

UNCTAD

11TH TRANCHE OF THE DEVELOPMENT ACCOUNT CAPACITY-BUILDING ACTIVITIES

Core SDG Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals

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Content

1. Development Account 11th Tranche Project Background
2. Progress Update in Kenya
3. Meeting Objective
4. Global Trends in Sustainability Reporting
5. GCI Framework and Practical implementation



Development Account 11th Tranche Project Background

Enabling policy frameworks for enterprise sustainability and SDG reporting in Africa and Latin America

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



SDG indicator

12.6.1 Number of companies publishing sustainability reports.

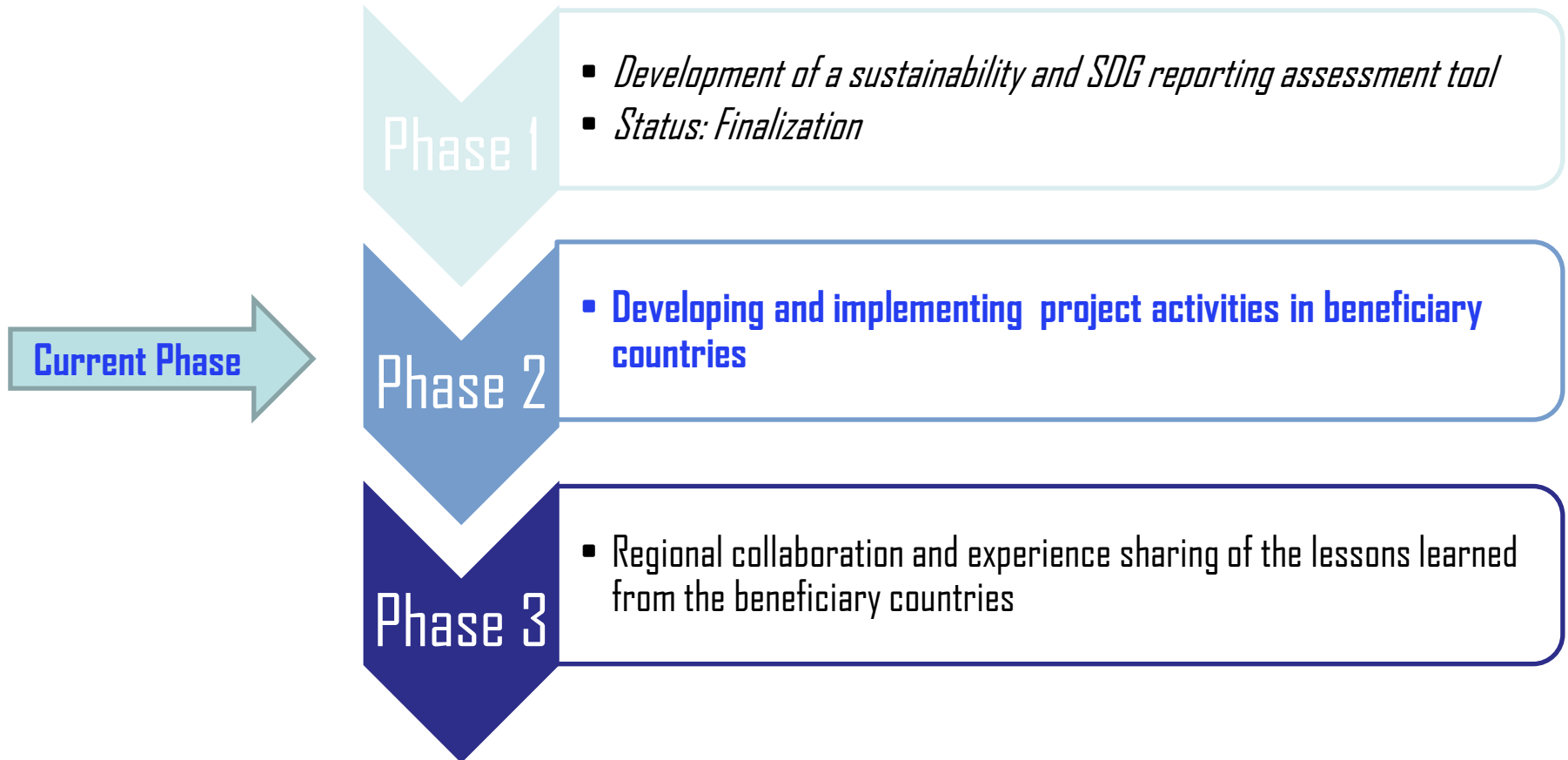


Project Beneficiary countries

AFRICA	LATIN AMERICA
Kenya	Colombia
South Africa	Guatemala



Current Progress of the DA Project Phase





DA Project: Progress Update in Kenya

- **Kick off meeting** was held in April 2021
- **National assessment phase** is currently in progress

*Attention to the project stakeholders to submit feedback to the ADT questionnaire **by 10 July 2021***

- **Conducting analysis** of the feedback received and **preparing the ADT Report**
- Organizing the **National Workshop** to discuss the findings of the analysis and further steps (Dates TBD)



Meeting Objective

To deliver a training for the key experts and stakeholders in the area of sustainability/SDG reporting as a set of capacity building activities in Kenya with a view to:

- ✓ Present the “Guidance on core indicators for entity reporting on contribution towards implementation of Sustainability Development Goals” (GCI);
- ✓ Inform on the findings of the conducted case studies in Kenya and other countries;
- ✓ Share an update on the international trends and developments in this area.



