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EVENT BRIEF
09
October 2019

Measuring and Reporting Sustainability Performance

ARE CORPORATIONS AND SSE ORGANIZATIONS MEETING THE SDG CHALLENGE?

UNRISD INTERNATIONAL CONFERENCE

Sustainability measurement and reporting have become more effective over recent decades, with new standard-setting initiatives and revision of existing tools and models. However, the 21st century brings with it a new set of conditions and challenges—are current measurement and reporting models adequate to address them? To lay the foundations for a new four-year project addressing this question, titled *Sustainable Development Performance Indicators,* UNRISD convened a conference at the United Nations Office at Geneva on 3-4 June 2019, bringing together stakeholders from the many different fields concerned. The conference aimed to:

- **identify key concerns within the field from different stakeholder perspectives;**
- **share best practices and recent innovations across stakeholder groups; and**
- **discuss ways to improve measurement and reporting related to the social dimensions of sustainable development.**

The conference brought together for the first time experts from the diverse groups of stakeholders involved in sustainability measurement and reporting, uniting key standard-setting organizations with users of sustainability data such as UN agencies, companies, SSE organizations, NGOs and academia. It provided them with a unique opportunity to discuss the topic in an open and constructive forum designed to identify common ground and chart a way forward.

During the eight sessions of the two-day conference, over 30 experts provided their assessment of the state of play within the field of sustainability accounting, each from their own perspective, and participants learned about many of today's most innovative approaches to measurement and reporting.

The conference audience of about 100 was as varied as the presenters, stretching also to include governments as well as regional and international organizations.

To navigate among the speaker references of this event brief, please see the full programme of the conference and the list of speakers with their slide presentations.

Sustainability measurement: Shoring up the social dimension

Sustainability measurement and reporting is a highly diverse field, with multiple definitions of the scope and remit of measurement, distinctive methodologies and data sets, and diverse approaches to defining and reflecting the interests of stakeholders. Many speakers at the conference expressed an overriding concern about the multiplicity and complexity of current measurement and reporting practices, stressing the need for greater consistency, harmonization and standardization (James Zhan, Allen White, Tatiana Krylova, Peter Paul van de Wijs, Richard Howitt, Kris Douma, Bernhard Frey, Anouk Franck, Sonja Novkovic, Ilcheong Yi, Peter Utting). The challenge is how to achieve this without "dumbing down" measurement and reporting (Richard Howitt), and doing so in a harmonious way which is inclusive of all the actors in this busy field.

While there have been improvements in the effectiveness of sustainability measurement, thanks to several recent initiatives and reforms of existing models, they frequently pertain only to the environmental dimension of sustainable development. Metrics associated with the social dimension, on the other hand, remain underdeveloped and have a number of blind spots (Peter Utting).

In this context, UNRISD is well placed to contribute via the conference and the associated project, given its emphasis on the social dimensions of contemporary development challenges, and its long track record of work on social indicators, corporate social responsibility, and social and solidarity economy (Paul Ladd).

What you measure is what you value

Despite the differences in their approaches and methodologies, speakers generally agreed that measurement is not simply a technical exercise; rather, what we choose to measure reflects and shapes, monitors and reinforces what we value and how we activate particular values in economic activity. Either by design, outcome, or both, what we measure is a proxy for the purpose and the values of the enterprise, whether it be private or public, corporate or social, for-profit or not-for-profit. In other words, measurement is a lens on the character of institutions and, ultimately, ourselves (Allen White). Both standard setters and users at the conference expressed their commitment to design and

Sustainable Development Performance Indicators: A project and a conference

UNRISD's Sustainable Development Performance Indicators (SDPI) project aims to contribute to the measurement and evaluation of the performance of a broad range of economic entities—both in the for-profit sector and in the social and solidarity economy—in relation to the vision and goals of the 2030 Agenda for Sustainable Development, by ensuring that contextual factors and social dimensions receive appropriate consideration.

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implement indicators that can act as a lever to shape business activities and relations in order to contribute to balancing economic, social, environmental and governance goals.

