WORLD ECONOMIC FORUM

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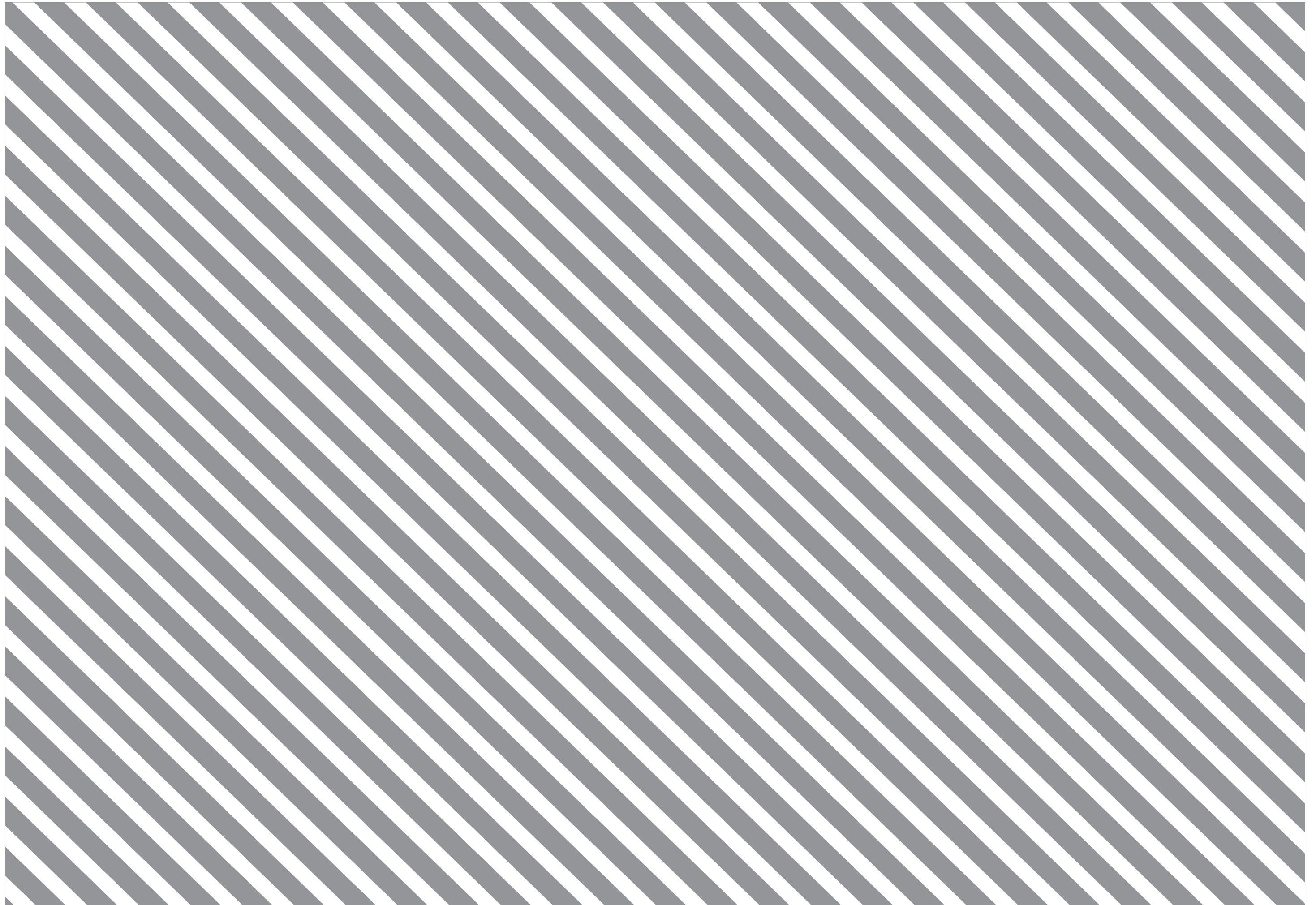
Consultation Draft

Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

Prepared in collaboration with Deloitte, EY, KPMG and PwC

January 2020



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Preface

Brian Moynihan, Chairman and CEO, Bank of America, Chairman, International Business Council of the World Economic Forum

Klaus Schwab, Founder and Executive Chairman, World Economic Forum

At the 2017 Annual Meeting in Davos, CEOs from the World Economic Forum International Business Council (IBC) issued the "Compact for Responsive and Responsible Leadership", which has been signed by more than 140 CEOs. The Compact states that "society is best served by corporations that have aligned their goals to the long-term goals of society," and it identifies the UN Sustainable Development Goals (SDGs) as the roadmap for that alignment.

Since then, the IBC has been addressing some of the practical challenges involved in balancing short- and longer-term business pressures in order to ensure that shareholders and other stakeholders prosper together. One of these challenges is the lack of consistency by which companies measure and report to investors and other stakeholders the shared and sustainable value they create. At its summer 2019 meeting in Geneva, the IBC launched a project to develop a proposal for consideration at its winter 2020 meeting in Davos-Klosters for how its members could measure and disclose meaningful and relevant aspects of their performance on environmental, social and governance matters and their contribution to progress on the SDGs on a consistent and comparable basis.

This report proposes a common, core set of metrics and recommended disclosures that IBC members could use to align their mainstream reporting and, in so doing, reduce fragmentation and encourage faster progress towards a systemic solution, perhaps to include a generally accepted international accounting standard. To the maximum extent practicable, the report incorporates well-established metrics and disclosures for the express purpose of building upon the extensive and rigorous work that has already been done by those who have developed the existing standards. The objective is to amplify those standards and more fully harness their synergies rather than create a new standard altogether.

We commend this report for consideration and discussion by IBC members and the wider corporate and stakeholder community. Issued as a consultation draft, the report will be finalized in the months following the Forum's Annual Meeting 2020 after consultation and feedback with companies, investors and other stakeholders. As a preliminary report, it should not be seen as representing the views of the IBC, World Economic Forum or their members and partners.

This proposal has been developed by a task force composed of expert teams dedicated by each of the four largest accounting firms as well as colleagues from Bank of America and the World Economic Forum who coordinated the process and synthesized its outcomes. We thank our IBC colleagues Punit Renjen of Deloitte, Carmine Di Sibio of EY, Bill Thomas of KPMG and Bob Moritz of PwC for the extraordinary commitment and spirit of collaboration that they and their talented teams have brought to this project. We also appreciate the efforts of our Bank of America and Forum colleagues, as well as experts from IBC companies and other organizations who have provided initial comments. The Acknowledgements section of the report recognizes these team members.

As the Forum community assembles for its 50th Annual Meeting under the theme of "Stakeholders for a Cohesive and Sustainable World", it is our expectation that this report and the discussion it generates will serve to further illuminate how companies and their investors and other stakeholders can work together to apply the principles on which the Forum was founded, as expressed most recently in the Davos Manifesto 2020: "The Universal Purpose of a Company in the Fourth Industrial Revolution".

Introduction and Summary

The Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution[1], articulates the principles of stakeholder capitalism and reflects the ethos of the World Economic Forum since its founding fifty years ago. The Forum's original Davos Manifesto 1973: "A Code of Ethics for Business Leaders"[2], stated that "the purpose of professional management is to serve clients, shareholders, workers and employees, as well as societies, and to harmonize the different interests of the stakeholders". The updated manifesto expands on this idea by stating, "A company is more than an economic unit generating wealth. It fulfils human and societal aspirations as part of the broader social system. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives."

In 2001, the Forum's Board of Trustees established the International Business Council (IBC), a community of concerned and committed business leaders. Made up of approximately 120 highly respected and influential chief executives from all industries, the IBC identifies and addresses globally relevant business issues and develops practical solutions. It also acts as an advisory body providing intellectual stewardship to the World Economic Forum.

As part of its activities over the past three years, the IBC has conducted the CEOs' "Modern Dilemma" series[3], a dialogue on the leadership challenges of balancing short- and long-term business pressures. The discussions in this series contributed to the World Economic Forum Compact for Responsive and Responsible Leadership[4], which was issued in January 2017 in Davos and has been signed by more than 140 global business leaders. The IBC has continued to work on the governance, leadership, reporting and financial market aspects of this challenge and has considered the roles of CEOs, chairpersons and board members in balancing these pressures and delivering on the promise of stakeholder capitalism.

At its summer 2019 meeting, under the chairmanship of Brian Moynihan, Chairman and CEO, Bank of America, members of the IBC had a robust discussion on the significance of environmental, social and governance (ESG) aspects of business performance and risk. In particular, they discussed the challenge that corporations face in demonstrating long-term value creation for all stakeholders on an internationally consistent basis across industries. The absence of a generally accepted international framework for the reporting of material aspects of ESG and other relevant considerations for long-term value creation contrasts with the well-established standards that exist for reporting and verifying financial performance. The existence of multiple ESG measurement and reporting frameworks and lack of consistency and comparability of metrics were identified as pain points that hinder the ability of companies to meaningfully and credibly demonstrate the progress they are making on sustainability, including their contribution to the SDGs.

At the meeting, the IBC launched an initiative to identify a core set of material ESG metrics and recommended disclosures that could be reflected in the mainstream annual reports of companies on a consistent basis across industry sectors and countries. The objective would be for IBC companies to begin reporting collectively on this basis in an effort to encourage greater cooperation and alignment among existing standards as well as to catalyse progress towards a systemic solution such as a generally accepted international accounting or other reporting standard in this respect.[5] These metrics and recommended disclosures should be capable of verification and assurance, further helping to raise the level of transparency and alignment among corporations, investors and all stakeholders with the goal of building a more sustainable and inclusive global economy.

The IBC invited the Forum, working in collaboration with the four largest accounting firms – Deloitte, EY, KPMG and PwC – to prepare a proposal to this effect for consideration at the IBC's January 2020 meeting during the Forum's Annual Meeting in Davos-Klosters. This report has been prepared as a consultation draft for that purpose.

"Inclusion of a core set of global metrics for NFI [non-financial information] in mainstream reports and in a connected way with financial information would respond to stakeholders' concerns that these issues that are often material to business resilience are not reported with the same discipline and rigour as financial information. An approach to interconnected standard setting for corporate reporting is therefore needed that will standardise the qualitative characteristics of information and disclosure principles for mainstream reports, connecting NFI with financial reporting. Such an approach should also lead to high-quality information that can be used in other corporate reports intended for specific stakeholders.

"This represents a system change. However, to move forward, coordinating, rationalising and consolidating NFI initiatives is likely to be an evolutionary process. As a first step, a core set of global metrics needs to be established to achieve a base level of transparency and comparability".

Source: *Interconnected Standard Setting for Corporate Reporting,* Accountancy Europe, 2019

The metrics and disclosures proposed here have been organized in four pillars that are aligned with the SDGs and principal ESG domains: Principles of governance, Planet, People and Prosperity. They are drawn wherever possible from existing standards and disclosures (such as the Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures etc.) with the aim of amplifying and elevating the rigorous work that has already been done by these initiatives – bringing their most material aspects into mainstream reports on a consistent basis – rather than reinventing the wheel by creating a new standard.

Two related sets of metrics are proposed, core and expanded:

- **Core metrics:** a set of 22 well-established metrics and reporting requirements. These are primarily quantitative metrics for which information is already being reported by many firms (albeit often in different formats) or can be obtained with reasonable effort. They focus primarily on activities within an organization's own boundaries. A summary of these core metrics and recommended disclosures can be found on pages 8 and 9.
- **Expanded metrics:** these tend to be less well established in existing practice and standards and have a wider value chain scope or convey impact in a more sophisticated or tangible way, such as in monetary terms. They represent a more advanced way of measuring and communicating sustainable value creation, and companies are encouraged to report against them as well, when material and appropriate.

At the heart of this exercise is the belief that ESG and other factors relevant to sustainable value creation addressed by this report are increasingly material to business performance. As such, they should be addressed in the mainstream report and proxy statements and integrated into core business strategy and governance processes. By reporting on these factors on a consistent basis in its mainstream report – including a discussion of their implications for company strategy and governance – a company demonstrates to its shareholders and other stakeholders that it diligently weighs all pertinent risks and opportunities in running its business, conducting its governance processes and contributing to broader economic and social progress, including achievement of the SDGs.

“

As CEOs, we want to create long-term value to shareholders by delivering solid returns for shareholders AND by operating a sustainable business model that addresses the long-term goals of (the) society, as provided for in the SDG roadmap. At the same time, data on responsible business and sustainability is proliferating, enabling companies to better understand their impact and implement responsible strategies. What we seek is a general framework for companies to demonstrate their long-term sustainability; a framework that integrates financial metrics along with relevant non-financial criteria such as ESG considerations, gender equality, compensation practices, supply chain management, and other activities..

