called “Green Certificate”.

29 Greater London Authority, The GLA Group Responsible Procurement Policy (2017).

30 City of Fremantle, One Planet Strategy Annual Report 2017 (2018).

31 International Institute for Sustainable Development, Implementing Sustainable Public Procurement in South Africa: Where to Start (2014).



Strategies to increase reporting rates

There are some simple steps that governments and stakeholders can take to help promote and increase the uptake of corporate sustainability reporting, these include:

- identifying which, if any, platforms (such as Sedex) buyers and suppliers are using in the region to demonstrate their responsible business practices; companies can then be encouraged to ensure that sustainability reporting is covered by the platform;
- producing specific SME guidance, which should reference the criteria in the aforementioned platforms; and
- leading by example by developing their own standards for sustainable procurement; these can include a requirement for sustainability reporting, particularly with regard to high-value contracts.

1.5. KEY EXISTING FRAMEWORKS DRIVING SUSTAINABILITY REPORTING

Sustainability reporting covers a range of topics; some of these are highly technical and have their own range of agreements, protocols, and standards. Greenhouse gas emissions are a good example; many organizations follow the Greenhouse Gas Protocol for reporting. There is also International Organization for Standardization (ISO) standard 14064, which covers, among other matters, the definition of a carbon footprint for a company. In other areas, such as materials and waste, although there are recommended indicators, they are not universally agreed; there is also ongoing research to define norms and suitable indicators.

Corporate sustainability reporting is a rapidly evolving landscape with different reporting systems. To help provide clarity, a range of organizations have provided guidelines on how to approach sustainability reporting and what a sustainability report should cover. Some of these guidelines have been produced by existing organizations; others, by organizations that have been expressly set up to address this issue. In general, the frameworks aim to provide a clear description of the process to follow when developing a sustainability report

or disclosing non-financial information; they also aim to provide guidance on what topics should be covered and how these issues should be reported.

The frameworks aim both to make it easier for companies to report, and to increase the quality and impact of the reports by, for example, increasing the comprehensiveness of the reporting and the comparability between reports.

1.5.1. AccountAbility Institute

The AccountAbility Institute is the research arm of the private consultancy AccountAbility. It has developed the AA1000 series of standards, which are principles-based standards designed for all organizations aiming “to demonstrate leadership and performance in accountability, responsibility and sustainability”. The AccountAbility Principles Standard (AA1000APS)³² aims to “provide organisations with an internationally accepted and freely available set of principles to frame and structure the way in which they understand, govern, administer, implement, evaluate and communicate their accountability”. It is based on three principles:

1. Inclusivity (stakeholder participation)
2. Materiality (assessment of key sustainability issues that should be reported on)
3. Responsiveness (response to stakeholder input)

In *The Materiality Report: Aligning Strategy, Performance and Reporting*³³, the AccountAbility Institute provides detailed guidance on how to identify materiality.

32 The AccountAbility Institute, AA1000 AccountAbility Principles Standard 2008, available at <http://www.accountability.org/standards/>

33 AccountAbility Institute, *The Materiality Report: Aligning Strategy, Performance and Reporting* (2006).

1.5.2. Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) was co-launched by Ceres and the Tellus Institute in the 1990s with support from the United Nations Environment Programme. The GRI is the most widely used framework for sustainability reporting (75 per cent of the world's largest 250 companies use GRI³⁴), and the GRI disclosure database contains sustainability reports from over 12,500 organizations using the GRI framework³⁵.

The GRI identifies key principles for defining report content (stakeholder inclusiveness, sustainability context, materiality, and completeness) and quality (accuracy, balance, clarity, comparability, reliability, and timeliness). GRI standards are structured as a set of interrelated standards; there are three universal standards and 33 topic-specific standards covering a range of economic, environmental, and social subjects.

The universal standards provide:

- The reporting principles to guide the content (material topics) and quality of the report³⁶
- Mandatory disclosures about the context of the organization³⁷
- Disclosures on the management approach for each material topic³⁸

Organizations select from the topic-specific standards to report on their material topics from over 75 specific disclosures. This requires organizations to:

1. undertake a materiality assessment – a process to identify the important issues on which an organization should report; and
2. identify the relevant discretionary disclosures on the complete list.

Organizations then compile and publish their reports, including all core and all relevant discretionary disclosures.

34 KPMG, The Road Ahead – The KPMG Survey of Corporate Responsibility Reporting 2017.

35 Global Reporting Initiative, Sustainability Disclosure Database, available at <http://database.globalreporting.org/>, accessed August 2018

36 Global Reporting Initiative, GRI 101: *Foundation 2016*.

37 Global Reporting Initiative, GRI 102: *General Disclosures 2016*.

38 Global Reporting Initiative, GRI 103: *Management Approach 2016*.

The GRI has also published some sector guidance³⁹ outlining additional topics and disclosures relevant to specific sectors⁴⁰.

1.5.3. International Integrated Reporting Council (IIRC)

While many organizations see environmental and social accountability as an issue separate from that of financial reporting, increasingly, businesses are combining these issues into a single integrated report. The International Integrated Reporting Council (IIRC), established in 2010, developed the International Integrated Reporting Framework⁴¹ to create a formal agreed approach to integrated reporting.

The framework takes a principles-based approach rather than prescribing specific key performance indicators. It defines six capitals: financial, manufactured, intellectual, human, social and relationship, and natural; each should be valued to demonstrate long-term value creation.

Additionally, the framework provides seven guiding principles that should underpin any integrated report, namely:

1. Strategic focus and future orientation – how the organization intends to create value in the short, medium, and long term
2. Connectivity of information – provide a picture of the combination of, interrelatedness of, and dependencies between the factors that affect the organization's ability to create value over time
3. Stakeholder relationships – provide insight into the nature and quality of the organization's relationships with its key stakeholders
4. Materiality – identify the full range of issues that substantively impact the company's ability to create value
5. Conciseness – include sufficient detail to understand the organization's strategy, without weighing down the text with less relevant information

39 Airport operators, construction and real estate, electric utilities, event organizers, financial services, food processing, media, mining and metals, NGOs, oil and gas

40 This sector guidance was developed for use with the G4 Guidelines; it is recommended that the guidance be used when reporting with the GRI Standards. GRI will be developing new sector content from the end of 2018.

41 International Integrated Reporting Council, The International IR Framework (2013).

6. Reliability and completeness – include all issues, both positive and negative
7. Consistency and comparability – information should be consistent over time and allow comparison to the information of other relevant organizations

1.5.4. OECD Guidelines

The *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises*⁴² comprise an annex to the OECD Declaration on International Investment and Multinational Enterprises. They are “non-binding principles and standards for responsible business conduct” for multinational corporations operating in or from countries adhering to the Declaration.

Although the Guidelines are legally non-binding, the OECD Investment Committee and its Working Party on Responsible Business Conduct do encourage implementation among adherents. The Declaration and the Guidelines were adopted by the OECD in 1976 and were most recently updated in 2011; they are applied in 48⁴³ countries.

1.5.5. Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board is a not-for-profit organization of the United States which was established in 2011. Its aim is to develop sustainability accounting standards for corporate disclosing of material information deemed helpful for investor decision-making. The sustainability accounting standards are in five categories: environment, social capital, human capital, business model and innovation, and leadership and governance.

The SASB deliberately mirrors the Financial Accounting Standards Board, and the associated standards are designed for disclosure of material sustainability information in mandatory SEC filings (financial statements submitted to the United States Securities and Exchange Commission). The aim of the SASB is to make sustainability reporting a mandatory requirement on a par with financial reporting.

42 Organisation for Economic Co-operation and Development, *OECD Guidelines for Multinational Enterprises* (2011).

43 Organisation for Economic Co-operation and Development, *Annual Report on the OECD Guidelines for Multinational Enterprises 2017* (2017).

While the SASB does provide guidance on how a company can identify its material issues, the approach of the organization is to provide extensive and detailed sector guidance identifying indicators that meet the following criteria⁴⁴:

- Objectivity — should be free from bias
- Measurability — should allow reasonably consistent measurements, qualitative or quantitative
- Completeness — should be sufficiently complete so that those relevant factors that would alter a conclusion are not omitted
- Relevance – the indicators need to directly address the sustainability topic

There are 11 overarching sectors: health care, financials, technology and communications, non-renewable resources, transportation, services, resource transformation, consumption I, consumption II, renewable resources and alternative energy, and infrastructure. The multiple categories in each sector lead to approximately 80 sets of sector guidelines.

1.5.6. United Nations Global Compact

The United Nations Global Compact⁴⁵ encourages businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The United Nations Global Compact is a principle-based framework, with 10 principles covering human rights, labour, the environment, and anti-corruption.

It is the world’s largest corporate sustainability initiative, with 12,000 corporate and other stakeholders from over 160 countries.

Global Compact business participants are required to demonstrate continuous improvement and publish a yearly progress report (Communication on Progress) on their implementation of the 10 principles of the United Nations Global Compact. The report should include a CEO statement, a description of the main actions undertaken, and measurement of the outcome of these actions.

44 As outlined in the specific sector guidelines; for example, SASB, *Food Retailers and Distributors – Sustainability Accounting Standard* (2015).

45 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

CONTENT			QUALITY		
GRI ⁴⁶	IIRC ⁴⁷	SASB ⁴⁸	GRI	IIRC	SASB
Stakeholder inclusiveness	Stakeholder relationships		Clarity	Conciseness	
Sustainability context	Connectivity of information – picture of factors affecting the organization		Accuracy Balance Timeliness	Strategic focus and future orientation	Objectivity — free from bias
Materiality	Materiality		Comparability	Consistency and comparability	Measurability
Completeness	Completeness	Completeness	Reliability	Reliability	

Table 2. Comparison of the key principles of the GRI, IIRC, and SASB frameworks

1.5.7. Commonalities of existing reporting frameworks

There is broad agreement on how the content and quality of a sustainability report should be defined. *“Table 2. Comparison of the key principles of the GRI, IIRC, and SASB frameworks”, on page 26*, compares the key principles proposed by three of the major frameworks, showing a high degree of commonality regarding the content and quality requirements of sustainability reports. Whereas the IIRC and GRI list principles that should guide a report’s content, the SASB takes a more prescriptive approach, defining the specific reporting content for each industrial sector. Because of this, the SASB has a smaller list of reporting principles than the GRI and IIRC.

All three organizations have helped ensure that sustainability reporting becomes an issue of importance to mainstream investment and markets that want to understand whether companies are at risk or gaining opportunities for value creation.

An overview of the GRI, IIRC, and SASB reporting frameworks appears to indicate that sustainability reporting is evolving from being a voluntary endeavour to one which is gaining a more secure market footing and becoming mandatory. The GRI was the first of the organizations to be established, and it created voluntary guidelines for sustainability reporting. These voluntary guidelines have since been used as the basis for mandatory reporting requirements; globally, more

than 125 policy instruments, 51 of which are capital market policies, reference the GRI standards. Both the SASB and IIRC, which were established later, aim to make sustainability reporting mandatory, either through a separate mandatory sustainability report (akin to a company’s financial report) or through a single integrated report.

