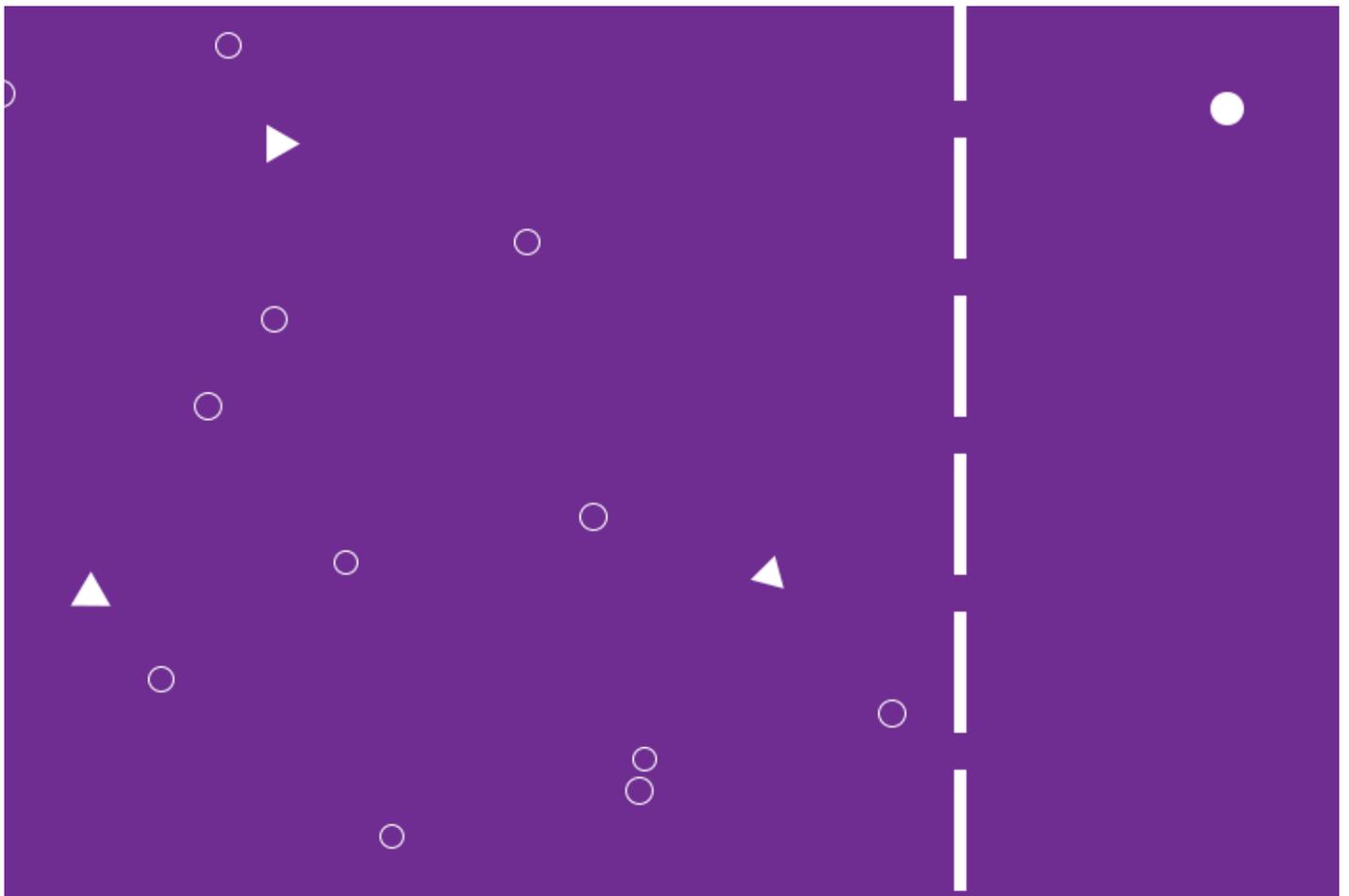


Authentic Sustainability Assessment

**A User Manual for the Sustainable
Development Performance Indicators**





UNRISD

United Nations Research Institute for Social Development

The preparation, research and writing for this Manual were undertaken by a team of UNRISD researchers. Senior Research Coordinator Ilcheong Yi led UNRISD's Sustainable Development Performance Indicators (SDPI) project, drafting and finalizing the Manual for publication; Research Analyst Samuel Brülisauer played a key role in preparing the early drafts until his departure to pursue a doctorate; and Research Analyst Zhen Lee provided invaluable editorial and logistical support, navigating the Manual on the last legs of the journey to publication.

