11th Tranche of the Development Account Project
Capacity Building Activities

Sustainability reporting on contribution towards implementation of the Sustainable Development Goals in Kenya

6-9 July 2021

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Virtual Training on advancing enterprise sustainability and SDG reporting in Kenya

8th July 2021

Practical Implementation of the Global Core Indicators for Entity Reporting Based on 3 SMEs Case Study

Presented by
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Presentation agenda

- Companies background & Case Study findings
- GCI Dimensions – Economic & Social
- Conclusion and recommendations

Tai

sacco

.....together we soar

JEILO collections

An Excellent Touch of Style

DUNE PACKAGING

Alignment of strategy with SGDs

Goals of the Case Study

The three MSEs joined the UNCTAD Case Study project to demonstrate their contribution to implementing SDG agenda.

This is based on the Guidance on Core indicators (GCI) for entity reporting on the contribution towards the attainment of the Sustainable Development Goals proposed by UNCTAD.

Goals of the Case study project

Tai Sacco Ltd, JEILO Collections and Dune Packaging joined the project:

- to support the UN efforts towards achieving the SDGs and promote SDG reporting
- to demonstrate the ability of business entities to report on their SDG activity based on the GCI
- to demonstrate its leadership in sustainability reporting

Sustainability reporting responsibility

Reporting SDG implementation progress and the company's sustainability performance is the responsibility of all the employees and directors of the company due to unique nature and size of the enterprises.

Sustainability reporting framework

Main results in summary:

The sustainability report contains information on all 33 GCIs (in aggregate, 60 – 70% fully disclosed, 20 % are reported partially, while difficult to report is represented by about 10-20% of the indicators).

Key Case Study results

The reasons for partial and non-disclosure are mainly due to the nature of the industry under which the Companies operate and the unique nature of their operations.

Consequently, some of the disclosures may not be relevant to their operation and therefore, the cost and effort would not be justified.

Summary of non-disclosed indicators

Examples of those not reported by pillars	
Economic	**A.3.3. Total expenditures on research and development** *Information on the indicator can be tracked from the accounting records of the company going forward.*
Environmental	**Sustainable use of water** **B.1.1. Water recycling and reuse** **B.1.3. Water stress** *Information to be obtained from the Company's utility bills and other sources to enable tracking of the indicator.*
Social	**C.4.1. Percentage of employees covered by collective agreements.** *No disclosure on this indicator. Some of the entities do not have labour union employees and so no CBAs are negotiated. This is mainly due to the legal framework and labor laws in the country which make labor union membership optional. However, HR and other company records can provide details for tracking the indicator.*

Action taken to disclose GCI

Status of information needed for the 2019 sustainability report	Activity to produce GCI	Number of GCIs
The indicator has been covered by the existing reporting frameworks	Give a link to the GRI indicator	10
The information about the indicator is available and can be sourced from the accounting system or internal reporting	Make an additional query and/or consolidate data	7
The information needed to disclose the indicator has been collected as part of the GRI sustainability report preparation	Make additional calculations and/or disclosure	12
Not needed (the indicator is not included in the 2019 Sustainability Report)	None	4
Total		**33**

GCI dimensions

This section provides definitions, measurement methodology, potential sources of information and examples to assist entities in reporting core SDG economic indicators.