INTERNATIONAL TRENDS

In Area of Sustainability Reporting

Key international developments in area of sustainability reporting

During 2020 and 2021, a series of key international developments in this area took place:

- In September 2020, an open letter was sent by CDP, CDSB, GRI, IIRC and SASB to the International Organization of Securities Commissions (IOSCO), in which they express their **support to the foundation of a global architecture for sustainability disclosures** that enables consistent reporting of information that is relevant for enterprise value creation.
- **IFRS Foundation proposed the creation of a Global Sustainability Standards Board under the governance of the IFRS Foundation.** Trustees welcomed the collaboration with IOSCO. They aim to make a final determination about a new board before United Nations COP26 conference that takes place in November 2021.



Key international developments in area of sustainability reporting

- In June 2020 the European Commission issued **a request to undertake preparatory work for possible EU non-financial reporting standards.**
- In March 2021 the European Financial Reporting Advisory Group (EFRAG) **set out recommendations on the development of EU sustainability reporting standards.**
- **World Economic Forum** released a set of **universal environmental, social and governance (ESG) metrics** and disclosures to promote reporting by companies on non-financial issues.
- **Value Reporting Foundation** merges the SASB and IIRC into an international organization that maintains the Integrated Reporting Framework, advocates integrated thinking, and **sets sustainability disclosure standards for enterprise value creation.**



UNCTAD Guidance

Core Indicators For Entity Reporting on Contribution Towards Implementation of SDGs

Introduction: rationale and objective to SDG Reporting

- In 2015, Member States of the United Nations adopted the 2030 Agenda for Sustainable Development
- Relevant data on companies' contribution towards SDGs is critical for assessing the progress of SDG implementation

SUSTAINABLE DEVELOPMENT GOALS





SDG 12: Responsible Consumption & Production

SDG 12 Sustainable Consumption and Production in its **Target 12.6** explicitly **encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycles.**

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



TARGET **12.6**

ENCOURAGE
COMPANIES TO ADOPT
SUSTAINABLE
PRACTICES AND
SUSTAINABILITY
REPORTING

SDG indicator **12.6.1**

Number of companies publishing sustainability reports.

SDG 12.6.1: Methodological Development

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

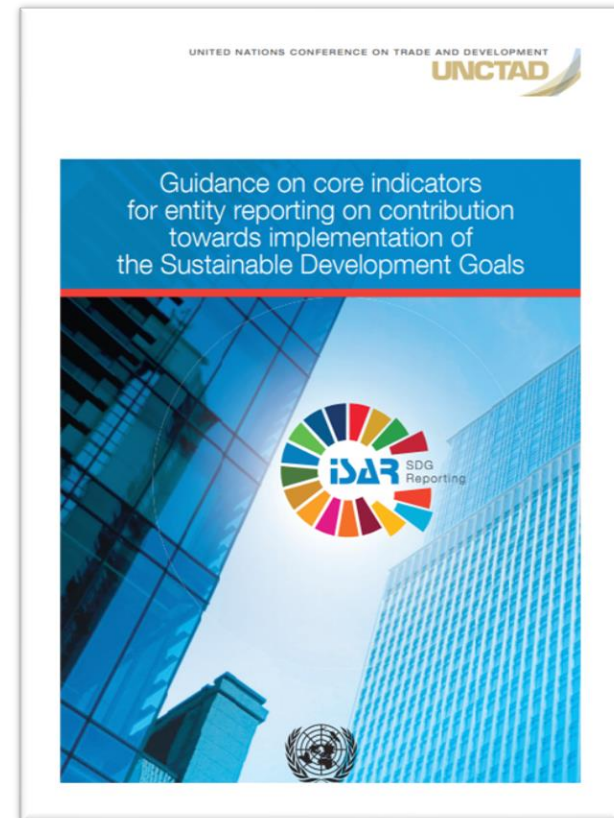
Indicator 12.6.1 Number of companies publishing sustainability reports.