Conference participants were acutely aware of the urgency of the global sustainability crisis, and a number of speakers stressed that rigorous, systems-based sustainability measurement cannot be an optional extra; they see it as a necessity if companies are to dramatically improve their contribution to tackling the multiple crises facing the planet and society (Allen White, Richard Howitt, Marcos Athias Neto, Rob Michalak). They emphasized that the private sector needs to engage more proactively with the 2030 Agenda for Sustainable Development, a process which could be facilitated by improved sustainability measurement, reporting methods and indicators.

One such improvement is the subject of some discussion in the field at the moment: the adoption of context-based sustainability performance measurement. Most current approaches to indicator design and implementation measure environmental (and some social) impacts of economic organizations without taking contextual factors into account—that is, without considering the thresholds or norms which, if exceeded, represent an unsustainable use of resources (an approach known as incremental numeration of sustainable impacts). A company may, by this method, measure an improvement in performance, but it could nevertheless be putting resources and well-being at risk because its impact extends beyond the "safe and just operating space" required for sustainable development, as described by Kate Raworth in her discussion paper for Oxfam, "A safe and just space for humanity: Can we live within the doughnut?" (2018).

Context-based sustainability measurement, on the other hand, brings contextually relevant circumstances, such as the carrying capacity of natural resources, into play. In this approach companies measure their performance not just relative to their previous results, or industry standards, but relative to limits and thresholds in resources or vital capitals defined as essential for the sustainability of the planet. As a hypothetical example, a company may have reduced its CO_2 emissions by 10%, but only a much more significant reduction would be a sufficient contribution to keeping global warming with the "safe" limit of 1.5 degrees Celsius. This approach highlights the importance of moving beyond measuring individual organizations' performance to putting that performance into context. (Mark McElroy, Bill Baue).

The new kid on the block: The SDG indicators

With the adoption of the 2030 Agenda for Sustainable Development, its 17 Sustainable Development Goals and 169 targets in 2015, a new set of indicators was developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) specifically to measure progress towards the realization of the 2030 Agenda in its social, environmental and economic dimensions. UN colleagues at the conference presented the indicator system, which was then discussed in relation to other existing sustainability reporting processes.

The indicator system has specific indicators for each target—232 in total. The indicators are categorized in a three-tier system:

- Tier I: Indicator is conceptually clear; established methodology and standards are available, and data are regularly produced by countries (104 indicators);
- Tier II: Indicator is conceptually clear; established methodology and standards are available, but data are not regularly produced by countries (88 indicators);
- Tier III: No established methodology or standards are available for the indicator, or they are being developed or tested for the indicator (34 indicators; note that six indicators are in more than one Tier) (Shaswat Sapkota).

While it was pointed out that the SDG indicators were designed as macro aggregate indicators to assess country-level performance rather than that of individual economic entities, there are nonetheless a number of points where the SDG indicators and sustainability reporting by economic entities intersect. For example, several SDG indicators draw on data from sustainability reporting by enterprises, such as on energy and water use, carbon dioxide emissions, waste, decent work, gender equality and community development, among others. There is, in fact, an SDG indicator on sustainability reporting itself: indicator 12.6.1 concerns the "number of companies publishing sustainability reports". It is, however, currently classified as a Tier II indicator, pointing to a lack of systematic data collection at the national level.

There is, however, no internationally agreed methodology or standard which could constitute the primary source of information on economic entities' sustainable development performance, and therefore enrich and enhance SDG monitoring and evaluation mechanisms. UNCTAD's *Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals (2019)* was introduced to assess the private sector contribution to SDG implementation and to enable companies to provide inputs to reporting on SDG indicator 12.6.1 in a consistent and comparable manner (Tatiana Krylova).

In addition to the UNCTAD guidance, there are a number of initiatives by other UN agencies, in partnership with the private sector, which aim to provide governments and investors with information and the means to assess the economic, environmental and social impacts of companies on progress towards achieving the SDGs. They include the United Nations Global Compact's

Business Reporting on the SDGs; United Nations Environment's Finance Initiative; the United Nations Development Programme's Business Call to Action; and the ILO and UN Women initiative, Equal Pay International Coalition.