Economic area indicators

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

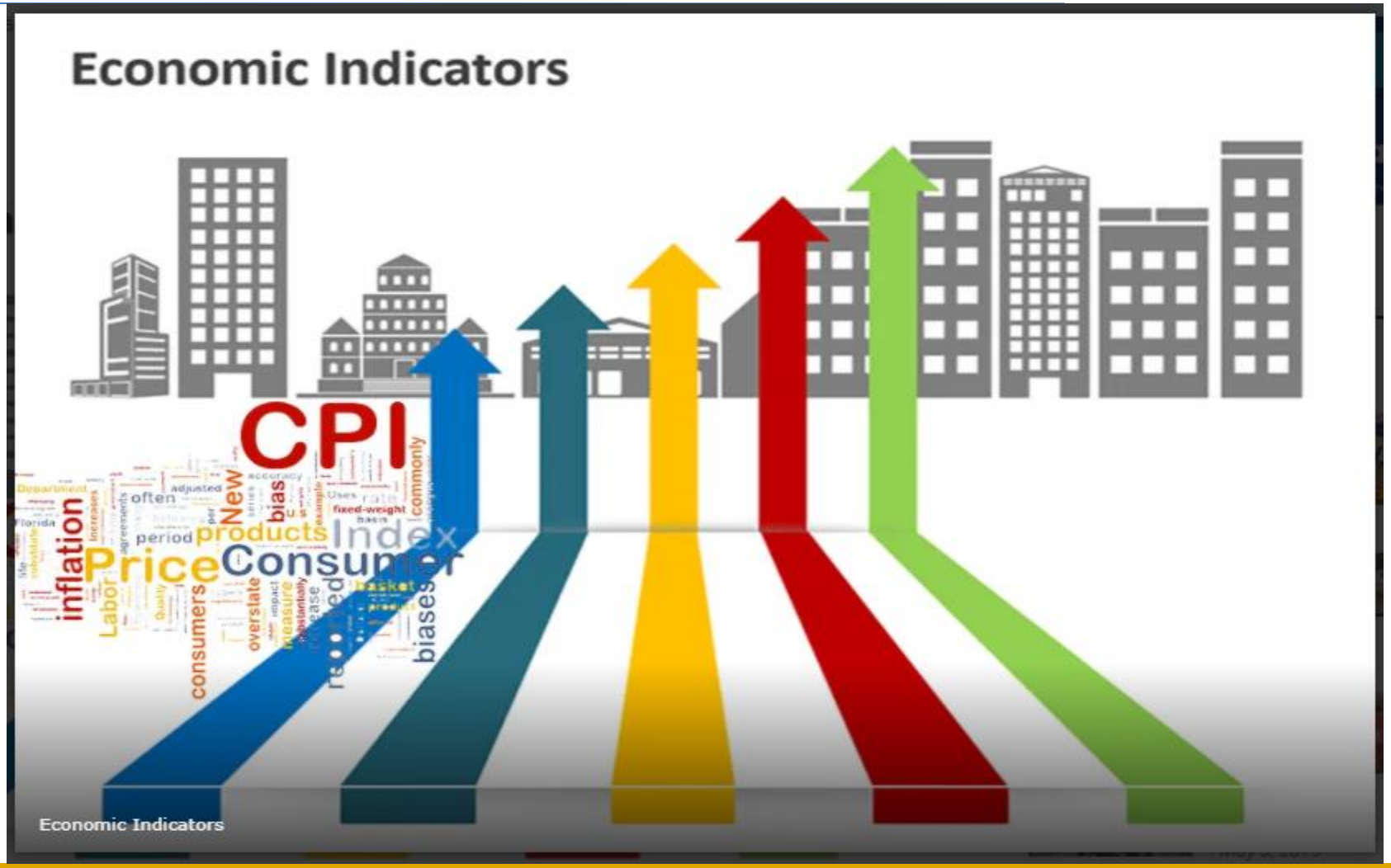
Environmental area indicators

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

Social area indicators

- Proportion of women in managerial positions
- Average hours of training per year per employee
- Expenditure on employee training per year per employee
- Employee wages and benefits as a proportion of revenue, by employment type and gender
- Expenditures on employee health and safety as a proportion of revenue
- Frequency/incident rates of occupational injuries
- Percentage of employees covered by collective agreements
- Institutional area indicators
- Number of board meetings and attendance rate
- Number and percentage of female board members
- Board members by age range
- Number of meetings of audit committee and attendance rate
- Compensation: total compensation per board member (both executive and non-executive directors)
- Amount of fines paid or payable due to settlements
- Average hours of training on anti-corruption issues per year per employee

GCI dimensions



Economic indicators

A set of key economic indicators typically used to understand the economic 'health' of an entity and that are material not only for capital providers but also for a broader range of stakeholders (e.g., employees, supplies, local communities and government) include:

- Revenue;
- Value added;
- Net value added;
- Taxes and other payments to the Government;
- Green investment;
- Community investment;
- Total expenditures on research and development; and
- Percentage of local procurement

Revenue

A.1.1. Revenue

Definition

Revenue is the value generated from sale of goods of services, or any other use of capital or assets, recognized by an entity in a given reporting period. Revenue (also known as sales or turnover) is shown usually as the top item in an income (profit and loss) statement. That is why it is considered the "top line" of a business.