”

Brian Moynihan, Chairman and CEO Bank of America

Figure 1: Summary Overview of Core Metrics and Disclosures

Pillar	Theme	Sub-themes, Core Metrics and Disclosures	Sources
Principles of Governance	Governing Purpose	**Setting purpose** Whether the company has a stated purpose linked to societal benefit and their core business	GRI (102-26), EPIC, Colin Mayer and others
	Quality of Governing Body	**Board composition** Composition of the highest governance body and its committees by: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; competencies relating to economic, environmental and social topics; stakeholder representation	GRI (102-22), GRI (405-1a)
	Stakeholder Engagement	**Impact of material issues on stakeholders** A list of the material topics identified in the process of defining report content and how they impact stakeholders	GRI 102-47
	Ethical Behaviour	**Anti-corruption** 1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region 2. Total number and nature of incidents of corruption confirmed during the current year but related to previous years 3. Total number and nature of incidents of corruption confirmed during the current year, related to this year	Adapted from GRI (205-2) and GRI (205-3)
		Protected ethics advice and reporting mechanisms A description of internal and external mechanisms for: 1. seeking advice about ethical and lawful behaviour, and organizational integrity; 2. reporting concerns about unethical or unlawful behaviour, and organizational integrity	GRI (102-17)
	Risk and Opportunity Oversight	**Integrating risk and opportunity into business process** Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks and should disclose the number of data breaches in the reporting period	Combination of EPIC and SASB (230a.1 and 2)
Planet	Climate Change	**Greenhouse Gas (GHG) emissions** Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO2e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.	GRI (305-1), CDP (C6, C7), CDSB (R03, R04), SASB (110a.1), GHG Protocol
		TCFD-aligned reporting on material climate risks and opportunities TCFD-aligned reporting on governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net zero by 2050.	TCFD, CDSB R01, R02, R03, R05 and R06; SASB 110
	Nature Loss	**Land use and ecological sensitivity** Report for operations and estimate & report for upstream supply chain, where material, on: – overall area of land used or affected – annual change in area of land used or affected – number of IUCN Red List species present in areas used or affected.	Adapted from: GRI (304-1, 304-3, 304-4), CDP (F1)
	Fresh Water Availability	**Fresh water consumption in water stressed areas** Report for operations and estimate & report for upstream and downstream supply chain, where material, on: – mega-litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed areas.	Adapted from: GRI (303-3), CDP (W1), CDSB (R04), SASB (140a.1)

Pillar	Theme	Metric	Standard
People	Dignity and Equality	**Gender pay equality (%)** Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.	GRI (405-2)
		Diversity and inclusion (%) Percentage of employees per employee category, by age group, gender and other indicators of diversity	GRI (406-1)
		Wage level (%) Ratios of standard entry-level wage by gender, compared to local minimum wage for specific categories of workers	GRI (202-1)
		Risk for incidents of child, forces or compulsory labor (#, %) Number and percentage of operations and suppliers considered to have significant risk of: a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.	GRI (408, 409)
	Health and Well Being	**Health and safety (%)** 1. The total recordable injury rate (TRIR) by specific categories of workers 2. The absentee rate (AR) for specific categories of workers	SASB (CN0101-18), GRI (403-2.a4)
	Skills for the Future	**Training provided (#)** 1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees) 2. The average training and development expenditure per full time employee	GRI (404-1), SASB (HC0101-15)
Prosperity	Wealth creation and employment	**Net number of jobs created** 1. Total number and rate of new employee hires during the reporting period, by age group, gender and region 2. Total number and rate of employee turnover during the reporting period, by age group, gender and region	GRI (401-1a & b)
		Net Economic Contribution 1. Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organization's global operations, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government 2. Financial assistance received from the government (e.g. tax breaks, subsidies, investment grants etc.) 3. Net Economic Contribution = (EVG&D) minus (Financial assistance received from the government)	GRI (201-1 and 201-4)
		Net investment – Total capital expenditures (CapEx) – Depreciation – Share buybacks – Dividend payments Calculation: (Total CapEx - depreciation) / (Total cost of share buybacks + dividend payments)	International Accounting Standard (IAS) 7 – Cash Flow Statements
	Innovation in better products and services	**R&D spend ratio (%)** Total amount of spending on R&D as a percentage of total sales	2015 edition of the Frascati Manual for measuring R&D (OECD, 2015a)
	Community and social vitality	**Community investment (%)** A percentage breakdown of community investment, including monetary contributions such as charitable gifts and community partnerships; time contributions such as staff volunteering in paid time; in-kind contributions from services or equipment; and management costs, normalized as a percentage of pre-tax profit	GRI (G4-ECI)
		Country by country tax reporting 1. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. 2. For each tax jurisdiction reported in Disclosure 207-4-a: – Names of the resident entities – Primary activities of the organization – Number of employees and the basis of calculation of this number – Revenues from third-party sales – Revenues from intra-group transactions with other tax jurisdictions – Profit/loss before tax – Tangible assets other than cash and cash equivalents – Corporate income tax paid on a cash basis – Corporate income tax accrued on profit/loss – Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax 3. The time period covered by the information reported in Disclosure 207-4.	GRI (207-4)

Approach

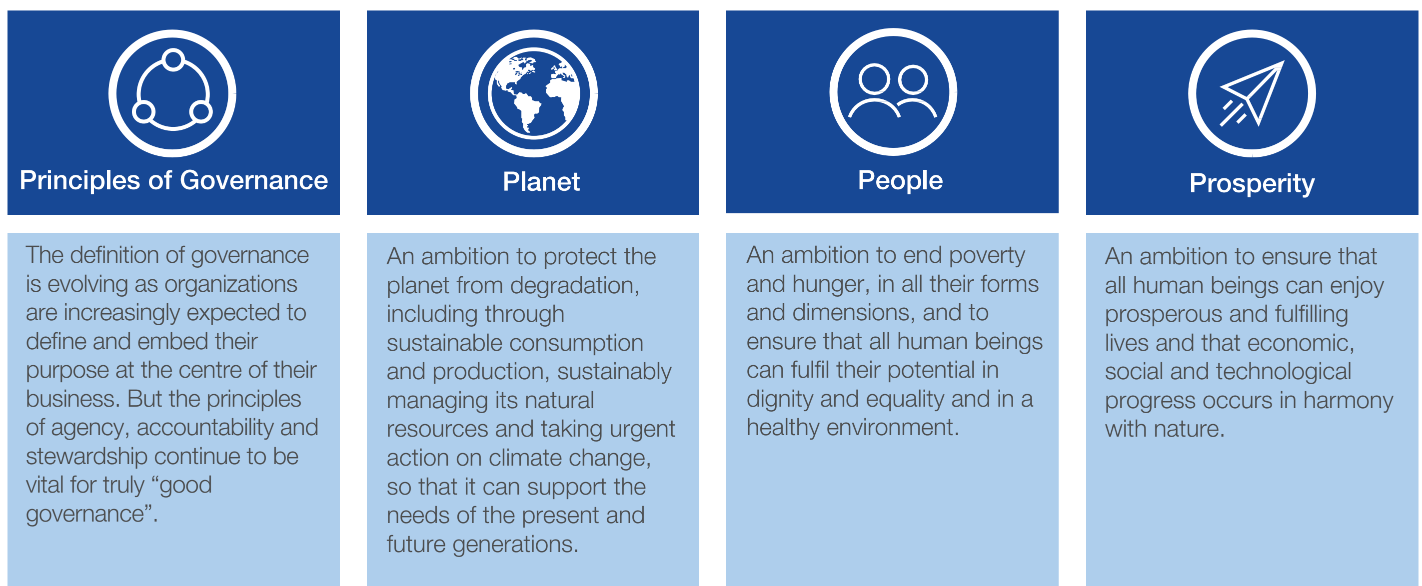
Development of Proposed Metrics

In 2017, the International Business Council (IBC) of the World Economic Forum sponsored The Compact for Responsive and Responsible Leadership[6], which declared that “society is best served by corporations that have aligned their goals to serve the long-term goals of society,” and identified the the SDGs as the roadmap for that alignment.

Accordingly, the metrics that we have identified for this proposal are grounded in the SDGs and in the recognition that bold and transformative steps are needed to shift the world onto a sustainable and resilient path.[7]

The metrics have been organized into four pillars – Principles of Governance, Planet, People and Prosperity – which are aligned with the essential elements of the SDGs (see Figure 2).

Figure 2: The Four Pillars



Source: World Economic Forum and Big Four Analysis. Definitions for Planet, People and Prosperity taken from the UN’s 2030 Agenda for Sustainable Development of Governance[8]

Each of these pillars has an important bearing on the capacity of a firm to generate shared and sustainable value. Performance in one pillar is highly interdependent with that in the others. And the corporate community’s performance across all of them has an important influence on the pace at which society advances towards the broader aspirations enshrined in the SDGs.

Each pillar comprises themes, based on existing standards and reporting frameworks. Each theme is critical to a comprehensive understanding of its pillar and comprises several sub-themes, each of which has one or more corresponding proposed metrics or disclosures to measure corporate performance.

The same methodology was used to identify themes, sub-themes, metrics and disclosures for each pillar. The steps included:

1. Review literature, relevant documentation and related initiatives
2. Catalogue relevant metrics and disclosure requirements
3. Signpost each metric and disclosure requirement to an existing framework or standard
4. Evaluate metrics using agreed criteria and selection principles
5. Create shortlist of metrics and disclosure requirements
6. Group metrics and disclosure requirements by core and expanded categories
7. Develop narrative supporting metrics and disclosure requirements

Figure 3: Criteria for Filtering and Prioritizing Themes and Metrics

Criteria	Description	Associated Criteria for Metrics
1. Consistency with existing frameworks and standards	Prefer themes that are widely accepted across leading frameworks and standards	– Metrics are consistent with existing frameworks and standards – Metrics are aligned with existing regulatory requirements
2. Materiality to long-term value creation	Prefer themes where there is clear evidence linking them to long-term value creation for stakeholders and their impact	– Metrics are backward- or forward- looking indicators that serve as a proxy for future value creation and impact
3. Extent of Actionability	Prefer themes where there is greater evidence or consensus on leading practice, i.e. – The definition of progress/improvement – Actions that are necessary for progress	– Metrics can be applied consistently over time
4. Universality across industries and business models	Prefer themes that are material to the broadest set of industries and business models	– Availability of data – Prevalence of reporting across industries and business models
5. Monitoring feasibility	Prefer themes where it is easier to establish clear, relevant metrics and collect the necessary data to accurately monitor	– Availability of data – Prevalence of reporting across industries and business models

Within each of the pillars and themes therein, metrics and disclosures have been selected that best combine universality across industries and firms with materiality to long-term value creation. The goal has been to identify universal disclosures that enable companies to demonstrate their long-term viability and sustainable business practices. The aim is to map a path for companies to report on core indicators, with the possibility to add more leading-edge disclosures to their reporting.

The proposed core and expanded metrics and disclosures in this report were developed by teams assembled by the Big Four accounting firms. Each firm took the lead for one of the four pillars, but all firms had an opportunity to contribute to the thought process in each pillar. This extraordinary, collaborative effort among the world's largest accounting firms was coordinated by teams from the Forum and Bank of America, representing the IBC's chairman, Brian Moynihan, over the course of multiple meetings and conference calls during the second half of 2019. This development and refinement process will continue at the Forum's 2020 Annual Meeting in Davos-Klosters, where IBC members will review this report at their own meeting and consultations will take place with academics and other experts, investors, regulators, standards setters, framework providers and other relevant actors in the corporate reporting ecosystem, with a view to finalizing it in the months to come.

Application of Proposed Metrics

The purpose of this initiative is to enable IBC firms to begin reporting in a consistent fashion on key dimensions of sustainable and shared value creation. In so doing, the IBC hopes to catalyse faster progress towards the creation of a more formal, systemic solution such as a generally accepted international accounting or other reporting standard for material ESG and long-term value considerations.

Accordingly, companies are encouraged to begin reporting on the core metrics presented here as soon as possible after their finalization in 2020. This reporting should appear in mainstream corporate disclosures (annual reports to investors and proxy statements). Addressing ESG metrics in the management discussion and analysis section of a company's annual report will ensure that consideration of material ESG factors is on the board's agenda and is part of the overall corporate governance process.

This effort is not intended to diminish the value of the separate Sustainability/ESG/Impact reports which often provide additional and more detailed information tailored to the interests of stakeholders beyond investors. In fact, in many cases companies are aligning their annual financial reports and annual sustainability reports in order to provide investors and other stakeholders with clear and consistent performance metrics, along with analysis of risks and future goals.

While the core metrics are intended to be universal and industry-agnostic, there may be instances where a specific metric is not material for a company's long-term value creation. For this reason, we propose a "comply or explain" approach such as that practiced in the UK, Germany and the Netherlands, among others, in the field of corporate governance and financial supervision.

Similarly, companies are encouraged to provide balanced disclosures across the four pillars , encompassing positive and negative impacts of their activities and investments wherever possible. Companies are also encouraged to report at the level at which the metric meaningfully relates to the impact. For example, water consumption should be reported at a national or sub-national scales not global scale since the impacts of water stress are local in nature. Finally, full value-chain reporting ultimately provides the most valuable information for all stakeholders, including investors. This consideration as well as others may require additional sector- and company-specific metrics to be developed over time, as well as a conscious effort to shift reporting from calculating outputs to capturing impacts. The expanded metrics and reporting requirements suggested in this report can help companies to progress towards greater depth, breadth and precision of reporting on the factors influencing long-term value. They are an integral part of the proposal and provide a pathway for continuous improvement in reporting from direct and non-valued impacts to value chain and valued or monetized impacts.