Another significant trend is the move away from providing detailed reporting requirements and toward a more principles-based approach often prioritizing materiality. This is also a trend that is replicated in national policies to drive company sustainability reporting – see case studies in *“Section B.1 Policy Review”, on page 26*.

According to the logic of this approach, frameworks and policies are initially set out by telling companies how and what to report; however, this does not invite companies themselves to embrace reporting in a positive fashion and to go beyond minimum requirements. As companies become more familiar with reporting and begin to derive benefits from monitoring sustainability, a more open approach can have a greater impact, since companies review and act to mitigate their own specific impacts.

1.6. FURTHER INITIATIVES SUPPORTING SUSTAINABILITY REPORTING

In addition to the organizations mentioned in section A - *“1.5. Key existing frameworks driving sustainability reporting”, on page 23*, that have established detailed reporting frameworks, there are entities whose primary function is not necessarily sustainability reporting and which have instituted a range of reporting initiatives. These entities include member organizations, coalitions of governments, standards organizations, and United Nations agencies.

46 Global Reporting Initiative, *GRI 101: Foundation 2016*.

47 International Integrated Reporting Council, *The International IR Framework (2013)*.

48 As outlined in the specific sector guidelines; for example, SASB, *Food Retailers and Distributors – Sustainability Accounting Standard (2015)*.

1.6.1. CDP

CDP (formerly the Carbon Disclosure Project) is a non-governmental organization which supports investors, companies, and cities in measuring and understanding their environmental impact. CDP does not produce its own guidelines or requirements, but provides a platform for disclosure, enabling organizations to share self-reported data.

Over 7,000 companies and 620 cities have publicly disclosed environmental information through CDP⁴⁹, and about one fifth of global greenhouse emissions are reported through the platform⁵⁰.

While initially focused on disclosing carbon emissions, CDP now has disclosure programmes covering water and forests. In addition, the CDP's annual scoring process recognizes companies with high-quality disclosure, putting the top companies on the CDP A List.

1.6.2. Climate Disclosure Standards Board

The Climate Disclosure Standards Board (CDSB) is a consortium of private companies and NGOs working to provide material information for investors and financial markets through the integration of climate-change-related information into mainstream financial reporting. The CDSB provides a framework for reporting environmental information with the same rigour as financial information. The framework is not a new standard; rather, it adopts and relies on existing standards and practices, as well as reflecting regulatory and voluntary reporting and carbon-trading rules.

1.6.3. Group of Friends of Paragraph 47 (GoF47)

Following the 2012 United Nations Conference on Sustainable Development (Rio+20), the Governments of Brazil, Denmark, France, and South Africa launched the Group of Friends of Paragraph 47 initiative to advance sustainability reporting. Since its formation, the Group has grown to include the Governments of Argentina, Chile, Colombia, Norway, and Switzerland.

The Group's Charter⁵¹ recognizes that a transparent, well-functioning market economy requires corporate sustainability reporting to become a widespread practice

49 <https://www.cdp.net/en/info/about-us>, accessed January 2019

50 <https://www.cdp.net/en/investor/ghg-emissions-dataset>, accessed January 2019

51 Group of Friends of Paragraph 47, Charter of the Group of Friends of Paragraph 47 (2012), available at <https://www.unenvironment.org/fr/node/23402>

and reaffirms the Group's intention to contribute to the advancement of an international culture of corporate transparency and accountability. Key objectives include:

- To bring Governments and other stakeholders together to develop best-practice examples of policy and regulation for promoting corporate sustainability reporting
- To promote the use of, and to build upon, existing and widely-used sustainability reporting guidance
- To bring specific attention to progressing sustainability reporting in developing countries and small and medium-sized enterprises (SMEs)

Any Government may join GoF47, providing they declare that they share the values and objectives of the Group as described in the Charter and indicate the policies they have in place to promote sustainability reporting or, in their absence, make public their intention to develop such policies.

1.6.4. International Financial Reporting Standards

The International Financial Reporting Standards (IFRS) Foundation is a not-for-profit organization established to develop a single set of globally accepted accounting standards, the IFRS Standards. The IFRS Foundation promotes and facilitates the adoption of the IFRS Standards. The IFRS provide the basis for some sustainability reporting standards, such as those of the SASB.

1.6.5. ISO 26000

ISO 26000:2010 does not set requirements and is not actually a standard; instead, it provides guidance. As a result, unlike some well-known ISO standards, ISO 26000 cannot be used as a benchmark for official certification. The guidance it provides aims to clarify what social responsibility is, help businesses and organizations translate principles into effective actions and share best practices relating to social responsibility, globally. ISO 26000 was launched in 2010, following five years of negotiations between many different stakeholders including representatives from government, NGOs, industry, consumer groups, and labour organizations.

The guidance defines seven principles of social responsibility, namely:

1. Accountability
2. Transparency
3. Ethical behaviour

4. Respect for stakeholder interests
5. Respect for the rule of law
6. Respect for international norms of behaviour
7. Respect for human rights

Furthermore, it provides seven core subjects that are deemed relevant to all companies:

1. Organizational governance
2. Human rights
3. Labour practices
4. Environment
5. Fair operating practices
6. Consumer issues
7. Community involvement and development

The ISO 26000 guidance can be purchased from ISO, though some guidance, such as a comparison of the ISO guidance and GRI reporting requirements⁵², is available for free.

1.6.6. Stock exchanges

The main initiative driving reporting amongst stock exchanges is the Sustainable Stock Exchanges Initiative (SSE). The SSE is not a framework like GRI or SASB, but it is credited with helping drive the increase in stock exchanges requiring sustainability disclosure. Set up in 2009 by UNCTAD, the United Nations Global Compact, the United Nations Environment Programme, and the Principles for Responsible Investment (PRI), the SSE had its first five members join in 2012: the B3 (formerly BM&FBOVESPA, São Paulo, Brazil), the Egyptian Exchange, the Johannesburg Stock Exchange, Borsa Istanbul, and NASDAQ.

The SSE provides a multi-stakeholder learning platform for stock exchanges, investors, regulators, and companies to adopt best practices in promoting corporate sustainability while also striving to encourage sustainable investment.

The initiative started 2019 with 98 partner exchanges from 83 countries, covering 70 per cent of global market capitalization, and has helped put sustainability reporting on the agenda of stock exchanges⁵³. For example, as

52 International Organization for Standardization and Global Reporting Initiative, GRI G4 Guidelines and ISO 26000:2010 - How to Use the GRI G4 Guidelines and ISO 26000 in Conjunction (2014), available at https://www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/iso-gri-26000_2014-01-28.pdf

53 Sustainable Stock Exchanges Initiative, 2016 Report on Progress (2016), available at http://www.sseinitiative.org/data_publications/

of 15 January 2019, 17 exchanges⁵⁴ have incorporated sustainability reporting into their listing rules and 42 exchanges⁵⁵ have provided formal guidance to issuers.

The SSE's library contains databases, guidance, and fact sheets (see example in *"Table 3. Summarized example of Brazil's B3 stock exchange factsheet"*, on page 29) on each stock exchange. The databases contain details on reporting initiatives in place globally and allow their sorting according to which institution (government, stock exchange, and so on⁵⁶) is leading each initiative.

Additionally, the 2016 *Report on Progress* lists all the stock exchanges that provide guidance to listed companies. Most of this guidance is publicly available and can be reviewed as source documents for initiatives in other countries.

The World Federation of Exchanges (WFE) is another initiative that also offers guidance for stock exchanges. The WFE has done more modest work in this area, though it has contributed to the SSE work and has a research database⁵⁷. This database contains information such as the following:

- The WFE's guidance document on recommended reporting metrics⁵⁸
- Annual sustainability surveys
- Research into the role of exchanges in promoting sustainable development
- Annual sustainability surveys
- Research into the role of exchanges in promoting sustainable development

54 Brazil - B3; China, Hong Kong SAR - Hong Kong Exchanges and Clearing Limited; Colombia - Bolsa de Valores de Colombia (Colombian Securities Exchange); France - Euronext Paris; India - BSE India Ltd. (Bombay Stock Exchange), National Stock Exchange of India (NSE); Luxembourg - Bourse de Luxembourg; Malaysia - Bursa Malaysia; Namibia - Namibian Stock Exchange; Nigeria - Nigerian Stock Exchange; Peru - Bolsa de Valores de Lima; Seychelles - Trop-X (Seychelles Securities Exchange); Singapore - Singapore Exchange; South Africa - Johannesburg Stock Exchange; Thailand - Stock Exchange of Thailand; Viet Nam - Ho Chi Minh Stock Exchange, Hanoi Stock Exchange

55 Sustainable Stock Exchanges Initiative, <http://www.sseinitiative.org/data/>, accessed 15 January 2019

56 Sustainable Stock Exchanges Initiative, available at <http://www.sseinitiative.org/data/sustainabilityreporting/>

57 World Federation of Exchanges, <https://www.world-exchanges.org/home/index.php/research/wfe-research>

58 World Federation of Exchanges, WFE ESG Recommendation Guidance and Metrics (2015)

Brazil Stock Exchange: B3 (formerly BM&FBOVESPA) (data as at 15 January 2019)	
Number of listed companies	347
Domestic market capitalization	US\$ 774.133 million
SSE partner exchange	Yes
Has annual sustainability report	Yes
Requires environmental, social and governance (ESG) reporting as a listing rule?	<ul style="list-style-type: none"> As of 2012, listed companies state whether they publish a regular sustainability report; if they do not publish, they explain why. As of 2016, the Brazilian regulator turned “Report or Explain” into a specific item negating the need for B3’s requirement. In 2017, B3 launched Report or Explain for Sustainable Development Goals initiative.
Offers written guidance on ESG reporting?	Yes; e.g., Novo Valor Corporate Sustainability - Second Edition ⁵⁹
Offers ESG-related training?	Yes - Integration of ESG issues into education through the BM&FBOVESPA Institute of Education
Provides sustainability-related indices?	Yes; including the Corporate Sustainability Index (ISE) and Carbon Efficient Index (ICO2) ⁶⁰
Offers green bonds listings?	Yes

Table 3. Summarized example of Brazil’s B3 stock exchange factsheet

1.6.7. The Task Force on Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) was established by the Financial Stability Board to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The work and recommendations of the Task Force aim to help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors’ needs.^{59 60 61}

59 BM&FBovespa, New Value - Corporate Sustainability (2016), available at <http://www.bmfbovespa.com.br/lumis/portal/file/fileDownload.jsp?fileId=8AA8D0975754AE53015770F0C3730D68>

60 http://www.bmfbovespa.com.br/en_us/products/indices/sustainability-indices/

61 Global Reporting Initiative, Linking the GRI Standards and the SEBI BRR Framework (2017).



Case study – Bombay Stock Exchange⁶¹

Established in 1875, the Bombay Stock Exchange is Asia’s first stock exchange and one of India’s leading exchange groups. The Securities and Exchange Board of India is the regulator for the securities market in India. In 2012, it issued a circular mandating a business responsibility reporting (BRR) requirement in line with the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business notified by the Ministry of Corporate Affairs, Government of India in 2011. Initially for the top 100 listed entities, this was extended to the top 500 companies, based on market capitalization in 2015.

