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Strategy and Sustainability

Guide for Measurement Methodology Sustainability Performance Indicators

ESG & Sustainability Transformation

Hung NINH

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ESG Transformation

info@ytt-consulting.com
ytt-consulting.com
H/O: London | UK
B/O: Hanoi | Vietnam

Guide for Measurement Methodology Sustainability Performance Indicators

A two-tier approach

This Guide comprises a two-tier approach that has established a list of 61 context-based indicators that aims to: facilitate trend analysis; contextualize impacts or performance with thresholds and norms; and activate the transformative change necessary to address key structural challenges by shedding light on ignored or neglected issue areas. In applying a structural and contextualized approach to assessing sustainability performance, the Guide project identified indicators with the following four key features:

1. Trend

Most of the indicators span a minimum period of 5 years, as opposed to the conventional annual and prior year comparative data snapshots. The longer period of comparison illustrates the trajectory of change and helps to identify instances of contradictory performance.

2. Granularity and transparency

Information on performance is expected by country, region, affiliate or suppliers, when applicable. This helps to identify contradictory performances measured by different indicators.

3. Sustainability threshold or norm

These are thresholds or norms of sustainability that economic entities performance should abide by in order to be considered sustainable. While these thresholds and norms may appear highly ambitious, they are critical for alerting management and other stakeholders to the scale of the challenge ahead and for developing a long-term strategy.

4. Transformative disclosure

These are indicators that take a transformative approach to sustainability disclosure to instantiate sufficient change and address the key structural conditions that foster behaviours undermining sustainable development. This involves disclosure that would often raise the bar above conventional disclosure.

Indicators within this category also include disclosure of innovative and alternative approaches drawn from the social and solidarity economy (SSE) to transform unsustainable economic relations and activities for economic growth, profit distribution and value appropriation into sustainable ones that promote values of cooperation, self-help, democratic self-management, human rights, ethics and justice.

The trend feature is associated with Guide's contextualization of performance with temporality ("soft contextualization" or "soft context"), which aims to show the performance on the longer term period such as five years. However, they do not assess performance in relation to a norm or threshold within which economic entities can be considered to be operating sustainably. A normative target or threshold, the third element above, provides "hard contextualization" or "hard context". A good example is indicator on living wage—a wage that allows an employee to provide their family with a basket of essential goods and services sufficient to enable all members of the (average) household to afford a decent

standard of living. Unlike minimum wage or an industry norm, a living wage is a sustainability norm for fair remuneration as it contributes to the economic and social stability aspects of sustainable development.

Hard context indicates whether an organization is making progress in relation to sustainable development. It reports what the end goal is. Without such a sustainability norm or end goal, it is impossible to know whether incremental improvements in performance are meaningful. Indicators with hard context report on sustainability performance itself, since they indicate impacts relative to sustainability norms. By contrast, indicators with soft context reveal aspects of performance that are necessary for assessing progress by shedding light on the bigger picture. Both hard and soft context are needed to see the entire picture.

Tier one indicators:

Spotting a trend of core indicators

Tier 1 indicators consist of 20 indicators based on UNCTAD's core indicators in four key areas, namely, economic, social, environmental and governance. These indicators have been developed to standardize and harmonize reporting metrics that are more systematically aligned with the SDGs. Tier 1 indicators differ from UNCTAD's core indicators in that they provide information on performance over five years, and they are applicable to both for-profit and SSE enterprises and organizations.

These indicators are not contextualized in relation to a sustainability threshold or norm. This may be either because norm-setting is not relevant to the type of impact being measured or because there is no basis for establishing a norm in terms of historical precedent, scientific evidence or international consensus.

Tier two indicators:

Contextualizing impact and disclosing transformative potential

Tier 2 indicators comprise 41 newly developed indicators in three key areas, namely environmental, socioeconomic and institutional (or governance) dimensions, and include 6 indicators that are applicable to (social and solidarity economy organizations and enterprises) SSEOEs only. Tier 2 specifically emphasizes the inseparability of the economic and the social, with the premise that all economic activities are embedded in society.

Tier 2 includes 17 context-based indicators, which have clearly defined sustainability norms or thresholds for assessing progress in relation to sustainable development. Tier 2 also includes 24 transformative disclosure indicators, which provide data on performance in areas that are neglected but critical to transformation. This also includes indicators highlighting the features of SSE that, while key from the perspective of sustainable development, are often neglected within conventional reporting.

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II.C.9 Attendance at annual general meetings (applicable to SSEOEs only)

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II.C.12 Stakeholder participation (applicable to SSEOEs only)

Measurement Methodology

Tier 1:

Tier 1: A. Economic area

I.A.1 Revenue

Measurement methodology

The figure for total revenues should correspond to the same data as reported elsewhere in the entity's management accounts and in its audited financial statements.

For the entity applying International Financial Reporting Standards (IFRS) 15 or using IFRS for small and medium-sized entities (IFRS for SMEs), five steps are provided for a reporting entity to apply to recognize revenue:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract(s). Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an

entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

If an entity is neither applying IFRS 15 nor using IFRS for SMEs, this should be clearly stated and explained. The entity is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally audited management accounts, whenever possible.

Potential sources of information

Revenues are to be found as the first line of the income statement. The information about the single transactions to calculate revenues in the reporting period are recorded within financial accounting systems (accounts receivable, revenue cycle). Management accounting systems and internal management reports usually present segment revenues with reference to different dimensions (segment reporting).

I.A.2 Net value added

Measurement methodology

Value added can be calculated using the following:

Direct economic value generated (revenues and other income) minus operating costs (the costs of goods and services purchased from external suppliers). This is normally referred to as gross value added (GVA).

Net value added is calculated by subtracting depreciation of tangible assets from value added.

Equation:

Value Added = 1a + 1b − 2a − 2b Net Value Added = 1a + 1b − 2a − 2b − 3a − 3b

where:

1a = Revenue;

1b = Other income (investment income, other gains and losses);

2a = Cost of sales (costs of goods and services from external suppliers);

2b = Operating expenses (costs of goods and services from external suppliers); 3a = Cost of sales (depreciation); and 3b = Operating expenses (depreciation).

Potential sources of information

Value-added statement: A financial statement that depicts wealth created by an organization and how that wealth is distributed among various stakeholders comprising employees, shareholders, government, creditors and the wealth that is retained in the business.

The preparation of a value-added statement is based on the data collected within the traditional accounting system, so that value added is calculated on an accruals basis.

If an entity does not prepare a value-added statement, the calculation of value added should be made from data in the organization's audited profit and loss statement, or its internally audited management accounts (internal management reports for the country-specific data should be used). In particular, if an entity wishes to prepare a value-added statement, operating costs can be derived from all the bills to external suppliers of goods and services (recorded in the accounts payable); the data on employee wages and benefits and the related information flows are normally managed by the human resources function,

typically within a compensation and payroll management information system. Many entities use specialized software for collection and elaborating payroll information; payments to the different providers of capital are recorded in specific accounts (e.g. interest or dividends payable) and can be found in the P&L as interest expenses or in the cash flow statement as dividends paid; and community investments in the form of donations are recorded in a specific account that is usually called charitable contributions (in an internal report they will appear as a discrete expense line item most likely called charitable contributions).

I.A.3 Taxes and other payments to the government

Measurement methodology

An organization can calculate this indicator by summing up all of the organization's taxes (which can include income and property) as well as excise duties; value-added tax (VAT); local rates and other levies and taxes that may be industry- or country-specific; and all royalties, licence fees and other payments to the government.

Potential sources of information

Taxes and other payments to the government can be found either as an expense or as a liability on the balance sheet.

I.A.4 Green investment

Measurement methodology

An organization can determine its expenditures in green investment by using various frameworks or checklists developed by international organizations. They include the full sustainability taxonomy developed by the High-Level Expert Group on Sustainable Finance (HLEG), in collaboration with the Action Plan on Sustainable Finance of the European Commission; a list of environment-related technologies by researchers of the European Patent Office and the Organization for European Co-operation and Development (OECD); and the European Union's Classification of Environmental Protection Activities (CEPA) list of expenditures for environmental protection.

To understand which types of underlying technologies are related to green investments, and as a starting point to decide which investments can be incorporated in the calculation of this indicator, the following checklist is suggested:

- 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 GHG)
- Indirect contribution (e.g. energy storage)
- Transportation (emissions abatement, efficiency)
- Buildings (energy efficiency).

The European Union's CEPA list also includes the expenditures for environmental protection, outlays and other transactions related to:

- capital formation and the purchase of land for environmental protection activities;
- the purchase of environmental protection products, i.e. goods that directly contribute to preservation efforts (e.g. septic tanks, rubbish containers and compost containers); and
- investment in adapted goods, which are goods that have been specifically modified to be greener (e.g. mercury-free batteries; chlorofluorocarbon- (CFC)- free products). Only the extra cost paid in excess of the cost of the normal product is counted.

In any case, given the lack of a shared definition across industries and that the definition of green investment is likely to depend on the entity's location and operational context, it is important to complement the disclosure of this indicator with a consistent explanation of why an investment has been categorized as green.

These frameworks provide useful information on how to identify, classify and calculate the total amount of green investments over a certain reporting period. By using these frameworks or checklists, two indicators can be calculated:

- 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); and
- a ratio expressing a firm's green investment in period t as a percentage of the entity's period t total assets (and/or revenue). These indicators would be expressed in percentage terms.

Potential sources of information

Information on these expenditures can be found as an operating expense when the corresponding expenses are not capitalized. These expenditures 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. When these investments are material, they are most likely capitalized, and they are budgeted at the beginning of the reporting period. So, it is possible to find the corresponding amounts in internal management reports such as capital budgets. Once the entity has capitalized such expenses, they are included in the fixed assets in the balance sheet of the entity (typically as part of plant, property and equipment).

I.A.5 Community investment

Measurement methodology

The amount of community investment should be expressed in monetary terms and comprise the expenditures (both capital expenditure and operating ones if applicable) incurred in the reporting period.