These joint UN-private sector initiatives are beginning to make their presence felt in the business world. Several speakers noted that the SDGs were increasingly being referenced by companies and investors when designing business strategies and reporting on their sustainability performance (Bernhard Frey, Peter Paul van de Wijs, Kris Douma). For example, 87% of 1,000 CEOs surveyed for the 2016 UN Global Compact-Accenture CEO Study agreed that the SDGs provide an essential opportunity for business to rethink approaches to sustainable value creation (Jonathan Normand). The role of investors or financial institutions in promoting companies' sustainability impact reporting has become increasingly important (Kris Douma, Leticia Emme, Arjan De Draaijer, Liesel van Ast), and they are also using the SDGs as a benchmark. Up to 82% of companies surveyed by WBCSD reported that they mention the SDGs in their sustainability reporting (Peter Paul van de Wijs), and there are specific programmes that provide investors with information on how to contribute to the SDGs (Kris Douma, Letitia Emme).

Measuring impact also has an impact

Many speakers presented their organizations' indicators and methodologies which engage and support enterprises in their tracking and reporting of impact and performance. The recent rapid proliferation of sustainability indicators, reporting guidance, rankings and ratings of company performance led by standard setters and rating agencies (IRIS, GRI, UNCTAD and Oxfam) has significantly increased the commitment of enterprises to sustainability disclosure (Peter Paul van de Wijs, Richard Howitt, Anouk Franck, Jonathan Normand, Lisa Hehenberger, Marc Pfitzer).

For instance, Ben and Jerry's, a subsidiary of Unilever which is well-known for its long-term dedication to social purpose going back to its original 1988 mission statement, has recently developed "score cards" to measure performance, with indicators focused on three areas: human rights and dignity; social and economic justice; and environmental protection, restoration and regeneration (Rob Michalak). The company's plan to roll out a scorecard to track whether a living income is earned along its entire value chain attracted a lot of attention from the audience.

SK Group, one of the largest Korean conglomerates, has also innovated recently in how it measures its social impact. It uses a system of monetization of social values based on input-outcome analysis which is aligned with stakeholders' concerns, where inputs can be human resources, time, money, facilities and space; and outcomes can include financial benefits, acquisition of knowledge or skills, changes in quality of life, and reduction of social costs. The system assesses and assigns monetary values to improvements and benefits for beneficiaries (who include consumers, employees and communities) when the company delivers its outputs, defined as production activities, sales volume and people who gained benefits (Suk Kwon Na, Joon Whan Oh, Do-Jin Jung).

A common set of indicators for SSE and for-profit enterprise?

Another key theme of the conference was the methodologies and indicators measuring the impact of economic activity which puts social impact at the heart of what it does: the social and solidarity economy (SSE). The sector is growing rapidly, as is its social impact. For example, there are almost 3 million cooperatives worldwide, associated with 280 million jobs and accounting for 10% of the world's employed population (Hyungsik Eum). Cooperatives, one of the main forms of SSE contributing to specific SDGs (for example SDGs 1, 6 and 8), show the potential of SSE as a means of implementation to realize the transformative vision of the 2030 Agenda (Simel Esim).

A major difference between SSE entities and typical for-profit enterprises is that social purpose and sustainability is in the former's DNA and an inherent part of their nature and structure (Marie Bouchard). Employee-owned and democratically controlled, SSE enterprises tend to perform particularly well with regard to income equality within the organization and gender equity (Marie Bouchard, Sonja Novkovic).

Given these differences between for-profit and SSE enterprises, could a common set of sustainable development performance indicators be usefully designed? Some participants at the conference argued that if one sees SSE as an alternative to the capitalist economy, then indicators designed for for-profit enterprises could undermine the nature or *raison d'être* of SSE. Rather than imposing indicators designed for a different type of enterprise or to guide investors, it was argued that SSE organizations should select or define their own indicators which properly reflect their objectives or missions. This would require member-defined and non-uniform indicators that reflect the diversity of SSE organizations and their democratic approach to governance (Marie Bouchard, Marguerite Mendell). In contrast, other participants advocated the development of standardized tools to measure the performance of SSE organizations and enterprises, arguing that a uniform measurement tool makes it possible to compare SSE with other economies and raise its visibility. Standardized statistics can also facilitate the provision of policy guidance. The process of establishing a standardized measurement tool, however, should be participatory and transparent (Simel Esim, Sonja Novkovic).