In 2017, the GRI reviewed these reporting requirements and produced a report highlighting the connections enabling the fulfilment of multiple reporting requirements. The report contains a range of “linkage tables” showing how the GRI standards and disclosures relate to each requirement in the BRR framework.



The TCFD recommends that organizations include climate-related financial disclosures in their annual financial filings to foster shareholder engagement and promote a more informed understanding of climate-related risks and opportunities among investors and other players⁶².

1.6.8. United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development (UNCTAD) is a permanent intergovernmental body established by the United Nations General Assembly in 1964. UNCTAD's mission is to support developing countries in accessing the benefits of a globalized economy more fairly and effectively. UNCTAD undertakes analysis, facilitates consensus-building, and provides technical assistance.

UNCTAD has developed guidance documents on many topics relating to sustainability reporting. For example,

62 Task Force on Climate-Related Financial Disclosures, Final Report (2017), available at <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>

these include *Guidance on Good Practices in Corporate Governance Disclosure and Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives*. UNCTAD has also reviewed the main indicators used in CSR and sustainability reporting. This includes a recent review of the core indicators for company reporting⁶³, presented at the thirty-fourth session of the International Standards of Accounting and Reporting, held in Geneva in November 2017.

UNCTAD and the United Nations Environment Programme are the co-custodian agencies for SDG target 12.6 and its respective indicator, 12.6.1, which measures the number of companies publishing sustainability reports. Their role as custodian agencies for this indicator is closely linked to the development of a baseline definition of sustainability reporting.

63 United Nations Conference on Trade and Development, Core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals (2017), available at <http://isar.unctad.org/wp-content/uploads/2017/12/ISAR-34-non-paper-31102017.pdf>

2. KEY AREAS FOR IMPROVING THE QUALITY OF CORPORATE SUSTAINABILITY REPORTING

*Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting*⁶⁴ (henceforth referred to as Raising the Bar) reviewed the status of sustainability reporting internationally and identified issues in two categories: quantity of companies reporting and quality of reports. The quantity issue refers to the need to increase the uptake of sustainability reporting, particularly amongst SMEs, and is covered in section A - “1.4.3. Increasing reporting rates”, on page 20.

The key quality-related issues identified are:

1. A non-comprehensive compliance approach leading to companies failing to report their most material impacts
2. The lack of context regarding the environmental or social setting of the company’s operations and impact
3. The variation in approach to third-party verification (assurance), which is often done on a voluntary basis and therefore does not have the same credibility as a mandatory approach
4. The inconsistency in reporting, even among companies using the same framework or guidelines

A summary of the major areas requiring improvement in relation to these four issues is provided in this section. Materiality, which refers to what topics should be included in a sustainability report, is a well-established issue; detailed guidance on the context and how to undertake a materiality assessment is included here. A separate guidance note aimed at providing context for policymakers is available in “Section B.2”, on page 73.

Context refers to the requirement to link performance to relevant benchmarks or targets. This is a rapidly evolving area, and this introduction aims to provide details on status and aims to anticipate which of the current systems is likely to be the most widely used. The issues of assurance, whether the report has been verified by an independent review, and inconsistent reporting are also covered in this introduction.

64 United Nations Environment Programme, Raising the Bar – Advancing Environmental Disclosure in Sustainability Reporting (2015)

2.1. MATERIALITY

Materiality can be defined in many ways, often depending on whether the issue is being approached from a traditional financial angle or a broader, more holistic view. “Table 4. Definitions of and approaches to materiality”, on page 31, shows how different sustainability reporting frameworks define the issue. While there is some variation in language and context, the key issue is the identification and disclosure of all relevant information.

Account-Ability	Materiality determines the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
GRI	In sustainability reporting, materiality is the principle that determines which relevant topics are so important that it is essential to report on them. Material topics are those that reflect the organization’s significant economic, environmental, and social impacts; or that substantively influence the assessments and decisions of stakeholders. In this context, “impact” refers to the (positive or negative) effect an organization has on the economy, the environment, and/or society.
IIRC	An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium, and long term.
SASB	SASB does not define materiality, but instead “looks to the Supreme Court’s definition of material information for the purpose of standard-setting”. The Court defines material information as presenting “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available”.

Table 4. Definitions of and approaches to materiality

The process of identifying what is materially important, the “materiality process”, may be seen as essentially aiming to answer two fundamental questions:

1. Where should the boundary of the organization, its impact, and reporting be set?
2. What is the scope of the organization and the content of its report? This is defined as the range of sustainability topics or issues that should be covered.

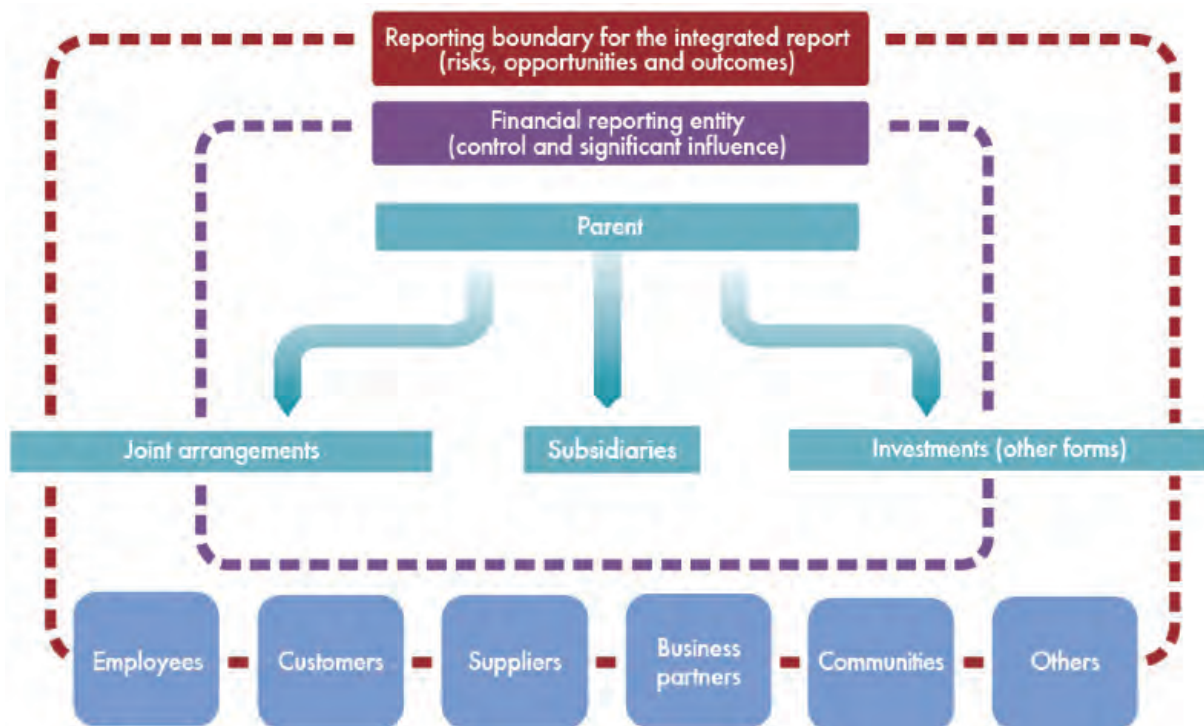


Figure 3. Scope of a sustainability report as defined in the International IR Framework⁶⁵

All four of the main frameworks analysed provide a clear approach for defining the scope of a sustainability report and the range of sustainability topics or issues that should be included. This is covered in detail in section B.2 – “2.1. *Materiality assessment*”, on page 77 and “2.2. *Aligning corporate sustainability reporting data and the SDGs*”, on page 87. However, only the GRI and the IIRC provide detailed guidance on how the boundary of an organization, its impact, and, therefore, its reporting should be defined – which is covered in the following section.

2.1.1. Materiality - organizational boundary

The IIRC proposes two aspects of the definition of this boundary⁶⁶:

1. The financial reporting entity
2. Further risks, opportunities, and outcomes

National financial reporting standards can be used to define the reporting entity. These standards revolve around the concepts of control or significant influence. They specifically define the reporting entity (i.e., which subsidiaries’, joint ventures’, and associates’ transactions and related events are included in the

65 <http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf> on page 20

66 International Integrated Reporting Council, *The International IR Framework*, paragraphs 3.30-3.35.

organization’s financial report). The second component is the identification of risks, opportunities, and outcomes attributable to or associated with organizations or stakeholders outside the standard definition of the financial reporting entity, but that have a significant sustainability impact. The organizations and stakeholders in this component are not controlled or significantly influenced by the financial entity, but they are nonetheless material on account of their potential impact on sustainability outcomes.

If, for example, there exist industry labour standards in the organizations industry, they should be disclosed because they are likely to apply to organizations’ suppliers.⁶⁷

This approach is summarized in “*Figure 3. Scope of a sustainability report as defined in the International IR Framework⁶⁵*”, on page 32.

The GRI refers to the financial definition of an organization as “all entities included in the organization’s consolidated financial statements or equivalent documents” (GRI 102: General Disclosures, 102-45). It also states that organizations should report not only on impacts they cause, but also on impacts to which they contribute, and impacts that are directly linked to their activities, products or services through a business

67 International Integrated Reporting Council, *The International IR Framework* (2013), page 21.

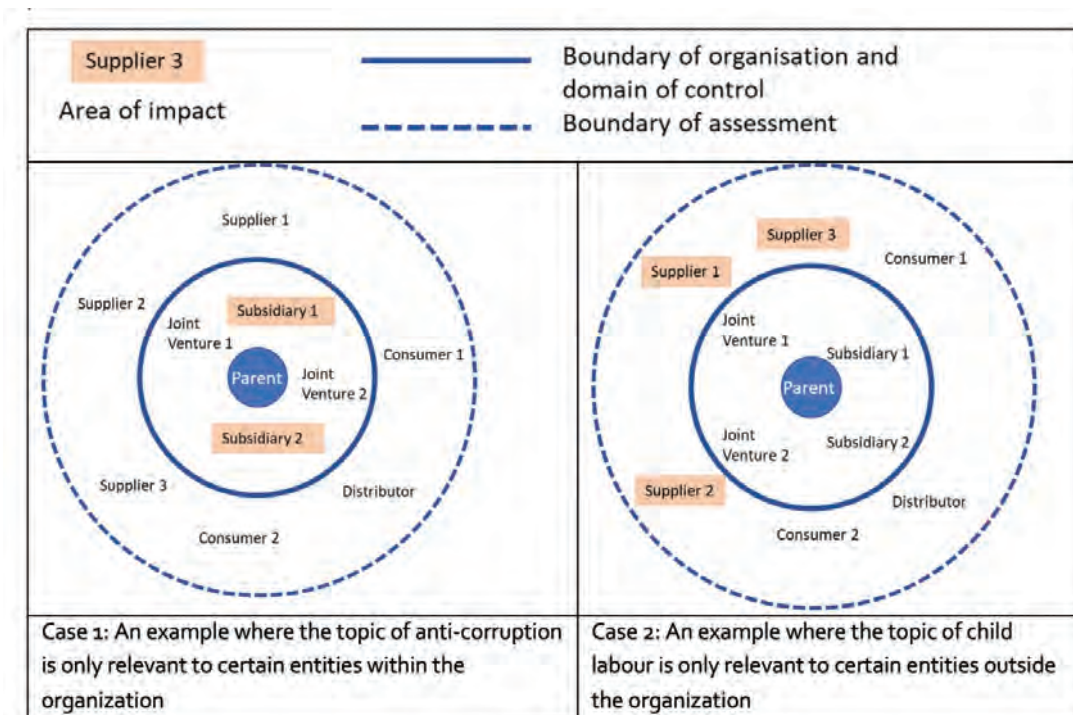


Figure 4. Examples showing how topics may be relevant inside or outside the organization⁷¹

relationship. Therefore, organizations should report on any additional impacts created “either through their own activities or as a result of their business relationships with other entities”⁶⁸, and not just on the impacts due to their direct activities.