Revenues should preferably be defined and measured according to IFRS 15, Revenue from Contracts with Customers. In case of an entity that is not applying IFRS 15 and using IFRS for SMEs, it should be clearly stated and explained

Revenue

Revenue

Five steps proposed to apply the standard are;

- ❑ Identify the contract(s) with the customer
- ❑ Identify the performance obligations in the contract
- ❑ Determine the transaction price
- ❑ Allocate the transaction price to the performance obligations in the contract
- ❑ Recognize the revenue when (or as) the entity satisfies the performance obligation

Current requirements	
Revenue recognition	
IAS 11	Construction contracts
IAS 18	Sales of goods
IAS 18	Sales of services
IFRIC 15	Real estate sales
IAS 18	Royalties
IFRIC 13	Customer loyalty programmes
IFRIC 18	Transfers of assets from customers advertising barter transactions
SIC 31	Previously little guidance on cost of obtaining and fulfilling a contract
Other revenue	
IAS 18	Interest
IAS 18	Dividends

New requirements	
Revenue from contracts with customers	
IFRS 15	Point in time or over time
	New guidance on royalty revenue
	New guidance on options for additional goods and services and breakage
	Guidance on non-cash consideration
	New guidance on costs of obtaining and fulfilling a contract
Other revenue	
IAS 39 or IFRS 9	Interest Dividends

Value added

A.1.2. Value added

Definition

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

- Value added can be calculated as part of the preparation of a Value Added Statement. That is a financial statement reporting the wealth created by an entity and how it is distributed among different stakeholders (e.g the employees, shareholders, government, creditors) and retained in the business. The Value Added Statement is based on the following equation:

  Direct economic value generated (revenues and other income)

  Minus

  Economic value distributed (operating costs, employee wages and benefits.

  Payment to providers of capital, payments to government by country, and community investments)

  = Economic value retained

Value added

5.1 Accounting and reporting on core indicators: Annex 1: GCI indicators for Tai Sacco

Definitions for Level of disclosure: 1. “Full” – indictor can be reported fully or full reporting is possible 2. “Partial” – indicator can be partially reported or partial reporting is possible. Aspects of the indicator may not be possible to report. 3. “None” – indicator reporting is not possible. 4. “N/A” – indicator is not applicable to the SME

GCI (name)		GCI (value)	Can the Indicator be Reported? (Y/N)	The level of disclosure	Comments about the level of disclosure	Status of information needed for	Activity to produce GCI
A. Economic Area							
A.1. Revenue and/or (net) value added	A.1.1. Revenue	IFRS 15 Sales Revenue USD $26,677,885	Y	Full	Tai Sacco was established in 1992 and has grown its revenues over three years as the Sacco expands its operations and diversifies the product.		Provide link to the existing indicator.
	A.1.2. Value added	Revenue minus costs of bought-in materials, goods and services (Gross Value Added, GVA) Gross Value Added, USD $5,190,169	Y	Full	Tai Sacco’s business model is to take deposits from its members and provide advances at a cost. The average input cost of its operations is USD $26,677,885, while the average output price of these services is USD $21,487,716. This represents a Gross Value add of USD $5,190,169.		Perform additional calculations
	A.1.3 Net value added	Revenue minus costs of bought-in materials, goods and services and minus depreciation on tangible assets (Net Value Added(NVA) Net Value Added USD $4,371,783	Y	Full	Tai Sacco’s business model is driven by advances to its members commissions on FOSA services. Based on its operations, its Net Value Added is USD$4,371,783 after applying depreciation value of USD$818,386 over the period when the depreciable assets were acquired.		Perform additional calculations.