Pillar 1 – Principles of Governance

Introduction

We are in a moment of transition where the public understanding of the purpose of a corporation is shifting to focus on long-term value creation, grounded in a corporation's commercial and societal value. This shift creates important implications for the role and meaning of good governance. Organizations are increasingly expected to define and embed purpose in a way that integrates societal impact within the core of their business. Meanwhile, traditional governance principles of agency, accountability and stewardship continue to be vital in ensuring that companies are well governed.

Governance is foundational to achieving long-term value, by aligning and driving both financial and societal performance, as well as by ensuring accountability and building legitimacy with stakeholders. Achieving this alignment requires governance to oversee the setting of a company's aspirations regarding planet, people and prosperity, to ensure that risks and opportunities associated with these dimensions are respectively navigated and embraced over time, and to ensure that the interests of stakeholders, including shareholders, are protected.

While good governance is important for achieving all of the SDGs, it is highlighted in three specific SDGs:

Themes

Across existing reporting frameworks and standards, we identified five themes to distinguish meaningful aspects of good governance and to enable companies to observe the issue holistically:

Governing Purpose

A recent report from the British Academy, "Principles for Purposeful Business", summarized an emerging perspective on the governing purpose of corporations: "the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems."[9]

We anticipate that this perspective will strengthen, making it increasingly important for companies to demonstrate their commitment to purpose as a measure of good governance and transparency.[10]

Quality of Governing Body

The individuals and structures governing firms have significant influence on the quality of oversight and the decisions made[11]. The majority of reporting frameworks and a number of regulatory bodies require disclosures on board's structure, policies and processes.

There are extensive existing metrics and disclosures on these topics, making it a feasible point of comparison between firms. Emerging indicators focus on whether governing bodies are aligned with long-term value creation and whether their performance is being monitored and improved over time.

Stakeholder Engagement

Stakeholder engagement is important for guiding governance to prioritize long-term value and for holding company boards accountable.[12] Effective stakeholder engagement should ensure a robust process for identifying and selecting relevant stakeholders (e.g. policy makers, employees, suppliers, civil society, shareholders and others) and proactively soliciting their input, including by defining the frequency and method of engagement. Such engagement is vital to strengthen accountability around long-term value and trust in organizations.

Ethical Behaviour

Governance is ultimately responsible for the behaviour of the firm by overseeing that it conforms with applicable laws and norms for good corporate behaviour. Monitoring the general values and behaviours of the firm is important, but particular attention should be paid to issues that might compromise the firm's ability to operate in a trustworthy way with a variety of stakeholders. Ethical corporate behaviour is a critical component of long-term value creation.

An increasing interest in societal impact is pushing firms to go beyond simply "playing by the rules" and demonstrate how their behaviour is consistent with the firm's broader purpose. For example, efforts to improve transparency around tax strategy[13] demonstrate a shift from reporting compliance towards articulating why an approach is appropriate.

Risk and Opportunity Oversight

Risk management is a critical aspect of good governance, but often centres on overseeing the effectiveness of the enterprise risk management (ERM) system and incorporating outputs of the ERM system into wider corporate strategy. Explicitly incorporating the risks *and* opportunities associated with people, planet and prosperity into the firm's governance and related processes is essential for prioritizing and addressing these issues over time.

Emerging digital and physical technologies are an important aspect of this theme, including cybersecurity, artificial intelligence and others. The consequences of data loss or system failure can be critical, and the pace of technological change in the Fourth Industrial Revolution suggests that boards should engage earlier in overseeing these types of emerging risks and opportunities.

Core Metrics and Disclosures

Theme	Core Metrics and Disclosures	Sources
Governing Purpose	**Setting purpose** Whether the company has a stated purpose linked to societal benefit and their core business	GRI (102-26), EPIC, Colin Mayer and others
Quality of Governing Body	**Board composition** Composition of the highest governance body and its committees by: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; competencies relating to economic, environmental and social topics; stakeholder representation	GRI (102-22), GRI (405-1a)
Stakeholder Engagement	**Impact of material issues on stakeholders** A list of the material topics identified in the process of defining report content and how they impact stakeholders	GRI (102-47)
Ethical Behaviour	**Anti-corruption** 1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region 2. Total number and nature of incidents of corruption confirmed during the current year but related to previous years 3. Total number and nature of incidents of corruption confirmed during the current year, related to this year	Adapted from GRI (205-2) and GRI (205-3)
	Protected ethics advice and reporting mechanisms A description of internal and external mechanisms for: 1. seeking advice about ethical and lawful behaviour, and organizational integrity; 2. reporting concerns about unethical or unlawful behaviour, and organizational integrity	GRI (102-17)
Risk and Opportunity Oversight	**Integrating risk and opportunity into business process** Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks and should disclose the number of data breaches in the reporting period	Combination of EPIC and SASB (230a.1 and 2)

Expanded Metrics and Disclosures

Theme	Expanded Metrics and Disclosures	Sources
Governing Purpose	**Material stakeholder buy-in** The percentage of each stakeholder group that is aware of the company's stated purpose and believe they are authentically realizing it	New metric
Quality of Governing Body	**Progress against strategic milestones** Disclosure of the strategic milestones expected to be achieved in the following year and milestones achieved from the previous year	EPIC
	Remuneration 1. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: – Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses and deferred or vested shares – Sign-on bonuses or recruitment incentive payments – Termination payments – Clawbacks – Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees 2. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics.	GRI (102-35)
Stakeholder Engagement	**Process for engaging stakeholders** The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and processes for ensuring reliability of information	GRI (102-43)
Ethical Behaviour	**Alignment of strategy and policies to lobbying** Details about whether and to what extent policies and strategies are aligned with the organization's lobbying, advocacy, memberships and related policy engagement activities, including details on participation in relevant multistakeholder initiatives	CDSB (REQ-01)
	Monetary losses from unethical behaviour Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or other related industry laws or regulations	SAM (3.4.5); SASB (510a.1)
Risk and Opportunity Oversight	**ESG in capital allocation framework** Whether the highest governing body considers People, Planet, and Prosperity issues when overseeing major capital expenditures, acquisitions and divestures	CDSB (REQ-01)

Pillar 2 – Planet

Introduction

Businesses depend on and impact the natural environment in myriad ways through their operations and supply chains and through the use of their products and services. Business dependencies on the environment need to be effectively managed to ensure business continuity. Business impacts on the environment can result in significant societal harm, and the response to these impacts by customers, regulators and other stakeholders can create material business risks and opportunities.

As the visibility of business impacts grows, and expectations of producer responsibility extend along the value chain, the business risk associated with failing to demonstrate a good understanding of, and response to, environmental impacts is amplified.

In the absence of effective company reporting on environmental impacts, and framing of the associated narrative, it is increasingly easy and common for third parties to fill the void of information, with potentially spurious estimates and a damaging narrative of their own. This provides a clear business case for reporting on material environmental impacts at a value chain level, alongside science-based targets and clear plans to reduce negative impacts and increase positive contributions.

To understand the relevance of environmental impacts to long-term value creation, and indeed to basic commercial viability, it is important to consider environmental impacts along the full value chain (or 'lifecycle') of products or services. Individual businesses often operate in a small section of the overall value chain - for example, many major businesses focus solely on resource extraction, or on product manufacturing, or retail sales. However, these businesses rely on the continuing commercial viability of all preceding (upstream) and subsequent (downstream) parts of the value chain to sustain their own commercial success.

It is therefore critical to understand the environmental impacts associated with any upstream and downstream activities to know whether environmental impacts present a threat to long term value creation. As a simple example, consider the value chain emissions associated with a manufacturer of diesel vehicles. The negative societal impact of emissions from the firm's production facilities wouldn't be enough to threaten the viability of its business model (<10% of value chain emissions). But the emissions produced by the vehicles it sells (c~90% of value chain emissions) create precisely that kind of existential threat. As such, looking only at the environmental impacts generated by the diesel vehicle manufacturer's own operations would give a deeply misleading view of the potential threat to shareholder value posed by environmental impacts that are fundamentally tied to the firm's current business model. Similar situations arise in the majority of value-chains, which is why careful consideration of environmental impacts along the full value chain is always advisable.

Six SDGs are particularly relevant to corporate environmental disclosures:

Themes

Across existing reporting frameworks and standards we identified seven environmental impact areas of particular significance to the planet, society and business.

Climate change

A stable climate has been a critical factor in the growth and advancement of human societies. The build up of greenhouse gases (GHGs) in the atmosphere as a result of anthropogenic emissions is already changing our climate at a rate never before seen. Failure to mitigate runaway climate change presents an existential threat to human civilization.

Nature loss

Nature underpins our economies and societies. The ongoing loss of nature worldwide, and the consequent loss of nature's many benefits to people - including protection from floods and storms, regulation of our climate and water resources, pollination of our crops, as well as aesthetic enjoyment and spiritual enrichment - presents material risks to businesses and a major threat to future living standards and overall human wellbeing.

Fresh water availability

Fresh water is essential to the progress of human societies. It is required for a healthy environment and a thriving economy. Food production, electricity generation, and manufacturing, among other things, all depend on it. Access to water for drinking and sanitation is a basic human right. However, in water scarce parts of the world with poor water infrastructure this human right is frequently not met.

Air pollution

Localized air pollution in the form of fine particulate matter and oxides of sulfur and nitrogen, is a leading cause of ill health and premature death around the world.

Water pollution
Harmful water pollutants include a wide array of toxic chemicals, heavy metals, hydrocarbons, waterborne pathogens, suspended solids and even heat. Perhaps the most widespread and systemic impacts however, come from excess nutrients – primarily nitrogen and phosphorous - used in agriculture.

Keeping nitrogen and phosphorus cycles in balance is critical to the effective functioning of ecosystems. Current agricultural practices have pushed bioavailable levels of nitrogen and phosphorus far beyond sustainable thresholds in many parts of the world, leading to freshwater and oceanic dead-zones and a host of other ecological and public health issues.

Solid waste
All non-biodegradable waste streams matter to some extent, but plastic waste is generally considered to be the most widespread and perhaps the most harmful. Light-weight single-use plastics that are difficult or impossible to recycle can end up in the world's oceans where they cause widespread ecological harm and can take centuries to degrade.

Resource availability
In the long run, genuine sustainability requires us to achieve far greater levels of re-use (circularity) of non-renewable resources, and sustainable consumption of renewable resources, throughout our economies.

Core Metrics and Disclosures

Theme	Core Metrics and Disclosures	Sources
Climate Change	**Greenhouse gas (GHG) emissions** Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO2e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.	GRI (305-1), CDP (C6, C7), CDSB (R03, R04), SASB (110a.1), GHG Protocol
	TCFD-aligned reporting TCFD-aligned reporting on governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net-zero by 2050.	TCFD CDSB R01, R02, R03, R05 and R06; SASB 110
Nature Loss	**Land use and ecological sensitivity** Report for operations, and estimate and report for full supply chain ('upstream') where material: Overall area of land used or affected; Annual change in an area of land used or affected; Number of IUCN Red List species present in areas used or affected.	Adapted from: GRI (304-1, 304-3, 304-4), CDP (F1)
Fresh water availability	**Fresh water consumption in water stressed areas** Report for operations, and estimate and report for upstream and downstream where material: Mega litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed areas.	Adapted from: GRI (303-3), CDP (W1), CDSB (R04), SASB (140a.1)

Expanded Metrics and Disclosures

Theme	Expanded Metrics and Disclosures	Sources
Climate Change	**Science-based target to reduce GHG emissions** Define and report progress against a science-based target to reduce GHG emissions.	SBTi
	TCFD-aligned reporting Enhance TCFD aligned reporting with financial metrics.	TCFD
	Impact of greenhouse gases Report wherever material along the value chain: Valued societal impact of greenhouse gas emissions.	NCP, ISO 14008
Nature Loss	**Impact of land use** Report wherever material along the value chain: Valued societal impact of use of land and conversion of ecosystems.	NCP, ISO 14008
Fresh water availability	**Impact of fresh water consumption** Report wherever material along the value chain: Valued societal impact of water consumption.	NCP, ISO 14008
Air pollution	**Fine particulate matter** Report wherever material along the value chain: Tonnes of PM2.5 emitted in urban areas.	GRI (305-7), SASB (120a.1)
	Impact of air pollution Report wherever material along the value chain: Valued societal impact of air pollution.	NCP, ISO 14008
Water pollution	**Nutrients** Report wherever material along the value chain: Tonnes of phosphate and nitrogen used or produced.	Adapted from: GRI (303-1)
	Impact of water pollution Report wherever material along the value chain: Valued societal impact of water pollution, including excess nutrients, heavy metals and other toxins.	NCP, ISO 14008
Solid waste	**Single use plastics** Report wherever material along the value chain: Tonnes of single-use plastic disposed of.	New Metric
	Impact of solid waste disposal Report wherever material along the value chain: Valued societal impact of solid waste disposal, including plastics and other waste streams.	NCP, ISO 14008
Resource availability	**Resource circularity** Tonnes and % of circular inflow / outflow.	WBCSD & KPMG Circular Transition Indicators

Pillar 3 – People

Introduction

We are living in a connected world in which society is increasingly committed to the values of responsible business, sustainable economic development and long-term value creation. Organizations are expected to be committed to respecting health and safety, human rights, providing decent work standards for all women and men, including young and disabled people, and providing equal pay for work of equal value.