Two indicators can be calculated:

- the total amount of community investments over a certain reporting period. Community investments should be expressed in monetary terms and should comprise the expenditures (both capital expenditure and operating ones if applicable) incurred in the reporting period; and
- a ratio expressing a firm's community investments in period **t** as a percentage of the entity's period total assets (and/or revenue). These indicators would be expressed in percentage (%) terms.

To calculate the first indicator and the numerator of the second indicator(s) the following classification can be used to keep track of community investments over a certain reporting period.

- Contributions to charities, non-governmental organizations (NGOs) and research institutes (not related to the entity's commercial research and development).
- Funding of community infrastructures (e.g. education, medical and recreational facilities) including infrastructures outside the main business activities of the entity, such as a school or hospital for employees and their families.
- Direct costs of social programmes (e.g. arts and educational events) or of provision of emergency relief in times of natural disaster.

With respect to support for community infrastructures, if the entity buys an existing infrastructure, the calculation should refer to the amount of expenditures incurred. If the entity contributes to building the facility, then the costs of materials, labour and all construction costs specific to the facility need to be included in the calculation. If the entity is funding the daily operations of a community facility, the reported amount should include the related operating costs. Regarding the support of social programmes, the amount to calculate the indicator should refer to the specific operating costs related to the programmes financed by the entity. The calculation of this indicator should also include non-monetary contributions by entities, for instance in the context of an entity whose workers lend their time and capabilities to build infrastructure for a community project, as well as in-kind donations (at fair value).

Potential sources of information

Donations or charitable contributions are generally recorded in an entity's general ledger in a separate account. This is necessary for tax purposes: entities should use a dedicated account for tax-deductible contributions. Information for computing this indicator is found there and is usually recorded by the finance, treasury or accounting departments.

I.A.6 Total expenditures on research & development (R&D)

Measurement methodology

There are different accounting treatments of R&D expenses. Under US generally accepted accounting principles (GAAP), all R&D costs are expensed as incurred (i.e. they are written off to the income statement as an expense when incurred). Under IFRS (International Accounting Standards 38; IAS 38), research costs are expensed, while development expenditures need to be capitalized (i.e. treated as an intangible asset, amortized and reported in the balance sheet). An example of research expense could be the expenditures for tests aimed at obtaining new knowledge to develop a new vaccine by an entity in the pharmaceutical industry. An example of development expense could be the design, construction and testing of a pre-production car model by an automotive entity. Therefore, according to IFRS, distinguishing development activities from research activities is crucial and the most important criterion to decide between expensing or capitalizing R&D expenditure is represented by the technical feasibility of completing the intangible asset so that it will be available for use or sale.

Apply (and disclose) which approach (GAAP or IFRS) the entity uses in its accounting and reporting.

To calculate this indicator, all R&D expenditures incurred in a certain reporting period should be considered, independently from their accounting treatment.

There could be two ratio indicators, which would be calculated as in Equations (I.3) and (I.4): Total

R&D expenditures / Total assets

Total R&D expenditures / Total revenue

Potential sources of information

Information to calculate this indicator can be found in financial statements/financial accounting systems, either in the P&L statement or in the balance sheet, depending on whether R&D costs incurred in a certain reporting period are expensed (there is a specific line in the P&L for R&D expenses, included as part of the operating costs) or capitalized (as intangible assets).

Management accounting systems and internal management reports can be consulted for the country-specific data.

I.A.7 Percentage of local procurement

Measurement methodology

The indicator can be calculated using invoices or commitments made during the reporting period based on the accrual accounting principle. Invoices or commitments to local suppliers are those toward organizations or people that provide products or services to the organization and that are based in the same geographical market as the reporting organization.

The definition of same geographical market and local may refer to the community surrounding operations (within a certain reach defined in terms of kilometres or miles), a region within a country or a country. Therefore, as there could be considerable variation in how organizations define local and as tracking local purchases requires systems, staff time and specific skills that are not part of the procurement operations of many entities, it is suggested that the country is considered to be a distinguishing criterion. In line with UNCTAD's Guidance on Core Indicators for Entity Reporting, purchasing is defined as local when it concerns products or services produced in the same country as the reporting entity, or provided by an entity that is incorporated in the same country as the reporting entity, or otherwise meets the local content or entity requirements as defined by the government of that country. Following this line of reasoning, as a starting point to decide whether or not to include certain purchases in the calculation of this indicator, it could be useful to check whether transnational payments to the suppliers have been made. By looking at invoices in this way, reporting entities can identify the items of local purchasing included in the reporting period and calculate the costs on an accrual basis.

The total amount of local purchasing is presented both as an absolute figure (in monetary terms) and as a percentage of total purchasing of the reporting entity.

Potential sources of information

Information about local procurement can be found by looking at the bills of the entity's suppliers (accounts payable) and, if applicable, at the internal reporting system—in particular, the operational information system for recording supplier master data. This is a reference to the enterprise resource planning system that records information on the entity's suppliers, including records of payments and other transactions.

Tier 1: B. Environmental area

I.B.1 Water recycling and reuse

Two indicators can be calculated.

The total volume of water recycled and reused: this indicator should be expressed in total cubic metres (m3). If the entity has water or flow meters, it is suggested that the indicator is calculated at the level of facility/individual business site, where appropriate documentation and reporting should exist, based on water or flow meters that are used to directly measure the quantity of water recycled and/or reused at the site. Data on the total volume of water recycled and/or reused need to be collected with reference to a relevant time unit (e.g. day, week, month) so they can be cumulated with reference to the total reporting period. If the entity does not have water or flow meters, the water recycled and reused needs to be estimated. Calculation of the volume of recycled and reused water can be based on the volume of water demand by the entity that is satisfied by recycled and/or reused water, rather than by further withdrawals/supplies from third parties.

The total volume of water recycled and reused as a percentage of the total water withdrawal and total water received from a third party, expressed in percentage terms. The denominator takes into account water withdrawn either directly by the organization or through intermediaries such as water utilities. More specifically, total water withdrawal is calculated as the sum of all water drawn into the boundaries of the entity for any use over the course of the reporting period, and from different sources, including fresh surface water; groundwater; seawater water; produced/process water; and third-party water.

It is suggested that the entity should report the total volume of water recycled and reused (total m3), as well as the total volume of water recycled and reused as a % of the total water withdrawal plus total water received from a third party (where total water withdrawal is calculated as the sum of all water drawn into the boundaries of the organization from all sources for any use over the course of the reporting period. Sources of water withdrawal can include fresh surface water + groundwater + seawater/brackish water + produced/process water). The total volume withdrawn and received from a 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. The indicator is thus expressed in both m3 and percentage terms.

Potential sources of information

The calculation of the indicators involves water data collected at each facility/site by direct measurement (through water meters). Determining water use and recycling involves water withdrawal, delivery, release and return flow data collected at each business unit/facility by direct measurement (through water meters). Water should be metered and measured in litres or m3. If such information is collected, it can be found in internal reporting systems (operational information system tracking physical units and recording water flows) and/or environmental accounting systems/environmental management systems, especially regarding resource recycling quantities and costs. Reporting entities would need to disclose if these instruments are not used at their facilities, and an estimation thus required. Estimates are based on coefficients (area statistics) relating water use to another characteristic, usually representing a proxy for the volume of business activity, such as number of employees or production values and volume, and applying it to a site-specific quantity of that characteristic. In addition, information collected in accounts payable based on water suppliers' bills can be used to calculate this indicator.

I.B.2 Reduction of waste generation by reused, re-manufactured and recycled

Measurement methodology

Total waste generated during a reporting period is defined as the sum of the amounts of all mineral, non-mineral and/or hazardous waste treated by any waste treatment technology. This excludes the amount that is treated either on-site or off-site through closed-loop recycling, reuse or re-manufacturing processes (i.e. the recycled, reused or re-manufactured waste materials returned to the processes of the reporting entity). Waste should be weighed or metered. As waste can be solid, liquid or have a paste-like consistency, it can be measured in kilograms (kg) and metric tonnes (mt), litres or m3. However, for the purpose of this indicator, waste should be reported according to weight (kg, t) and not volume (litres, m3).

Waste generated should be presented in absolute volumes (in terms of kg or t of waste) and also normalized. To normalize data concerning waste generation figures, total waste generated should be divided by the amount of NVA (expressed as EUR, USD, GBP, etc.) generated in the same reporting period (see NVA indicator). Therefore, the unit of measure of this indicator is kg or t of waste per EUR, per USD, etc.

The difference between year t and year t−1 should be computed so it is possible to monitor the level of progress the organization has made toward waste reduction efforts (i.e. the change in the entity's waste generation). For the entity, such difference may also signal improvements in process efficiency and productivity and, from a financial perspective, some cost savings on materials processing and disposal.

The amount of reused, re-manufactured and recycled waste should be recognized in the period in which it is treated and should be measured in kg and t. If possible, it is preferable to distinguish among the three options; specifically, between reuse and recycling versus re-manufacturing.

Reused, re-manufactured and recycled waste should be presented in absolute amounts (in terms of waste in kg or t) and normalized.

Potential sources of information

Waste should be weighed or metered at each specific business site. However, some entities may find it difficult to meter the volume of waste produced. Therefore, as waste is normally collected from an organization by a third party, it is possible to calculate the amount of waste generated in a reporting period via bills from the waste management company (information provided by the waste disposal contractor usually includes—along with the type of waste—the amount of waste managed, in kg or t).

The data required for the calculation of these indicators and the related information flows are normally managed by a facility manager or a general services administrator. When such positions are not present in an entity, the related information is to be found in the accounts payable as part of the waste management costs calculation of the reporting period.

In many countries, various forms of waste treatment are required by law, and (normally) a waste disposal contractor is involved in open-loop recycling. Therefore, relevant information for a specific reporting period can be found on the bills from the waste management company (information provided by the waste disposal contractor usually includes, along with the type of waste, the amount of waste managed in kg or t). When the waste generated by an entity can be sold (e.g. because it represents a suitable raw material for another manufacturing company), relevant information can be found on the invoice issued by the entity selling waste materials (accounts receivable).

When the recycled, reused or re-manufactured material is returned to the processes of the reporting entity (closed-loop processes), the related figures should be collected at each business site and reported through operational reporting.