Net value added

A.1.3. Net value added

Definition

Net value added consists of value added (GVA as described at point A.1.3) from which depreciation has been subtracted. In other terms, NVA is the sum of the value added to employees, to providers of loan capital, to Government and to owners.

Generation of Value Added	
Revenue	1000
Less: Cost of bought in goods & services	300
Less: Depreciation	100
Value Added (NVA)	**600**
Application of Value Added	
To Employees (Wages and Benefits)	250
To capital providers (interest expenses & dividends)	100
To the Government (taxes)	100
To the Entity (expansion of business)	150
Value Added (NVA)	600

Taxes & other payments to govt

A.2.1. Taxes and other payments to the Government

Definition

This indicator is defined as the amount of taxes (encompassing not only income taxes, but also other levies and taxes, such as property taxes or value added taxes) plus related penalties paid, plus all royalties, license fees, and other payments to Government for a given period.

It is important to underline that taxes provide a means to fairly distribute wealth, as well as social costs, and there is a fundamental obligation for entities to comply with tax legislation and to be responsible in their tax practices.

Taxes & other payments to govt

It is important to note that the calculation of this indicator is very much impacted by the specific rules at the country level, at the industry level (e.g oil and extraction, telecommunications, manufacturing) and by the specific nature of the entity (e.g public interest entity)

In general terms, an entity can compute this indicator by summing up all of its taxes and payments to the Government, which can include:

- Income taxes
- Property taxes
- Excise duties
- Value Added Tax (VAT)
- Local rates and other levies and taxes that may be industry/country specific.
- Royalties, license fees and other payments to government.

This figure does not include:

- Deferred taxes as they may not be paid.
- The amounts related to the acquisition of government assets (e.g, purchase of formerly state-owned enterprises).

Green investment

A.1.3. Green Investment

Definition

Green investment refers to investment that can be considered positive for the environment in a direct or indirect manner. In other words, this indicator includes all the expenditures for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment. This means that investments that are beneficial to the environment but that primarily satisfy the technical needs or the internal requirements for hygiene or safety and security of an entity are excluded from the definition.

Green investment

One classification is based on the idea that, typical green investment comprises different technologies which contribute to solving particular environment problems and which include:

- Low carbon power generation and vehicles
- Smart grids
- Energy efficiency
- Pollution controls
- Recycling
- Waste management and waste of energy

Another useful check-list is based on the classification of green investments depending on the function of the underlying technologies:

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

Green investment

Starting from these classifications, two indicators can be calculated:

- The first one is the total amount of green investments over a certain reporting period. This indicator should be measured in monetary units (the costs as indicated on the corresponding invoices). i.e.. It should be calculated as the total amount of green investments referred to in the reporting period under consideration:
- The second one is a ratio expressing a firm's green investments in period t as a percentage of entity's period total assets (and /or revenue). These indicators would be expressed in percentage (%) terms and would be calculated as follows:

$$\frac{\text{Total amount of green investments}}{\text{Total assets}}$$

Or

$$\frac{\text{Total amount of green investments}}{\text{Total revenue}}$$

Green investment

Potential sources of information

- Information regarding these expenditures can be found as an operating expense when the corresponding expenses are not capitalized. They can be found in the P&L statement as part of production costs or as part of selling expenses depending on the nature of the corresponding investment.