- The Indicator custodians **UN Environment and UNCTAD** were tasked to develop the measurement methodology for the indicator, as well as overseeing the data collection and reporting process on 12.6.1 up to 2030.
- The **development of the metadata guidance** for this indicators takes place under the auspices of the Inter-agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs). In September 2019 the SDG 12.6.1 was reclassified to **Tier II indicator**, which means that the internationally recognized methodology has been approved for the further data collection started from 2020.
- **The data collection mechanism** has been developed in cooperation with the Big Data not-for-profit organization. Pilot testing of **data collection was conducted in 2H 2020 and results submitted to the SDG Global Database in Q1 2021.**



Guidance on Core Indicators (GCI)

In 2016, UNCTAD launched its **initiative on selecting a limited number of core SDG indicators** to facilitate companies reporting on their **contribution to the SDG agenda** with a view to improve comparability of sustainability/SDG reporting and its alignment with the SDG macro indicators.





The objective of the GCI guidance



to provide practical information on how these indicators could be measured in a consistent manner and in alignment with countries' needs on monitoring the attainment of the SDG agenda.



to assist governments to assess the private sector contribution to the SDG implementation and to enable them to report on SDG indicator 12.6.1.



to assist entities to provide baseline data on sustainability issues in a consistent and comparable manner that would meet common needs of many different stakeholders of the SDG agenda

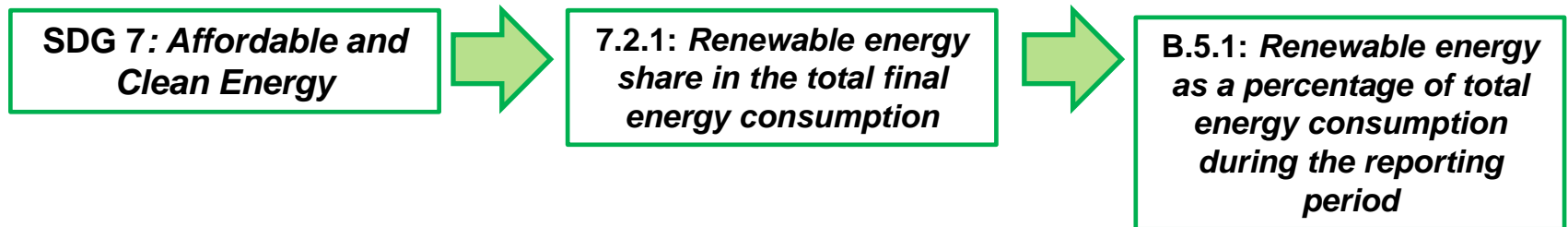


UNCTAD's approach

- Logical framework:

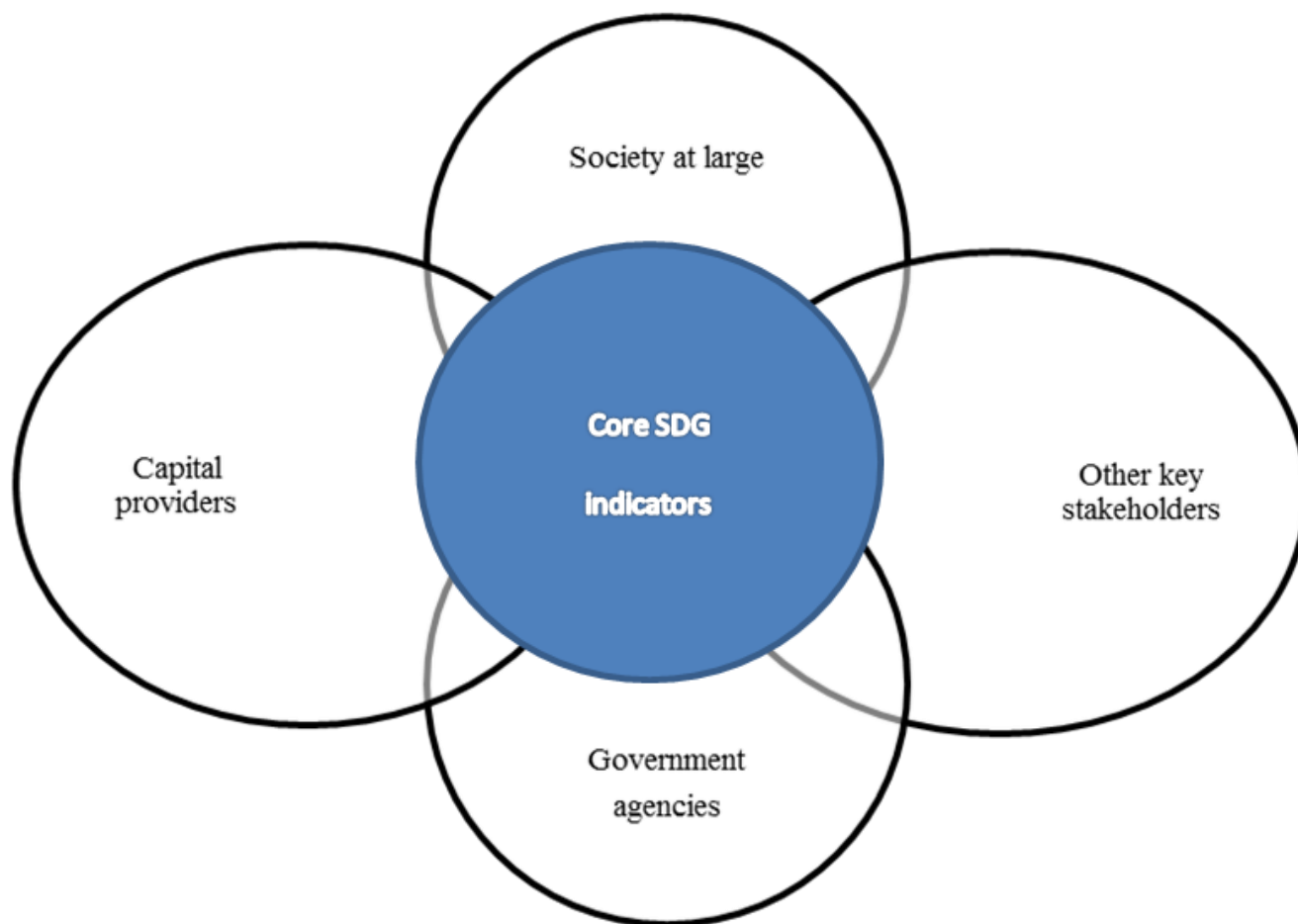


- Example:





Key users of the core SDG indicators by entities





Underlying principles on core SDG indicators selection and reporting



2.1 Key methodological points



2.2. Selection criteria



2.3 Reporting principles



2.4 Underlying accounting data

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



Key methodological points



- **Simplicity:** user-friendly tool for preparers of information
- **Baseline approach:** selected core indicators are common to any business
- **Emphasis on quantitative indicators:** although importance of narrative disclosures is also acknowledged
- **Alignment between the micro- and macro-level indicators:** each entity reporting indicator (micro level) refers to the most relevant SDG indicator (macro level)



Selection criteria



- ❑ Based on **existing key initiatives** or reporting frameworks and/or should be found in corporate reports;
- ❑ **Universality** (applicable to all reporting entities);
- ❑ **Comparability** across industries and regions;
- ❑ Ability to address issues over which an entity has control and for which it gathers data (**incremental approach**);
- ❑ Ability to facilitate **convergence of financial and non-financial reporting** principles and data;
- ❑ Capability of **consistent measurement**; and
- ❑ Suitability for **consolidated reporting and legal entity reporting**.



Reporting Principle

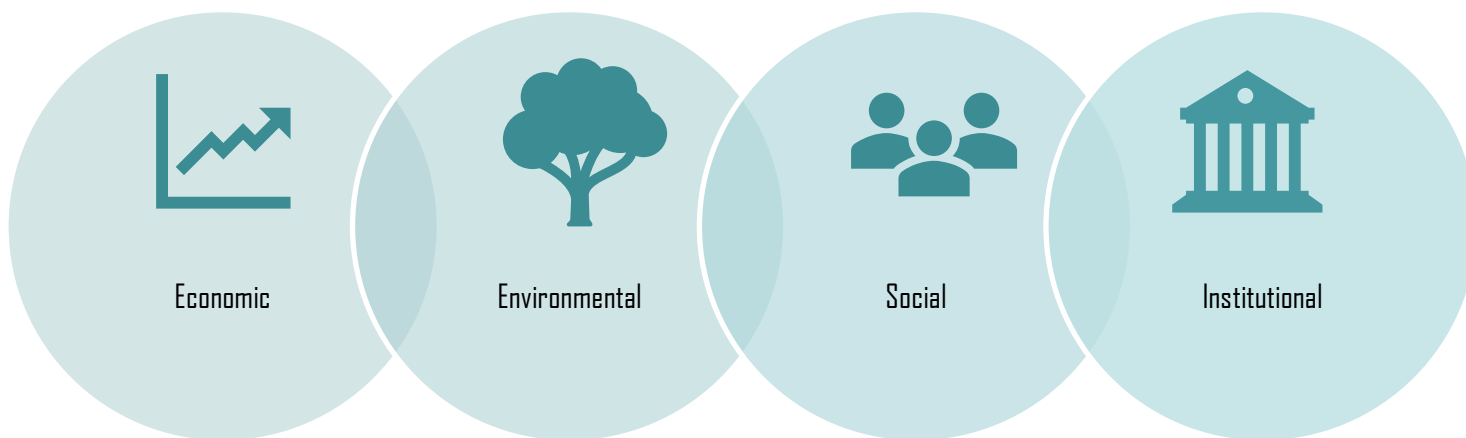


- **Materiality vs universality:** in the SDG context materiality has a new broader dimension.
- **Clarity of reporting boundaries:** important to disclose basis of determining boundaries to address consistency with international financial reporting standards.
- **Consistency in measurement methodology and data comparability:** to drive comparability across entities, time and geography.
- **Reporting period:** reference to the same reporting period both in financial and non-financial reporting.