I.B.3 ODS and chemicals

Measurement methodology

In the annex of the Montreal Protocol, every substance controlled is listed, together with a value expressing the Ozone Depleting Potential (ODP). An ozone-depletion potential value indicates how much impact a certain substance has on the depletion of the ozone layer relative to a reference substance. The reference substance normally taken is trichlorofluoromethane (CFC 11), which has been given an ozone-depletion potential of 1; therefore, ozone-depletion potential values are expressed in kg CFC 11 equivalents per kg of the respective substance.

The dependency of an entity on Ozone Depleting Substances ("ODS") is defined as: production of ODS + purchases of ODS + stocks of ODS, where production of ODS means the amount of virgin (i.e. not recovered, reclaimed or recycled) ODS added by the reporting entity.

Potential sources of information

ODS should be weighed or metered at each specific business site (ODS should be measured in kg, tonnes, litres and m3). This is an area that is regulated in many countries and therefore the information regarding this indicator should be found in the following locations.

- When ODS are produced: in the operating information systems of each specific plant (as part of amounts of outcomes produced in a specific reporting period t see also the bills of materials).
- When ODS are purchased/stocked:
- When relating to ODS for production processes: in the accounts payable and in the operating information systems of each specific plant. The owner of such information in this case should be the plant manager/purchasing manager.
- When relating to ODS embodied in equipment in use outside production processes and part of general services (e.g. air conditioning, firefighting equipment), it can be derived from the description of the specific equipment bought by the entity at each facility. The owner of such information in this case should be the facility manager/general services administrator.

Tier 1: C. Social area

I.C.1 Average hours of training per year per employee

Measurement methodology

The first step in calculating the number of hours is to identify all the training programmes 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), and training in specific topics such as health and safety.

The denominator should be expressed as either headcount or full-time equivalent (FTE), and the approach applied consistently in the period, and between periods. The data should be presented with a breakdown by employment category and possibly by gender.

Proportion of women in managerial positions.

Equation:

Average training hours per employee = total number of training hours provided to employees/ total number of employees

If possible, this indicator should be broken down by category as in the following equation:

Average training hours per employee category =

total number of training hours provided to each category of employees/ total number of employees in category.

Multinational entities are encouraged to disclose hours of training by country, and possibly by gender, similar to recommendations for other economic indicators included in this Guide.

Potential sources of information

Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software) for collecting and elaborating information

regarding employees, including the other data that are necessary to calculate this indicator. The software and related information flows are normally managed by the human resources function that is also usually in charge of defining a training budget.

Training expenses can also be found in the P&L statement as a specific line item that is part of the operating costs (general expenses). Entities usually employ a specific account to record training costs that can be called employee training expenses (in the accounts payable). Management accounting systems/internal management reports can be also used for the hour-specific, category specific and country-specific data (if an entity has a balanced scorecard, these indicators are often included as key performance indicators in the learning and growth perspective).

I.C.2 Expenditure on employee training per year per employee

Measurement methodology:

To calculate the expenditure referred to training programmes, it is suggested that direct and indirect costs of training be considered; for example course fees, trainers' fees, training facilities, training equipment and related travel costs.

The denominator should be expressed as either headcount or FTE, and the approach should be applied consistently in the period and between periods. The data should be presented with a breakdown by employment category.

Average training expenditures per employee = total amount of training expenses/total number of employees.

If possible, this indicator should be broken down by category in the following way:

Average training expenditures per employee category = total amount of training expenses for each category of employees/ total number of employees in category

Multinational entities are encouraged to disclose training expenditures and hours of training by country, and possibly by gender, similar to recommendations for other economic indicators included in this Guide.

I.C.3 Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender

Measurement methodology:

Formula:

(Total Employee Wages and Benefits) / (Total Revenue) x 100 = Percentage of Revenue Spent on Employees

The first step in calculating this indicator is to compute total payroll, including employee salaries and amounts paid to government institutions on behalf of employees, plus total benefits (excluding training costs, costs of protective equipment or other cost items directly related to the employee's job function). In this context, payments to the government can include contributions, pensions, employment taxes, levies and employment funds. Then, the amount of employee benefits and wages will be divided by the total revenue in that reporting period.

If an entity prepares a value-added income statement, the total amount of employee wages and benefits is already disclosed there (among the items included in the economic value distributed).

The total amount of employee wages and benefits should be broken down according to the following categories:

- employees and supervised workers,
- type of employment contract (permanent or temporary),
- type of employment (full time or part time),
- age group: under 30 years of age, 30–50 years of age, over 50 years of age,
- region, and
- gender.

Key points about this metric:

Importance:

This metric helps businesses understand how much of their income is dedicated to employee compensation, allowing them to compare their labour costs to industry benchmarks and identify areas for potential cost optimization.

Factors to consider:

- **Employee benefits:** Include all employee benefits like health insurance, retirement plans, paid time off, etc.
- **Bonuses and commissions:** Factor in any performance-based compensation paid to employees.
- **Payroll taxes:** Consider the employer portion of payroll taxes when calculating total employee costs.

Interpretation:

- **Higher percentage:** Indicates a larger portion of revenue is allocated towards employee compensation, which could be due to high salaries, generous benefits, or a large workforce relative to revenue.
- **Lower percentage:** May suggest lower employee costs, but could also indicate potential understaffing or inadequate compensation.

How to use this metric:

Benchmarking:

Compare your company's payroll to revenue ratio against industry averages or competitors to assess your labour cost competitiveness.

Cost control:

Identify areas where employee costs can be optimized without impacting employee morale or productivity.

Strategic decision-making:

Inform decisions regarding hiring, compensation adjustments, and benefit packages based on the analysis.

Potential sources of information:

Information to calculate these indicators is typically found in human resources information systems (employee records available at the national or site level). Many entities use specialized software (human resource software) for collecting and elaborating information on employees, including the other data that are necessary to calculate this indicator. The software and the related information flows on wages and benefits are normally managed by the human resources function in a specific module that is usually labelled payroll accounting. Many firms also have a payroll accounting specialist in the accounting

department who is the owner of this information. The total revenue can be obtained from the P&L statement.

I.C.4 Expenditures on employee health and safety as a proportion of revenue

Measurement methodology

This indicator is expressed as a % and is calculated by adding up 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. This amount is divided by the total revenue in this reporting period.

Given the increasing importance of the services sectors and its intrinsic characteristics, this indicator should also reflect reporting on mental health and stress.

Some of these elements are related to operating costs, for example the entity's cost of health care activities financed directly by the entity as such, either through self-insurance or in operating the entity's own health care facilities or any other expense related to the supervision of the health of workers. Some other elements are capital expenditures, such as investments in radiation protection equipment or in fire prevention kits.

Total expenditure on health and safety (expressed in monetary terms) should be divided by total revenue in period t. This indicator would be expressed in percentage terms.

Multinational entities are encouraged to disclose health and safety expenditures by country, similar to recommendations for other economic indicators included in this Manual.

Potential sources of information

Some entities have occupational safety and health management and reporting systems that are used to collect all the relevant information for calculating this indicator. The related information flows are owned by the occupational safety and health manager/programme administrator/committee when present. As part of this information system, and depending on the specific legislation of the country where the entity operates, entities also keep specific registers, such as the register of medical visits.

For those expenses that are material and thus can be capitalized by the entity, it is possible to use capital budgets to find the relevant amounts. In contrast, when the amount spent on health and safety is immediately expensed in the reporting period, the related costs are to be found in the P&L statement as part of the operating costs of an entity (depending on the nature of the expenses, they can be found as part of the production overheads or as part of the selling expenses, etc.). The revenue (denominator) can be obtained from the P&L statement.

I.C.5 Percentage of employees covered by collective bargaining agreements

Measurement methodology:

Collective bargaining refers to all negotiations that take place between one or more employers or employers' organizations, on the one hand, and one or more workers' organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers.

Negotiations can take place at various levels. Collective bargaining agreements may comprise agreements at the sectoral, national, regional, organizational or workplace level.

This standard is based on the Collective Bargaining Convention, 1981 (No. 154) of the International Labour Organization.

This indicator should be calculated by taking into consideration the employee numbers at the end of the reporting period. Employee numbers may be expressed as headcount or FTE. In any case, the approach chosen should be applied consistently between periods.

As a first step, it is necessary to express the total workforce of the reporting entity at the end of the reporting period, either in terms of headcount or FTE (denominator of the indicator).

Next, those employees who are covered by collective agreements should be identified, and expressed either in terms of headcount or FTE, consistent with the denominator.

Beyond the percentage figure, narrative information is essential to clarify the entity context since, in some instances, agreements are not allowed by regulators, requested by employees or reached among relevant stakeholders.

Potential sources of information:

Entities should set up arrangements, in accordance with national laws or regulations, to define collective employment agreements/contracts. These are usually negotiated collectively between management (on behalf of the entity) and union representatives. Information relevant to calculating this indicator can be found in these contracts (number of employees covered by collective agreements). Such information can be found also in human resources information systems. When involved, the legal affairs department can also be one of the owners of such information.

Tier 1: D. Institutional area

I.D.1 Number of board meetings and attendance rate

Measurement methodology

Identify the number of board meetings conducted, and the attendance rate at each meeting. This rate is determined by identifying the number of board members in attendance at each meeting as the numerator, with the overall number of board members as the denominator. An overall annual attendance rate can be determined by averaging the attendance rates over the year.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or the human resources manager.

I.D.2 Board members by age range

Measurement methodology

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

- Under 30 years of age.
- 30–50 years of age.
- Over 50 years of age.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or by the human resources manager.

I.D.3 Number of meetings of audit committee and attendance rate

Measurement methodology

Identify the number of audit committee meetings conducted, and the attendance rate at each meeting. This rate is determined by identifying the number of audit committee members in attendance at each meeting as the numerator, with the overall number of audit committee members as the denominator. An overall annual attendance rate can be determined by averaging the attendance rates over the year.

Potential sources of information

The relevant information to calculate this indicator is usually recorded by the investor relations office, the company secretary and/or by the human resources manager. In addition to these sources, information concerning this indicator can also be recorded by the internal audit function.

