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

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Presentation agenda

- ❑ Companies background & Case Study findings
- ❑ GCI Dimensions – Environmental & Institutional
- ❑ Conclusion and recommendations

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

Environmental indicators



Environmental indicators

The environmental are indicators include:

B.1 Sustainable use of water

B.2 Waste management

B.3 Greenhouse gas emissions

B.4 Ozone-depleting substances and chemicals

B.5 Energy consumption

B.1 Sustainable use of water


6 CLEAN WATER AND SANITATION

Clean water and sanitation


UN environment

Challenges


UNSAFE WATER, INADEQUATE SANITATION and INSUFFICIENT HYGIENE kill 3.5 million people every year



80% of WASTEWATER is released the environment **UNTREATED**. Degrade the environment and you destroy **NATURE'S ABILITY TO PROVIDE SAFE DRINKING WATER**




WATER SCARCITY affects more than 40% of the global population



Solutions


STOP DUMPING CHEMICALS AND WASTE into the environment, **INVEST IN SANITATION** and **RAISE AWARENESS** on best hygiene practices




RESPECT NATURE

PROTECTED AREA

PROTECT NATURAL RESOURCES and avoid water pollution



RESTORE ECOSYSTEMS to secure access to safe water



B.1.1 Water recycling and reuse

Definition

- Water recycling and reuse²⁵ refers to the total volume of water that a reporting entity recycles and/or reuses during the reporting period. Water recycling and reuse can be implemented by almost any industry. This includes:
- The indicator should be expressed in total cubic meters (m³)

- ☐ Direct reuse
- ☐ Treat and reuse (recycling)

The indicator should be expressed in total cubic meters



Water recycling and reuse

For treat and reuse, it is important to note that sometimes waste water cannot be directly reused, for example, because it has been polluted.

Therefore, to make it safe for it to be reused (or discharged in the environment) it needs to be treated to reduce the level of contaminants and impurities to a level that is safe for reuse.

The choice of treatment procedure depends on the quality required to reuse the water.

Water recycling and reuse



Reusing water allows firms to decrease their waste water discharge to water bodies, thus decreasing their negative impact on communities and the environment.

Illustration

A business site has a production cycle that requires **10m³** of water per cycle. The entity withdraws/is supplied by a third-party water for one production process cycle and then reuses it. You are required to calculate the total volume of water recycled and reused, if the entity reuses water for four additional cycles. Each production cycle yields **160 units**.

Water recycling and reuse

Suggested solution

Considering the number of cycles the water is reused / recycled;

Each production cycle = 160 units

This translates to 5 production cycles

40m³ of water recycled and reused

800 units produced

Hence, 40 m³ / 800 units = 0,05m³ per unit

Over a given period, if the quantity of units produces is known e.g
10,000,000 units

Then;

Total volume of water recycled and reused = 10,000,000*0.05
= 500,000m³

Water recycling and reuse

The total volume withdrawn and received from third party is a proxy for the organization's relative size and importance as a user of water, as well as a baseline figure for other calculations relating to efficiency and use.

Water use efficiency

B.1.2 Water use efficiency

Water use efficiency is defined as the water use per net value added in the reporting period.

Two indicators can be calculated:

- ☐ Ratio of water used to net value added
- ☐ Change of water use per net value added

Water stress

B.1.3. Water stress

Definition

Water stress is defined as total water withdrawn with a breakdown by sources (e.g., surface, ground, sea) and with reference to water- stressed or water-scarce areas (expressed as a percentage of total withdrawals).

Water stress can refer to the availability, quality, or accessibility of water

B.2 Waste generation



B.2 Waste generation

Poor **waste** management contributes to climate change and air pollution, and directly affects many ecosystems and species. Landfills, considered the last resort in the **waste** hierarchy, release methane, a very powerful greenhouse gas linked to climate change.

Reduction of waste generation

B.2.1. Reduction of waste generation

Definition

This indicator measures the change in the entity's waste generation per net value added. Specifically, waste is intended as a non-product output with a negative or zero market value. Water and air-polluting emissions – although they are non-product output – are not regarded as waste.