An example of this is shown in “*Figure 4. Examples showing how topics may be relevant inside or outside the organization*”⁷¹, on page 33. In case 1, the company should report on the activities of its subsidiaries, whereas in case 2, it should focus on the activities of its key suppliers.

For reporting in accordance with the GRI standards, the boundary for any material topic should include a description of:

- Where the impacts occur
- The organization’s involvement in the impacts (for example, whether the organization has caused or contributed to the impacts or is directly linked to the impacts through its business relationships)
- Any specific limitation regarding the topic boundary

For more information, see sections G4-19, G4-20, and G4-21 of *GRI’s G4 Implementation Manual*⁶⁹ and page 10 of *GRI 101 - Foundation*⁷⁰.

2.1.2. Materiality – scope of reporting

As shown in “*Table 4. Definitions of and approaches to materiality*”, on page 31, the four main reporting frameworks analysed here each define a slightly different approach to materiality assessment. Nonetheless, there is much agreement between the approaches to a materiality assessment; this can be summarized in three steps:

1. Identification of the key issues, including stakeholder engagement
2. Analysis and prioritization of these issues
3. Validation and agreement of the approach

⁶⁹ Global Reporting Initiative, *G4 Sustainability Reporting Guidelines – Implementation Manual* (2013).

⁷⁰ Global Reporting Initiative, *GRI 101 - Foundation* (2016).

⁷¹ Adapted from Global Reporting Initiative, *G4 – Implementation Manual* (2013). (<https://www.globalreporting.org/resource/library/GRIG4-Part2-Implementation-Manual.pdf>) as shown on page 34

⁶⁸ Global Reporting Initiative, *GRI 101 – Foundation* (2016), page 12.

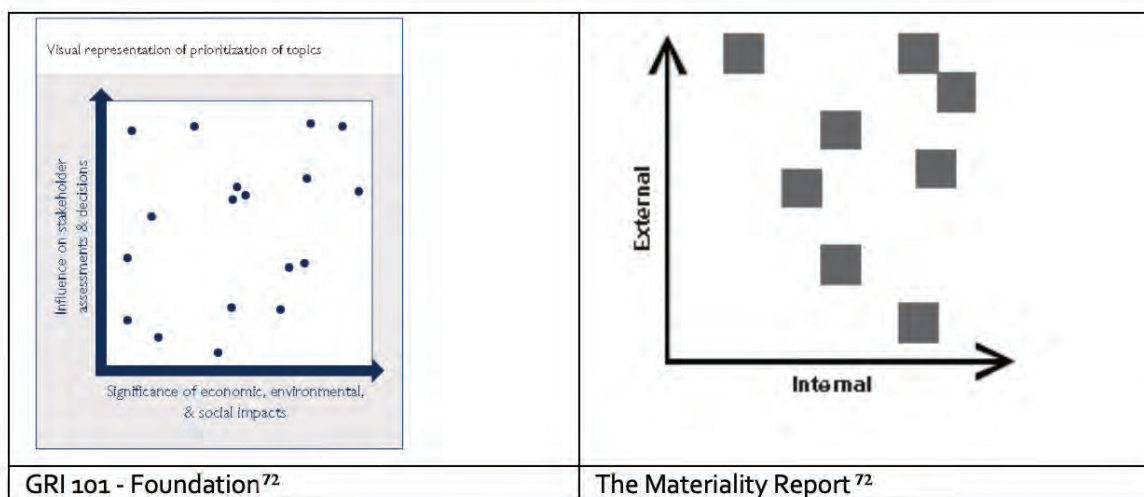


Figure 5. Example of materiality matrices⁷²

Issue identification

The first step is to identify all the sustainability issues that may be materially important. This can generally be done by following these steps:

1. Identify, through a literature review, all the issues that could be relevant to the organization.
 - a. All the organization's activities, products, services, and relationships, regardless of whether the impacts occur within or outside the organization, need to be considered.
 - b. For each identified relevant topic, the boundary, within or outside the organization, needs to be identified.
2. Undertake a dialogue with stakeholders to identify any further issues that they consider to be important.

Useful material for issue identification includes the GRI disclosures⁷³, the SASB Materiality Map⁷⁴, the Governance and Accountability *What Matters?*⁷⁵ report, and sustainability reports of similar organizations.

Relevant sustainability reports that can serve as examples can be found at:

72 The first graphic is taken from page 11 of <https://www.globalreporting.org/standards/media/1036/gri-101-foundation-2016.pdf>. The second graphic is coming from page 39 of <http://www.mas-business.com/docs/AA1000%20Materiality%20Report.pdf>

73 <https://www.globalreporting.org/standards>

74 <https://materiality.sasb.org/>

75 Governance and Accountability Institute, *Sustainability – What Matters?* (2014).

- IIRC's examples database⁷⁶; and
- GRI's disclosure database⁷⁷ and lists of GRI standards reports⁷⁸.

When considering scope, it is important to consider where the most significant impacts lie in the life cycle of the product or service. There can be huge variation here. For example, for some manufacturers, the supply chain may be the locus of the largest impact (see Section A – *“Case study – Puma and the Natural Capital Protocol”, on page 45*). Whereas in the case of products such as electronic goods or clothes, the most significant impact may apply to energy use during their lifetime and maintenance. See section B.2 *“1.1.3. Materiality – Definition and approaches”, on page 75* and *“Table 16. Illustration of where impacts can arise in the life cycle of a product or service”, on page 76*, for further discussion on this issue.

Prioritization

Most approaches suggest a prioritization matrix, but there has been some divergence as to how the issues are prioritized.

- All frameworks agree that one axis should plot the impact/influence on stakeholders or other external factors.
- There is significant divergence with regard to the other axis. For example:

76 <http://examples.integratedreporting.org/home>

77 <http://database.globalreporting.org/>

78 www.globalreporting.org/reportregistration/verifiedreports

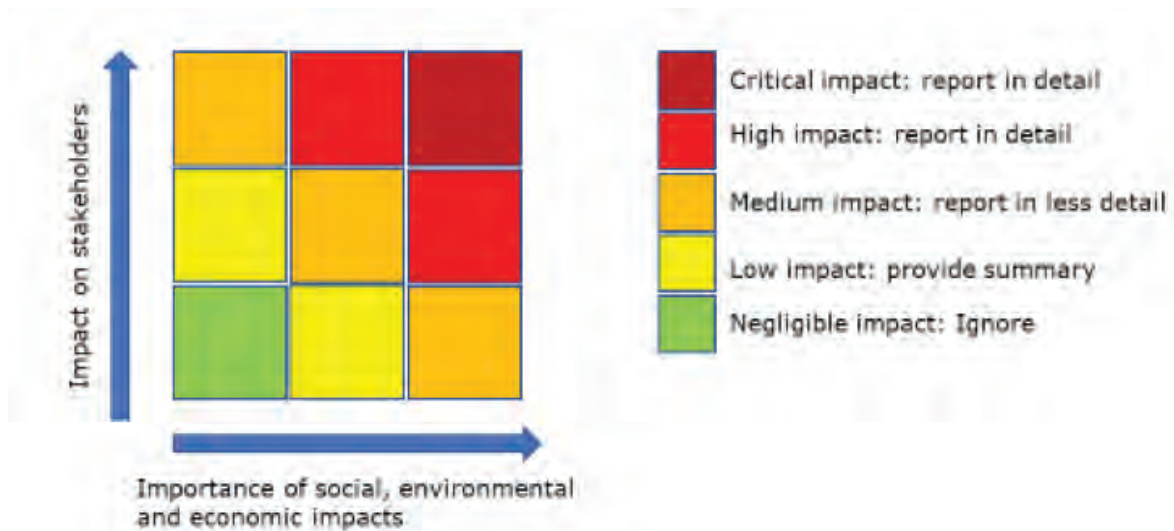


Figure 6. Schematic materiality matrix

- GRI promotes that this should plot the significance of social, environmental, and economic impacts.
- AccountAbility proposes that this should plot the scale of internal impact, financial implications, and reputational risk.]

Examples of the two approaches are shown in *“Figure 5. Example of materiality matrices⁷²”, on page 34.*

The most common elements in the prioritizing of impacts include:

1. Stakeholder engagement – further discussion with stakeholders to understand their priorities in more detail
2. Assessment of the significance of potential impacts, which can be done by considering:
 - a. The likelihood of an impact
 - b. The severity of an impact
 - c. How critical the impact is for the long-term performance of the organization
 - d. The opportunity for the organization to grow or gain advantage from the impact
 - e. More specific issues, such as financial and non-financial implications; impacts on the strategies, policies, and processes of the organization; and impacts on competitive advantage/management excellence

⁷⁹ Global Reporting Initiative, GRI 101 - Foundation 2016 (2016).

⁸⁰ AccountAbility Institute, *The Materiality Report: Aligning Strategy, Performance and Reporting* (2006).

3. Establishment of thresholds; the information can now be plotted graphically, and then used to identify which issues will be reported; a threshold for reporting will need to be established (for example, will only impacts that have a combined medium/high significance be reported, or will medium/medium issues be included?); this same analysis can be used to identify the degree to which issues need to be covered (those that are of greater significance should be covered in more detail)

“Figure 6. Schematic materiality matrix”, on page 35, outlines how issues can be plotted in relation to their importance to stakeholders and the perceived impact on the environment, society, and the economy. It also indicates how much detail should be included when reporting on an issue.

Validation and review

Once a comprehensive list of issues has been identified and prioritized, the issues need to be checked to ensure that:

- the report provides a reasonable and balanced representation of the organization’s sustainability performance, including both positive and negative impacts; and
- the proposed content is sound and credible.