I.D.4 Compensation: total compensation per board member

(both executive and non-executive directors)

Measurement methodology:

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 a 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 that certain conditions of employment or goals are not met), and
- retirement benefits.

Total annual compensation is calculated for each executive director and each non-executive director.

Potential sources of information:

The data required for the calculation of this indicator and the related information flows are normally managed by the human resources function, typically within a compensation and payroll management information system. Many entities use specialized software for collecting and elaborating this type of information. The data may also be obtained from the company secretary.

Another source of information is the remuneration report, where the compensation of board members (both executives and non-executives) is presented. The information is owned by the remuneration committee which, when present, is in charge of defining the compensation strategy and policy.

I.D.5 Average hours of training on anti-corruption issues per year per employee

Measurement methodology

The organization shall calculate the aggregate number of hours each year in which its employees and other workers are engaged in anti-corruption training, disclosed over the past five years.

Report annual and five-year trend in hours of training on anti-corruption issues as follows:

Year	t	t−1	t−2	t−3	t−4
THT					

where:

THT = total hours of anti-corruption training, and t = most recent year.

Potential sources of information

All data regarding an organization's expenditures for anti-corruption training and related disclosures can be obtained from its own human resources, finance and legal functions.

Tier 2

Thresholds-based and transformative indicators

Tier 2: A. Environmental area

II.A.1 GHG emissions (scope 1 and 2)

The ultimate goal set by the SDPI methodology on GHG emissions (scope 1 and 2) indicator is achieving zero GHG emissions—that is, no direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles) and no indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. The achievement of negative emissions, while desirable in the long-run, is beyond the scope of the current indicator.

Accordingly, the sustainability threshold or norm of an organization's GHG emissions is zero (i.e. Net Zero) and the indicator assesses the sustainability of an organization as follows:

- When actual GHG emissions (scopes 1 and 2) of a specific year are less than or equal to zero (i.e. Net Zero), the organization's performance can be qualified as being sustainable; and
- When actual GHG emissions (scopes 1 and 2) of a specific year are greater than zero (i.e. Net Zero), the organization's performance can be qualified as being unsustainable.

The SDPI methodology sets the minimum goal of Net Zero GHG emissions which have been recognized by the UN and the IPCC. Net Zero GHG emissions means that some greenhouse gases may still be released, but if so, these are offset by anthropogenic removals of an equivalent (or greater) amount of greenhouse gases from the atmosphere and storing them permanently in soil, geological formations, plants or materials. Achieving a Zero GHG emissions goal (in absolute terms) would, by definition, also achieve the Net Zero GHG emissions goal, but not the other way around. Both concern the maximum impact (e.g., maximum GHG emissions) the environment can sustain without undergoing changes perceived to be unacceptable, agreed to be represented by a global change of 1.5 °C above pre-industrial levels.

The need for interim targets

In recognition of the fact that worldwide GHG emissions will take some decades to reduce to the sustainability threshold of zero (or Net Zero) GHG emissions, the impact of organisations' GHG emissions can be assessed relative to an interim (non-zero) target on a yearly basis:

$$RGG_t = \frac{AGG_t}{NGG_t}$$

where:

RGG_t = ratio of actual scopes 1 and 2 GHG emissions to a normative emissions target

RGG_t = actual GHG emissions (scopes 1 and 2);

RGG_t = normative GHG emissions target from a science-based tool (see below); and t = a specific year.

When $RGG_t \leq 1$, the organisation's GHG emissions are aligned to the global 1.5°C pathway.

When $RGG_t > 1$, the organisation's GHG emissions are not aligned to the global 1.5°C pathway.

Following this logic, the impact of organizations' GHG emissions in cumulative terms can be assessed:

$$RGG_c = \frac{\sum_b^t AGG_t}{\sum_b^t NGG_t}$$

Where:

t = current year, b = baseline year and c = cumulative

RGGc = ratio of actual scopes 1 and 2 GHG emissions to a normative allocation of emissions (cumulative)

General specification for tools

Several tools are available to derive a normative allocation from the reducing global pool of GHG emissions. The list below provides a set of requirements for tools to derive an interim allocation of GHG emissions to an organisation consistent with the global emissions reduction pathway:

1. Tools should be based on a peer-reviewed, science-based 1.5°C mitigation scenario(s) per the Paris Agreement
2. Tools should include a mechanism for making organization-specific allocations of global and/or regional GHG budgets and mitigation targets (e.g., economic, per capita, activity-based, etc.)
3. Tools should express targets in both annual and cumulative terms starting with a defined baseline year* per the science-based mitigation scenario(s) being used (in absolute terms)
4. Tools minimally require entry of scopes 1 and 2 emissions, with scope 3 emissions being optional (all in absolute terms at a minimum)

5. Tools should report performance annually and cumulatively (i.e. actual emissions relative to targets)

* For organizations without continuous data extending back to the baseline year (e.g., organizations that did not exist, or have undergone significant restructuring such as mergers or disaggregation, a major change in core business, diversification or divestiture, etc.), tools should offer an alternative mechanism for deriving meaningful targets, including how to consider cumulative emissions in such cases.

Interpretation of results

The ethical and scientific principles for allocating emissions and setting targets from steadily declining global GHG budgets to individual entities are diverse, and result in various indicators. Depending on which indicators are used, specific targets for individual companies will therefore vary. To help make sense of such company-level target emissions and their performance against them, SDPI also offers a "traffic light" or checklist system in which multiple metrics can be combined to enable a company's performance to be assessed both in terms of its outright position relative to where it should be, and the direction and magnitude of the change it is undergoing. An organization contributing to sustainability would be one with all green lights, whereas a combination of green and red lights would offer rapid insights into the organization's performance. An example is provided in Table 1.

Table 1. Basic "traffic light" system

Sustainability threshold		
Metric	Sustainable	Unsustainable
AGG_t	$AGG_t \leq 0$ Meaning: organisation's emissions are at sustainable levels	$AGG_t > 0$ Meaning: organisation's emissions are not yet sustainable: proceed to interim targets
Interim targets		
Metric	1.5°C-aligned: moving towards sustainability	Moving further away from sustainability
Magnitude of emissions: $RGG_t = \frac{AGG_t}{NGG_t}$	$RGG_t \leq 1$ Meaning: organisation's emissions are lower than the target level	$RGG_t > 1$ Meaning: organisation's emissions are higher than the target level
$RGG_c = \frac{\sum_b^t AGG_t}{\sum_b^t NGG_t}$	$RGG_c \leq 1$ Meaning: organisation's cumulative emissions are lower than the cumulative emissions in the target pathway	$RGG_c > 1$ Meaning: organisation's cumulative emissions are higher than cumulative emissions in the target pathway

Change in emissions intensity:* $\Delta EI = \left(\frac{\frac{AGG_t}{CGDP_t} - \frac{AGG_{t-1}}{CGDP_{t-1}}}{\frac{AGG_{t-1}}{CGDP_{t-1}}} \right)$	$\Delta EI \leq 0$ Meaning: organisation's emissions intensity is decreasing.	$\Delta EI > 0$ Meaning: Organisation's emissions intensity is increasing.
Relative rate of change: $R = \frac{(\Delta AGG_t - \Delta NGG_t)}{\lvert \Delta NGG_t \rvert}, \Delta NGG_t \neq 0$ $R = \Delta AGG_t, \Delta NGG_t = 0$	$R \leq 0$ Meaning: change in organisation's emissions is better than change in emissions on target pathway.	$R > 0$ Meaning: change in organisation's emissions is worse than change in emissions on target pathway.

Where:

AGGt = Actual company GHG emissions in year t;

ΔAGGt = annual change in actual company emissions;

NGGt = target company emissions (tonnes CO2-e/yr) in year t provided by the adopted tool;

ΔNGGt = change in target emissions (tonnes CO2-e/yr) in year t on the adopted pathway;

ΔEI = relative change in emissions intensity;

RGGt = ratio of actual to target GHG emissions in year t;

CGDPt = company's contribution to GDP (for-profit organisations); and

R = relative rate of change in emissions compared to rate of change of target emissions.

* Note that CGDPt can be replaced with population (headcount) for non-profit organisations.

Calculation examples

Below is an example calculation to illustrate how allocations (NGGt) may be derived using the science-based-target approach. The variance of these interim targets reflects different principles or choices on how to allocate or specify fair shares of allowable emissions, sectoral differences of carbon budgets, baseline years, and emission pathways.

For organizations with data extending to a "baseline" year

Companies with continuous data extending back to a baseline year may choose to adopt the Centre for Sustainable Organisations' (CSO) method. There have been two comprehensive scientific studies on science-based climate target-setting methods, Bjorn et al 2021 and Rekker et al 2022, and both found the CSO method to be the strongest. This is one tool that can be used to set interim annual targets for emissions when an organization's GHGs are not already zero or less. This context-based carbon metric (first piloted with Ben & Jerry's

in 2006) measures the GHG emissions of a company against reduction targets rooted in science-based mitigation scenarios, two of which it now supports: SSP1-1.9 scenario, a "well-below 1.5 °C" warming model with a 2015 baseline year, and a CERC-LED-OECD scenario, an equity-sensitive, "No BECCS" (Bioenergy with Carbon Capture and Storage) "1.5°C" warming model, also with a 2015 baseline year. The CSO metric allocates emissions entitlements (and reduction burdens) to individual organizations based upon their contributions to GDP and adjusts them annually in these terms, while also keeping them aligned with the annual global carbon budgets specified in SSP1-1.9 (Shared Socioeconomic Pathways) on the one hand, and CERC-LED-OECD (Climate Equity Reference Calculator – Low Energy Demand) on the other. Targets and performance scores for both are reported. The latest version of CSO's Context-Based Carbon Metric (an Excel spreadsheet) is available free of charge (for non-commercial end-user applications only) and can be downloaded by clicking here. Allocations made in the CSO tool are based, in part, on the "grandfathering" principle (Bjorn 2021), which allows the initial emissions for a company (in the baseline year, 2015) to influence annual targets for ongoing emissions thereafter, creating a more gradual entry path for reducing GHG emissions no matter what an organisation's emissions might be at the outset. For for-profit organizations, CSO's allocation principle goes on to set targets in terms of contributions to GDP; for non-profit organizations, it does so in terms of the headcount size of an organization as calculated in the method.