This indicator should be calculated in the following way

$$\frac{\text{Total waste generated at time t}}{\text{Net value added at time t}} \quad \text{MINUS} \quad \frac{\text{Total waste generated at time t-1}}{\text{Net value added at time t-1}}$$

Waste reused, re-manufactured and recycled

Among the options for waste treatment, one is reuse, re-manufacturing, and recycling.

- Reuse consists in further use of a component
- Re-manufacturing is the further use of a component
- Recycling is recovery and reuse of materials from scrap or other waste materials

Two different indicators can be calculated, depending on whether the un-normalized amount (m³) or normalized amount (m³ per sh. on net value added) of reused, remanufactured and recycled waste is used.

1) Total amount of reused, remanufactured and recycled waste

2) Total amount of waste reused, remanufactured and recycled normalized by the net value added

Reduction of waste generation

| GCI (name) | | Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|------------|------------------|--|---|--------------------|---------------------|----------------------------------|--|---|---------------------------------|
| B.2 | Waste management | B.2.1. Reduction of wastage generation | Waste generated in 2019 compared to 2018 increased by 35.25 million kgs from 223 million to 258.25 million kgs. The ratio of the volume of use of water in own enterprise to the net value added increased from 0.13 to 0.14 million kgs per billion USD of the Net value added | Page 7 | Full | Sustainable Business Report 2019 | Full disclosure | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report | Provide link to the GRI source. |

Reduction of waste generation

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 |
|----------------------|--|--|--------------------------------------|-------------------------|--|----------------------------------|--|
| B Environmental area | | | | | | | |
| B.2 Waste management | B.2.1. Reduction of waste generation | Change in the entity's waste generation per net value added in % terms, in terms of change and in absolute amount 20000kg/USD \$4,371,783 =0.0503 | Y | Full | This indicator has been tracked by the sacco. However, the data can be obtained from its accounting and supplier records. The indicator can be monitored going forward | | Additional calculations required to obtain GCI value |
| | B.2.2 Waste reuse, remanufactured and recycled | Total amount of waste reused, re-manufactured and recycled in absolute amount in % terms and in terms of change | Y | Full | Although Tai Sacco itself does not reuse, re-manufacture or recycle waste, this indicator, for the sacco will focus on the amount of waste that it facilitates to be reused, remanufactured or recycled. | | Additional calculations required to obtain GCI value |

Hazardous waste

B.2.3 Hazardous waste

Waste can be classified according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) that has defined the following list of hazardous characteristics:

Flammable solids, substances liable to spontaneous combustion, substances which emit flammable gases when in contact with water, oxidizing, organic peroxides, poisonous, infectious substances, corrosives, liberation of toxic gases in contact with air or water, toxic, excotic, capable of yielding another material.

Hazardous waste

Two indicators can be calculated depending on whether the un-normalized amount or normalized amount of hazardous waste is used.

- ☐ Total amount of hazardous waste
- ☐ Total amount of hazardous waste normalized by the net value added

Greenhouse gas emissions (scope 1)

B.3.1. Greenhouse gas emissions (scope 1)

Definition

The indicator “Greenhouse gas emissions (scope 1)” is defined as direct greenhouse gas (GHG) emissions per unit of the net value added.

| GCI (name) | | Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|------------|--------------------------|---|---|--------------------|---------------------|----------------------------------|--|---|--|
| B.3. | Greenhouse gas emissions | B.3.1. Greenhouse gas emissions (Scope 1) | Scope 1-3 emissions -32.8% increase 65708tCO2 However, the breakdown in scope 1 and 2 is not done presently but the company can monitor in future. | Page 40 | Partial full | Sustainable Business Report 2019 | There was an increase of 2,024 tCO2e in 2019 | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report | Perform additional calculations and /or disclosure |

Greenhouse gas emissions (scope 2)

B.3.2. Greenhouse gas emissions (scope 2)