To do this, the proposed content should be reviewed and approved by an internal or external expert and agreed at the board level. As monitoring and reporting constitute an iterative process, the materiality assessment should be reviewed prior to the start of the process in the next reporting cycle.





Assessing an organization's material impact

Section A – “2.1. Materiality”, on page 31, outlines a suggested approach to undertaking a fully comprehensive materiality assessment with formal consultation throughout the process. Because this describes an ideal process, which may be beyond the resources of smaller organizations, smaller organizations have the option of applying a simplified process involving actions such as the following:

1. Desktop research, including:
 - a. High-level literature review - using existing sector guidance to identify likely key reporting areas for the organization's sector
 - b. Review of the upstream and downstream impacts of the company to identify any issues which are outside the company's direct control and which should be made known to the company
2. Informal discussions with key stakeholders, employees, and customers to explore these issues in more detail
3. Based on the information gathered, a prioritization of the impacts in order to identify those that are materially important
4. Finalization of the report content with a review including input from an internal or external expert

Over time, the company can increase the amount of stakeholder engagement in the process and refine the process of identifying materially important issues.

2.2. CONTEXT

All sustainability reports should apply the “sustainability context” principle. According to the GRI standards, “the report shall present the reporting organization's performance in the wider context of sustainability”⁸¹. This means that a sustainability report should put the organization's performance in the context of: the limits and demands placed on environmental and social resources at various levels (sector, local, regional, and/or global); and the manner in which an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions at the local, regional, and/or global level. For example, this can mean an organization should report its absolute water consumption or pollution loading in relation to the capacity of the regional ecosystem to provide fresh water or absorb the pollutant.

An assessment of the application of the sustainability context principle in *Raising the Bar* suggests that all companies should be required to apply a context-based approach to sustainability reporting, allocating their fair share impacts on common capital resources within the thresholds of their carrying capacities. To do this, much more information on global sustainability boundaries needs to be established.

81 Global Reporting Initiative, GRI 101 - Foundation (2016), available at <https://www.globalreporting.org/standards/gri-standards-download-center/>



Box 1: Useful concepts, initiatives, and tools for applying the context-based principle

Planetary boundaries

The work done by the Stockholm Resilience Centre⁸² on establishing “planetary boundaries” is the most scientific approach to this challenge. Nine planetary boundaries within which humanity can continue to develop and thrive for generations to come have been identified and quantified. Crossing these boundaries could generate abrupt or irreversible environmental changes. Respecting the boundaries reduces the risks posed to human society by crossing these thresholds.

Context-based metrics

The Centre for Sustainable Organisations (CSO), a non-profit corporation created in 2004, conducts research, development, and training for, and with, companies around the world interested in improving the sustainability performance of their operations.

The Centre is strongly committed to an approach for corporate sustainability measurement, management, and reporting that is context-based. This means that it interprets sustainability performance in terms of impacts on vital capital resources within a framework of norms, standards, and thresholds for the sustainability of impacts.

The CSO advocates for the context-based sustainability (CBS) approach that takes social, economic, and environmental thresholds in the world explicitly into account. It is along these lines that the Centre provides guidance regarding carbon emissions, water use, waste, and social footprint.

World Wide Fund for Nature/World Wildlife Fund (WWF) 3% Solution⁸³

WWF and CDP assessed the gap between the level of emissions the American corporate sector is likely to reach by 2020 and the level of emissions required to avoid the increase threshold of 2°C.

The analysis found that, based on 2010 levels, the American corporate sector needed to reduce total annual greenhouse gas emissions in 2020 by 1.2 gigatonnes of CO₂ emissions. This was equivalent to annual reductions of approximately 3 per cent per year across the American corporate sector – the 3% solution. This analysis did not look at specific sectors, only looked at the corporate sector as a whole, but it led to the concept of science-based targets, which does analyse emissions by sector.

Science Based Targets initiative

The Science-Based Targets initiative⁸⁴ (SBTi) is an approach being promoted to put carbon emissions into context. The initiative takes a decarbonization approach which aims to provide businesses with a sector-specific and research-backed method to set their emissions goals. SBTi showcases companies that set science-based targets to highlight the advantages and competitiveness generated by science-based target setting. It also defines and promotes best practice, offers guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

The initiative provides a quick guide outlining how to join the initiative.

Global Water Tool (GWT)

Whereas carbon emissions are a global challenge, water use is mostly a local issue. The World Business Council for Sustainable Development (WBCSD) Global Water Tool (GWT)⁸⁵ aims to provide a company-wide water risk assessment to determine the value at risk and to identify business areas that are most at risk. The tool allows site-specific analysis and includes an Excel workbook, a mapping function to plot sites with datasets, and a Google Earth interface.

82 <http://www.stockholmresilience.org/research/planetary-boundaries.html>

83 WWF and CDP, The 3% Solution – Driving Profits through Carbon Reduction (2013), available at <https://www.worldwildlife.org/projects/the-3-solution>

84 <http://sciencebasedtargets.org/>

85 Available at <http://www.wbcd.org/Clusters/Water/Resources/Global-Water-Tool>

Users can map their locations and water-use data against water, sanitation, population, and biodiversity datasets and stress indicators on a country and watershed basis (where possible).

Local Water Tool (LWT)

The Global Environmental Management Initiative (GEMI) has developed the Local Water Tool™ (LWT)⁸⁶, which is a free tool that companies can use to evaluate the external impacts, business risks, and opportunities relating to water consumption and discharge, and then develop management plans based on this evaluation. The LWT is more comprehensive than the GWT, the two tools are compatible, and the LWT allows direct importing of GWT data. This allows a more in-depth analysis of each site.

Triple bottom line

Approaches that aim to put the three pillars of sustainability in context, often termed triple-bottom-line accounting, include the Future-Fit Business Benchmark (FFBB)⁸⁷, One Planet Living Goals and Guidance⁸⁸, and the Natural Capital Protocol⁸⁹.

The FFBB is a standard that is being actively developed. At its core are 23 break-even goals, which together “mark the line in the sand that all companies must strive to reach: the transition point beyond which a business starts helping – rather than hindering – society’s transition to future fitness”. These 23 goals are in four categories:

1. Fosters well-being
2. Respects nature
3. Optimizes resources
4. Strengthens society

For each goal, detailed guidance is provided on how to

measure performance and what the break-even value is. This provides a comprehensive set of indicators with an analysis of what constitutes a sustainable level of performance.

One Planet Living is a framework of 10 principles that can be applied to companies and organizations. It is based on the concept of ecological footprint and planetary boundaries, and uses this to provide a set of goals and guidance documents, including a version for companies. This is a non-proscriptive, easy-to-understand framework that puts sustainability in context and provides companies with a clear process for developing, monitoring, and implementing their own sustainability strategies.

The Natural Capital Protocol was developed by the Natural Capital Coalition and formalizes an approach pioneered by Puma. The Natural Capital Protocol aims to support better decisions by taking into account how companies interact with nature, or more specifically, natural capital. Natural capital has, for the most part, been excluded from decisions and when it has been included, this inclusion has been largely inconsistent, open to interpretation, or limited to moral arguments. The protocol offers a standardized framework for identifying, measuring, and valuing impacts and dependencies on natural capital, putting a company’s demand on natural capital in a global context.

86 Available at <http://gemi.org/localwatertool/about.html>

87 Future-Fit Business Benchmark, Methodology Guide (2017), available at <http://futurefitbusiness.org/resources/downloads/>

88 Bioregional, One Planet Living Goals and Guidance (2017), available at <https://www.bioregional.com/resources#one-planet-living>

89 Natural Capital Coalition, The Natural Capital Protocol (2016), available at www.naturalcapitalcoalition.org/protocol



Case study – Marks & Spencer (M&S), Plan A⁹⁰

Marks & Spencer (M&S) launched Plan A in January 2007. The plan's 100 commitments include ambitious targets to make the company's operations carbon-neutral and to send no waste to landfill. The plan has been reported on annually and was updated in 2010 and 2014; in 2017, it was relaunched based on discussions with stakeholders. Ten specific changes were identified in the update, significantly, these included:

- Setting a science-based target to accelerate a shift toward becoming a low-carbon business
- Being a leader in transparency

The 2007 Plan A included 29 targets to tackle climate change and led M&S to reduce its absolute operational carbon footprint by 70 per cent. However, materiality assessments demonstrated to M&S that its own carbon footprint is the smallest part of its value chain carbon footprint, dwarfed by that of its supply chain and of customer use of M&S products. Therefore, M&S set a new (approved) science-based target that also aims: to reduce scope 1 and 2 emissions (emissions related to direct fuel consumption and purchased electricity) by 80 per cent by 2030 (compared to 2007 levels) and by 95 per cent by 2035; and to reduce scope 3 emissions (emissions in the value chain) by 13.3 million tonnes of carbon dioxide equivalent by 2030.

M&S has published digital transparency maps identifying all the factories that produce food, clothing, home, and beauty products. Through Plan A 2025, it intends to add information on the raw material sources used.

M&S's commitment to Plan A and reporting on progress has given the company a leadership position in sustainability reporting. It has reinforced this position by ensuring that its commitments are context-based and rooted in science.

90 M&S, Plan A 2025, (2017).



Putting organizations' performance into context

Companies should be encouraged to develop and report on targets that link to the local, regional, and global contexts.

For carbon emissions, an approach akin to that of the "3% solution" is a simple starting point. Companies can select annual carbon reduction targets in line with their countries' own targets or in line with the Paris Agreement, where their countries' targets are potentially insufficient. A good starting point is Climate Action Tracker⁹¹, which lists the carbon targets of some countries and ranks them from "insufficient" to "role model". For those countries not listed, a full list of intended nationally determined contributions is available⁹². An alternative approach, requiring more in-depth analysis, is to identify sector-specific targets following the Science-Based Targets framework.

For local or regional issues such as water or air pollution, reference to local benchmarks should be made. The benchmarks and targets provided by the Future-Fit Business programme and the *One Planet Living Goals and Guidance* provide a good starting point for other targets.

91 www.climateactiontracker.org

92 <https://www4.unfccc.int/sites/submissions/indc/Submission%20Pages/submissions.aspx>

2.3. ASSURANCE

Increasingly, companies are turning to third-party assurance to demonstrate the quality of the information they disclose. Benefits of assurance include increased recognition, trust and credibility, higher data quality and reliability, strengthened internal reporting processes and management systems, and improved CEO, board and broader stakeholder engagement⁹³.

93 Global Reporting Initiative, The External Assurance of Sustainability Reporting (2013), available at <https://www.globalreporting.org/resource/library/GRI-Assurance.pdf>

KPMG's 2017 review of sustainability reports⁹⁴ showed that while 67 per cent of the world's largest 250 companies have their sustainability reports independently assured (up from 63 per cent in 2015 and 30 per cent in 2005), this number falls to 45 per cent for a sample of the largest 4,900 companies globally (up from 42 per cent in 2015 and 33 per cent in 2005).