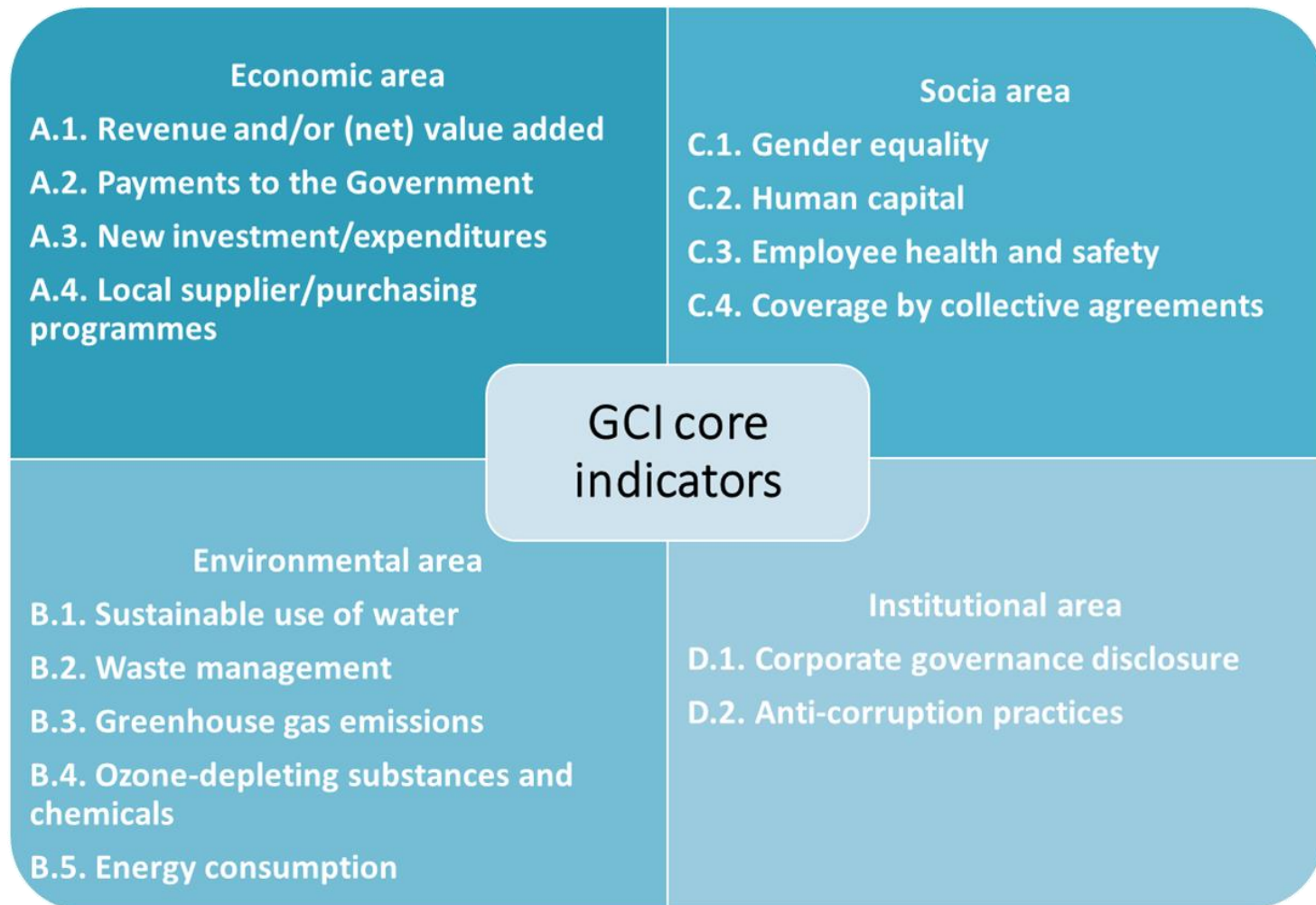
Core SDG Indicators

Four areas





4. Areas of Core Indicators



GCI Practical Implementation: Case Studies

- **Objective of case studies:** examine the relevance and applicability of the GCI and to validate suggested approach and accounting data availability.
- 20+ case studies conducted
 - In **different geographical areas:** countries with various levels of economic development
 - In a great **range of industries**
 - With companies of different sizes **including SMEs**
- Key finding: **most of the core indicators could be reported.**



