

Summing Up

Part 2 of this report has focused on a concise set of key performance issues that relate to the structural determinants of (un)sustainable development. While key from the perspective of transformative change, they have been poorly treated within the field of corporate sustainability assessment. And unless issues related to inequality, distributive justice and power relations are positioned front and centre within this field, current efforts to engage corporations as active partners in the SDG process will do little to realize the transformative vision of the 2030 Agenda.

None of the five issue areas is entirely new. Metrics and indicators that relate to each of the areas can be found within the portfolio of reporting guidelines of several standard-setting and ratings organizations. We argue, however, that the disclosure bar needs to be raised in various respects.

Raising the bar

The bottom line is that it is only possible to gauge whether a company is on a sustainability pathway if the data that are disclosed are structurally oriented, quantified, contextualized and user-friendly.

Beyond the need to address structural blind-spots, throughout the report we have insisted on the importance of quantitative indicators and cautioned against reading too much into some of the qualitative indicators that are often held up as proxies for improved performance. Another major concern is that conventional disclosure and reporting tend to be de-contextualized, that is, disconnected from certain background, related or normative conditions which, when added to the equation, enable users of data to gain a far clearer picture regarding corporate sustainability performance (see Box S.1). Company-wide averages, for example, may mask major variations in performance by region, country or affiliate. Positive performance related to one issue area or impact may disguise negative performance in another. Particularly worrisome is the fact that conventional sustainability reporting generally focuses on current performance without con-

textualizing the present in relation to either the past or the future. It is impossible to assess current performance without knowing whence we came (past performance) and where we want to get to in terms of normative targets.

Below, we summarize some of the main findings related to (i) how issues and indicators could be reconfigured, (ii) the need for more granular and transparent disclosure, and (iii) normative targets that define performance in relation to sustainable development.

Box S.1. Assessing Performance in Context

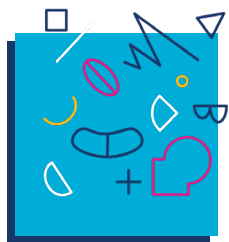
Conventional disclosure in company reports tends to present data out of context. The result can be a very partial picture of sustainability performance, often one seen through rose-tinted glasses. In order to assess performance in a meaningful way, users of sustainability reports need to be able to see (i) trends over time, as opposed to annual snapshots, (ii) significant variations in performance within the organizational structure – not only company-wide averages, (iii) instances of contradictory performance, where “good” performance in one area co-exists with “bad” performance in another, and (iv) how current performance looks when compared to fair and just normative end goals. The contrast between “conventional” and more meaningful “sustainability” disclosure is illustrated by means of the hypothetical disclosures below.

Conventional disclosure

- Company A reduced its **carbon emissions** per unit of revenue or output by 5% between 2015 and 2020.
- Company B reduced its **consumption of water** by 25% over the past three years through greater efficiency and recycling.
- Company C met its **fair remuneration** target: all entry level employees earned above the minimum wage. The target of equal pay for equal work was also achieved.
- Company D paid five million dollars in corporate **taxation**.
- Company Y reported that 70% of employees were covered by **collective bargaining** agreements.
- Company Z disclosed **political spending** related to elections and direct forms of lobbying at the federal or national level.