There also remains variation in what the assurance covers. In the 2015 *Survey of Corporate Responsibility Reporting*⁹⁵, KPMG found that of 1,359 of the world's largest companies, 50 per cent had the complete sustainability report assured and 34 per cent only had specific indicators assured. The remainder had specific chapters of the report or indicators assured.

The United Nations Environment Programme reviewed the GRI database and found that in 2013, 31 per cent of reports published by SMEs had some form of assurance and that the majority of these assured reports were European, although there were examples from Argentina, Brazil, Peru, and South Africa. The area of GHG emissions was one of the most common in which assurance was used.

Unfortunately, there is no agreed standard for assurance. The IIRC published a review in 2015⁹⁶ which stated that, since integrated reporting was an evolving endeavour, assurance of integrated reports would need to evolve with it. For its part, GRI does not define what assurance should cover, but it does provide some guidance:

- The assurer should be independent and demonstrably competent in both the subject matter and assurance practices.
- Quality-control procedures need to be applied.
- The review should be undertaken in a systematic, documented, and evidence-based manner to assess whether the report provides a balanced presentation of performance, considering the veracity of data and overall selection of content.
- The assurer should issue a written report that is publicly available and includes a set of conclusions and a summary of the work performed.

94 KPMG, *The Road Ahead – The KPMG Survey of Corporate Responsibility Reporting* (2017).

95 KPMG, *Currents of Change: The KPMG Survey of Corporate Responsibility Reporting* (2015).

96 International Integrated Reporting Council, *Assurance on <IR>: Overview of Feedback and Call to Action* (July 2015).

The GRI does not recommend a particular assurance standard, but identifies two separate international standards that are most often referred to and can be followed for sustainability assurance⁹⁷: the International Standard on Assurance Engagements (ISAE) 3000 and AccountAbility 1000 Assurance Standard (AA1000AS)⁹⁸. The former was developed for audits of financial information, but an update in 2013 specifically mentions that it can be used to assure reports on sustainability performance⁹⁹. The AA1000AS provides guidance for external assurance of the implementation of the AA1000 Principles Standard – AA1000APS (a set of principles which can be used to guide a company's approach to sustainability). While the AA1000AS guidance is more specific to sustainability, it is also specific to the AA1000APS.

Raising the Bar outlines the benefits and drawbacks of each and provides elements that should be included in an assurance report. The guidance includes:

- Identification of which assurance standards have been used (e.g., ISAE 3000 or AA1000AS)
- Scope of assurance
- Disclosures covered
- Assurance criteria
- Methodology (including additional standards and guidance used) and any limitations
- Level of assurance provided
- Findings/opinion and conclusions
- Observations and/or recommendations
- Notes on competencies and independence of the assurance provider
- Name of the assurance provider
- Date and place

While assurance generally is understood to refer to third-party assurance it also covers internal assurance processes. Whether a report on sustainability performance is reviewed by a third party or not, it should include a description of the internal quality-control procedures that have been undertaken to produce the report and check its veracity and quality.

97 Global Reporting Initiative, *The External Assurance of Sustainability Reporting* (2013).

98 AccountAbility, *AA1000 Assurance Standard* (2008), available at <http://www.accountability.org/standards/>

99 ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*



Demonstrating the quality of disclosed information

Companies should be encouraged to undergo third-party assurance, and as a minimum, this should cover the following:

- The data and the reliability of any resulting claims made by the company and relating to the key indicators (further information on indicators is provided in section A – *“3. Key topics and indicators in sustainability reporting”, on page 43*)
- How well the organizations apply sustainability principles, including stakeholder engagement, materiality, and the appropriateness of any targets (context)

Companies should also provide a detailed description of their internal quality-control procedures.



Promoting consistent reporting

To effectively promote consistent reporting, policies or guidance can provide (and even enforce) minimum standards for what constitutes a sustainability report. The policy or guidance can provide a range of potential indicators, highlighting those that are obligatory and specifying the degree to which the information should be broken down.

2.4. INCONSISTENT REPORTING

The growth of reporting frameworks can be an asset to the reporting agenda, since organizations can identify the approach that is most suitable for them. On the other hand, this growth creates confusion and opens up the possibility of companies identifying the approach or indicator that shows them in the best light. There are several interrelated issues:

1. Checklist compliance can lead to organizations reactively reporting historical information, rather than identifying their material topics and defining these key issues effectively.
2. Despite the checklist approach, many of the leading reporting frameworks and guidelines leave room for interpretation in their reporting requirements, which results in inconsistent reporting even among companies using the same framework or guidelines. Additionally, some companies may only report headline figures (total emissions), while others provide a detailed breakdown.
3. On top of this, the number of different reporting frameworks means that there can be an inconsistency in the use of indicators.

Although there is a range of detailed guidance on sustainability reporting available, harmonization is still required.

3. KEY TOPICS AND INDICATORS IN SUSTAINABILITY REPORTING

Sustainability reporting is a rapidly evolving discipline, and there is a growing understanding of how and what to measure in order to demonstrate holistic sustainability benefits. As sustainability reporting is trying to assess the complete performance of a company, this necessitates a broad spectrum of analysis and monitoring.

The organizations discussed in section A – “1.4. Current context”, on page 18, provide different levels and styles of guidance regarding what should be included in a sustainability report:

- The OECD guidelines¹⁰⁰ cover the topics to include in a report and provide general guidance on the approach to take, but without specific requirements or indicators.
- The United Nations Global Compact provides 10 high-level principles without specific requirements¹⁰¹.
- The Global Reporting Initiative has a comprehensive list of specific topics that can be reported on, as well as general disclosures¹⁰².
- The International Integrated Reporting Council outlines the general content of an integrated report without giving specific topics that need to be reported on¹⁰³.
- The Sustainability Accounting Standards Board provides high-level categories that specific sectors should report on¹⁰⁴.
- The AccountAbility Institute guidelines provide reporting principles and not specific topics to report on¹⁰⁵.

As the discipline has grown, there has been an increase in the number of indicators being measured and reported on, which has made difficult a consensus over exactly what to measure and how to report and harmonize this.

100 Organisation for Economic Co-operation and Development, OECD Guidelines for Multinational Enterprises (2011).

101 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

102 <https://www.globalreporting.org/standards>

103 International Integrated Reporting Council, The International IR Framework (2013).

104 Sustainability Accounting Standards Board, Disclosure Topic Tables (2017).

105 The AccountAbility Institute, AccountAbility Principles Standard 2008.

While there is variation between the specific reporting requirements of each approach, broad agreement can be found. In that sense, the aim of this section is to outline the current approaches on corporate sustainability reporting in key areas and the degree of consensus.

3.1. FREQUENTLY REPORTED ENVIRONMENTAL TOPICS

“Table 5. Most frequently reported environmental topics as identified in Raising the Bar”, on page 43, below, summarizes the most commonly reported environmental topics as identified by Raising the Bar.

Greenhouse gas (GHG) emissions	The GHG Protocol Corporate Accounting and Reporting Standard ¹⁰⁶ (the “GHG Protocol”) offers a detailed structure for measuring and reporting greenhouse gas emissions. This approach is referenced by most reporting systems (such as GRI) and most companies report on GHG emissions.
Energy use	Energy use is widely reported separately from GHG emissions, but there is some wide variation in how it is reported: total energy use, relative energy use (energy/unit of area), energy intensity (energy/unit of production), quantity of energy from renewable resources, etc.
Water use	Most companies will report total water use. Some will also include information on water intensity (use/unit of production), water recycled (percentage), and water quality, but few provide any context on local water availability.
Waste and materials	There is considerably less consensus as to reporting waste and materials. Reporting can include coverage of: origins of materials used for production; reduction in waste (absolute or relative), including reduction of hazardous waste; total quantities of waste by major category (metal, organic, plastic, hazardous, etc.) recycled, incinerated, or sent to landfill. Reporting on hazardous waste should cover use of chemicals such as pesticides, volatile organic compounds, and ozone-depleting substances.

Table 5. Most frequently reported environmental topics as identified in Raising the Bar

106 <http://www.ghgprotocol.org/>

A review of what issues are normally covered by different sectors has identified that biodiversity (sometimes referred to as ecology) is another key issue that is frequently reported on by some sectors (see [“Table 6. Biodiversity indicators frequently reported on”, on page 44](#)).

Biodiversity	<p>Issues that are frequently reported on include:</p> <ul style="list-style-type: none"> Operational sites in or adjacent to protected areas and areas of high biodiversity value outside protected areas Significant impacts of activities on biodiversity Habitats protected or restored <p>International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations</p>
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Table 6. Biodiversity indicators frequently reported on

3.2. FREQUENTLY REPORTED SOCIAL AND INSTITUTIONAL TOPICS

Although reporting on social issues has a longer history than many environmental issues, social indicators are frequently more likely to be qualitative than quantitative, making consensus over reporting complicated. Table 7 summarizes the key areas identified by UNCTAD.

Gender equality	There are a range of ways that this can be measured, including determination of the percentage of women employed, the percentage of women in management, and remuneration and benefits by gender.
Investment in human capital	This refers to the commitment made by the company to offer employees personal and professional training opportunities, as well as the benefits that enable employees to flourish. It can be measured in terms of training hours or budget and a breakdown of benefits.
Health and safety	This can refer to the rates of injury, accident, or exposure to disease; training in health and safety; or the establishment of committees to oversee health and safety.
Collective agreement	This refers to the ability of employees (and of key suppliers) to join unions or other organizations to allow collective bargaining.
Governance disclosures	It is recommended that companies disclose information about their boards, including details on the number of meetings, gender ratio, and compensation.
Donations and payments	Companies make significant contributions to governments, and it is important that these be transparent. Charitable and community donations and contributions to local NGOs and social programmes should be reported.
Anti-corruption	Corruption is a significant obstacle to economic development. Companies should reveal any corruption-related fines or convictions that they have, or indicate what measures they have in place to help prevent corruption.

Table 7. Social and institutional indicators frequently reported on, as identified by UNCTAD¹⁰⁵

3.3. EVOLVING AREAS OF SUSTAINABILITY REPORTING

While there are some well-defined protocols for some key areas of sustainability reporting, others are still evolving. Recent initiatives and evolving areas are outlined in Table 8.

Biodiversity and ecology – ecosystem valuation	Much work has been done on putting an economic value on the services nature provides, or “ecosystem services valuation”. This has led to the concept of “environmental profit and loss accounts”. Recently, a range of organizations, including WBCSD, the World Resources Institute (WRI), WWF, IUCN and PwC, have come together to create a standard procedure for valuing the services the environment provides for companies. It is called the Natural Capital Protocol ¹⁰⁸ .
Materials – circularity indicator	The concept of the circular economy has become popular in recent years. A circular economy can be defined as “a regenerative system in which emissions and resource input and waste are minimised by closing material and energy loops. This can be achieved through long-lasting design, repair, and recycling”. Although currently there is limited knowledge in respect of measuring how effectively materials are being reused and recycled within a system, the Ellen MacArthur Foundation has developed a “circularity indicator ¹⁰⁹ ”, which can help define this.
Chemicals (and other novel entities)	There is increasing awareness of the impact of chemicals on the environment and human health. Novel entities are identified as constituting one of the nine planetary boundaries; they are defined as “new substances and modified life-forms that have the potential for unwanted geophysical and/or biological effects” and include both chemicals and nanoparticles. Several chemicals themselves are regulated by international conventions, such as the Stockholm, Rotterdam, Minamata and Basel conventions, and recently, the Dow Jones Sustainability Indices have put greater emphasis on chemicals management ¹¹⁰ .