The target company-level emissions (tonnes/yr) in the current year t is given by $CE_{t,target}$:

$$NGG_t = CE_{t,target} = GE_{t,target} \times \frac{CGDP_t}{GDP_t} \times \frac{\left(\frac{CE_{baseline}}{CGDP_{baseline}}\right)}{\left(\frac{GE_{baseline}}{GDP_{baseline}}\right)}$$

where:

GEt,target is the target global emissions (tonnes CO2-e/yr) in year t on the adopted pathway;

CGDPt is the company's contribution to global gross domestic product (GDPt) in year t; CEbaseline and GEbaseline are the company and global emissions in the baseline year (nominally

2015) respectively in tonnes CO2-e/yr; and

CGDP baseline and GDP baseline are the company's contribution to GDP and global GDP respectively in the baseline year.

The calculation above can be adapted to non-profit organizations by swapping the GDP terms for corresponding population terms (headcount in the organization versus global population).

For organizations without data extending to a "baseline" year

For companies that lack continuous data extending back to the baseline year, e.g., for one or more of the reasons listed above (see General specification for tools), the CSO's calculation of NGGt could, in principle, be simplified by removing the final ratio in the above equation, thus providing an alternative allocation without "grandfathering":

$$NGG_t = CE_{t,target} = GE_{t,target} \times \frac{CGDP_t}{GDP_t}$$

This provides an instantaneous emissions allocation based simply on the organization's current (year t) contribution to GDP (or population, in the non-profit case) and is consistent with other SDPI allocation procedures, such as that used for equitable water allocation. The result of this calculation can be interpreted within the traffic light system above to provide valuable insights. However, this simplified (non-grandfathering) calculation option is not currently available within the CSO tool, due to a key disadvantage: it does not create a pathway from the organization's historical emissions, meaning it may over- or under-allocate emissions depending on the nature of the organization (i.e. relatively high-emitting organizations may receive a much lower allocation compared to the grandfathering calculation, and vice versa). Therefore, alternative approaches may be recommended by individual tool providers for organizations without continuous data.

For brevity, the formulas shown above are for annual emissions. The calculation procedures to derive targets for cumulative emissions are more complex and users are referred to the individual tool providers for more information.

II.A.2 GHG emissions (scope 3)

Measurement methodology:

It is important that organizations know the scale of both their direct and indirect impacts and take measures to address them. As such, an increasing number of companies are now measuring all three types of emissions (scope 1, 2 and 3) and formulating long-term strategies to reduce them.

To disclose whether:

- The organization is measuring scope 3 GHG emission based on a given scope 3 framework?
- The organization requires its suppliers to measure scope 1 and scope 2 GHG emissions?

Potential sources of information:

All scope 3 GHG emissions data can be obtained from an organization's suppliers, customers and other third parties in its value chain.

II.A.3 Water use

Measurement methodology:

This indicator is based on hydrological models of stream flows and human withdrawals (for both consumptive and non-consumptive use). Using satellite images, national statistics and the water withdrawal and consumption data, the indicator measures the gross water available, the net water available, and allocated water available for the use of economic entity at different geographical scales (the circular regions of 10, 50, 100, 200 and 300 km surrounding the facility location). By performing this calculation at several "scales" we gain insight as to the "context" sensitive nature of the metric.

There are four water allocations based on gross withdrawals (GW), consumptive use (C), GDP, and population (Pop).

$$W_{\text{facility (GW,GDP)}} = Q_{\text{GW,max}} \left(\frac{\text{GDP}_{\text{facility}}}{\text{GDP}_{\text{region}}} \right) \quad \& \quad W_{\text{facility (C,GDP)}} = Q_{\text{C,max}} \left(\frac{\text{GDP}_{\text{facility}}}{\text{GDP}_{\text{region}}} \right)$$

$$W_{\text{facility (GW,POP)}} = Q_{\text{GW,max}} \left(\frac{\text{POP}_{\text{facility}}}{\text{POP}_{\text{region}}} \right) \quad \& \quad W_{\text{facility (C,POP)}} = Q_{\text{C,max}} \left(\frac{\text{POP}_{\text{facility}}}{\text{POP}_{\text{region}}} \right)$$

These allocations represent the maximum sustainable water use for the facility based on each cell in the 2x2 matrix of attributes (GW vs Con, and GDP vs Pop).

The sustainability indicator uses the allocation relative to the actual water use of the facility where Wfacility,gross and Wfacility,con are the actual gross and consumptive use of the facility, respectively.

Information the economic entity is supposed to collect for this indicator is as follows.

- Pop Facility (e.g. the number of employees)
- GW Facility (m3) (e.g. the volume of water used in the utility bill)
- GDP Facility (e.g. the value added)
- Con Use Facility (m3)
- (e.g. Con Use Facility = GW Facility – water drained off through sewerage system)
- GPS (Global Positioning System) coordinates of Facility (e.g. using Google Map to find largitude and longitude coordinates)

II.A.4 Hazardous waste treatment

Measurement methodology:

Total hazardous waste generated during a reporting period is defined as the sum of the amounts of all types of hazardous waste listed in the Basel Convention definitions and should be measured in kilos and metric tonnes.

An entity should also disclose the proportion of hazardous waste treated to reduce or eliminate their danger to people and the environment compared to the total waste reported by the reporting entity (indicator expressed in percentage terms).

Where applicable, the total weight of hazardous waste should be broken down by disposal methods (i.e. reuse; recycling; composting; recovery, including energy recovery; incineration (mass burn); deep well injection; landfill; on-site storage; and/or other (to be specified by the organization)).

Any hazardous waste left untreated will be deemed as unsustainable.

Potential sources of information:

Hazardous waste should be weighed or metered at each specific business site. However, some entities may find it difficult to meter the quantity of hazardous waste produced. Therefore, in line with what is advised for other indicators on waste management included in this Manual, it is suggested that the bills from the waste management company be used to reconstruct the relevant information required to calculate this indicator.

II.A.5 Renewable energy

Measurement methodology:

To calculate the numerator, the entity should consider only the amount of renewable energy consumed. Therefore, the numerator can be calculated as: renewable fuel sources (such as biofuels), solar energy, biomass, hydropower, geothermal energy and ocean energy, including heat from renewable sources and electricity from renewable sources.

The denominator, total energy consumption within the organization, can be calculated as: non-renewable fuel consumed + renewable fuel consumed + electricity, heating, cooling and steam purchased for consumption + self-generated electricity, heating, cooling and steam (which are not consumed) – electricity, heating, cooling and steam sold.

In calculating this indicator, when computing the numerator, it is suggested that a distinction be made between different types of renewable energy resources, as these range

from infinitely renewable sources (such as solar power) to cyclically renewable resources (such as biomass).

Fuel consumption is expressed in joules (J) or multiples. Electricity, heating, cooling and steam consumption are expressed in J, watt hours (Wh) or multiples. However, both the numerator and the denominator should be expressed in J, and so conversion factors are needed. Different energy commodities have a different caloric content. To make them comparable, they are converted into thermal equivalents using their respective net caloric content. If the energy commodity is used in a country for which specific values are listed (i.e. there are local conversion factors), these values should be used; otherwise, the default value should be applied.

The sustainability norm or threshold for renewable energy is to use 100% renewable energy

Equation:

$$PRE_t = \frac{RE_t}{TEC_t}$$

where:

PRE = Proportion of renewable energy

RE= Renewable energy consumed TEC = Total energy consumption t = most recent year.

And where:

PRE scores of ≥ 1.0 are sustainable; and

PRE scores of < 1.0 are unsustainable.

Potential sources of information:

As the majority of entities purchase energy, the amount of energy consumed for a reporting period, subdivided into the different types, can be found by collating the bills of the energy suppliers and of fuel providers.

In many countries, renewable energy certificates (RECs) are used to claim renewable energy purchased. Thus, specific information about renewable energy can also be derived from these certificates, when present.

II.A.6 Life cycle assessment (LCA) and circularity indicators

Measurement methodology:

This indicator focuses on the use of LCA and the tracking of product material flows by organizations as an indicator of activity or practice in circular economies. Determine and disclose the degree to which the company applies LCA to all of its goods and services, and whether circular material inflow and outflow are being tracked?

Circular material inflow: Resources that enter the company, e.g. materials, parts or products are renewable or non-virgin

Circular material outflow: Material flows that leave the company, e.g. materials, parts, products, by-products and waste streams are recovered

Potential sources of information:

Information about a company's LCA studies and product material flows can be obtained from its corporate social responsibility (CSR), sustainability or product/service engineering and design functions.

Tier 2: B. Socioeconomic area

II.B.1 Fiscal disclosure

Measurement methodology

Disclosure of fiscal information about the company shall be made in: the top three countries in which it does business (based on revenue, employees or physical capital); and the top three countries based on profits.

For (a) the top three countries in which the company does business (based on revenue, employees or physical capital), disclose its:

- revenue,
- profits,
- number of employees,
- corporate taxes paid, and
- physical capital.

For (b) the top three countries in which the company does business (based on profits), disclose its:

- revenue,
- profits,
- number of employees,
- corporate taxes paid, and
- physical capital.

Potential sources of information

All fiscal data can be obtained from a company's own finance, human resources, payroll and accounting functions.

II.B.2 Tax gap

Measurement methodology

Calculations of actual taxes paid by organizations (ETR) shall be compared to calculations of statutory taxes due (STR) to determine if there are any gaps. The tax gap is calculated as the difference between a company's STR and its ETR. The STR is the tax rate that companies would have to pay on the basis of the geographical mix of their revenue (at least three countries/regions with the biggest revenue). That is, it is the average tax rate, weighted by revenue, from (each) respective country/region. The ETR is the average of the ratio of the annual income tax payable to the annual earnings before tax (EBT) as disclosed by companies, weighted by revenue, from each respective country/region. When calculated in this way, actual average taxes paid in any one year (ETR) should not be any less than 95% of statutory taxes due (STR).