The UN's 2030 Agenda for Sustainable Development puts people front and centre in declaring: "We are determined to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment". The UN Secretary-General's synthesis report refers to people as one of six essential elements for delivering on the SDGs, in particular those goals that aim to ensure healthy lives, knowledge and the inclusion of women and children.

People are crucial for every organization: they represent employees, customers, suppliers, distributors, retailers and neighbours. Their growth, prosperity and well-being are central to the success of all organizations. The business case for firms to measure, manage and disclose information on how they ensure an engaged, skilled and healthy workforce across their value chains is compelling. Such a workforce contributes both financial and non-financial value that is critical for business performance, competitive advantage, mitigating risk, maintaining a licence to operate and strengthening stakeholder relationships.

The value of people can be broken down into human capital (e.g. individual knowledge, skills, competencies and attributes) and social capital (e.g. networks, shared norms, values and understanding)[14]. While achievements related to people are strongly linked to all the SDGs, their importance is specifically highlighted in five goals:

These SDGs are based on the themes of dignity and equality, health and well-being, and making sure people have the right skills for the future. Below, we explain how we have organized the People pillar around these three themes, along with their corresponding core and expanded metrics.

Themes

Companies are expected to disclose information on employee matters and on the potential and actual impacts of their operations on stakeholders. This is partly to protect the firm's reputation and comply with laws and regulations. But it is also about the value that companies create through engaging the skills and performance of a culturally diverse workforce. This initiative is designed to help companies report their progress towards creating long-term value in a consistent and comparable way – something not all companies find easy to articulate.

We have reviewed an extensive range of metrics across existing reporting frameworks on people-related topics and identified three themes to distinguish meaningful corporate performance and disclosure:

Dignity and Equality

In the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948, the first two articles declare that "all human beings are born free and equal in dignity and rights", and that "everyone is entitled to all the rights and freedoms…without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status".[15]

The theme Dignity and Equality focuses on providing equitable opportunities to employees in recruitment and the workforce, in relation to gender, race, age, ethnicity, ability and sexual orientation, where all employees feel valued and respected and receive fair compensation and benefits. By embracing diversity and equal opportunities, companies can help integrate under-represented groups and minorities into the labour market, thereby attracting and retaining talent.

Health and Well-being

Stakeholders increasingly expect commitments from organizations to care for the health of employees and their families and to uphold their rights to adequate physical and mental well-being.

The theme Health and Well-being focuses on enabling the safety, health and mental, physical and social well-being of all people in the value chain. Companies need to maintain high labour standards in their value chains by sharing, collaborating and strengthening relationships with customers and suppliers. Violations such as modern slavery or child labour will lead to serious reputational, financial and legal risks, affecting the company's ability to grow and attract investors, employees and customers. Different industries have different risk profiles. Some, like mining or chemicals, bear a higher inherent risk to health and safety than other industries like financial services, where mental health may be a greater concern. Companies that maintain high standards in health, safety and labour rights can improve employee productivity and operational efficiency. Working proactively in these areas of the business will help identify and mitigate risks – and it is increasingly required by law.

Skills for the Future
Access to skilled workers is a key factor in becoming a successful company. To address the skills-gap challenge, companies must invest more in training and reskilling their workforce. According to the World Economic Forum, more than half (54%) of all employees will require significant reskilling by 2022, but the problem is likely to be even more acute in some specific regions.[16] In addition, research by Salesforce shows that companies that prioritize their values, create social impact and build a more diverse and inclusive culture are better positioned to boost employee engagement and productivity, and have an advantage in attracting and retaining skilled talent.[17]

The theme Skills for the Future focuses on investing in training, education and skills to optimize human resource management and help organizations attract and nurture the best talent. The nature of work, workforce and workplace is being transformed by new tools and technologies, and companies need to grasp this opportunity. .

Core Metrics and Disclosures

Theme	Core Metrics and Disclosures	Sources
Dignity and Equality	**Gender pay equality (%)** Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	GRI 405-2
	Diversity and inclusion (%) Percentage of employees per employee category, by age group, gender and other indicators of diversity	GRI 406-1
	Wage level (%) Ratios of standard entry-level wage by gender, compared to local minimum wage for specific categories of workers	GRI 202-1
	Risk of incidents of child and forced labour (#, %) Number and percentage of operations and suppliers considered to have significant risk of: a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.	GRI 408, GRI 409
Health and Well-being	**Health and safety (%)** 1. The total recordable injury rate (TRIR) for specific categories of workers 2. The absentee rate (AR) for specific categories of workers	SASB CN0101-18, GRI 403-2.a4
Skills for the Future	**Training provided (#, $)** 1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees) 2. The average training and development expenditure per full time employee	GRI 404-1, SASB HC0101-15

Expanded Metrics and Disclosures

Theme	Expanded Metrics and Disclosures	Sources
Dignity and Equality	**Discrimination and harassment incidents (#) and the total amount of monetary losses ($)** 1. Number of discrimination and harassment across operations of the incidents and actions taken 2. The total amount of monetary losses as a result of legal proceedings associated with a) law violations and b) employment discrimination	GRI 406-1, SASB FB-FR-310
	Freedom of association and collective bargaining (%) Percentage of operations and suppliers in which the right to freedom of association and collective bargaining is at risk	SASB CN0401-17, GRI 407 WDI 7.2
	Living wage (%) Current wages against the living wage for employees, contractors and suppliers in states and localities where company is operating	MIT Living Wage Tool, EPIC Report, Shift
	Grievances and impact (#, $) Number and type of grievances reported, and number of severe impacts occurring that were related to a salient human rights issue, and the type and impact of these issues	UN Guiding Principles Reporting Index, GRI WDI 7.5
Health and Well-being	**Monetized impacts of work-related incidents on employees, employers and society (#, $)** Calculate by multiplying the number and type of occupational incidents by the direct and indirect costs for employees, employers and society per incident (including actions and/ or fines from regulators, lost productivity, property damage, healthcare costs, employee compensation costs, reputational damage etc.)	Adapted indicator, based on European Commission, Safe Work Australia
	Well-being (%) Percentage of employees participating in 'best practice' health and well-being programmes that help to reduce absenteeism and improve productivity	Embankment Project
Skills for the Future	**Number of unfilled 'skilled' positions (#)** Number and percentage of unfilled 'skilled' positions for which the company will hire totally unskilled candidates and train them. Unfilled positions are defined as those that are unfilled for longer than three months; skills shortages are defined as lack of skilled or qualified people.	WBCSD Impact Framework
	Monetized impacts of training – increased earning capacity as a result of training intervention ($) Measurement of estimated future uplift in lifetime earnings as a result of training intervention. Calculate using the income-based approach to human capital valuation. This can also be presented as a ratio of the estimated lifetime earnings benefit compared to the cost of training.	OECD, United Nations

Pillar 4 – Prosperity

Introduction

The UN's 2030 Agenda for Sustainable Development identifies prosperity as an area of critical importance as follows: "We are determined to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature".

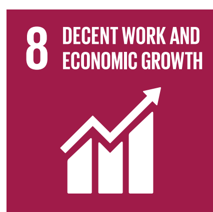
The UN Secretary-General's synthesis report identifies prosperity as an essential element for delivering the sustainable development goals and defines it as growing "a strong, inclusive and transformative economy". This is strongly linked to the first essential element of dignity, expressed as the ambition to end poverty and fight inequalities. The Secretary-General describes prosperity in terms of:

- Economic growth, built upon decent employment, sustainable livelihoods, rising real incomes, social protection and access to financial services for all people;

- Innovation and transforming business models to create shared value, including investments in sustainable and resilient infrastructure, cities and settlements, industrialization, small and medium enterprises, energy and technology; and

- Shared prosperity and equitable growth, based on sustainable production and consumption.

These core features of prosperity are related to the following SDGs:



Prosperity is inherently linked to people and planet: sustainable approaches to natural resource management (including agriculture, fisheries, water and forests); access to sanitation, energy and clean water; and industrialization (including manufacturing and productive capacities) are key drivers of sustainable production and consumption, job creation and equitable growth. Businesses have impacts on and benefit from economic and social prosperity in myriad ways and it is widely recognized that businesses cannot succeed in a failing society[18].

Furthermore, a company's value is increasingly reflected in the intangible assets and value drivers associated with economic and social prosperity.

Most businesses, however, are not reporting on or fully capturing these intangibles in traditional financial statements. By measuring and reporting on aspects of prosperity more holistically, companies and their stakeholders can become better informed to protect and enhance assets that contribute to both long-term value creation and to society and the SDGs, even when there is not yet a direct link to financial performance.

Long-term value creation is critical for business performance, competitive advantage, mitigating risk and strengthening stakeholder relationships. But it is not only enlightened self-interest, it also helps companies to demonstrate and report on how they are contributing to the wider society and the SDGs.

Themes

In order to demonstrate commitment to building strong, transformative and inclusive economies for the long term, in line with the SDGs, we identified three themes across existing reporting frameworks and standards that help to distinguish the most important aspects of prosperity on which companies can report in a succinct way:

Employment and Wealth Generation
Companies can and should create significant economic value for employees, shareholders and wider society through job creation and investing in the productive capacity of the economy. These investments contribute to better living standards and wealth creation in the long term. Strong economic prosperity drives a more educated workforce and higher workforce productivity, as well as greater buying power for the company's customer base.

Innovation of Better Products and Services
Through innovation, companies can and should contribute to the creation of better products and services that respond to customers' changing needs and desires, creating both economic and social value for customers and society more widely. Transformative growth through innovation drives the development of new products and services, enhances competitive advantage and brand reputation and may create operational and cost efficiencies. A company's ability to innovate can make the difference between its long-term survival or failure.

Community and Social Vitality
Companies contribute resources that can and should support the social fabric and vitality of the communities in which they operate, directly in the case of investment in communities and indirectly through taxes paid to help finance government services for those communities. More equitable and inclusive economies strengthen workforce talent pools, enlarge the customer base and its buying power and enhance supplier relationships and partnerships in the communities in which companies operate.

Core Metrics and Disclosures

Theme	Core Metrics and Disclosures	Sources
Employment and Wealth Generation	**Net number of jobs created** 1. Total number and rate of new employee hires during the reporting period, by age group, gender and region 2. Total number and rate of employee turnover during the reporting period, by age group, gender and region	GRI (401-1a & b)
	Net economic contribution Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organization's global operations, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government by country and community investments *less* Financial assistance received from the government (e.g. tax breaks, subsidies, investment grants etc.)	GRI (201-1 and 201-4)
	Net investment Total capital expenditures (CapEx) Depreciation Share buybacks Dividend payments Calculation*:* *(Total CapEx - depreciation) / (Total cost of share buybacks + dividend payments)*	International Accounting Standard (IAS) 7 – Cash Flow Statements
Innovation of Better Products and Services	**R&D spend ratio (%)** Total amount of spending on R&D as a percentage of total sales	2015 edition of the Frascati Manual for measuring R&D (OECD, 2015a)
Community and Social Vitality	**Community investment (%)** A percentage breakdown of community investment, including monetary contributions (e.g. charitable gifts, community partnerships); time contributions (e.g. staff volunteering in paid time); in-kind contributions from services or equipment; and management costs, normalized as a percentage of pre-tax profit	GRI (G4-ECI)
	Country by country tax reporting All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes. For each tax jurisdiction reported in Disclosure 207-4-a: Names of the resident entities Primary activities of the organization Number of employees and the basis of calculation of this number Revenues from third-party sales Revenues from intra-group transactions with other tax jurisdictions Profit/loss before tax Tangible assets other than cash and cash equivalents Corporate income tax paid on a cash basis Corporate income tax accrued on profit/loss Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax The time period covered by the information reported in Disclosure 207-4.	GRI (207-4)

Expanded Metrics and Disclosures

Theme	Expanded Metrics and Disclosures	Sources
Employment and Wealth Generation	**Average wage** Average hourly wage, by region of operation	SASB (FB-RN-310a.2)
	Significant indirect economic impacts 1. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts 2. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g. national and international standards, protocols, policy agendas)	GRI (203-2)
Innovation of Better Products and Services	**Vitality Index** Percentage of gross revenue from product lines added in last three (or five) years calculated as the sales from products that have been launched in the past three (or five) years divided by total sales	OECD Oslo Manual Section 8.3.1
	Net Promoter Score (NPS) A measure of customer experience of the organization's brand, based on responses to a single question: *How likely is it that you would recommend our company/product/service to a friend or colleague?*	Reichheld, Bain & Company and Satmetrix, Harvard Business Review
	Social value generated (%) Percentage of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges	Adapted from SASB FN0102-16.a and GRI (FiFS7 + FiFS8)
Community and Social Vitality	**Infrastructure investments and services supported** Qualitative disclosure in regard to the extent of development of significant infrastructure investments and services supported, current or expected impacts on communities and local economies, including positive and negative impacts where relevant, and whether these investments and services are commercial, in-kind or pro bono engagements	GRI (203-1)
	Total social investment ($) Total Social Investment (TSI): total corporate contributions ($) across seven categories of social investment as defined by CCEP 2020 Valuation Guidance[19]	CECP 2020 Valuation Guide

Conclusion

The members of the World Economic Forum International Business Council (IBC), comprising approximately 120 large multinational firms, have expressed a strong desire to demonstrate their ability to create long-term value for all stakeholders. They recognize that this must come in the form of consistent and transparent reporting on both financial and non-financial risks and opportunities to their businesses. Many are signatories to the US Business Roundtable's revised "Statement on the Purpose of a Corporation"[20] and are fully supportive of the Forum's recently updated Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution.