Community investment

A.3.2 Community investment

Definition

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

Community investment

5.1 Accounting and reporting on core indicators: Annex 1: GCI indicators for Tai Sacco

Definitions for level of disclosure:1. “Full” – Indicator can be reported fully or full reporting is possible 2. “Partial” – Indicator can be partially reported or partial reporting is possible. Aspects of the indicator may not be possible to report. 3. “None” – indicator reporting is not possible. 4. “N/A” – indicator is not applicable to the SME

GCI (name)		GCI (value)	Can the Indicator be Reported? (Y/N)	The level of disclosure	Comments about the level of disclosure	Status of information needed for	Activity to produce GCI
	A.3.2. Community investment	Total amount of charitable /voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community, where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in % terms. USD 26,157	Y	Full			

Total expenditure on R & D

A.3.3. Total expenditures on research and development

Definition

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

Percentage of local procurement

A.4.1 Percentage of local procurement

Definition

- Percentage of local procurement is the proportion of spending of a reporting entity at local suppliers. Costs of local procurement are a general indicator of the extent of an entity's linkages with the local economy.
- This indicator denotes the percentage of products or services purchased locally and is calculated as follows:

$$\frac{\text{Local suppliers' procurement costs}}{\text{Total procurement costs}}$$

The indicator can be calculated based on invoices or commitments made during the reporting period based on the accrual accounting principle.

Percentage of local procurement

5.1 Accounting and reporting on core indicators: Annex 3: GCI indicators for Dune Packaging

Definitions for level of disclosure:1. “Full” – Indicator can be reported fully or full reporting is possible 2. “Partial” – Indicator can be partially reported or partial reporting is possible. Aspects of the indicator may not be possible to report. 3. “None” – indicator reporting is not possible. 4. “N/A” – indicator is not applicable to the SME

GCI (name)		GCI (value)	Reported in sustainability Report (Y/N)	The level of disclosure	Comments about the level of disclosure	Status of information needed for	Activity to produce GCI
A.4. Total local supplier/purchasing programmes	A.4.1 Percentage of local procurement	Proportion of procurement spending of a reporting entity at local suppler (based on invoices or commitments made during the reporting period in % terms and absolute amount. 100%	N	Full	Information available from audited financial statements		Provide link to already available data

Social indicators

Social indicators

This section provides definitions, measurement methodology, potential sources of information and examples to assist in reporting core SDG social indicators

Social indicators

Social indicators are metrics for measuring, assessing and tracking outcomes of business' relationships with people, organizations, institutions, communities and socieities. In particular, the focus of this section is on a set of key social indicators that are typically used to track several aspects (such as diversity, equality, inclusion and safety of working conditions) of an entity's relationship with its employees. the core social indicators can be grouped as follows:

Social indicators

These can be classified into the following areas;

- ❑ Gender equality
- ❑ Human capital
- ❑ Employee health and safety
- ❑ Coverage by collective agreements

Proportion of women in managerial positions

C.1.1. Proportion of women in managerial positions

Definition

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

Measurement methodology

In order to calculate this indicator, entities need to:

Proportion of women in managerial positions

Proportion of women in managerial positions

This indicator is thus expressed in percentage terms (%) and is calculated in the following way:

$$\frac{\text{Number of female managers}}{\text{Total number of employees}}$$

Both the numerator and the denominator should be calculated by taking into consideration the employee numbers at the end of the reporting period.

Employee numbers may be expressed as head count for Full Time Equivalent (FTE). This latter choice is especially suggested when an entity employs a substantial number of part time staff. In any case, the approach chosen should be applied consistently between periods.

Average hours of training per year per employee

C.2.1. Average hours of training per year per employee

Definition

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

Measurement

The indicator is calculated in the following way:

$$\frac{\text{Total number of training hours provided to employees}}{\text{Total number of employees}}$$

Average hours of training per year per employee

The first step is to calculate the numerator, i.e the number of hours of training, by identifying all the training programs undertaken by an entity in a reporting period so that the related hours can be cumulated.

These may include:

- Internal training courses
- External training or education (supported by the entity):
- The provision of sabbatical periods with guaranteed return to employment (supported by the entity, e.g. paid educational leave provided by the reporting entity for its employees)
- Training on specific topic such as health and safety

Average hours of training per year per employee

The second step is to calculate the denominator, which should be expressed as either headcount or FTE and apply the approach consistently in the period and between periods. The data should be presented with breakdown by employment category and possibly by gender. On these points, refer to what has been already described for indicator C.1.1.