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Executive Summary

Measuring the sustainability performance of economic entities—i.e. their positive and negative impacts on resources that are vital for the well-being of beings on the planet and the planet itself—has proved a challenging task. Despite improvements in sustainability measurement and disclosure over several decades, current indicators, methodologies and reporting models still fail to provide an adequate basis for assessing impacts related to socio-economic, governance and environmental dimensions of sustainable development. Several blind spots that render sustainability reporting ineffective need to be addressed to create meaningful assessments. Reporting overload and an excessive number of indicators are also problematic. Furthermore, as current frameworks and indicators are designed mainly for for-profit entities, sustainability reporting often bypasses entities, such as those in the social and solidarity economy, that pursue social and environmental goals in addition economic goals. In September 2018, in partnership with the Center for Social Value Enhancement Studies (CSES) and multistakeholder platform r3.0, UNRISD commenced a four-year project to address these issues. The project's aim was to develop methodologies and indicators to meaningfully measure and evaluate the performance of a broad range of economic entities in relation to the vision and goals of the 2030 Agenda for Sustainable Development. This Manual presents the main findings, including new methodologies and indicators from the project that address the blind spots of conventional measurement and reporting models. Key interventions in this regard include highlighting the importance of trend analysis to indicate the trajectory of change of reported performance over a longer period and context-based reporting to measure past and current performance relative to norms and thresholds consistent with the notion of sustainable development. In Part 1, the Manual outlines the issues, indicators and targets that should figure far more centrally in sustainability disclosure and reporting if accounting is to facilitate the type of transformative change needed to realise the 2030 Agenda. Part 2 presents a two-tiered framework comprised of 61 indicators for measuring and assessing sustainability performance and progress at the organizational level. Each indicator includes a definition, a description of how the indicator is contextualized, and its relevance to the SDGs.

Introduction: Manual on Applying the Sustainable Development Performance Indicators (SDPI)

In response to growing concerns over the negative impacts economic activity can have on both people and the planet, enterprises and organizations have attempted to measure and assess their performance in relation to sustainable development. Companies, non-governmental organizations, cooperatives, social enterprises and others must account not only for how they are performing in terms of economic efficiency and good governance, but also in relation to environmental, social and human rights impacts. The global agreement on the Sustainable Development Goals (SDGs)¹ and heightened concerns about climate change, precarious employment and inequality have fuelled the demands on businesses and other economic entities to demonstrate that they are part of the solution rather than the problem.

In recent decades, the effectiveness of sustainability measurement and reporting has improved significantly due to numerous standard-setting initiatives and revisions of existing tools and models. Yet, questions remain on whether and how fully economic entities contribute to the SDGs. There is growing consensus that conventional approaches for measuring the performance of enterprises do not adequately assess meaningful progress toward the achievement of sustainable development. These concerns lie at the heart of the UNRISD project on Sustainable Development Performance Indicators (SDPI) (see Box 1).

Box 1. The UNRISD Sustainable Development Performance Indicators Project

UNRISD's SDPI project (2018–2022) aims to contribute to the measurement and evaluation of the performance of economic entities in both the mainstream and social and solidarity economy (SSE) in relation to the vision and goals of the 2030 Agenda. Phase 1 of the project developed a state-of-the-art review of key performance issues, indicators and targets. This phase assessed the adequacy of existing methods and data associated with sustainability accounting. It also expanded the scope of sustainability measurement, disclosure and reporting beyond publicly traded or privately owned for-profit enterprises (FPEs) to encompass enterprise models in the social and solidarity economy (SSE). In the second phase that began in 2021, the project developed and pilot tested a set of indicators aimed at measuring and reporting performance more meaningfully to ensure that decision-makers and stakeholders understood better the impacts of economic entities on environmental and social resources needed for sustainable development. For more information, visit www.unrisd.org/sdpi.

The project is funded by the Center for Social Value Enhancement Studies, Republic of Korea.

The SDPI project developed a framework for measuring and assessing sustainability performance in two categories of organizations: conventional for-profit enterprises (FPE); and organizations in the social and solidarity economy (SSE), which include cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the SSE. With regard to the FPE category, the SDPI paid particular attention to large corporations with 250 or more employees, their affiliates and other enterprises in their value chains. These corporations tend to have large economic, social, environmental and political impacts, but their methods for assessing sustainability performance often do not capture the scale and scope of these impacts nor do they identify the trajectory of change in reported performance over a longer period of time. SSE organizations and enterprises (SSEOs), on the other hand, face increasing pressure to prove—rather than simply assume—their worth from a sustainability perspective. Not only are they often heavily constrained in their ability to do so, but what they are called upon to disclose (e.g. by impact investors, donors or government authorities) may ignore what in fact are key attributes of SSE.

This Manual summarizes the main findings of the project. Importantly, based on these findings, the Manual also introduces new methodologies and indicators, which address blind spots in conventional reporting. The new methodologies and indicators incorporate concerns such as the need to measure performance against norms and thresholds based on historical precedent, international agreements and scientific evidence. Part 1 of the Manual explains why conventional disclosure related to both the FPE and SSE sectors needs to change. As such, it identifies a set of issues, indicators and targets that should figure far more centrally in sustainability disclosure and reporting if accounting is to facilitate the type of transformative change needed to achieve the SDGs. It also highlights the data points and indicators related to SSE that may inform conventional approaches to sustainability measurement associated with FPEs. Part 2 presents a two-tiered framework comprised of 61 indicators (including 6 indicators specific to SSEOs) for measuring and assessing sustainability performance and progress at the organizational level. It introduces the proposed issue areas and indicators, specifies the data required, and suggests how the data can be contextualized to allow users to better grasp the implications for sustainable development.

Part 1

Overview of Sustainable Development Performance Indicators (SDPI) and the Methodologies

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