At the behest of the IBC's members, the Forum has partnered with the Big Four accounting firms to identify a common, core set of ESG metrics and recommended disclosures for all companies to report on, across sectors and geographies. The objective would be for companies to report on these metrics in their mainstream disclosures to provide a more accurate representation of a company's performance, risk management capabilities and ability to generate long-term value for all stakeholders.

This initiative is part of a broader effort to build a coalition that accelerates progress towards a system-wide solution that results in greater quality and comparability of reporting on material factors influencing companies' sustainable value creation and contribution to progress toward the SDGs.

A robust consultation process will commence at the 2020 Annual Meeting in Davos. Comments and feedback are welcome.

Appendix: Supplemental Information on Metrics and Disclosures

Pillar 1 – Principles of Governance

Core Metrics and Disclosures

GOVERNING PURPOSE / SETTING PURPOSE

Disclosure chosen:

Whether the company has a stated purpose linked to societal benefit and their core business

Oversight of a company's chosen priorities in terms of Planet, People and Prosperity requires a clear understanding and articulation of the firm's purpose. The more that firms can link their societal benefit and core business, the more they can deliver long-term value, both to direct stakeholders (including shareholders) and to the wider society.

There is emerging evidence that purpose-led firms outperform their peers in terms of shareholder value[21] and are better positioned to account for and pursue non-financial value related to people, planet and prosperity.

This is the most appropriate core disclosure since it measures the output of a process to formulate and publicize a purpose, providing a useful baseline for whether firms are pursuing purpose or not. This metric was selected over other measures of investment aligned to purpose or the extent that culture is aligned to purpose because it is simpler to assess, fundamental to purpose-led outcomes and more comparable across firms. This disclosure is a robust, base-level indicator because having a stated purpose is the essential first step in becoming a purpose-led business.

QUALITY OF GOVERNING BODY / BOARD COMPOSITION

Disclosure chosen:

Composition of the highest governance body and its committees by: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; competencies relating to economic, environmental and social topics; stakeholder representation

Having the right combination of capabilities and perspectives on the board is important for making robust decisions on an ongoing basis. A diverse board can more comprehensively navigate complex challenges and adapt to changing environments by drawing upon differing perspectives and experiences.

Research examining public companies across Canada, Latin America, the UK and the US finds that companies with higher diversity financially outperform their peers.[22] Crucially, boards that reflect the diversity of their companies' stakeholders are more attuned to their needs and are therefore well-positioned to deliver long-term stakeholder value.

This disclosure was chosen because it captures a breadth of dimensions critical to board composition (e.g. competencies related to ESG topics). Single measures of board composition are insufficient to determine whether a particular corporation has the board fit for its particular needs. It is the most appropriate core disclosure because practices for achieving greater diversity of board member backgrounds and capabilities are relatively universal and well-established, and the disclosure is easy to observe.

STAKEHOLDER ENGAGEMENT / IMPACT OF MATERIAL ISSUES ON STAKEHOLDERS

Disclosure chosen:

A list of the material topics identified in the process of defining report content and how they impact stakeholders

As organizations shift to becoming more purpose-led, so too will the definition and understanding of 'long-term value'. The current shareholder-centric view of performance and value is already evolving into a more holistic understanding of an organization's impacts on a broad range of stakeholders. For this shift to have a real impact, an organization needs to understand which stakeholders are most materially affected by its decisions and how this may influence the decision-making process.

Conducting a materiality analysis is vital in understanding how an organization has impacts on its key stakeholders. It requires an understanding of who the key stakeholders are and how they are affected by organizational decisions. This is the most appropriate core disclosure because listing the steps required to undertake a materiality analysis (i.e. listing all identified material topics and detailing how they impact stakeholders) is the ultimate outcome of the process to identify and engage with stakeholders.

This metric is a robust means of maintaining accountability to a range of stakeholder groups as it encapsulates the goal of stakeholder engagement – ensuring that organizational impact and long-term value align with the interests of a broad range of stakeholders and provide the foundation for trust in the business.

ETHICAL BEHAVIOUR / ANTI-CORRUPTION

Metrics chosen:

1. **Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region**

2. **Total number and nature of incidents of corruption confirmed during the current year but related to previous years**

3. **Total number and nature of incidents of corruption confirmed during the current year, related to this year**

Corporate corruption can thrive where governance is weak. It is linked to misallocation of capital, environmental harm, human exploitation and unethical and illegal behaviour. The public expects companies to adhere to ethical business practices; corruption undermines stakeholder legitimacy and trust.

Companies implementing anti-corruption policies and practices contribute directly towards the vision of SDG 16.5 to "substantially reduce corruption and bribery in all their forms", protecting their own long-term value and contributing to greater long-term societal value.

Anti-corruption training develops a company's anti-corruption capabilities, and the total number and nature of corruption incidents are a direct consequence of a company's overarching anti-corruption capabilities. Monitoring the number and proportion of new corruption incidents unrelated to previous years, in comparison to incidents related to previous years, allows for observation of improvement or decline in a company's anti-corruption practices. These metrics were chosen because they are orientated towards outcomes and more easily comparable between companies and across time.

ETHICAL BEHAVIOUR / PROTECTED ETHICS ADVICE AND REPORTING MECHANISMS

Disclosure chosen:

A description of internal and external mechanisms for:

1. **seeking advice about ethical and lawful behaviour, and organizational integrity**

2. **reporting concerns about unethical or unlawful behaviour and organizational integrity**

This disclosure identifies the mechanisms (e.g. whistleblowing procedures) in place to receive input on ethics topics and reports of potential issues and the ways in which these mechanisms are protected to encourage robust advice and reporting. This is a core disclosure because protected ethics advice and reporting mechanisms demonstrate an authentic intent by the board to prevent ethical misconduct. This disclosure was chosen because it is universally applicable and best allows for comparison and evaluation of board commitment to the oversight of ethical behaviour.

Without a mechanism for employees and other key stakeholders to report unethical or unlawful behaviour, companies may miss opportunities to identify and mitigate underlying issues. Companies that encourage their stakeholders to provide feedback are able to respond more quickly to misconduct, build trust with their stakeholders and prevent harm to long-term value.

RISK & OPPORTUNITY OVERSIGHT / INTEGRATING RISK AND OPPORTUNITY INTO BUSINESS PROCESS

Disclosure chosen:

Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks, and should disclose the number of data breaches in the reporting period.

Board oversight (and appetite) in relation to key emerging risks is a fundamental principle in governing risk management strategy. This disclosure was selected because it acknowledges that the board should be directly involved in understanding and reacting to direct organizational risks, and the disclosure monitors how the board adapts over time.

The specific disclosure of data breaches enables a more direct comparison between organizations, while the depth of the disclosure comes from the detail around board appetite for principal risks. Thus, the metric provides comparability without losing the richness of detail provided by the deeper discussion on board oversight and emerging risk. This balance, along with the discussion of emerging principal risks, acknowledges the shifting landscape of enterprise risk through greater digitalization leading to an increased reliance on information systems and their data.

This is the most appropriate core disclosure because it acknowledges traditional risk management and the need for boards to look beyond risks to acknowledge the opportunities provided to the business by emerging issues and those related to people, planet and prosperity.

Expanded Metrics and Disclosures

GOVERNING PURPOSE / MATERIAL STAKEHOLDER BUY-IN

Metric chosen:

The percentage of each stakeholder group that is aware of the company's stated purpose and believes it is authentically realizing it

Stakeholder understanding of and confidence in purpose is critical for achieving ongoing engagement and gaining value from increased trust. This metric is the best advanced indicator of purpose because it provides external validation that the company has established and committed to an authentic purpose. As such, this indicator is useful in evaluating whether a firm is pursuing long-term commercial and societal value.

QUALITY OF GOVERNING BODY / PROGRESS AGAINST STRATEGIC MILESTONES

Disclosure chosen:

Disclosure of the strategic milestones expected to be achieved in the following year and milestones achieved from the previous year

An outcome-orientated measure of board quality should focus on the board's contribution towards the company's achievement of its stated objectives. This disclosure is the best advanced indicator of board quality because it combines a leading and lagging indicator of the board's ability to set and guide the company's performance.

Achievement of strategic milestones in the past year provides a useful proxy of the board's ability to oversee the organization's achievement of its strategic objectives, including purpose. Strategic milestones for the year ahead allow stakeholders to more effectively evaluate the quality of decision-making by the board and the extent to which that decision-making is consistent with the purpose and objectives of the firm.

QUALITY OF GOVERNING BODY / REMUNERATION

Disclosure chosen:

1. **Remuneration policies for the highest governance body and senior executives for the following types of remuneration:**
   - Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses and deferred or vested shares
   - Sign-on bonuses or recruitment incentive payments
   - Termination payments
   - Clawbacks
   - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees
2. **How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics.**

The incentives provided to board members and senior executives can significantly reinforce or impede long-term value creation, depending on how they are structured. If remuneration is incongruent with long-term objectives, including a combination of commercial and societal value creation, it can undermine the ability of governing bodies to provide effective oversight. This disclosure is an important advanced indicator of board quality because it provides detailed insight into the various mechanism for remuneration and how they are applied. By disclosing how incentives for governing bodies are aligned to long-term value, this disclosure serves as a useful proxy for the organization's ability to achieve that value.

Importantly, this disclosure requires the reporting organization to explicitly address how its approach to remuneration relates to the organization's economic, social and environmental objectives. This level of disclosure provides valuable insight for external stakeholders in evaluating the alignment of different aspects of governance and fosters increased transparency and trust.

STAKEHOLDER ENGAGEMENT / PROCESS FOR ENGAGING STAKEHOLDERS

Disclosure chosen:

The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and processes for ensuring reliability of information

To be effective, stakeholder engagement should be an ongoing process by the board to solicit and incorporate input from material stakeholders, and to report salient information and progress back to those stakeholders. This is the best advanced disclosure for stakeholder engagement because it emphasizes the importance of ongoing engagement and the need for useful information as part of that process.

As an indicator of ongoing engagement, and the information provided by that process, this disclosure is a useful proxy for the rigour of the board's stakeholder engagement and, by extension, the influence that stakeholder engagement has on governance. Rigorous engagement with stakeholders is critical to long-term value creation because it allows corporations to make more holistic decisions that balance short-term and long-term needs as well as commercial and societal impacts.

ETHICAL BEHAVIOUR / ALIGNMENT OF STRATEGY AND POLICIES TO LOBBYING

Disclosure chosen:

Details about whether and to what extent policies and strategies are aligned with the organization's lobbying, advocacy, memberships and related policy engagement activities, including details about participation in relevant multistakeholder initiatives

To contribute to long-term value, corporate behaviour needs not only to conform to existing norms but also to align with the corporation's long-term objectives, both commercial and societal. This disclosure is a critical advanced indicator of corporate behaviour because it provides insight into the extent to which lobbying and advocacy (an important but potentially damaging area of corporate activity) are not only permissible but aligned to the company's publicly stated objectives and purpose.

Consistency between corporate activity such as lobbying and the firm's public strategy is a core component of alignment around long-term objectives, which in turn is essential for long-term value creation. Monitoring this consistency is a useful proxy of overall transparency and authentic pursuit of the company's objectives, both of which are important to long-term value creation with stakeholders.

ETHICAL BEHAVIOUR / MONETARY LOSSES FROM UNETHICAL BEHAVIOUR

Metric chosen:

Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or other related industry laws or regulations

To fully assess ethical behaviour, it is important to monitor not only the processes in place to encourage it but also the actual behaviour of the firm over time. Laws governing corporate behaviour and the enforcement of those laws are a useful proxy for assessing the actual behaviour of firms.

This metric is a critical advanced indicator of ethical behaviour because it focuses on firm's actual observed behaviour and relies on outside parties (regulators) and a robust formal process (enforcement and the courts) to assess that behaviour. Additionally, measurement in monetary terms allows for better comparison across firms.

RISK AND OPPORTUNITY OVERSIGHT / ESG IN CAPITAL ALLOCATION FRAMEWORK

Disclosure chosen:

Whether the highest governing body considers People, Planet and Prosperity issues when overseeing major capital expenditures, acquisitions and divestures

Robust governance of both risks and opportunities, with the goal of long-term value creation, must engage with those risks and opportunities seriously throughout the core business. This disclosure is the best advanced indicator of risk and opportunity oversight, because capital allocation is at the core of the business and is incredibly consequential in expressing the firm's priorities and in prioritizing activities. Additionally, because capital allocation is future-facing, this disclosure is a leading indicator for how well the company will be able to accomplish long-term value creation in the future.

Disclosing the extent to which issues such as People, Planet and Prosperity, which are defined by long-term value, are integrated into major capital allocations helps to reveal how the board makes decisions related to long-term value. The allocations themselves are significant resource commitments that signal the corporation's beliefs around which risks and opportunities are most important. As such, this disclosure is an important indicator of long-term value creation.