Table 8. Evolving areas of sustainability reporting

107 United Nations Conference on Trade and Development, Core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals (2017).

108 <http://naturalcapitalcoalition.org/protocol/>

109 <https://www.ellenmacarthurfoundation.org/resources/apply-circularity-indicators>

110 <https://chemsec.org/why-the-stock-markets-increased-attention-on-toxic-chemicals-is-a-big-thing/>



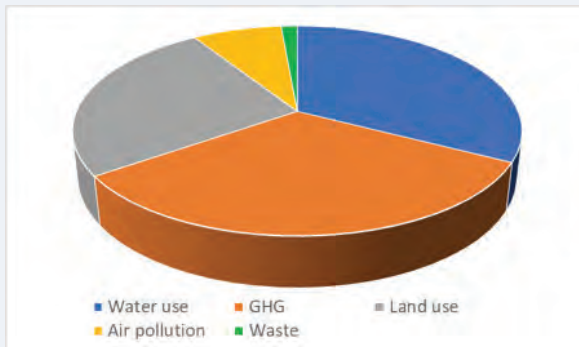
Case study – Puma and the Natural Capital Protocol

In 2011, sports and lifestyle company Puma released its *Environmental Profit and Loss Account*¹¹¹. The analysis behind this report aimed to put a monetary value on the environmental impacts along the company's entire supply chain. The analysis covered manufacturing, processing, and the raw materials production for all Puma's goods. This identified the total environmental cost of the supply chain to be 145 million euros – with the impact split quite equally between greenhouse gas emissions, water use, and land use (graph A). The analysis also revealed that Puma's operations only accounted for 6 per cent of the impact; the company's

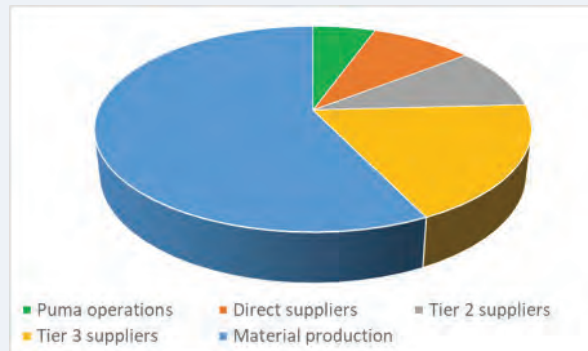
direct suppliers (tier 1 in graph B) accounted for a further 13 per cent, but material production accounted for 57 per cent.

This was a first attempt to put a monetary value on the supply chain. Puma's parent company Kering then developed this into a standardized methodology that has been used to measure the environmental profit and loss in the supply chain in 2013 and 2016. This approach contributed to the development of the Natural Capital Protocol and the Natural Capital Coalition, which had over 250 members in April 2018.

111 Puma, PUMA's Environmental Profit and Loss Account for the Year Ended 31 December 2010 (2011).



Graph A – Contribution of different environmental impacts to Puma's total environmental impact



Graph B – Contribution of different areas of the supply chain to Puma's total environmental impact; tier 2 suppliers supply Puma's direct suppliers and are supplied by tier 3 suppliers

3.4. ROLE OF MONITORING – INDICATORS

Sound, achievable, and available indicators for measuring progress are fundamental to the effective implementation and attainment of global sustainability goals. Indicators are important because having the responsible individuals report against them drives action to maintain progress in the implementation of the goals in every reporting period.

3.4.1. Indicator characteristics

Indicators, to be effective, need to meet certain criteria. UNCTAD has identified quality criteria and guiding principles to be taken into account in selecting indicators:

1. **Universality:** the indicators should apply to all enterprises, regardless of sector, size or location, to maximize the comparability of reported information.
2. **Incremental approach:** indicators should first address issues over which an enterprise has control and for which it already gathers, or has access to, relevant information.
3. **Consistency:** the selected indicators should be able to be recognized, measured, and presented in a consistent way to enable comparison over time and across entities.
4. **Performance rather than process orientation:** the indicators should show whether desired outcomes are achieved rather than whether policies,

regulations, and processes are put in place.

5. National reporting and positive corporate contributions to development: indicators should help to analyse positive corporate contributions to the economic and social development of the country in which a company operates.
6. Relevance and materiality: indicators should measure information that meets the needs of decision-makers, helping them to evaluate past, present, and/or future events, or confirming or correcting their past evaluations.
7. Understandability: the information on corporate responsibility must be understandable to the reader and in keeping with the knowledge and experience of users.
8. Reliability and verifiability: indicators should give a true, complete, and balanced view of the actual situation; a selected indicator should allow for internal or external verification.

One key additional point to highlight is the difference between relative and absolute indicators:

- Absolute indicators are those that measure total numbers: total greenhouse gas emissions, total training hours, or total health and safety incidents.
- Relative indicators measure performance per unit of production (as defined by the organization). This can be training hours per employee, water consumption per bed-night, or greenhouse gas emissions per unit of production, for example.

Both approaches have value and are important, but they must be used correctly. Absolute indicators should be used for target-setting where there is an absolute limit regarding the topic that is being reported. Pollution, water consumption, and greenhouse gas emissions are good examples of this. Ultimately, it does not matter how little energy or water an organization is using per square metre; if the amount is more than the local or global environment can sustain, then it is too much.

Relative indicators are useful for allowing comparison between comparable operations and tracking an organization's own performance over time. Again, water is a good example. Being able to compare litres per guest-night at different hotels is useful, but the context needs to be comparable; if one hotel is in a water-rich area, it should not be compared to one in a desert. Relative indicators can also be used for target-setting.

3.5. REVIEW OF EXISTING PROTOCOLS FOR SOCIAL AND ENVIRONMENTAL INDICATORS

As noted in section A - *"1.4. Current context"*, on page 18, there are different frameworks driving corporate sustainability reporting, many of which follow different protocols and standards. Key existing indicator protocols and standards are outlined in this section.

3.5.1. Greenhouse gas emissions

The Greenhouse Gas (GHG) Protocol is the most commonly referred standard for GHG emissions reporting. It forms the basis for guidance on GHG emissions reporting within other widely used frameworks for reporting on the issue, including the GRI and the Carbon Disclosure Project (CDP).

Developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol is the most commonly referenced standard for GHG accounting and provides the accounting framework for most GHG standards and programmes in the world.

The standard has three "scopes" for GHG emissions, covering the major greenhouse gases, including methane, nitrous oxide, and chlorofluorocarbons (CFCs):

- Scope 1 - direct GHG emissions: covers all direct GHG emissions produced by an organization; includes fuel combustion (such as for heating), company vehicles, and fugitive emissions (e.g., refrigerant gases)
- Scope 2 - electricity indirect GHG emissions: covers indirect GHG emissions from consumption of purchased electricity, heat or steam
- Scope 3 - other indirect GHG emissions: includes the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution) not covered in scope 2, outsourced activities, and waste disposal

ISO 14064, which covers the definition of a carbon footprint for a company, specifies principles and requirements at the organization or project level for quantification and reporting of GHG emissions and removals. It includes requirements for the design, development, management, reporting, and verification of an organization's GHG inventory.

3.5.2. Water consumption

Water consumption is relatively easy to measure; the challenge mostly concerns putting it in context. There are several initiatives for this purpose.

The United Nations Global Compact CEO Water Mandate is designed to assist companies in the development, implementation, and disclosure of water sustainability policies and practices. The Mandate contains the Corporate Water Disclosure Guidelines, which include three key pillars:

1. Company water profile – the company's relationship with water resources
2. Defining report content – materiality assessment
3. Detailed disclosure – should cover current state, implications, and response

Additionally, the CDP Water Questionnaire is a tool aimed at investors and builds on survey-based reports on companies' water management. The first version of the CDP water reporting requirements was released in December 2013.

Other tools, such as the Global Water Tool, the Global Environmental Management Initiative Local Water Tool and the CSO watershed approach, have been introduced in section A – [“2.2. Context”, on page 37.](#)

In addition to taking some important cues from these initiatives, companies should, as a minimum, consider the following when reporting on water:

1. Total water and recycling:
 - a. Water withdrawal and usage in the company's operations, ideally broken down by location
 - b. Information on volume and quality regarding water that is discharged or recycled and reused
2. Information on the water intensity or efficiency of the company's operations or products
3. Mapping of the company's impact on water sources, with a key focus on impact on water-scarce regions
4. Measures undertaken to reduce the company's impact on water sources and to increase water efficiency in its operations

3.5.3. Waste and materials

As waste and materials are physical entities, it may appear easier to measure them than it is to measure greenhouse gas emissions. However, there is no agreed protocol for companies to follow. Waste poses a challenge in that, frequently, the corresponding resource is not in short supply, and the manufacture or disposal of the resource may be responsible for the material's impact. To understand the impact of a material, it is necessary to do a full lifecycle assessment, whereby the impact of extracting, manufacturing, recycling, and ultimately disposing of a material is calculated. This is a challenging academic process; it is also location-specific, as it depends on local recycling rates and the carbon electricity of the grid.

There are a number of frameworks or philosophies that aim to promote more efficient material use. The concept of “cradle-to-cradle” design was developed in 2002 and has continued to evolve. While the concept of the circular economy has been around for longer, it has only recently come back to prominence.

Even with these initiatives there are no recognized metrics for measuring how effectively companies are utilizing resources. As noted in section A - [“3.3. Evolving areas of sustainability reporting”, on page 44,](#) the Ellen MacArthur Foundation is working on developing a circularity indicator and released a methodology in 2015¹¹² to assess how well a product or company performs in the context of a circular economy. The Material Circularity Indicator measures how restorative the material flows of a product or company are. While this indicator can give detailed insight into how efficiently resources are being used, it is unlikely to be widely taken up in the short term.

3.5.4. Sources for social indicators

Social indicators tend to be less quantitative than environmental indicators; therefore, while there are many existing initiatives and datasets relating to key social indicators, there are few agreed indicator frameworks akin to the Greenhouse Gas Protocol. Existing sources of information for relevant datasets include:

- United Nations Global Compact Poverty Footprint¹¹³ - contains a comprehensive list of indicators that can be used to understand corporate impacts on poverty

112 <https://www.ellenmacarthurfoundation.org/programmes/insight/circularity-indicators>

113 <https://www.unglobalcompact.org/library/3131>



- World Bank World Development Indicators¹¹⁴ - include 800 indicators in 150 countries; however, the corresponding data are national-level rather than corporate
- Leibniz Institute for the Social Sciences – European System of Social Indicators¹¹⁵ - includes over 650 proposed indicators at the national level
- OECD – Society at a Glance¹¹⁶ - reviews performance against social indicators globally

The United Nations Conference on Trade and Development drew on these resources and on its previous research to propose the social indicators outlined in the report *Core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goal*¹¹⁷.