Definition

The indicator is defined as indirect GHG emissions (from consumption of purchased electricity, heat or steam) per unit of the net value added.

| Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|---|--------------------|--------------------|---------------------|----------------------------------|---|---|--|
| B.3.2. Greenhouse gas emissions (Scope 2) | Increased by 12.6% | Page 40 | Full | Sustainable Business Report 2019 | There was an increase of 2,024 tCO ₂ e in 2019 | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report | Perform additional calculations and /or disclosure |

Ozone-depleting substances and chemicals

B.4.1. Ozone-depleting substances and chemicals

Definition

The indicator aims at quantifying an entity's dependency on ozone-depleting substances (ODS) and chemicals per net value added.

ODS are all bulk chemicals/substances, existing either as a pure substance or as a mixture. These are generally chemicals containing chlorine and/or bromine. The most important ozone-depleting substances and chemicals are controlled under the Montreal Protocol and are listed in Annex A, B, C or E of the Protocol,”

Renewable energy



Renewable energy

B.5.1. Renewable energy

Definition

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

Measurement methodology

This indicator should be calculated in the following way:

$$\frac{\text{Total consumption of renewable energy at time } t}{\text{Total energy consumption at time } t}$$

Energy efficiency

B.5.2. Energy Efficiency

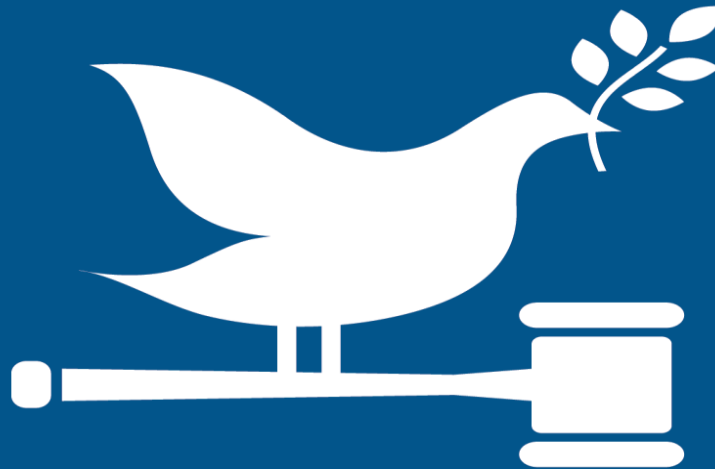
Definition

Energy efficiency is defined as an entity's energy consumption divided by net value added.

| Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|--------------------------|--------------------------------------|--------------------|---------------------|--|--|---|---|
| B.5.2. Energy efficiency | =159,295/1.4Bn =0.00016 mj per \$ | Page 42 & 43 | Full | Sustainable Business Report 2019 Management Accounts, Utility Bills | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report. | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report | Provide link to GRI indicator and /or perform additional calculations |

Institutional indicators

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Institutional indicators

Institutional indicators include;

- ☐ Corporate governance disclosure
- ☐ Anti-corruption practices



Number of Board meetings and attendance rate

D.1.1. Number of Board Meetings and attendance rate

Definition

This indicator is about the number of board meetings and their attendance rate.

Measurement Methodology

In order to calculate this indicator, entities need to:

- Count the Board meetings during the reporting period (number),
- Add up the number of Board members who participate at each Board meeting during the reporting period and divide this by the total number of directors sitting on the Board multiplied by the number of Board Meetings during the reporting period (attendance rate, %)

Number of Board meetings and attendance rate



Number of Board meetings and attendance rate

Illustration

Assuming that there are 3 members and that Board meetings are held once every two months. The first member has participated to 6 meetings, the second to 4 and the third to 3. What is the attendance rate?

Number of Board meetings and attendance rate

Suggested solution

Total number of meetings = 6

Number of members = 3

Denominator = 6×3
= 18

Aggregate attendance = $6 + 4 + 3$
= 13

Attendance rate = $13/18 \times 100$
= 72.22%

Number and percentage of female board members

D.1.2 Number and percentage of female board members

Definition

This indicator is related to the number and percentage of female board members.