The “core” set reflects metrics and disclosures that relate corporate activities to the most material and pressing environmental issues for society as a whole – climate change, nature loss and the availability of clean, fresh water. Of these, climate change is perhaps the most universally material theme and is certainly the most advanced from the perspective of current corporate reporting. Nature loss will be particularly relevant for firms with agricultural operations, supply chains or customers, and similarly water consumption will be material for firms with significant operations, supply chains or markets in water-stressed areas.

The “expanded” set includes three additional common impact areas – air pollution, water pollution and solid waste – along with a measure of resource circularity to assess progress towards a circular economy business model. Coverage of all seven themes with individual quantitative metrics is far from comprehensive. For example, there are at least four other significant air pollutants, tens of potentially relevant waste streams, and hundreds of individual water pollutants. Only the most commonly material individual metrics are specified in each case, on the assumption that firms will make such additional disclosures as are relevant to their sector and business model.

Further potential impact areas such as light and noise pollution, radiation and visual disturbance, are left out on the basis that they are likely to be material only in a minority of cases.

In the planet area, the materiality of impacts on society should be the key criterion for determining whether a metric should be quantified and reported or not. For the core and expanded metrics identified above, a “comply or explain” approach should be followed on this basis.

Core Metrics and Disclosures

CLIMATE CHANGE / GREENHOUSE GAS (GHG) EMISSIONS

Metric chosen:

Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO_2e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.

Reporting on greenhouse gas emissions along a company’s value chain indicates both the company’s contribution to the problem and how exposed its business model may be to transition risks.

CLIMATE CHANGE / TCFD-ALIGNED REPORTING

Disclosure chosen:

TCFD-aligned reporting on climate governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net zero by 2050.

The Financial Stability Board developed the Task Force on Climate-related Financial Disclosures (TCFD) because of concerns that companies were not adequately measuring or reporting the financial implications of climate change. TCFD recommends listed companies disclose these financial impacts as part of their annual financial filings aligned to the legislative thresholds of financial disclosure.

The TCFD has developed recommendations on climate change disclosure in an annually updated, publicly available report which is applicable for all sectors. The recommendations cover climate strategy, governance, risk management and metrics and targets. As part of their risk management, companies must identify and measure the financial implications of their material risks and opportunities under at least two widely recognized climate scenarios.

Reporting in line with the TCFD recommendations indicates that businesses have considered the implications of climate change and the low carbon transition. The TCFD also provides a structure to help organizations develop a climate strategy and governance arrangements to mitigate risk and take action on opportunities. The TCFD framework has achieved significant uptake since launch and regulatory momentum is building globally; for example, the UK Prudential Regulation Authority (PRA) has set out expectations for banks and insurers to report on climate risk, and reporting will become mandatory for signatories to the UN-supported Principles for Responsible Investment network (UNPRI) in 2020 (responsible for assets of $86 trillion). Financial institutions responsible for assets worth over $118 trillion have already announced their support for TCFD.

The framework provides flexibility for setting metrics and targets but recommends that an emissions target is set using the risk analysis under the business’s relevant climate scenarios. This supports companies setting meaningful science-based targets in line with achieving net zero. Disclosure of these targets indicates a business’s understanding of the climate challenge and their contribution to solving it.

The Climate Disclosure Standards Board (CDSB) and Sustainability Accounting Standards Board (SASB) have produced a joint TCFD Implementation Guide[23] and related set of Good Practices[24] for the reporting of climate-related performance and risk in mainstream corporate reports in line with the TCFD framework. And in 2019, the Forum issued a set of climate governance principles for boards of directors. Developed in collaboration with PwC, these principles are designed to help increase directors' climate awareness, embed climate issues into board structures and processes, and improve navigation of the risks and opportunities that climate change poses to business.[25]

NATURE LOSS / LAND USE AND ECOLOGICAL SENSITIVITY

Disclosure chosen:

Report for operations and estimate & report for upstream supply chain, where material, on: a) overall area of land used or affected; b) annual change in an area of land used or affected; c) number of IUCN Red List species present in areas used or affected.

Growth in demand for land is the primary underlying driver of new conversions of ecosystems, which is in turn the primary driver of nature loss. The overall area of land required in operations and supply chains is a good indicator of the contribution of a business model to overall demand for land. The presence of vulnerable, endangered or critically endangered species in land areas used or affected is an indicator of the ecological sensitivity of these areas.

FRESH WATER AVAILABILITY / FRESH WATER CONSUMPTION IN WATER STRESSED AREAS

Disclosure chosen:

Report for operations and estimate & report for upstream and downstream supply chain, where material, on: Mega-litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed areas.

Net water consumption in water-stressed areas along a company's value chain is an indicator of potential for negative societal impacts and potential business risk. Reporting reductions in water consumption in water-stressed areas over time, along with alternative measures to ensure that negative societal impacts are avoided, are hallmarks of a responsible approach to water stewardship.

Expanded Metrics and Disclosures

ALL IMPACT AREAS – VALUED SOCIETAL IMPACTS

In each theme or impact area examined under the expanded set of metrics and disclosures, we recommend that firms report on the "valued societal impact" associated with that entire impact area, as one of the key expanded disclosures. Reporting the valued societal impact in monetary terms is an effective means of cutting through the inevitable complexity created by many individual quantitative metrics, as well as providing a meaningful sense of the scale of impacts in units that can be compared across impact areas and with financial figures. Valuation is also widely recognized as an efficient and effective way of incorporating as much relevant contextual information as possible, thus providing estimates of actual impact, rather than simply measures of output as is the case with most quantitative metrics.

CLIMATE CHANGE / IMPACT OF GREENHOUSE GAS (GHG) EMISSIONS

Metric chosen:

Report wherever material along the value chain on valued societal impact of greenhouse gas emissions

See narrative above on valued societal impact.

CLIMATE CHANGE / SCIENCE-BASED TARGET TO REDUCE GHG EMISSIONS

Metric chosen:

Define and report progress against a science-based target to reduce GHG emissions

Reporting greenhouse gas reductions over time, in line with credible science-based targets, indicates a business's awareness of the climate challenge and its contribution to solving it.

CLIMATE CHANGE / TCFD-ALIGNED REPORTING

Metric chosen:

Enhance TCFD-aligned reporting with financial metrics

Reporting financial metrics in line with the recommendations of the TCFD demonstrates an understanding of the potential financial consequences of climate change itself and of the low carbon transition. Material risks should be reported alongside core business risks with associated metrics and targets.

NATURE LOSS / IMPACT OF LAND USE

Metric chosen:

Report wherever material along the value chain on valued societal impact of use of land and conversion of ecosystems

See narrative above on valued societal impact.

FRESH WATER AVAILABILITY / IMPACT OF FRESH WATER CONSUMPTION

Metric chosen:

Report wherever material along the value chain on valued societal impact of water consumption.

See narrative above on valued societal impact.

AIR POLLUTION / FINE PARTICULATE MATTER

Metric chosen:

Report wherever material along the value chain on tonnes of PM2.5 emitted in urban areas

Reporting on PM2.5 emissions along the value chain indicates both a company's contribution to the problem and how exposed its business model is to associated legal, regulatory and stakeholder action. Reporting reductions over time, along with credible targets, indicates a company's contribution to reducing the harm.

AIR POLLUTION / IMPACT OF AIR POLLUTION

Metric chosen:

Report wherever material along the value chain on valued societal impact of air pollution

See narrative above on valued societal impact.

WATER POLLUTION / NUTRIENTS

Metric chosen:

Report wherever material along the value chain on tonnes of phosphate and nitrogen used or produced

Reporting on phosphate and nitrogen use and production along the value chain indicates both a company's contribution to the current imbalance and how exposed its business model is to associated legal, regulatory and stakeholder action. Reporting reductions over time, along with credible science-based targets, indicates a company's contribution to the solution.

WATER POLLUTION / IMPACT OF WATER POLLUTION

Metric chosen:

Report wherever material along the value chain on valued societal impact of water pollution, including excess nutrients, heavy metals and other toxins.

See narrative above on valued societal impact.

SOLID WASTE / SINGLE-USE PLASTICS

Metric chosen:

Report wherever material along the value chain on tonnes of single-use plastic disposed of

Reporting on the use of single-use plastics along the value chain is an indicator of both a company's contribution to the plastics problem and how exposed its business model is to potential legal, regulatory and stakeholder action to reduce and eliminate single-use plastics. Reporting reductions over time, along with credible targets, indicates a company's contribution to solving the plastics problem.

SOLID WASTE / IMPACT OF SOLID WASTE DISPOSAL

Metric chosen:

Report wherever material along the value chain on valued societal impact of solid waste disposal, including plastics and other waste streams.

See narrative above on valued societal impact.

RESOURCE AVAILABILITY / RESOURCE CIRCULARITY

Metric chosen:

Report wherever material along the value chain on tonnes and % of circular inflow and outflow of resources[26]

Circular inflow is calculated as follows: (weight of renewable inflow + weight of non-virgin inflow / total weight of all inflow) x 100%

Circular outflow is calculated as follows, per material flow: ((% recovery potential * % actual recovery) * weight) / total weight of all outflow

Reporting on circular inflow and circular outflow indicates a company's progress towards genuine resource sustainability.

Observing good employment and human rights practices requires the right combination of metrics and descriptive disclosures which best reflect the importance of, and relationships between, employment and workforce policies, processes, outputs and outcomes.

Core Metrics and Disclosures

DIGNITY & EQUALITY / GENDER PAY EQUALITY

Metric chosen:

Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation

Corporate policies promoting gender diversity and gender pay equality are a reflection of a well-managed company that realizes the value of multiple perspectives in minimizing risk and driving long-term competitiveness. Gender diversity can only be achieved by promoting gender equality, and by paying the same amount of salary for the same jobs, in order to address the social and cultural stereotypes that have limited women's ability to maximize professional opportunities. Many countries have already introduced legislation to enforce the principle of equal gender pay for work of equal value. Organizations in which imbalances exist expose themselves to reputational and legal risk, on the basis of discrimination.

This metric (GRI 405-2) gives stakeholders a good indication of a company's performance on pay equality across board positions, management and other employee categories.

DIGNITY & EQUALITY / DIVERSITY & INCLUSION

Metric chosen:

Percentage of employees per employee category, by age group, gender and other indicators of diversity

Empowering and promoting the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, economic or other status is an important aspect of good people management. Increasing the diversity of teams often leads to more and better innovation and improved financial performance. Research show that companies in the top quartile for gender diversity on their executive teams are 21% more likely to experience above-average profitability than companies in the fourth quartile.[27]

This metric (GRI 405-1) was chosen because it gives stakeholders a good indication of how well an organization implements inclusive recruitment practices and diversity across senior and executive positions, entry- and mid-level positions and the whole workforce. It is the best core disclosure because practices for achieving greater diversity of board members, management and all employees are relatively universal and well-established, and the disclosure is easy to observe.

This metric not only measures the level of diversity and inclusion within the organization, it also provides a clear and simple disclosure percentage of the gender balance throughout the different levels of the company (including the gender diversity of the board, as part of the EU directive guidelines on non-financial reporting[28]).

DIGNITY & EQUALITY / WAGE LEVEL

Metric chosen:

Ratios of standard entry-level wage by gender, compared to local minimum wage for specific categories of workers

Fair compensation and benefits contribute to the economic well-being of workers since the distribution of wages and income is crucial for eliminating inequality and poverty. The best-performing companies in this area will provide – without discrimination – decent jobs, with fair and living wages and appropriate benefits, sufficient to support a decent livelihood for workers and their families.

This metric (GRI 202-1) is a robust means of measuring whether a company is compliant with laws or regulations on minimum wages. The comparison of the entry-level wage to the local minimum wage shows the competitiveness of a company's wages. This metric is relevant to firms in which a significant proportion of their employees and contractors is compensated in a manner or scale closely linked to laws on the minimum wage.

DIGNITY & EQUALITY / RISK OF CHILD AND FORCED LABOUR

Metric chosen:

Number and percentage of operations and suppliers considered to have significant risk of: a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.

Given the number of people involved in a large company's supply chain, businesses are identifying human rights issues such as child labour and forced labour as having the most severe negative impacts on their activities.

This combined indicator (GRI 408 & 409) on human rights risks in operations and among suppliers can be used to measure business impacts relating to the avoidance of illegal activities. such as child labour or forced labour. Before being able to report on this metric, companies need to conduct a risk assessment to identify which operations and suppliers are at significant risk from incidents of child labour or forced labour. This indicator provides an overview of where a company is identifying these significant human rights risks and gives the company an opportunity to explain its approach to risk management of these issues and how it is addressing these risks on the ground in their supply chain.

HEALTH & WELL-BEING / HEALTH & SAFETY

Metrics chosen:

1. **The total recordable injury rate (TRIR) – the number of fatalities, lost-time injuries, substitute work and other injuries requiring treatment by a medical professional, per million hours worked by specific categories of workers (e.g. employees, contractors)**

2. **The absentee rate (AR) for specific categories of workers (absentee days lost, expressed as a percentage of total days to be worked by specific categories of workers (e.g. employees, contractors) for the same period).**

Ensuring the mental and physical health, safety and well-being of people in the company, supply chain and customers is a major concern for businesses. Maintaining strong standards of health, safety and labour rights can improve employee productivity and operational efficiency. Working proactively in these areas of the business will help identify and mitigate risks, and it is increasingly required by law.