3.6. CORE ENVIRONMENTAL, SOCIAL, AND INSTITUTIONAL INDICATORS FOR REPORTING AND THEIR RELEVANCE TO THE SUSTAINABLE DEVELOPMENT GOALS

As discussed at the beginning of section A – “*3. Key topics and indicators in sustainability reporting*”, on page 43, each reporting initiative takes a different approach regarding suggested content, reporting guidance, and the requirement for the disclosure of specific topics. This section focuses on the specific environmental, social, and institutional indicators proposed in the research review undertaken by UNCTAD¹¹⁸, and presents an association with other methods of measurement based on existing reporting practices and their relevance to the Sustainable Development Goals’ monitoring framework.

“*Table 9. Most frequently used environmental indicators and guidance for key issues*”, on page 49, presents the most frequently used environmental indicators and guidance for key issues and “*Table 10. Frequently reported social indicators*”¹¹⁹, on page 51 the most frequently used social and institutional indicators and guidance for key issues.

114 <http://wdi.worldbank.org/tables>

115 <https://www.gesis.org/en/services/data-analysis/social-indicators/european-system-of-social-indicators>

116 <https://www.oecd.org/social/society-at-a-glance-19991290.htm>

117 United Nations Conference on Trade and Development, *Core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals* (2017).

118 *Ibid.*

119 *Ibid.*

Category	Indicator	Data measured	UNCTAD	GRI	SDG	Guidance
Sustainable water	Water recycling	Total volume of water recycled and reused as percentage of total water withdrawal: <ul style="list-style-type: none"> total water use (m3) total water recycled (m3) and reused (m3) 	B.1.1	303-3	6.3.1	CDP Water questionnaire, UNEP - Raising the Bar
	Water use efficiency	Change in water consumption per net value added in reporting period: <ul style="list-style-type: none"> total water (m3)/economic activity (turnover, profit) 	B.1.2	303-1	6.4.1	CDP Water questionnaire, UNEP - Raising the Bar
	Water stress	Water withdrawn with a breakdown by sources as proportion of available freshwater resources	B.1.3	303-1	6.4.2	CDP Water questionnaire,; UNEP - Raising the Bar
	Integrated water resource use management	Degree of integrated water resources management implementation	B.1.4	103	6.5.1	UN Global Compact's CEO Water Mandate, UNEP - Raising the Bar
Waste Management	Reduction of waste generation	Change in waste generated per net value added: <ul style="list-style-type: none"> total waste (kg) disposal method by category total waste (kg)/unit of production 	B.2.1	306-2	12.5	Example of existing guidance in the food sector: Food Loss and Waste Protocol
	Waste recycling	Percentage of recycled input materials used to manufacture organization's primary products and services	B.2.2	301-1 301-2	12.5.1	UNEP - Raising the Bar
	Hazardous waste	Total weight of hazardous waste and proportion of hazardous waste treated	B.2.3	306-2	12.4.2	Basel Convention
Greenhouse Gas emissions	Greenhouse gas emissions (scope 1)	Greenhouse gas emissions (scope 1) per unit of (net) value added	B.3.1	305-1	9.4.1	UNEP - Raising the Bar, GHG Protocol, CDP guidance on corporate accounting and reporting for GHG emissions
	Greenhouse Gas emissions (scope 2)	Greenhouse gas emissions (scope 2) per unit of (net) value added	B.3.2	305-2	9.4.1	UNEP - Raising the Bar, GHG Protocol, CDP guidance on corporate accounting and reporting for GHG emissions
Chemicals	Chemicals including pesticides and ozone-depleting substances	Dependency on ozone-depleting substances per net value added	B.4.1	305-6 305-7	12.4.2	Montreal Protocol, UNEP - Raising the Bar
Energy consumption	Renewable energy	Renewable energy consumption as percentage of final energy consumption: <ul style="list-style-type: none"> total energy use, joules, kWh percentage that is from renewable sources 	B.5.1	302-1	7.2.1	CDP guidance on renewable energy reporting, UNEP - Raising the Bar
	Energy efficiency	Energy consumption per net value added: <ul style="list-style-type: none"> total energy use/unit of economic activity 	B.5.2	302-3	7.2.1	UNEP - Raising the Bar
Biodiversity	Operational sites in areas of high biodiversity	For any operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas, at least the following should be provided: geographic location and location relative to high biodiversity area; type of operation (office, manufacturing, or extractive) and size; biodiversity value of the area	-	304-1	6.6, 14.2 15.1 15.5	Convention on Biological Diversity guidance
	Significant impacts of activities, products, and services on biodiversity	Nature of significant direct and indirect impacts on biodiversity (e.g., construction, pollution; invasive species, pests, and pathogens; reduction of species; habitat conversion; changes in ecological processes outside the natural range of variation [e.g., changes in groundwater level]) Significant direct and indirect positive and negative impacts including: species affected; extent of areas affected; duration of impacts; reversibility of the impact	-	304-2	6.6, 14.2, 15.1, 15.5	Convention on Biological Diversity guidance
	Habitats protected or restored	<ul style="list-style-type: none"> Size, location, and status of all habitat areas protected or restored; indication of any external accreditation of success reported Approach - partnership or delivered by the organization Standards, methodologies, and assumptions applied 	-	304-3	6.6, 14.2 15.1 15.5	Convention on Biological Diversity guidance
	IUCN Red List species	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk (critically endangered to least concern)	-	304-4	6.6, 14.2, 15.1, 15.5	Convention on Biological Diversity guidance

Table 9. Most frequently used environmental indicators and guidance for key issues

Category	Indicator	Data measured	UNCTAD	GRI	SDG	Additional Guidance ¹²⁰
Gender equality	Proportion of women in managerial positions	The number of women in managerial positions divided by the total number of employees	C.1.1	405-1	5.5.2	
Research and development	Expenditure on research and development	Expenditure on research and development covering: <ul style="list-style-type: none"> • basic research (research on the fundamental aspects of phenomena without a specific application) • applied research (study aimed at determining how a specific need can be met) • development (application of knowledge to produce an output) • Expenditures should be compiled if they relate to an in-process research or development project; they should be recognized as an intangible asset (International Accounting Standard (IAS) 38, Intangible Assets) 	C.2.1	-	9.5.1	IAS 38, Global Innovation Index
Human capital	Hours of employee training by category	Average number of hours of training per employee per year per category as total hours of training per year per category divided by total employees per category	C.3.1	404-1	4.3.1	International Standard Classification of Occupations
	Expenditure on employee training broken down by employee category	Direct and indirect costs of training, including those associated with trainers' fees, training facilities, training equipment, and related travel costs. The following data should be presented with breakdown by employment category: <ul style="list-style-type: none"> • head count or full-time equivalent • employment expenditure 	C.3.2	404-2	4.3.1	IAS 18
	Employee wages and benefits	Employee wages and benefits with breakdown by employment type and gender calculated as total costs of employee workforce	C.3.3	201-1	8.5.1 10.4.1	IAS 19
Employee health and safety	Expenditure on employee health and safety	Total cost of employee health and safety by adding the figures obtained from costs of occupational safety and health-related insurance programmes, enterprise's cost of health care activities financed directly by the enterprise, and enterprise's cost incurred through working environment issues related to occupational safety and health	C.4.1	403-1 403-2 403-3 403-4	3.8	International Labour Organization (ILO) - Occupational Safety and Health Recommendation (R164)
	Frequency rates/incident rates of occupational injuries	Work days lost due to occupational accidents, injuries and illness that can reflect the degree to which the enterprise contributes to creating a healthy, safe and productive work environment: <ul style="list-style-type: none"> • frequency rates (new injury cases divided by the total number of hours worked by workers) • incident rates (number of new cases divided by average number of workers) 	C.4.2	403-2	8.8.1	UN Global Compact and Oxfam - Poverty Footprint Tool
Collective agreements	Employees covered by collective agreements	<ul style="list-style-type: none"> • Number of employees covered by collective agreements to total employees (percentage) 	C.5.1	102-41 408-1 409-1	8.7 8.8.2	ILO MNE Declaration
Corporate governance disclosures	Board meetings	Number of board meetings during reporting period and attendance rates	D.1.1	-	16.6	UNCTAD – Corporate Governance Disclosure (CGD) ¹²¹
	Female board members	Number and proportion of women board members to total board members	D.1.2	405-1	5.5.2	UNCTAD - CGD
	Board members - age range	Calculated as the number of positions in board held by members of the target group divided by the total number of such positions	D.1.3	-	16.7.1	UNCTAD - CGD
	Audit committee	Number of meetings of audit committee and attendance rate	D.1.4	-	16.6	UNCTAD - CGD
	Board compensation	Total compensation and compensation per board member and executive, expressed in monetary terms	D.1.5	102-38	16.6	IAS 24

120 For all categories, the GRI guidance can be followed.

121 United Nations Conference on Trade and Development, Guidance on Good Practices in Corporate Governance Disclosure (2006), available at http://unctad.org/en/Docs/iteteb20063_en.pdf

122 Adapted from United Nations Conference on Trade and Development, Core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals (2017).

Category	Indicator	Data measured	UNCTAD	GRI	SDG	Additional Guidance
Donations	Expenditures on charitable donations	Actual expenditures on charitable donations and investments of funds in broader community where target beneficiaries are external to company, itemized on accrual basis	D.2.1	413-1	17.17.1	
Anti-corruption practices	Value of fines paid or payable for convictions	Total monetary value of corruption-related fines imposed by national regulators and courts; this indicator also requires the presentation of the total number of convictions relevant to the reporting entity	D.3.1	205-1 205-2 205-3 415-1	16.5.2	
Supply chain	Screening	Supply chain screening	-	308-1/2 414-1/2	12.7	
Society	Local community	Potential negative impact on the local community	-	202-2 413-1/2	11.6	
Product responsibility	Wider society impact	Wider society impact (fines, complaints)	-	206-1 419-1	16.5 8.8	
	Products assessed	Products assessed for improvements in health and safety	-	416-1	3.9	
	Customer health and safety	Non-compliance	-	416-2	3.9	
	Labelling	Incidents of mis-selling	-	417-1/2	16.10	
	Fines	Fines arising from product responsibility	-	417-3	16.5	

Table 10. Frequently reported social indicators²⁰



Monitoring performance and progress

While it is important for companies to monitor data to be able to monitor performance and progress, companies need to outline:

- What they are aiming to achieve, and how this is linked to the local and global context (see section A - *"2. Key areas for improving the quality of corporate sustainability reporting"*, on *page 31*) – their sustainability targets and commitments
- How they are aiming to achieve these targets – their sustainability strategy and policy
- The existence and content of other relevant policies including:
 - o Community investment strategy and policy
 - o Corporate social responsibility strategy and policy