Expenditure on employee training per year per employee

Expenditure on employee training per year per employee

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

Definition

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

Measurement methodology

The indicator is calculated in the following way:

$$\frac{\text{Total amount of training expenses}}{\text{Total number of employees}}$$

Employee wages and benefits as a proportion of revenue, by employment type and gender

C.2.2. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

Definition

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

Measurement methodology

The indicator is calculated in the following way:

$$\frac{\text{Total cost of the employee workforce}}{\text{Total revenue}}$$

Employee wages and benefits as a proportion of revenue, by employment type and gender

In order to calculate the numerator of this indicator, it is necessary to refer to total payroll.
This is the sum of:

Employee salaries and amounts paid to government instittions on behalf of employees

+

Total benefits (excluding training, costs of protective equipment or other cost items directly related to the employee's job function).

Expenditures on employee health and safety as a proportion of revenue

C.3.1 Expenditures on employee health and safety as a proportion of revenue

Definition

This indicator refers to the total expenses incurred by an entity to guarantee employees' health and safety as a proportion of total revenue. It is related to an important aspect of corporate responsibility as occupational accidents not only lower productivity and divert management attention, but also undermine human capital development, and could be indicative of poor management quality and practice.

Measurement methodology

This indicator is expressed as a percentage (%) and is calculated in the following way:

$$\frac{\text{Expenses on employee health and safety}}{\text{Total revenue}}$$

Expenditures on employee health and safety as a proportion of revenue

The numerator is calculated by adding up all the expenses for occupational safety and health related insurance programmes, for health care activities financed directly by the entity, and all expenses sustained for working environment issues related to occupational safety and health incurred during a reporting period.

Frequency/incident rates of occupational injuries

C.3.2. Frequency/incident rates of occupational injuries

Definition

This indicator is related to the number of work days lost due to occupational accidents, injuries and diseases during the reporting period where:

Occupational accidents and injuries are non-fatal or fatal injuries arising out of or in the course of work

Occupational diseases are those arising from the work situation or activity (e.g. stress or regular exposure to harmful chemicals) or from a work-related injury.

This indicator suggests the effectiveness of an entity's employee health and safety policy and its ability to build a health, safe and productive work environment.

Percentage of employees covered by collective agreements

C.4.1. Percentage of employees covered by collective agreements

Definition

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

Measurement methodology

This indicator is calculated in this way:

$$\frac{\text{Number of employees covered by collective agreements}}{\text{Total number of employees}}$$

Percentage of employees covered by collective agreements

SMEs case study extract

5.2 Accounting and reporting on core indicators. Annex 2: GCI indicators for JEILO collections as reported in the JEILO collections Annual Report and Financial Statements for the Year Ending December 2020 ("the Report") Definitions for level of disclosure: 1. "Full" – Indicator can be reported fully or full reporting is possible 2. "Partial" – Indicator can be partially reported or partial reporting is possible. Aspects of the indicator may not be possible to report. 3. "None" – indicator reporting is not possible. 4. "N/A" – indicator is not applicable to the SME.

GCI (name)		GCI (value)	Reported in sustainability Report/AFS (Y/N)	The level of disclosure	Comments about the level of disclosure	Status of information needed for	Activity to produce GCI
C.4. Collective agreements	C.4.1. Percentage of employees covered by collective agreements	Number of employees covered by collective agreements to total employees (interms of headcount or FTE) 0	Y	Full	Qualitative disclosure included in the Report. "The employees do not belong to a union and are therefore not covered by a collective bargaining agreement."		

Conclusion

- The GCI is an important tool to promote business reporting on the contribution towards the achievement of the SDGs
- The GCI is based on sustainability reporting frameworks most widely used across the globe including GRI, SASB, TCFD, DJSI and GRESB. Thus, for advanced GRI users, the disclosure of GCIs does not present significant difficulties
- Based on the pilot project results, comments and suggestions as to the definition of the GCI have been prepared, as well as the wording of the Guidance on Core Indicators
- The three SME companies plan to continue making efforts towards disclosing GCIs in subsequent sustainability reporting cycles