Companies participating at case studies

Represented industries:

oil and gas

commodity paper
products

chemical
manufacturing

hospitality

academia

conglomerate

garment

apparel retailer

agriculture

energy

cutting tools

engineering

healthcare

cosmetics

paints and coating
solutions

mining and
metallurgical

telecommunication

textiles

Companies participating at case studies

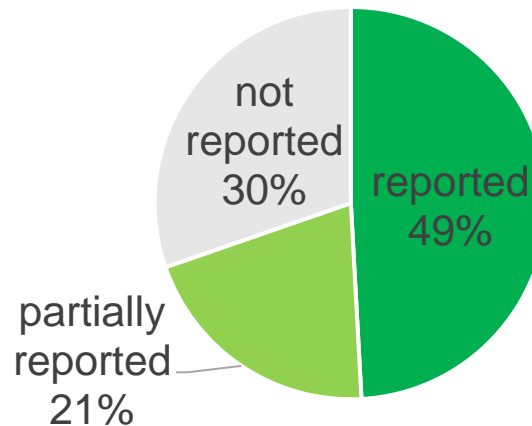
Represented countries:



- An overview of the implementation of the Guidance in several companies was conducted in Egypt
- Several more case studies are in progress

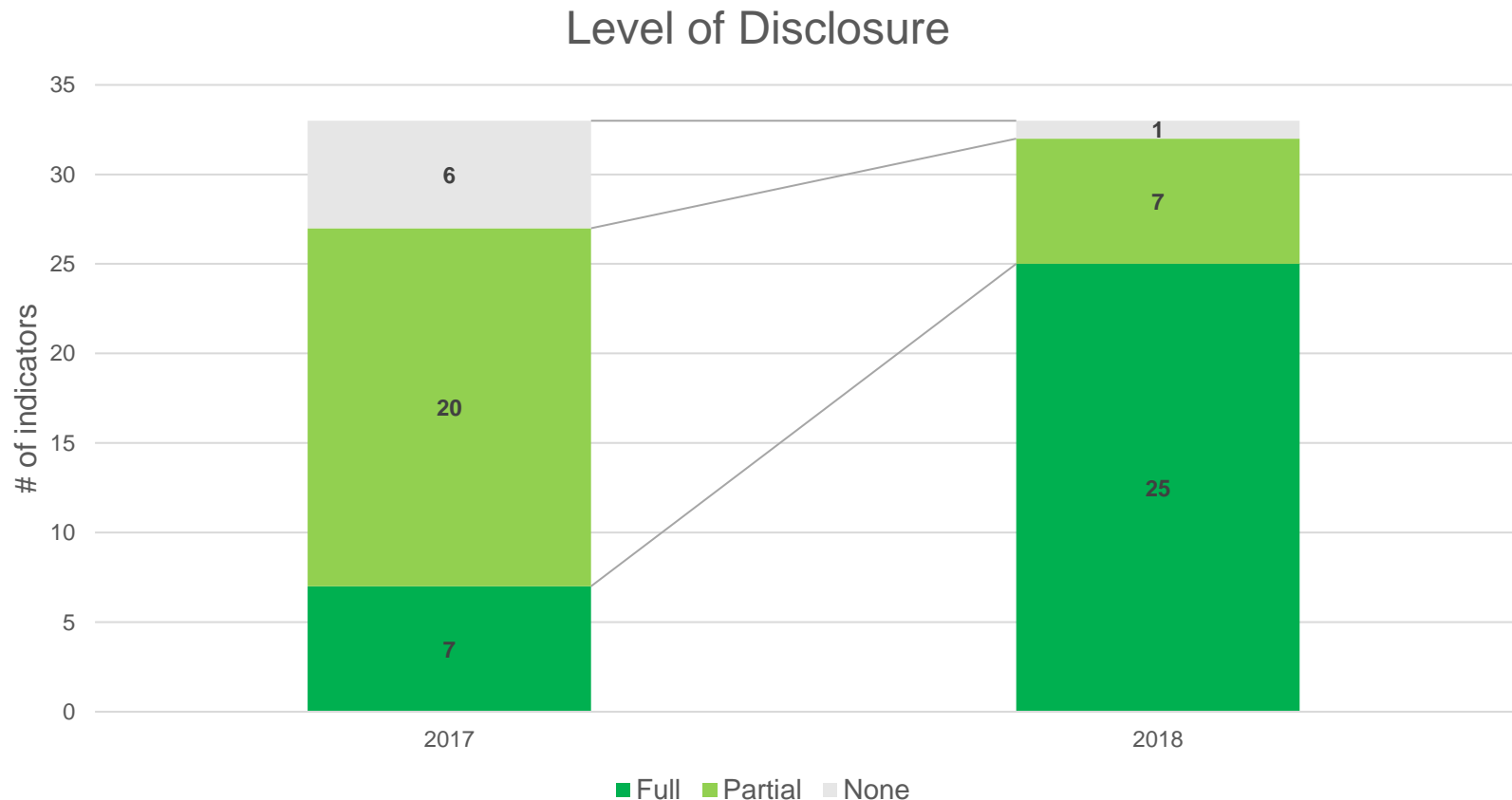
Most companies were able to provide data on most of the core indicators