Equation:

Annual tax gap calculation with tax credits regularly subtracted:

$$ATG_t = \frac{ETR_t}{(STR^*.95)_t}$$

five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4	5-year average
ATG						

where:

ATG = annual tax gap (percentage),

ETR = effective tax rate,

STR = statutory tax rate, and

t = most recent year.

And where:

ATG scores of ≥ 1.0 are sustainable, and

ATG scores of < 1.0 are unsustainable.

Potential sources of information

All ETR data can be obtained from a company's own finance and accounting functions; all STR data can be obtained from the taxation authorities in each country.

II.B.3 CEO-to-worker pay ratio

Measurement methodology:

Total compensation of the CEO (i.e. the highest-paid executive) is defined as including salary, bonuses, benefits, restricted stock grants, long-term incentive payouts and options realized and/or options granted. Worker compensation is similarly defined as wages including all benefits (but not overtime).

Equation:

$$CWP_t = \frac{CC_t / WC_t}{30}$$

where:

CWP = CEO:worker pay ratio;

CC = CEO compensation;

WC = median compensation of lowest-paid quartile of workers; t = a specific year; and

30 = normative maximum CEO:worker pay ratio in any year.

And where:

CWP scores of ≤ 1.0 are sustainable; and

CWP scores of > 1.0 are unsustainable.

Potential sources of information:

All compensation-related data can be obtained from an organization's own human resources, payroll and accounting functions.

II.B.4 Living wage gap

Measurement methodology:

Actual wages and benefits paid shall be calculated as the annual compensation paid to individual employees, and shall include regular pay only, and not overtime pay or productivity bonuses or allowances. In-kind or other benefits may be included if they have the effect of reducing the amount of cash income employees need for a decent living standard.

Normative living wages shall be expressed in nominal national currency terms at the highest end of the monthly ranges specified for living wages for individuals in average households in specific countries by the Wage Indicator Foundation (i.e. which represent the 50th percentile of wage norms). Such monthly wages shall be multiplied by 12 to arrive at annual norms. Comparable norms or standards from other sources that are expressed at a more local level, if available, may be used instead.

The sum of all individual living wage gaps greater than zero shall then be calculated and reported as such (i.e. in the aggregate) for each of the most recent five years. For purposes of this indicator, all living wage gaps less than zero shall be disregarded.

Equation:

$$LWG_t = \sum_{i=1}^{n} (LWN_{it} - AWP_{it})$$

Report five-year trend in living wage gap (LWG) as follows:

Year	t	t−1	t−2	t−3	t−4
LWG					

where:

LWG = living wage gap for all employees for whom AWP < LWN (in the aggregate),

LWN = regional/national living wage norm for a specific employee (annual),

AWP = actual wages paid to a specific employee (annual),

i = a specific employee for whom AWP < LWN,

n = total number of employees for whom AWP < LWN, and

t = most recent year.

And where:

LWG scores of ≤ 0 are sustainable, and

LWG scores of > 0 are unsustainable.

Potential sources of information:

All compensation-related data can be obtained from a company's own human resources, payroll and accounting functions. Regional or national norms for living wages can, in turn, be obtained by reference to the Global Living Wage Coalition's Anker Methodology for Estimating a Living Wage or to local government agencies in cases where such datasets exist.

II.B.5 Distribution of surplus/profits

Measurement methodology:

This aspect of performance has six sub-indicators associated with it.

Equation:

Distribution of surplus/profits = TSPt = MWPt + ESOt + SHRt + RIOt + OTHt

Percentage of surplus/profits distributed to MWP = MWPt / TSPt

Percentage of surplus/profits distributed to ESO = ESOt / TSPt

Percentage of surplus/profits distributed to SHR = SHRt / TSPt

Percentage of surplus/profits distributed to RIO = RIOt / TSPt

Percentage of surplus/profits distributed to OTH = OTHt / TSPt

where:

TSP = total surplus/profits distributed,

MWP = total TSP distributed to members/workers/producers,

ESO = total TSP distributed to ESOPs,

SHR = total TSP distributed to shareholders,

RIO = total TSP for reinvestment in the organization,

OTH = total TSP distributed to other purposes or programmes, and

t = a specific year.

Potential sources of information:

Information regarding a company's distributions of surplus/profits can be obtained from its own finance and accounting functions.

II.B.6 Gender pay gap: Equality of remuneration

Measurement methodology:

This indicator has two sub-indicators associated with it: indicator 1, which measures the overall gender pay gap, if any, at the organizational level; and indicator 2, which measures gender pay gaps at each occupational level (to be identified by the entity).

Gender pay gaps shall be calculated in terms of women's pay as a percentage of men's, and in a way that includes not only base salary or wages, but also compensation associated with incentives and rewards (but no overtime).

In addition, all such calculations shall not be adjusted in ways that take differences in other factors into account, such as hours worked, age, experience or education. All calculations shall also include both full- and part-time employees, with all averages to be expressed in terms of the median rather than the mean.

The first sub-indicator is:

Equation:

Annual gender pay gap indicator 1 (percentage disparity at organizational level) =

$$GPG_t = \frac{AWP_t}{AMP_t}$$

where:

GPG = annual gender pay gap,

AWP = average women's pay, AMP = average men's pay, and

t = a specific year.

And where:

annual gender pay gap indicator 1 scores of 1.0 ± 0.03 are sustainable, and

annual gender pay gap indicator 1 scores of > 1.03 or < 0.97 are unsustainable.

The second sub-indicator is:

Equation:

Annual gender pay gap indicator 2 (percent disparity at various occupational levels) =

$$GPG_{ty} = \frac{AWP_{ty}}{AMP_{ty}}$$

where:

GPG = annual gender pay gap,

AWP = average women's pay,

AMP = average men's pay,

t = a specific year, and

y = a specific occupational level.

And where:

annual gender pay gap indicator 1 scores of 1.0 ± 0.03 are sustainable, and

annual gender pay gap indicator 1 scores of > 1.03 or < 0.97 are unsustainable.

Both indicators 1 and 2 shall be reported for the last five years.

Report five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4
GPG (indicator 1) [organizational level]					
GPG (indicator 2): [for each occupational level]					

Potential sources of information:

All compensation-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.7 Gender diversity: Hiring at different occupational levels

Measurement methodology:

This indicator should be calculated by first identifying the total number of hiring of women in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE. The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods. The information shall be reported annually for the past five years.

Equation:

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4
PWM					

where:

PWM = percentage of women hired in the organization,

TWM = total number of hiring in the organization (headcount or FTE);

TNM = total number of all hired in the organization (headcount or FTE), and

t = most recent year.

And where:

PWM scores of ≥ 0.4 are sustainable, and

PWM scores of <0.4 are unsustainable.

Potential sources of information:

All hiring and promotion-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.8 Gender diversity: Promotion at different occupational levels

Measurement methodology

This indicator should be calculated by first identifying the total number of promotion of women in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE. The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods. The information shall be reported annually for the past five years.

Equation:

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4
PWM					

where:

PWM = percentage of women promoted in the organization,

TWM = total number of women promoted in the organization (headcount or FTE),
TNM = total number of all promotion in the organization (headcount or FTE), and

t = most recent year.

And where:

PWM scores of ≥ 0.4 are sustainable, and

PWM scores of <0.4 are unsustainable.

Potential sources of information

All hiring and promotion-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.9 Gender equality: Proportion of women in managerial positions

Measurement methodology

This indicator should be calculated by first identifying the total number of managers in an organization at the end of the reporting period (denominator of the indicator). This number may be expressed as head count or FTE. The latter choice is especially recommended when an entity employs a substantial number of part-time staff. In any case, the approach chosen should be applied consistently between periods. The information shall be reported annually for the past five years.

Equation (II.9):

$$PWM_t = \frac{TWM_t}{TNM_t}$$

Report five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4
PWM					

where:

PWM = percentage of women managers in the organization,

TWM = total number of women managers in the organization (headcount or FTE),
TNM = total number of all managers in the organization (headcount or FTE), and

t = most recent year.

And where:

PWM scores of ≥ 0.4 are sustainable, and

PWM scores of <0.4 are unsustainable.

Potential sources of information

Information to calculate this indicator is typically found in human resources information systems (employee records and payroll information available at the national or site level).

II.B.10 Caregiving support programmes

Measurement methodology

This area of impact has one indicator associated with it, which is to be calculated and reported separately for full- and part-time employees:

Equation:

$$DCS_t = \frac{CPO_t}{8}$$

DCS_t score for full-time employees	
DCS_t score for part-time employees	

where:

DCS = dependent caregiving support,

CPO = actual number of defined caregiving programmes offered,

8 = normative number of defined caregiving programmes offered, and

t = a specific year.

And where:

DCS scores of ≥ 1.0 are sustainable, and

DCS scores of < 1.0 are unsustainable.

Potential sources of information

All dependent-care-related data can be obtained from a company's own human resources, payroll and accounting functions.

II.B.11 Frequency/incident rates of occupational injuries

Measurement methodology:

In calculating this indicator, lost days should be regarded as time off work by workers affected by occupational accidents, injuries and diseases. In other words, these are days that could not be worked, and thus are lost, as a consequence of workers being unable to perform their usual job because of an occupational accident, injury or disease.

The frequency rate is calculated as:

Number of new injury cases/

total number of hours worked by workers in the reporting period

The incident rate is calculated as:

Total number of lost days expressed in terms of number of hours/

total number of hours worked by workers in the reporting period

When calculating lost days, the entity needs to specify whether "days" means calendar days or scheduled workdays and at what point the lost-days count begins (for example, the day immediately after the accident or three days after the accident).

Given the increasing importance of the services sectors and its intrinsic characteristics, this indicator should also reflect reporting on mental health and stress. Multinational entities are encouraged to disclose this indicator by gender, similar to recommendations for other indicators in this Manual.

Any occupational injuries, illnesses and deaths resulting from an occupational accident will be deemed as unsustainable.

Potential sources of information:

Entities need to set up arrangements, in accordance with national laws or regulations, to record occupational accidents, occupational diseases, commuting accidents, dangerous occurrences and incidents, including the identification of a person authorized to prepare and keep records of all these occurrences. Organizations should prepare appropriate records for inspection purposes and as information for workers' representatives and health services. These accidents are typically recorded within a register of accidents, in accordance with national laws or regulations.