Challenges and blind spots

Rigorous measurement of the true sustainability performance of enterprises and SSE is essential to redirect unsustainable economic activities toward practices that align with a sustainable planet (Allen White). At the same time, users of indicators from enterprises and SSE organizations alike face many challenges. One of the most frequently raised issues was that of "complexity", which poses several problems. On the one hand, companies often struggle to choose an appropriate approach because of the overwhelming number of methodologies and indicators. On the other hand, providing a pool of methodologies can result in cherry picking, with companies being highly strategic in their choice of methodologies and indicators, selecting those that bring out strengths and hide weaknesses, or disclosing harmless data rather than information that is meaningful and relevant to sustainable development. Investors face similar issues (Kris Douma). Responsible investment requires an assessment of enterprise behaviour and potential impacts according to multiple guidelines and requirements. Lack of comparability among indicator systems can be particularly problematic for investors who must decide which company is fit for investment (Kevin Horgan, Kris Douma, Jonathan Normand). Part of this problem stems from inadequate understanding or conceptualization of key performance issues from the perspective of sustainable development (Tomáš Hák).

Diverse understandings of materiality, or which impacts the organization considers material and therefore reports on, often chosen because they substantively affect stakeholders' decisions, are another problematic issue (Mark McElroy). For example, conventional shareholders might define materiality based on a straightforward profit-and-loss accounting principle, whereas managers and investors concerned with risk and reputation management are more like to define materiality according to selected ethical principles. These differences in approach are major obstacles to efforts to standardize sustainable development performance indicators (Ilcheong Yi).

Support for the conference

The event was hosted by UNRISD and financially supported by the Center for Entrepreneurship Studies and the Korea Land and Housing Corporation.

Substantive support was provided by the members of the Advisory Group to the Sustainable Development Performance Indicators project (Marguerite Mendell, Mark McElroy, Peter Utting and Tatiana Krylova).

Taking UNRISD's work on indicators forward

The overview of current issues, UN indicators, sustainability reporting and SSE impact reporting provided by the conference helped the UNRISD team to chart a number of gaps in the landscape where its future work on sustainable development performance indicators can make a unique contribution to SDG implementation. This can be found in the need to address the transformational vision of the SDGs, which will involve a shift in approach from "do less harm" to "do good", and require us to move beyond incremental to transformative change (Peter Utting). But what does "transformative change" actually mean, and how can we implement it? In its 2016 Flagship Report, UNRISD proposed that transformative change does not merely include social or environmental protection, but also entails (i) addressing the structural conditions that reproduce the wicked problems of climate change, poverty, and social exclusion; and (ii) creating enabling policy and institutional environments for capacity building for participation, well-being and a healthy planet. To bring about transformative change, action is needed in two often neglected issue areas:

- decoupling environmental impact from economic growth, and rethinking growth (including different forms of enterprise and varieties of capitalism); and
- "distributive justice", that is, reconfiguring patterns of distribution of (i) income, wealth and other resources associated with inequality and (ii) skewed power relations (Peter Utting).

Moving forward, the UNRISD project on Sustainable Development Performance Indicators will focus on three main areas of concern uncovered by the conference:

- Social indicators to address blind spots on issues like income inequality within the enterprise, living wages, corporate taxation, gender equality, labour rights, and corporate lobbying and political influence;
- Performance measurement against thresholds and allocations that define sustainability (context-based sustainability reporting); and
- Commonly agreed and actionable indicators that address concerns related to lack of standardization and comparability (building on ongoing work by UNCTAD).

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Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

UNRISD gratefully acknowledges support from its institutional and project funders. See www.unrisd.org/funding for details. Our work would not be possible without their support.

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ISSN 2309-0561. Download free from **www.unrisd.org/eb9**

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