Measurement methodology

In order to calculate this indicator, entities need to:

- Count the female board members (number)
- Divide the number of female board members by the total number of directors sitting on the board.

This indicator is thus expressed in percentage terms (%).

Board members by age range

D.1.3 Board members by age range

Definition

This indicator consists of the board members, by age range. This indicator provides a quantitative measure of diversity within organization conducting to inclusivity and responsiveness of decision making.

Measurement methodology

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

- Under 30 years old,
- 30-50 years old
- Over 50 years old

The indicators then are calculated as the number of Board members of one specific age group divided by the total number of directors sitting on the Board (%).

Board members by age range

*Safaricom extract

| Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|-----------------------------------|---|--------------------|---------------------|--|--|---|---|
| D.1.3. Board members by age range | List under Board Member Profiles Below 30 years old – 0% 30-50 years old – 30.8% Over 50 years old – 69.2% | Page 186 | Full | Annual report and financial statements 2019 Board records | | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report | No additional calculations and /or disclosure required. |

**This is for illustration purposes from an earlier study*

Board members by age range



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

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

| GCI (value) | Reporting in Sustainability Report (Y/N) | The level of disclosure | Comments about the level of disclosure | Status of information needed for | Activity to produce GCI | Activity to produce GCI |
|---|---|-------------------------|--|---|-------------------------|-----------------------------------|
| D.1.2. Number and percentage of women board members | Women board members to total board members Total board members – 7 Women board members – 2(28.6%) | N | Full | This indicator is not reported in the sustainability Report, but it does disclose the names of the board members. Hence this indicator is easy to calculate and monitor | | Link to the annual report and FS. |
| D.1.3. Board members by age range | Number of Board members by age range (e.g under 30 years old, 30 to 50, over 50 Under 30:0; 30-50:4; Over 50:3 | N | Full | Possible to report on the indicator as the information is readily available | | Link to the annual report and FS |

No of meetings of audit committee and attendance rate

D.1.4 Number of meetings of audit committee and attendance rate

Definition

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

Measurement methodology

In order to calculate this indicator, entities need to:

Count the Audit committee meetings during the reporting period (number),

Add up the number of Audit committee members who participate at each Audit committee meeting during the reporting period and divide this by the total number of members sitting on the Audit committee multiplied by the number of Audit committee meetings during the reporting period (attendance rate (%)).

No of meetings of audit committee and attendance rate



No of meetings of audit committee and attendance rate

| Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|--|--------------------|--------------------|---------------------|---|--|---|--------------------------------------|
| D.1.4 Number of meetings of audit committee and attendance rate | 4 meetings; 77% | Page 88 | Full | Annual Report and financial statements 2019 | | Information for the preparation of the indicator is already collected in the process of preparing a GRI | No additional calculations required. |

D.1.4 No of meetings of audit committee and attendance rate

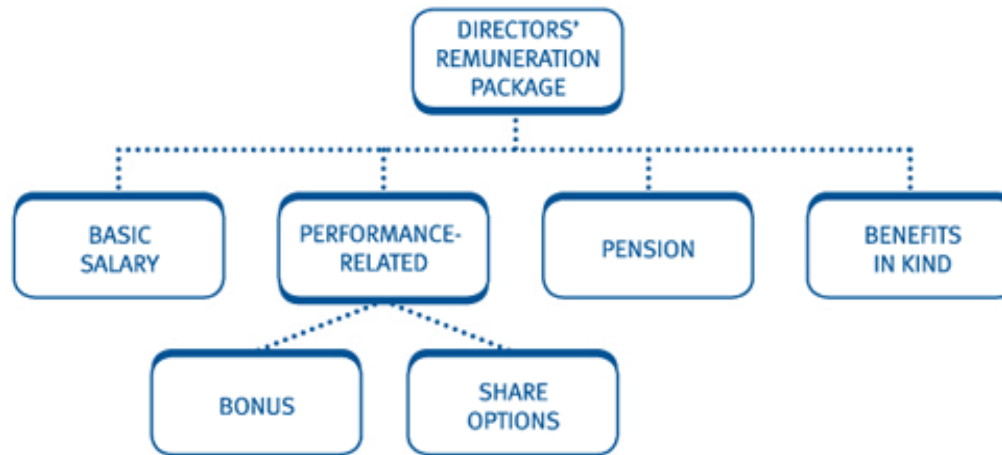
5.1 Accounting and reporting on core indicators. Annex 1: GCI indicators for Tai Sacco