Generally, all workplace accident, injury, illness and death-related data can be obtained from a company's own human resources and/or environment, health and safety (EHS) functions.

II.B.12 Harassment and discrimination at the workplace

Measurement methodology:

Determine and disclose: (i) whether the entity has a policy, or training courses or mechanisms to address harassment and discrimination at the workplace; and (ii) whether there are any incidents relating to harassment and discrimination, and if yes, (a) has the issues been notified to the designated unit, senior management or board of directors (b) are there safeguards in place to prevent retaliation, and (c) are there mechanisms to protect the confidentiality of the complainant?

Potential sources of information:

Information about a company's harassment and discrimination policies and programmes can be obtained from its own human resources function.

II.B.13 Access to remedy

Measurement methodology

Determine and disclose: (i) whether the entity has mechanisms for access to remedy (i.e. non-state based grievance mechanisms) for any issues related to labour rights; (ii) whether there are clear and known procedures with an indicative time frame of the grievance process; and (iii) whether there are any cases where access to remedy have been demanded?

Potential sources of information

Information about a company's mechanisms for access to remedy for any issues related to labour rights can be obtained from its own human resources function.

II.B.14 Discrimination in hiring and promotion

Measurement methodology

Determine and disclose: (i) whether the entity has policies to hire, promote and pay employees without discrimination; (ii) whether the entity has policies for equal pay for equal work; (iii) whether the entity has any positive, diversity, equity and inclusion (DEI) action plan in place; and (iv) whether the entity regular review or report the result of these policies?

Potential sources of information

Information about a company's policies to hire, promote and pay employees without discrimination can be obtained from its own human resources function.

II.B.15 Union density and collective bargaining coverage

Measurement methodology

The organization shall disclose the following information:

- Does the organization, or any of its suppliers, in any way discourage, obstruct or forbid worker participation in trade unions over the most recent five-year period of time? (Y/N).
- Is union membership by an organization's own workers, or those of any of its suppliers, forbidden by law or regulation in any of the places where it/they does/do business on a country-by-country [CbC] basis over the most recent five-year period of time? (Y/N).
- What is the percentage of an organization's own workers belonging to a trade union, on a CbC basis, reported annually over the most recent five-year period of time?

- What is the percentage of an organization's own workers covered by collective bargaining agreements in the aggregate and in the places where it does business, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of an organization's Tier 1 suppliers' workers belonging to a trade union, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of an organization's Tier 1 suppliers' workers covered by collective bargaining agreements in the aggregate and in the places where they do business, on a CbC basis, reported annually over the most recent five-year period of time?
- What is the percentage of workers in an organization and its suppliers who are employees versus subcontracted or contingent workers over the same five-year period, reported both in the aggregate and on a CbC basis (itemized by employer, including the organization itself and its suppliers)?

Potential sources of information

All union density and collective agreement data can be obtained from a company's own human resources, payroll and accounting functions, and those of its suppliers.

II.B.16 Worker participation

Measurement methodology:

The organization shall disclose the extent to which it takes steps to enable and support its workers' and its suppliers' workers' rights to exert claims on management through collective bargaining and freedom of association. Support for the following specific forms of participation shall be indicated (Y/N; please indicate all that apply).

Forms of participation

- Consultative participation (Y/N)
- Informative participation (Y/N)
- Administrative participation (Y/N)
- Decision/decisive participation (Y/N)
- Associative participation (Y/N)
- Full participation (Y/N)

Levels of participation

- Collective bargaining (Y/N)
- Work committees (Y/N)
- Shop/department councils (Y/N)
- Joint councils (Y/N)
- Board representations (Y/N)
- Workers' ownership of enterprise (Y/N)
- Workers' ownership of enterprise with democratic control (Y/N)
- Kaizen (or quality circles) (Y/N)

Brief definitions for each of the forms and levels of participation listed above are provided below.

Forms of participation:

Consultative participation

Under this kind of workers' participation in management, employees may be consulted on matters of workers' safety, health and their welfare at the workplace. Even so, while employees' views are considered, ultimate decisions lie in the hands of management.

Informative participation

This ensures that employees are able to receive information and express their views pertaining to matters of general importance.

Administrative participation

Managers and employees share the managerial functions. Employees participate in making decisions by selecting the best option for implementation from those proposed by the management.

Decision/decisive participation

Employees and management take decisions together on matters related to workers' welfare and production-related issues.

Associative participation

This is a higher level of participation compared to consultation. Under associative participation, in a collective of equals, managers are morally bound to accept and implement the opinion of employees. While there is an (informal) expectation that managers will accept employees' opinion, managers are solely responsible for the final decision.

Full participation

Workers make autonomous decisions on all issues in the organization, in consultation with peers who are affected by the decisions taken.

Levels of worker participation:

Collective bargaining

Collective bargaining is a voluntary process through which employers and workers discuss and negotiate their relations, in particular terms and conditions of work. It can involve employees directly (or as represented through their organizations) and trade unions (or, in their absence, representatives freely designated by the workers).

Work committees (workers' councils, consultative committees, office committees or joint panels)

Work committees are permanent bodies based on legal statutes or collective agreements. They consist of representatives of employers and workers. In general, they are consultative bodies, and their recommendations are suggestive and not binding.

Shop/department councils

Shop floor or plant councils are composed of representatives of employers and employees of a plant. They are under the leadership of the chief executive of the plant. They discuss and determine the issues associated with production, schedules, training and welfare schemes. Department councils are the department version of shop floor or plant councils.

Joint councils (or joint management councils)

These councils are similar to work committees in terms of their composition and functions. The scope of issues that joint councils deal with is slightly broader than that of work

committees. It includes matters associated with administration, restructuring, closure, production, sales, welfare, safety, training, etc.

Board representations

Board representation (or co-determination) refers to employees' representation on corporate boards of directors. It allows employees to vote for representatives on a board of directors. Many Organization for Economic Co-operation and Development (OECD) and European Union (EU) countries have some form of law guaranteeing the right of employees to vote for board representation.

Workers' ownership of enterprise

Employee ownership of enterprise (investment shares) allows employee participation according to rights afforded by ownership of capital shares. ESOPs are the most common form, where employees may have a range of ownership rights, from negligible to 100%.

Workers' ownership of enterprise with democratic control

Enterprise is jointly owned and controlled by the workers. Workers' control is exercised via a "one person one vote" system. Workers' control extends to all decisions, from operations through to governance and finance. Enterprise forms include worker cooperatives; producer cooperatives owned and self-managed by the worker-owners; and democratic partnerships with indivisible shares held in a trust.

Kaizen (or quality circles)

Quality circles or Kaizen are voluntary groups of employees who work on similar tasks or share an area of responsibility, and who meet on a regular basis to discuss and solve problems related to particular tasks.

Potential sources of information:

All worker empowerment data can be obtained from a company's own human resources, finance and executive functions.

II.B.17 Contingent and subcontracted workers

Measurement methodology

The organization shall disclose the extent to which it utilizes contingent and/or subcontracted workers, and additional related information, as follows:

- The total number of its contingent and/or subcontracted workers, both in terms of actual headcount and as a percentage of its total number of workers.
- The proportion of its total contingent and/or subcontracted workers that are under contract with its suppliers versus independent workers directly under contract with the organization itself.
- Whether or not it abides by formalized ethical recruitment practices and/or formal international standards or protocols of any kind (e.g. IRIS).
- A time series comparison of how trends in company growth (or contraction) in turnover and net profits have compared to changes, if any, in the proportion of contingent and/or subcontracted workers in the organization's total number of workers over the most recent five years.

Potential sources of information

All contingent and/or subcontracted worker and financial performance data can be obtained from an organization's own human resources and finance/payroll functions, respectively.

II.B.18 Hiring of vulnerable groups

Measurement methodology

The entity shall identify vulnerable groups in society, then disclose the percentage of its total permanent employees who fall into at least one of the identified groups.

Vulnerable groups in society are those who are discriminated against, or disadvantaged, owing to age, sex, race, ethnicity or interpersonal relationships (such as family structure and marital status) or because of constrained access to resources (such as schools, jobs, income and housing).

Equation:

$$PVP = \frac{EVP}{TNE}$$

where:

PVP = percentage of employees in vulnerable populations,

EVP = number of employees in vulnerable populations, and

TNE = total number of employees.

Potential sources of information

All employment, training and work integration data can be obtained from an organization's own human resources function.

II.B.19 Long-term work contracts

Measurement methodology

The entity shall determine and disclose the age of the organization and the percentage of employees who fall into each of the following categories of contract length:

- 0–6 months,
- 6–12 months,
- 12–24 months, and • more than 24 months.

Potential sources of information

Information (and software) needed to calculate this indicator is typically found in human resources information systems. Many entities use specialized software (human resources software) for collecting and elaborating information on employees, including the other data that are necessary to calculate this indicator.

II.B.20 Employee turnover rate

Measurement methodology

Determine and disclose the number of employees who left the entity during a given year, divided by the average number of employees during that same year.

Potential sources of information

All employee turnover data can be obtained from an organization's own human resources function.

II.B.21 Responsible and ethical sourcing

Measurement methodology:

The entity shall disclose whether or not it engages in responsible sourcing and purchasing practices as follows.

- Policies and programmes aimed at ensuring consistency and alignment between commercial and sustainability goals and outcomes (e.g. related due diligence and management systems) (Y/N).
- Policies that guard against subjecting suppliers to:
- aggressive pricing that may constrict workers' rights, wages or benefits; place workplace and/or product safety at risk; or otherwise result in negative social or environmental outcomes (Y/N);
- product development and short production lead times that can result in excessive and unplanned overtime (Y/N); or
- short-term or insecure contractual relationships between affiliates and suppliers (Y/N).
- The capacity of workers to contest and help shape the upgrading of supply chains (Y/N).
- The level of financial support and incentives provided to suppliers in support of their own efforts to upgrade their labour standards and their social and environmental impacts, including the percentage of suppliers and/or facilities receiving such incentives and support (Y/N).