Applicability of core indicators



- Most companies were **able to provide data on most core indicators**
- There was **no single indicator that was not reported on by all companies** participating in the pilot tests
- Companies already using **frameworks for sustainability** reporting faced fewer challenges in reporting on the core indicators

Significant improvement in the number of UNCTAD core indicators disclosed by companies in sustainability reports



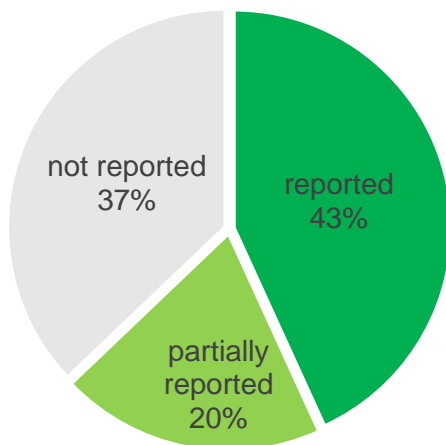
Reasons for non-disclosure



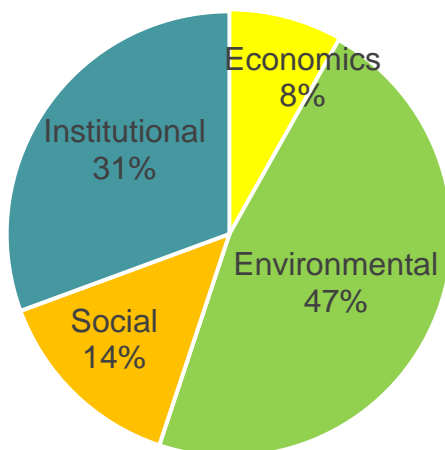
- Several cases studies raised issues relating to
 - Lack of regulation requiring environmental, social and governance/SDG reporting
 - Lack of coordination among different authorities in charge, including coordination between accounting standards and requirements in the area of environmental, social and governance and SDG reporting
 - Existence of several entities in charge of different type of companies

SMEs

Applicability of core indicators



Share of difficult to report or not reported indicators by area



- SMEs provide **high disclosures** in the **economic** area
- **Good disclosure** in **social** areas
- The most **challenging** areas are the **institutional** and **environmental** areas.
- In many instances, the company is already providing **qualitative information** and is **planning to provide quantitative** disclosures in line with the guidance on core indicators



Case studies Outcome

Challenges identified include the need for:

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



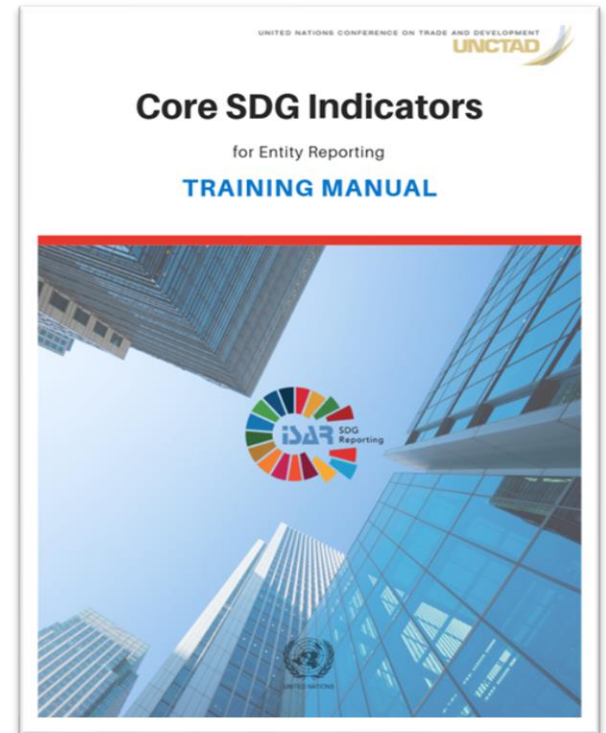


Training manual

For further details please consult Training Manual: more technical guidance on improved data availability.

The manual includes:

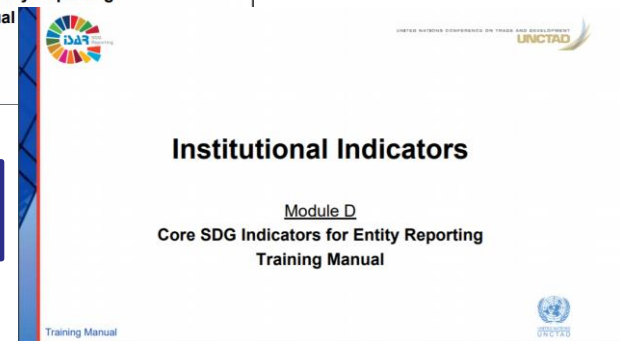
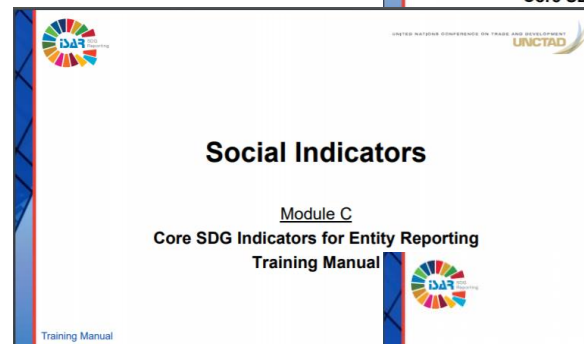
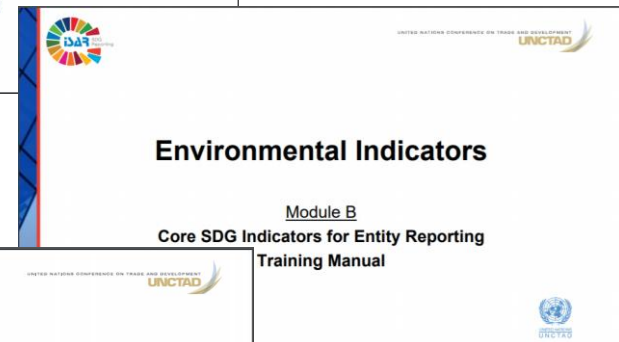
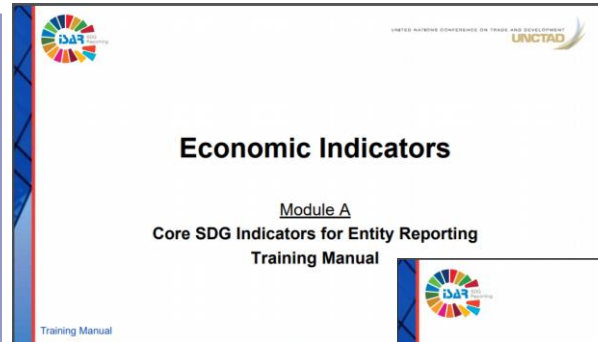
- ✓ Definition
- ✓ Measurement methodology (with illustrative, numerical examples)
- ✓ Potential sources of information
- ✓ Examples of how these indicators have been already incorporated in the reporting practices of companies around the world
- ✓ Self-assessment questions with solutions



Training Slides and E-learning prepared

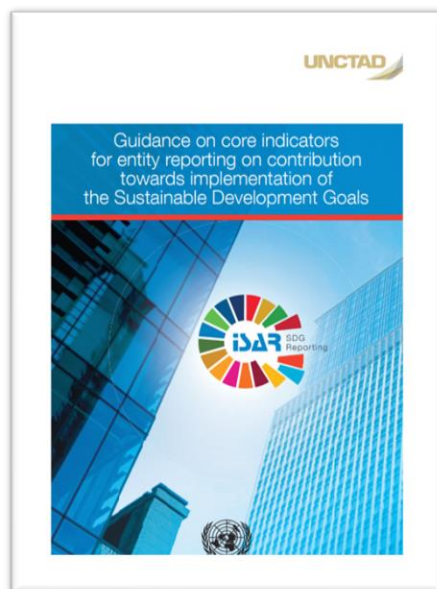
To facilitate the technical capacity building and enhance implementation of the core indicators through increased accessibility, UNCTAD has prepared training slides of the manual

E-learning materials are in development



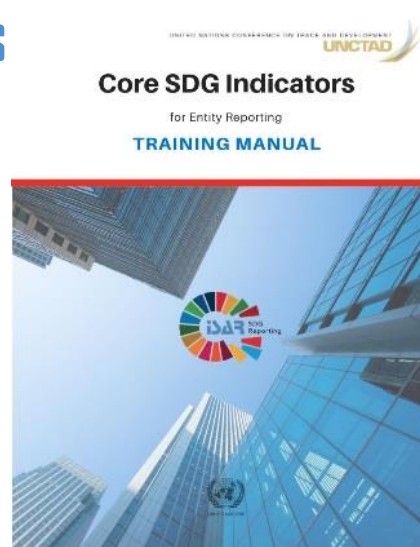
<https://isar.unctad.org/training-materials/>

Supporting Materials



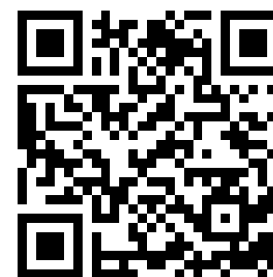
GCI & Case Studies

- GCI as good start towards producing comparable data
- Capacity-building required



Training Manual

- ✓ Technical guidance to improve data availability
- ✓ 4 chapters with a list of selected references
- ✓ Available in English and Spanish



<https://isar.unctad.org/training-materials/>

E-learning Materials

- ✓ Definition
- ✓ Measurement methodology
- ✓ Potential sources of information
- ✓ Examples
- ✓ Self-assessment questions with solutions.

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