



POLICY NOTE:

Measuring the contribution of the private sector to the SDGs

UNCTAD (October 2019)

A new development agenda

Since the adoption of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) in 2015, UN member States have been working in establishing their priorities and development plans. In order to support the follow up and review of the implementation of the SDGs, a Global indicator framework was created by the Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs). The 17 SDGs have 169 targets and 232 indicators. Each indicator has one or more custodian agencies which are responsible for development of metadata guidance on its measurement methodology and data collection.

How is this linked to corporate reporting?

These developments are closely linked to the enterprise accounting and reporting agenda. In particular, 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. Moreover, indicator 12.6.1 requires data on the number of companies publishing sustainability reports. UNCTAD and UN Environment are co-custodians of indicator 12.6.1 and the work is underway on developing metadata guidance on 12.6.1 which would be submitted to the IAEG-SDGs by the end of 2019.

In addition to indicator 12.6.1, many other SDG indicators refer to data already being provided by many companies in their reports, such as on the use of energy and water, carbon dioxide emissions, waste generation, gender equality and community development, among others. Accordingly, company reporting has the potential to become a primary source of information on company performance towards implementation of the SDGs monitoring framework by providing stakeholders with the means to assess the economic, environmental and social performance and impacts of the private sector on the SDG implementation.

What challenges are being faced by countries?

A number of initiatives and frameworks for sustainability and SDG reporting have evolved over the years, and significantly contributed to raising awareness of sustainability reporting practices and challenges. However, further efforts are needed to enhance the role of reporting in the SDG implementation and monitoring.

In addition, countries face challenges in relation to SDG reporting including:

- Lack of institutional and technical capacity to adapt national corporate reporting environments to the new demands spurred by the 2030 Agenda and effectively assess the private sector contribution towards attaining the SDGs;
- Lack of consistency with financial reporting frameworks;
- Lack of comparability of data reported by companies on environmental and social issues, and their measurement methodology;
- Difficulties in alignment of sustainability reporting by companies with the SDGs monitoring framework and its indicators.

A limited number of core indicators for company reporting

To facilitate further progress on the SDG reporting by companies UNCTAD developed its *Guidance on Core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals (GCI)*. The Guidance provides practical information on how companies can report data on their contribution to the SDGs in a consistent manner and in alignment with countries' needs on monitoring the attainment of the SDG Agenda. The GCI is intended to be a technical tool to assist companies to provide data on a limited number of core SDG baseline indicators. It also aims to assist governments to design policies and build institutional mechanisms to collect such data from companies' reports with a view

to enable them to reflect the private sector contribution to SDG implementation in a consistent and comparable manner. The GCI is based on elaborations on the SDG reporting issues during the annual sessions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) and at the intersessional forums, including Consultative Group meetings, since 2016.

The core SDG indicators cover the economic, environmental, social and institutional areas. They were identified based on key reporting principles, main reporting frameworks and companies reporting practices. They are also selected based on the macro indicators included by the UN member States in the SDG monitoring framework of the IAEG-SDGs, which are also applicable at the company level, and therefore could facilitate alignment between macro and micro indicators in the areas relevant to the enterprise reporting.

The selection of the core indicators is based on the following criteria:

- Relevance to at least one Sustainable Development Goal monitoring indicator;
- 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;
- 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.

Tools to facilitate implementation

The GCI was launched at the 35th session of ISAR in October 2018 in Geneva. In concluding the session, ISAR agreed that one of the main agenda items of its 36th session will deal with " Practical implementation, including measurement, of core indicators for entity reporting on the contribution towards the attainment of the SDGs: Review of case studies". Accordingly, a *series of case studies* in different countries and various industries such as: telecommunications, oil & gas, mining, healthcare manufacturing, retail, hospitality and energy industries, are in the process of being finalized. They provide useful feedback on the practical use of the GCI and evidence for further refinement. Preliminary findings show that all selected indicators were proved to be 'reportable', despite that in some companies few indicators were found difficult to report due to lack of technical expertise, legislative restrictions, or simply because there are no related activities (like water recycling, training on anticorruption issues, etc.). In particular, environmental indicators were more challenging to be reported by companies. However, while some indicators were not reported in some cases, there was no single indicator that was not reported by all companies that participated in the pilot testing. This contributes to the understanding that there is a need to continue capacity building efforts in the area of SDG reporting by companies to enhance the role of accounting and reporting in implementation of the 2030 Agenda for Sustainable Development.

To facilitate the GCI implementation *training materials* are being developed by UNCTAD. The materials will explain how the underlying accounting data, needed for calculation of the core indicators, could be collected through companies' accounting system; and how the core indicators could be measured and presented. Following the testing of the training materials they will be made available by UNCTAD through distance learning tools.

UNCTAD is also implementing a *capacity building project* entitled "Enabling policy frameworks for enterprise sustainability and SDG reporting" in four countries, including Kenya and South Africa in Africa, and Brazil and Colombia in Latin America. The project's main objective is to strengthen the capacities of Governments to measure and monitor the private sector contribution to the 2030 Agenda for Sustainable Development and facilitate data availability towards target 12.6 and indicator 12.6.1.

To facilitate *raising awareness* of good practices on enterprise reporting on sustainability and SDG reporting UNCTAD launched its *ISAR Honors initiative*. Its first edition took place in 2018 and results were unveiled during the ISAR 35th session in Geneva. ISAR Honours are contributing to identifying leading examples and practices on the SDG reporting by companies, enhancing stakeholder dialogue, facilitating alignment and harmonization in this area. The second edition is taking place in 2019 and the results will be presented at the 36th session of ISAR which will take place 30 October – 1 November 2019 at the UN HQ in Geneva.

References

UNCTAD 2019. Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals (GCI)

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UNCTAD 2017. Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals.

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UNCTAD 2016. Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting.

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