There are different indicators on the market that try to capture workers' safety, such as the lost day rate (LDR), total recordable incident frequency (TRIF) and all injury frequency rate (AIFR).

The first of our proposed metrics is Total recordable injury rate (TRIR) used by the Sustainability Accounting Standards Board (SASB CN0101-18) and is one of the most popular metrics that companies use to assess their safety performance. Agencies such as the US Department of Labor's Occupational Safety and Health Administration (OSHA) require companies to report their Total recordable injury rate (TRIR). Others argue that Total recordable injury rate (TRIR) is the best indicator since its wide scope (which includes other types of injury in addition to lost-time injuries and fatalities) will lead to more detailed reporting on incidents and emerging occupational health and safety risks, that will in turn improve corporate governance and decrease the risk of misreporting.

The calculation resulting from our metric reflects the number of total recordable incidents of injury and compares it to the total number of hours worked by all employees in a single year. A recordable incident is any work-related injury or illness that results in death, loss of consciousness, days away from work, restricted work activity, transfer to another job or medical treatment beyond first aid. A low TRIR could be an indicator that the company has an adequate safety culture and performance.

Our second metric, the absentee rate for all employees, captures the number of days of sick leave taken by employees, by dividing the actual absentee days lost by the total days scheduled to be worked over the same period. This indicator (GRI 403-2, 2016) gives a valuable insight into organizational responsibility on health and safety measures and staff productivity. High rates of absenteeism (and of Total recordable injury rate (TRIR)) could influence investment decisions, valuations and the company's social licence to continue operating.

SKILLS FOR THE FUTURE / TRAINING PROVIDED

Metrics chosen:

1. **Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees)**

2. **The average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees)**

Skilled employees enhance a company's human capital and contribute to employee satisfaction, which correlates strongly with improved performance. Building human capital to secure a motivated, productive and skilled workforce is a key priority for companies. When firms fail to invest in training, education and skills development, it can affect their reputation and ability to attract employees. It can also lead to higher operating costs related to recruiting, developing and retaining employees.

Our two proposed metrics on personal development capture companies' efforts to invest in their employees, by disclosing the average hours of training and development per employee (GRI 404-1) in combination with the average training and development expenditure per employee (SASB HC101-15). Although these core indicators cannot capture the overall impact of training in terms of a measurable improvement on performance, they give a good first impression of a company's activities in employee development and its commitment to ensure its workforce has the skills for the future.

Expanded Metrics and Disclosures

DIGNITY & EQUALITY/ DISCRIMINATION AND HARRASSMENT INCIDENTS

Metrics chosen:

1. **Number of discrimination and harassment incidents, across operations and status of the incidents and actions taken**

2. **The total amount of monetary losses as a result of legal proceedings associated with law violations and employment discrimination**

Employers are responsible for dealing effectively, quickly and fairly with situations involving claims and incidents of harassment or discrimination.

These two metrics (GRI 406-1 and the adapted SASB FB-FR310) give valuable insights into how risks of discrimination and harassment are being managed by the organization. These metrics are the best expanded indicator to capture discrimination and harassment incidents, because they provide information on the incidents, on the actions taken to prevent them from happening again and on the monetary losses related to these incidents.

DIGNITY & EQUALITY/ FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

Metric chosen:

Percentage of operations and supplier in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk

A responsible business is expected to respect the human rights of its workers, including their right to exercise freedom of association and collective bargaining. It is important to have a proper governance structure in place which embraces these human rights and makes it possible to promote and realize decent conditions at work. Freedom of association and collective bargaining are the basis for all human rights in the workplace (e.g. living wage, decent work conditions, equal opportunities), so this indicator provides insights into how companies are performing in this critical area.

Companies' efforts could help bridging the widening representational gap in global work arrangements, and facilitate the input of those people, regions and economic sectors — especially women and informal sector workers — who otherwise may be excluded from participating in processes that build decent work environments.

This combined disclosure (GRI 407 and SASB CN0401-17) was chosen because it focuses on a company's due diligence procedures with respect to any adverse human rights impacts its activities and those of its suppliers have had on workers' freedom to form or join trades unions and to bargain collectively.

DIGNITY & EQUALITY/ LIVING WAGE

Metric chosen:

Current wages against the living wage for employees, contractors and suppliers in states and localities where the company is operating

By providing living wages to employees in their supply chains, companies could help households, families and communities to lift themselves out of poverty. The human rights to freedom of association, collective bargaining and non-discrimination are, among others, key drivers in supporting the provision of a living wage. A living wage is the minimum income necessary for a worker and their family to meet basic needs, including some discretionary income. In many cases, a living wage is considered to be higher than the minimum wage set by national laws.

Offering a living wage not only enhances the lives of workers in the global supply chain, it also creates new opportunities for organizations. Consumers increasingly value socially responsible products and services, and they are more willing to pay a premium for them. Companies that ensure workers in their supply chains earn a living wage could strengthen their reputations, reduce employee churn and lower the risk of strike action by workers.

This metric provides a benchmark for responsible employers who respect human rights and who choose to pay their employees a rate that meets the basic cost of living in their region. This exact metric is currently not part of any existing, acknowledged reporting standard; however, many institutions such as Shift and MIT (with its living wage tool) are using this metric to help companies understand the gap between the provided wage and a living wage. This metric requires the reporting organization to explicitly address how its approach to wages relates to the surrounding conditions, and whether their employees and contractors are able to meet their basic needs based on their wages.

DIGNITY & EQUALITY/ GRIEVANCES AND IMPACT

Metric chosen:

Number and type of grievances reported, and number of severe impacts occurring that were related to a salient human rights issue, and the type and impact of these issues

The activities of companies may cause or contribute to environmental or social abuses that violate the human rights of individuals, workers and communities. Without a mechanism for employees and other key stakeholders to report unethical or unlawful behaviour in relation to human rights violations, companies could miss opportunities to identify and mitigate such underlying issues. Companies that encourage stakeholders to provide feedback can respond more quickly to misconduct, build trust with their stakeholders and prevent harm to long-term value.

This indicator is based on the UN Guiding Principles Reporting Framework[29], the world's first comprehensive guidance for companies to report on how they respect human rights. Our metric provides valuable insights into the number and type of grievances based on human rights issues and how these grievances impacted the business in terms of, for example, financial fines or reputational damage.

HEALTH & WELL-BEING / IMPACTS OF WORK-RELATED INCIDENTS

Metric chosen:

Monetized impacts of work-related incidents on employees, employers and society by multiplying the number and type of occupational incidents by the direct and indirect costs for employees, employers and society per incident.

A safe workplace is crucial for companies to maintain employees' morale and stay competitive. The financial impacts of workplace accidents – in terms of lost time and productivity, property damage, fines from regulators, reputational damage, healthcare costs, employee compensation costs and damaged employee morale – can destabilize companies and their business models. Measuring the direct and indirect impacts of these accidents will enable companies to reduce their negative impacts on employees, business and society.

Our metric, inspired by impact studies of several institutions such as the European Commission[30], gives an indication of the 'real costs', including the externalities to stakeholders, of the health and safety performance of companies.

Demonstrating a company's contribution to prosperity requires the right combination of metrics and descriptive disclosures which best reflect the importance of, and relationships between, a company's business activities, investments and strategy and the desired outputs and outcomes it has for society. There is a need for descriptive disclosures which provide additional nuance for how organizations are contributing to prosperity in the context of its business strategy and purpose.

Core Metrics and Disclosures

EMPLOYMENT AND WEALTH GENERATION

Metrics proposed:

Net number of jobs created

1. **Total number and rate of new employee hires during the reporting period, by age group, gender and region**

2. **Total number and rate of employee turnover during the reporting period, by age group, gender and region**

As described in GRI's reporting guidance, the make-up of an organization's new employee hires by age, group, gender and region can indicate its strategy and capacity to attract diverse talent. This information may reveal the organization's efforts to implement inclusive recruitment practices based on age and gender or signify the optimal use of available labour in different regions of operations.

While a high rate of employee turnover can indicate levels of uncertainty and employee dissatisfaction, it may also indicate a fundamental change in the core operational structure of an organization and may be desirable, depending on the sector and human capital deployment strategy of the organization. Irregularities in turnover by age or gender can signal incompatibility or potential unfairness in the workplace. Turnover results in changes to the human and intellectual capital of the organization that can have an impact on productivity and innovation and have direct cost implications in terms of either reduced employee remuneration or increased recruitment costs.[31]

Employment and job creation are often heralded as key drivers of economic growth or prosperity and have been signalled by the UN as a priority goal for sustainable development through SDG 8 – Decent Work and Economic Growth.

These metrics were selected in order to capture the net contribution that a company makes towards employment, taking into account both the number of new hires and the turnover of employees.

Employment and job creation metrics have been identified and applied across multiple reporting frameworks, including those developed by the Sustainability Accounting Standards Board (SASB), Just Capital, the Social and Human Capital Protocol and Focusing Capital on the Long Term (FCLT).

EMPLOYMENT AND WEALTH GENERATION

Metric proposed:

Net economic contribution

Direct economic value generated and distributed (EVG&D) – on an accruals basis, covering the basic components for the organization's global operations, including revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government by country and community investments

less

Financial assistance received from the government (e.g. tax breaks, subsidies, investment grants etc.)

GRI defines economic impact as "a change in the productive potential of the economy that has an influence on a community's or stakeholder's wellbeing and longer-term prospects for development".[32]

Information on the creation and distribution of economic value provides a basic indication of how an organization has created wealth for stakeholders, which correlates to long-term financial performance (e.g. revenues, EBITA, market capitalization). Several components of the economic value generated and distributed (EVG&D) also provide an economic profile of an organization, which can be useful for normalizing other performance figures. If presented in country-level detail, EVG&D can provide a valuable snapshot of the direct monetary value added to local economies.

Financial assistance received from the government, including tax breaks, subsidies and investment grants, provides a measure of governments' contributions to an organization. The significant financial assistance received from a government, in comparison with taxes paid, can be useful for developing a more balanced and transparent snapshot of the transactions between the organization and government.

The combination of these two GRI disclosures into a "net economic contribution" metric helps to better articulate the role that an organization plays in contributing to and depending upon the economy, taking into account payments received by government as well as payments paid to government.

EMPLOYMENT AND WEALTH GENERATION

Metric proposed:

Net investment

- **Total capital expenditures (CapEx)**
- **Depreciation**
- **Share buybacks**
- **Dividend payments**

Calculation: (Total CapEx - depreciation) / (Total cost of share buybacks + dividend payments)

Investment is a key driver of an economy's growth and a company's capacity to expand its operations and create additional employment. Not all capital expenditures of the company represent business investment as some is necessary to maintain current business activity. Depreciation is used in this calculation as an estimate of the expenditures that are meant to maintain, rather than expand business activity. Taken together, the above calculation combines four metrics (total capital expenditure, depreciation, share buybacks and dividend payments) to serve as a rough proxy for net business investment.

The metrics identified above are required disclosures by the International Accounting Standard's IAS 7 Statement of Cash Flows[33], which refers to "cash flows from investing activities" as "payments to acquire / receipts from the sale of, property, plant and equipment, intangibles and other long-term assets (including payments and receipts relating to capitalized development costs and self-constructed property, plant and equipment". Depreciation is disclosed as a reconciling item between operating profit and cash flows, and treasury shares and dividends paid are also required disclosures. Furthermore, the Companies Act 2006 requires organizations in the UK to report on their stock repurchases or share buybacks.

Additionally, several components of the above calculation are utilized by reporting frameworks to capture shareholder value, such as FCLT and Just Capital.

INNOVATION OF BETTER PRODUCTS AND SERVICES

Metric proposed:

R&D spend ratio (%)

Total amount of spending on R&D as a percentage of total sales

GIven that an organization's ability to innovate can make the difference between its long-term survival and failure, reporting company performance in this area is critical. Companies that demonstrate strength in innovation are better positioned for growth and resilience.

Currently, the most disclosed metrics (e.g. R&D investments, patents) are from early phases of the innovation process (e.g. ideation and development). This is a critical starting point for organizations wishing to disclose their contribution to prosperity, in terms of innovation's role in both wealth generation and enhancing consumer and social welfare. R&D spend has been used as a proxy measure for innovation across multiple reporting frameworks, including the Intangibles Reporting Framework developed by the World Intellectual Capital/ Assets Initiative (WICI).

The Embankment Project for Inclusive Capitalism (EPIC) identified R&D spend as one of its primary metrics for the development phase of innovation[34]. Asset managers participating explained they need historical metrics and context to identify trends and understand where current metrics fit into the bigger picture of innovation, as well as more forward-looking metrics such as revenue-based forecasts.

Due to the high level of uncertainty created by, for example, disruptors, and changing consumer trends and regulations, innovation – more than other value drivers – can be difficult to communicate through the use of metrics alone. It may be best to accompany the metric(s) with a narrative that explains how an organization is preparing for different scenarios across each stage of the innovation process (ideation, development, launch and maturity) and its sector context. This would enable articulation of the link between a company's operating context and its innovation strategy, as well as the execution of that strategy. Investors could then better understand the long-term value of a company's innovation activities.