Definitions for Level of Disclosure: 1. “Full” – Indicator can be reported fully or fully 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) | Reporting in Sustainability Report (Y/N) | The level of disclosure | Comments about the level of disclosure | Status of information needed for | Activity to produce GCI | Activity to produce GCI |
|------------|--|--|-------------------------|--|----------------------------------|-------------------------|-------------------------|
| | D.1.4 Number of meetings of audit committee and attendance rate | Number of board meetings during the reporting period and number of Audit committee members who participate at each audit committee meeting during the reporting period divided by the total number of members sitting on the Audit committee multiplied by the number of Audit committee meeting during the reporting period. 4meetings | | | | | |

Compensation: total compensation per board member

Components of directors' remuneration package



Basic salary

- Companies set salary levels according to:
- The job itself
- The skills of the individual doing the job
- The individual's performance in the job.
- The individual's overall contribution to company strategy
- Market rates for that type of job.

Compensation: total compensation per board member

D.1.5 Compensation: total compensation per board member (both executive and non-executive directors)

Definition

This indicator refers to total remuneration awarded to each board member, encompassing both executive and non-executive directors.

Measurement methodology

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

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

Compensation: total compensation per board member

| Indicators | GCI(value) | Location in report | Level of disclosure | Source of Data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|---|---|--------------------|---------------------|---|--|--|--------------------------------------|
| D.1.5. Compensation: total compensation per board member (both executive and non-executive directors) | Annual Directors Fees: Chairman (Board) -USD 57,000 Non-Executive Director - USD 22,000 sitting allowance (per sitting) chairman (board) - USD 850 Chairman (Committee) -USD 741.50 Non-executive director - USD 600 | Page 110 | Full | Annual report and financial statements 2019 Governance report 2019 | Details obtained from the records of the board and the annual report 2019. | Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report. | No additional calculations required. |

Amount of fines paid or payable due to settlements

D.2.1. Amount of fines paid or payable due to settlements

Definition

This indicator refers to the total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period.

| GCI (name) | Indicators | GCI (value) | Location in report | Level of disclosure | Source of data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|---------------------------|---|------------------------------|--------------------|---------------------|----------------------------------|--|--|---|
| Anti-corruption practices | D.2.1. The amount of fines paid or payable due to settlements | 0 (no fines were applicable) | Page 33 | Full | Sustainable Business Report 2019 | Details from the company's internal governance reports | Details on the indicator available from the company records. Information already obtained during the preparation of the GRI sustainability report | No additional calculations or disclosure required |

Average hours of training on anti-corruption issues per year / employee

D.2.2 Average hours of training on anti-corruption issues per year employee

Definition

This indicator refers to the average number of training hours that employees receive in the area of anti-corruption issues. For further information on the definition and context of corruption, please see indicator D.2.1

| GCI (name) | | Indicators | GCI (value) | Location in report | Level of disclosure | Source of data | Comments about the level of disclosure | Status of information needed for the sustainability report 2019 | Activity to produce GCI |
|------------|---------------------------|---|-----------------------------|--------------------|---------------------|----------------------------------|---|---|---|
| D.2 | Anti-corruption practices | D.2.1. The amount of fines paid or payable due to settlements | 0(no fines were applicable) | Page 33 | Full | Sustainable Business Report 2019 | Details from the Company's internal governance reports. | Details on the indicator available from the company records. Information already obtained during the preparation of sustainability report | No additional calculations or disclosure required |

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