Potential sources of information:

All responsible sourcing and purchasing information can be obtained from an organization's own finance and procurement functions.

II.B.22 Training of vulnerable groups (applicable to SSEOEs only)

Measurement methodology

The organization shall identify vulnerable groups in society, then determine the percentage of its employees hired for job skill training purposes who fall into at least one of the identified groups.

Equation:

$$VPH_t = \frac{VPT_t}{TNE_t}$$

where:

VPH = vulnerable population hired to be trained,

VPT = number of employees from vulnerable populations hired to be trained,

TNE = total number of employees, and

t = a specific year.

Potential sources of information

All data regarding the training of vulnerable groups can be obtained from an organization's own human resources function.

II.B.23 Work integration (applicable to SSEOEs only)

Measurement methodology

The organization shall determine and disclose the percentage of workers who received job skill training through its work integration programme(s), who subsequently went on to find employment or pursue education in the last two years.

Equation:

$$WIQ_t = \frac{WFE_t}{WIP_t}$$

where:

WIQ = work integration quotient,

WFE = number of workers in work integration programme(s) who found employment or education in a specific two-year period,

WIP = total number of workers in work integration programme(s) in a specific two-year period, and

t = a specific two-year period.

Potential sources of information

Information regarding the percentage of workers who received job skill training and subsequently moved on to find employment or pursue education can be obtained from programme participants themselves.

Tier 2: C. Institutional area

II.C.1 Corporate political influence: Policies, programmes and practices

Measurement methodology

The entity shall disclose descriptions of all material aspects of its corporate political influence, including its policies, programmes and practices, as follows.

- Group- or company-wide expenditure divided by revenue (both direct and indirect) related to political campaigns/candidates and advocacy/lobbying (last five years),
- Whether this expenditure includes national, state/provincial level and local jurisdictions,
- Top five issues according to expenditure,
- Top five recipients of expenditure,
- Indirect payments to lobbying firms/organizations and business/trade associations/ industry groups,
- Whether the entity has a policy to align lobbying with its own commitments to CSR, environmental social and corporate governance (ESG) performance, SDGs or other sustainability performance framework, and
- To what extent lobbying is aligned with the above policy: fully, mainly, partly or not aligned (tick box for whichever applies).

Potential sources of information

All data can be obtained from an entity's own governance and human resources functions.

II.C.2 Context-based triple bottom line (TBL) accounting

Measurement methodology:

The organization shall utilize context-based accounting tools, methods and metrics to measure, manage and report its TBL performance, and shall meet the following four criteria in particular:

1. The entity measures, manages and reports its performance (at least internally) in TBL terms (i.e. social, economic and environmental).
2. The entity determines the scope and materiality of its TBL accounting. The materiality determination process involves:
   (a) assessing and prioritizing impacts on the carrying capacities of resources that are vital for human well-being and planetary health; and
   (b) stakeholder engagements: to incorporate the views of a broad range of stakeholders; and to discharge its duties and obligations of managing its impacts affecting stakeholder well-being.
3. The entity defines sustainability norms or targets for material areas of impact in terms of:
   (a) identifying thresholds in the carrying capacities of resources that are vital for stakeholder well-being (social foundations) and planetary health (ecological ceilings); and
   (b) identifying the fair, just and proportionate allocations of responsibilities to maintain such resources at required levels.
4. For each material area of impact, the entity measures performance by assessing actual impacts against normative, context-based thresholds and allocations; and subsequently the entity reports its sustainability performance. This area of impact has one indicator associated with it.

Equation:

$$TBL_t = \frac{CBA_t}{4}$$

where:

TBL = extent of context-based TBL accounting practiced by entity,

CBA = actual number of defined context-based TBL accounting criteria met in year t,

4 = normative number of defined context-based TBL accounting criteria met in year t, and

t = a specific year.

And where:

TBL scores of ≥ 1.0 are sustainable, and

TBL scores of < 1.0 are unsustainable.

Potential sources of information:

All data can be obtained from an entity's own executive and governance functions, as well as any other functions to which performance accounting responsibilities are assigned.

II.C.3 Amount of total fines paid or payable due to settlements

Measurement methodology

All fines paid or payable by the entity, due to unlawful behaviours (including, but not limited to, corruption), shall be summed up on an annual basis and disclosed. Any fines paid, or

payable due to settlements, attributable to unlawful behaviours of all types, by the entity in any one year; will be deemed as unsustainable.

Potential sources of information

Data regarding the amount paid or payable in fines due to settlements by the entity can be obtained from its finance and legal functions.

II.C.4 Amount of corruption-related fines paid or payable due to settlements

Measurement methodology

The steps involved in the computation of this indicator are to:

1. identify all convictions and other settlements for violations of corruption-related laws or regulations,
2. identify the amount paid/payable in fines for each of the convictions, and 3. sum up all the amounts identified with reference to the reporting period.

The total number of convictions relevant to the reporting entity and the total amount of fines paid and or payable should be disclosed. Any fines paid, or payable due to settlements, attributable to unlawful behaviours of all types, by the entity in any one year; will be deemed as unsustainable.

Potential sources of information

The amount paid in fines is to be found among the expenses included in the income statement during the reporting period. Such costs would be directly charged to the income statement. They are often recorded in a separate expense account that may be called fines and penalties.

When an obligation to pay fines or penalties under the legislation is likely to arise because the obligating event has occurred, the entity should set up a provision account (for this purpose the entity will recognize a liability in the balance sheet against an expense account in the income statement).

The owners of this information are usually the legal affairs department and the finance and accounting department.

II.C.5 Public sharing of information and knowledge

Measurement methodology

The entity shall determine and disclose whether the information, knowledge and data (including code) it produces is freely available to the public.

Potential sources of information

Data regarding the public sharing of information, knowledge and data produced by an entity can be obtained from its executive and legal functions.

II.C.6 Number and percentage of women board members

Measurement methodology

There are two sub-indicators or metrics for this dimension of performance, one for an annual measure and another for a five-year trend.

Equation:

$$RWB_t = \frac{WB_t}{40}$$

Report the five-year trend as follows:

Year	t	t−1	t−2	t−3	t−4
RWB					

where:

RWB = ratio of women members on a board (as a percentage) to the sustainability norm of no less than 40%,

WB = actual percentage of women on the board of directors or governance function of an organization,

40 = normative minimum percentage of women on the board of directors or governance function of an organization, and

t = most recent year.

And where:

RWB scores of ≥ 1.0 are sustainable, and

RWB scores of < 1.0 are unsustainable.

Potential sources of information

Data regarding the composition of an organization's board or other governance function can be obtained from the human resources or governance function itself.

II.C.7 Term limits for board of directors

Measurement methodology

The entity shall determine and disclose whether there is a term limit for members of the board of directors (Yes/No).

Potential sources of information

Data regarding term limits for board members in an entity can be obtained from its legal function.

II.C.8 Resilience

Measurement methodology

The entity shall rate the strength of each of the following attributes in its culture and operations at this time (low, medium, high):

	Low	Medium	High
Financial strength (cash flow, profitability or return on investment)			

Capacity of the entity to mobilize internal and/or external resources and networks (including government support) to help face disruptive events or crises			
Degree of awareness and alertness of the entity to possible disruptive events or crises (continuous monitoring and analysis, access to information, etc.)			
Culture, environment or system to easily adopt innovative measures in dealing with disruptive events or crises			
Engagement and involvement of employees in dealing with disruptive events or crises			
Leadership in dealing with disruptive events or crises			

Potential sources of information

Data regarding the resilience of the entity can be obtained from its executive and governance functions.

II.C.9 Attendance at annual general meetings (applicable to SSEOEs only)

Measurement methodology

The organization shall determine and disclose the average level of attendance at AGMs or equivalent meetings/mechanisms by members in the past five years.

Equation:

$$ROA_t = \frac{NOM_t}{TSM_t}$$

Report five-year trend in rate of attendance at AGM or equivalent mechanism as follows:

Year	t	t−1	t−2	t−3	t−4
ROA					

where:

ROA = rate of attendance at each AGM or equivalent mechanism,

NOM = number of members at AGM or equivalent mechanism,

TSM = total standing members at the time of specific AGM or equivalent mechanism, and

t = most recent year.

Potential sources of information

Data regarding members' participation in the AGM events or equivalent mechanisms of an organization can be obtained from its membership and/or governance functions.

II.C.10 Democratic elections (applicable to SSEOEs only)

Measurement methodology

The organization shall determine and disclose whether it utilizes a "one person, one vote" system (with or without delegation of votes) for electing persons in an organization's managerial, executive and organizational governance roles (Yes/No).

Potential sources of information

Information regarding whether an organization follows a democratic process to elect its officers and/or board members can be obtained from its executive or governance functions.

II.C.11 Legitimation of management (applicable to SSEOEs only)

Measurement methodology:

This indicator calls for two disclosures: (i) the organization shall determine and disclose the proportion of managers who are selected by their own staff (in any way); and (ii) the specific way(s) in which staff have in fact participated in making such selections, in cases where they have (through a formal consultation process, selection committee participation, etc.).

There are two sub-indicators for this dimension of performance:

Proportion of managers selected by staff as:

$$PMH_t = \frac{MSS_t}{TME_t} * 100$$

where:

PMH = percentage of managers selected by their own staff,

MSS = total number of managers selected by their own staff,

TME = total number of managers employed, and

t = a specific year.

Disclosure of specific participation process(es) or mechanism(s):

Specific processes or mechanisms by which staff participate in selection of their own managers	
1.	
2.	
3.	

Potential sources of information:

Information regarding the proportion of managers who are selected by their own staff through consultation, discussion, participation (including election) and co-determination can be obtained from the organization's executive or governance functions.

II.C.12 Stakeholder participation (applicable to SSEOEs only)

Measurement methodology:

The organization shall determine and disclose whether there are formal mechanisms in place for non-employee stakeholders (members, consumers, communities, etc.) to participate in decision making on strategic issues.

Potential sources of information:

Information regarding non-employee stakeholder participation in the strategy-related decision-making processes of the organization can be obtained from its community relations, executive or governance functions.

To learn more about ESG and sustainability-related models, please contact **YTT Consulting**!