To accompany the disclosure of R&D spend, we propose that organizations include an accompanying narrative with a description of the following:

- The development portfolio of the organization's innovation projects, with regard to its strategic priority areas and the type of innovation (e.g. products, services, processes, business model)
- A description of how the organization utilizes and invests in its innovation capabilities and infrastructure (e.g. the possibility to do open innovation and/ or systematic tech management, partnerships with academia, outsourcing innovation)
- A description of how time and capital are allocated towards the most impactful and innovative ideas[35]

We recognize that there can be no 'one-size-fits-all' approach to innovation. Approaches will always be, at least in part, company- or sector-specific, which is why the metric identified above is a suggested starting point and should in principle be almost universally applicable.

COMMUNITY AND SOCIAL VITALITY

Metric proposed:

Community investment (%)

A percentage breakdown of community investment, including monetary contributions such as charitable gifts and community partnerships; time contributions such as staff volunteering in paid time; in-kind contributions from services or equipment; and management costs, normalized as a percentage of pre-tax profit

Organizations have reported their charitable donations and philanthropic giving for decades, for various reasons, including regulatory and tax-related reasons, and to demonstrate their positive contributions to society.

As per GRI disclosure guidance, community investment should be calculated by adding the following:

– Monetary contributions such as charitable gifts of money or other cash donations, matching giving and community partnerships

– Time contributions, such as staff volunteering in paid time and secondments of staff to charitable organizations

– In-kind contributions from services or equipment, including goods or old equipment, use of assets (e.g. company premises or resources for charitable works)

– Management costs, including costs associated with facilitating donations and volunteering by employees, costs associated with facilitating donations by customers and the community, salaries of staff directly managing the volunteering, operating and communication costs.[36]

While this metric was derived from GRI's economic disclosures for the financial services sector, we believe it to be one of the most comprehensive metrics existing in the market today as it includes multiple components of community investment (e.g. both cash and in-kind contributions) and is applicable across all sectors. Normalized as a percentage of pre-tax profits, this metric helps to demonstrate the organization's contribution relative to its size and profitability.

COMMUNITY AND SOCIAL VITALITY

Metric proposed:

Country-by-country tax reporting

1. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.

2. For each tax jurisdiction reported in Disclosure 207-4-a:

– Names of the resident entities;

– Primary activities of the organization;

– Number of employees, and the basis of calculation of this number;

– Revenues from third-party sales;

– Revenues from intra-group transactions with other tax jurisdictions;

– Profit/loss before tax;

– Tangible assets other than cash and cash equivalents;

– Corporate income tax paid on a cash basis;

– Corporate income tax accrued on profit/loss;

– Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.

The time period covered by the information reported in Disclosure 207-4.

As defined by the GRI 2019 standard, country-by-country reporting is "the reporting of financial, economic, and tax-related information for each jurisdiction in which the organization operates."

Taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. They are acknowledged by the UN to play a vital role in achieving the Sustainable Development Goals. They are also a key mechanism by which organizations contribute to the economies of the countries in which they operate, as government revenues support public infrastructure and services.

Country-by-country reporting can provide insight into the organization's tax practices in different jurisdictions (i.e. the scale of activity) and its contribution to prosperity. It can also signal to stakeholders any potential reputational and financial risks in the organization's tax practices.

Public reporting on tax increases transparency and promotes trust in the tax practices of organizations and in the tax systems of jurisdictions. It enables stakeholders to make more informed judgements about an organization's tax positions. Tax transparency also informs public debate and supports the development of socially desirable tax policy.

Responsible taxation is a common theme articulated by reporting frameworks such as the Social and Human Capital Framework, Future Fit Business Benchmark and Just Capital.

Expanded Metrics and Disclosures

EMPLOYMENT AND WEALTH GENERATION

Metric proposed:

Average hourly wage, by region of operation

By reporting average hourly wage, by region of operation, in addition to the net jobs created in those regions, organizations can better demonstrate their impact on employment and the outcomes created through the provision of employment opportunities in the communities where the organization operates (e.g. increased income and better living standards).

The relationship between wages and economic prosperity is widely appreciated[37], and decent wages or incomes are often used as an indicator for measuring progress towards equitable and resilient economic growth (e.g. World Bank, OECD).

Further information to support the organization's disclosure of average hourly earnings of employees should also be included, such as data on employee demographics and baseline wages in those operating regions, to demonstrate that jobs created and average wages paid are adequately supporting livelihoods and creating positive contributions in those regions.

This metric was selected in lieu of available outcome metrics that are often sector- and country-specific.

EMPLOYMENT AND WEALTH GENERATION

Disclosure proposed:

Significant indirect economic impacts

1. **Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts**
2. **Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols and policy agendas**

This disclosure addresses indirect economic impacts, which are defined by GRI as "the additional consequences of the direct impact of financial transactions and the flow of money between an organization and its stakeholders."[38] Indirect economic impacts can be monetary or non-monetary and are important to assess in relation to local communities and regional economies. Examples of significant indirect economic impacts, both positive and negative, can include the following as set out in the GRI reporting guidance:

– changes in the productivity of organizations, sectors, or the whole economy (such as through greater adoption of information technology);

– economic development in areas of high poverty (such as changes in the total number of dependents supported through the income of a single job);

– economic impacts of improving or deteriorating social or environmental conditions (such as changing job market in an area converted from small farms to large plantations, or the economic impacts of pollution);

– availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals, which contributes to a healthier population that can participate more fully in the economy; or pricing structures that exceed the economic capacity of those on low incomes);

– enhanced skills and knowledge in a professional community or in a geographic location (such as when shifts in an organization's needs attract additional skilled workers to an area, who, in turn, drive a local need for new learning institutions);

– number of jobs supported in the supply or distribution chain (such as the employment impacts on suppliers as a result of an organization's growth or contraction);

– stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the infrastructure or services it provides in a developing country, which then leads to changes in foreign direct investment in the region);

– economic impacts from a change in operation or activity location (such as the impact of outsourcing jobs to an overseas location);

– economic impacts from the use of products and services (such as economic growth resulting from the use of a particular product or service).[39]

This metric was selected because indirect economic impacts are particularly important to assess in relation to local communities and regional economies. When used in combination with net economic contribution (one of the core metrics), an organization can gain a more holistic picture of the economic impacts it has on society.

INNOVATION OF BETTER PRODUCTS AND SERVICES

Metric proposed:

Vitality Index (%)

Percentage of gross revenue from product lines added in the past three (or five) years calculated from the sales from products that have been launched in the past three (or five) years divided by total sales

It is widely acknowledged that there is no 'one-size-fits-all' approach to measuring innovation or tracking a company's innovative performance, and it is often company- or sector-specific. However, the Vitality Index, first developed by 3M

as a proxy to measure the effectiveness and productivity of their investments in innovation, is a suggested starting point that should be universally applicable so long as the metric parameters are clearly defined by the organization.[40]

The challenges associated in the measurement and definition of this metric (e.g. what constitutes a "new product" and what time horizon should be applied) suggest that the metric should be supported by clear disclosures that define "new product lines" and establish the time horizon (e.g. three or five years) that has been applied.

Through investor consultation, the Embankment Project for Inclusive Capitalism (EPIC) identified the Vitality Index as one of its primary metrics for the maturity phase of innovation and recommended that organizations should include an accompanying narrative with the Vitality Index disclosure that includes a description of the following:

– How the organization's actual product or service portfolio indicates successful innovation in the past. Are the products or services as successful as expected in terms of sales and margin?

– How long it takes to fully penetrate the customer base with an innovative product or service.[41]

Other reporting frameworks that utilize this or similar metrics include WICI's Intangibles Reporting Framework.

INNOVATION OF BETTER PRODUCTS AND SERVICES

Metric proposed:

Net Promoter Score (NPS)

Measurement of customer experience of the organization's brand, calculated based on responses to a single question: How likely is it that you would recommend our company/product/service to a friend or colleague?

The Net Promoter Score (NPS) measures the loyalty of customers to a company. It was first developed in 2003 by Bain and Company and is now used by businesses to measure and track how they are perceived by their customers.

NPS enables tracking and monitoring of improvements in a product, service or organization. NPS can be an indicator of business growth as well as a proxy for contribution to society, based on customer's perception of the product or service a company provides. The data to calculate this metric is obtained from brief customer surveys. Typically, the NPS is calculated from an answer to the question "On a scale of 0-10, how likely is it that you would recommend [company name] to your friends, family or business associates?" Customers that report a 6 or below are "Detractors", customers reporting a score of 7 or 8 are called "Passives", and those reporting a 9 or 10 are "Promoters".

This metric is used by various reporting frameworks and databases, including Just Capital and Refinitiv's Sustainable Leadership Monitor.

INNOVATION OF BETTER PRODUCTS AND SERVICES

Metric proposed:

Social value generated (%)

Percentage of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges

This metric has been adapted from related SASB and GRI metrics, including the amount of sustainability-focused services and the monetary value of products and services designed to deliver a specific environmental and social benefit for each business line.[42]

The indicator assesses the relative size of products and services with a social or environmental focus among the organization's overall product and service offerings. These products or services can have specific social and/or environmental impacts and have an explicit aim to address one or more social or environmental issues. For example, this could include products designed to provide renewable energy, enhance personal safety, address water scarcity, protect biodiversity, support local communities, improve energy efficiency or minimize environmental risks or impacts.

This metric captures the degree to which a business is generating products and services that support sustainability and can also provide insights into the capacity of the organization to create new offerings. The metric also captures the benefits, expressed as percentage of revenue, that come back to the company as a result of offering a service or product that generates social or environmental benefits. The data for this metric is calculated independently from the organization's efforts to integrate social and environmental risk assessments into its standard processes for developing and delivering products and services.

COMMUNITY AND SOCIAL VITALITY

Disclosure proposed:

Infrastructure investments and services supported

Qualitative disclosure in regard to the extent of development of significant infrastructure investments and services supported, current or expected impacts on communities and local economies, including positive and negative impacts where relevant, and whether these investments and services are commercial, in-kind or pro bono engagements.

This GRI disclosure addresses the impacts that an organization's infrastructure investments and services have on its stakeholders and the economy. These impacts can be direct and indirect, extending beyond the scope of an organization's own operations and over longer timescales. Such investments can include transportation links, utilities, community social facilities, health and welfare centers, as well as sports and recreation centres.

As per the GRI reporting guidance, when compiling the information for this disclosure, the organization should include the size, cost and duration of each significant infrastructure investment or service supported, the extent to which different communities or local economies are impacted by the organization's infrastructure investments and the type of services supported.[43]

This metric was selected because, combined with investment in its own operations, this captures the organization's capital contribution to the economy through provision of infrastructure services.

COMMUNITY AND SOCIAL VITALITY

Metric proposed:

Total Social Investment ($)

Total Social Investment (TSI): total corporate contributions ($) across seven categories of social investment as defined by CECP 2020 Valuation Guidance*

**Note, this definition will be expanded upon to include other drivers of social value (e.g. broader partnerships such as vendor relationships, impact investing and shared strategies or "blended efforts" that drive social value creation) to reach a consistent definition by 2020.*

Companies are increasingly focusing resources on societal impact. According to CECP, a CEO-led coalition founded in 1999 by actor and philanthropist Paul Newman to create a better world through business, a company's social strategy – how it engages with key stakeholders including employees, communities, investors and customers – determines company success[44]. The coalition's CEO went so far as to say, "companies view social investment as a competitive advantage."[45]

The measurement of social investment is continuing to evolve as both the private and public sectors attempt to measure their contributions to the communities and societies they support through both monetary and non-monetary donations and activities. Corporate social activities addressing challenges in local communities have evolved beyond cash contributions to include other types of social investment such as product and service donations, employee involvement and the use of company influence to raise funds from others.

However, the plethora of social metrics is a commonly reported challenge by companies. While traditional metrics often do not necessarily account for innovations beyond donations, other metrics separate cross-departmental initiatives from social outcomes (e.g. supply chain management to promote human rights).

To respond to this challenge, CECP engaged nine companies to review their social investments to identify commonly used categories and definitions of social investment. With support from Cisco, the coalition researched other publicly available case studies, standards and databases, including an assessment of GRI standards, Bloomberg's ESG database, Thomson Reuters Eikon ESG database, the Sustainability Accounting Standards Board (SASB) and others, to determine a more comprehensive definition of social investment called "Total Social Investment (TSI)."[46]

To calculate a company's TSI, CECP summarizes seven categories of social effort: Communities, Human Rights, Diversity (internal and external), Training, Health and Safety, and Labour Relations. The investments made in these seven business areas are then aggregated to determine the company's total investment of resources. CECP also included other types of social investment not previously reported on consistently, including digital donations, impact investing, shared value and socially driven internships.

The calculation is a forward-looking reflection of the myriad ways in which companies create social and economic prosperity through monetary and non-monetary contributions. TSI offers a high-level, comparable snapshot for use by investors and other stakeholders to determine the value created by the "S" efforts in Environmental, Social and Governance (ESG) measures.[47] While this metric does not replace existing reporting frameworks, such as GRI or SASB, organizations may use this definition to bundle the many social or charitable investments they make, irrespective of the reporting framework and individual metrics used to support the aggregated calculation. Further guidance on the categories and definitions of social investment are available in CECP's 2020 Valuation Guidance.[48]

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Endnotes

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