Sustainability disclosure

- While Company A reduced its levels of **carbon emissions** intensity, absolute levels of emissions increased by 5% due to 10% growth in manufacturing output. The company also failed to align its performance goals with science-based climate change mitigation targets.
- Company B is reducing **water consumption** but does not factor in water consumption related to its purchased inputs nor provides information to indicate how consumption levels relate to the carrying capacity of the local watershed or what a fair allocation of water resources would be taking into account other users in the area.
- While Company C achieved its **fair remuneration** targets, average workers' wages were still 30% below the living wage, the CEO-worker pay gap had increased from 100 to 1 to 300 to 1 over the last 10 years, and the “unadjusted” gender pay gap was in excess of 20%.
- While company D provided millions in **taxes** to local and federal government authorities, it also engaged in tax avoidance strategies that involved significant profit shifting to low tax jurisdictions. Further, it also has a considerable tax gap, that is, its effective tax rate is substantially below the statutory tax rate.
- While a significant proportion of company Y's employees are covered by **collective bargaining** agreements, over five years this has declined from 85% to 70%. Moreover, the data only relate to full-time regular employees. During this period the company reduced the proportion of full-time employees and relied more on subcontracted or part-time labour who were denied core labour rights. Additionally, the company-wide figure of 70% masks wide variations in average by affiliate or region where the company operates.
- While Company Z disclosed some forms of **political spending**, it failed to disclose the large amounts spent at the subnational level and via indirect forms of lobbying. Further, there is no indication whether the issues it lobbies for align with, or contradict, the Sustainable Development Goals.



Main findings: Issues and indicators

Regarding issues and indicators, the discussion suggests the following adjustments.

Fair remuneration Move beyond comparing CEO remuneration with the average remuneration of all other employees by calculating the **CEO-worker pay ratio**. There is also the possibility of comparing CEO pay with that of employees in the lowest income quartile.

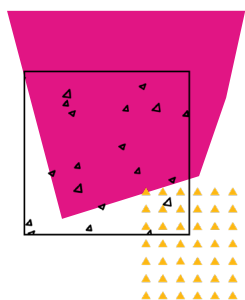
Compare actual wages not only with the minimum wage or industry norms but also with the **living wage**. And compare the percentage increase in wages with that of management and CEO remuneration. Disclose the percentage of employees earning below the living wage.

Gender equality Broaden the focus on **care support** beyond maternity or parental leave associated with child birth and adoption to **encompass support provided throughout the life cycle of an employee**. In relation to the portfolio of possible support programmes, disclose which forms of support are provided. Disclose the percentage share of employees requiring care support compared with those entitled to care support and those who actually receive such support.

Corporate taxation Disclose not only the amount of corporate taxes paid but also the **tax gap** (effective tax rate as a percentage of the statutory rate), the effective tax rate as a percentage of pre-tax profits and the industry norm, and the volume and percentage of global profits attributed to recognized tax havens and low-tax jurisdictions.

Labour rights Focus not only on working conditions but also labour rights, in particular **trade union density and collective bargaining coverage**. Include data on the volume and percentage of total employees in affiliates, factories and top tier suppliers engaged via subcontracting and temporary contracts.

Corporate political influence Move beyond disclosure related to corporate political spending to forms of influence associated with **lobbying and the revolving door**.



Main findings: Transparency and granular disclosure

Regarding transparency and granular disclosure, the discussion emphasizes the need to do the following.

Gender equality Go beyond company-wide metrics by disaggregating both gender representation and **the gender pay gap by occupational category**.

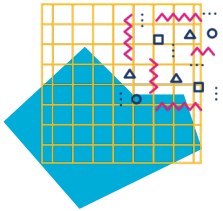
Fully disclose and quantify lifecycle care needs and levels of support, **disaggregate company support for caregiving** by different types of support in terms of expenditure and number of beneficiaries.

Corporate taxation **Publicly report country-by-country tax disclosure** that includes metrics related to revenues, assets, employment, pre-tax profits, taxes paid and the effective tax rate.

Labour rights Reveal **collective bargaining coverage and trade union density by main countries of operation, and by affiliate and main suppliers; and publicly disclose supply chain factories**, enterprises and producers, including employment and labour rights data.

Corporate
political
influence

Move beyond partial to **full disclosure related to multiple forms of corporate political influence** by providing data on both direct and indirect political and lobbying expenditures (including via trade associations), as well as by different levels of policy making (international, national, state/provincial and municipal), countries of operation, major affiliates, major recipients, and by major issue areas and SDGs. Disaggregate disclosure related to lobbying by specifying not only the broad issue area, but also the normative or regulatory intent of the intervention, including its relation to or alignment with the SDGs.



Main findings: Normative goals, targets or target ranges

Regarding concrete normative goals associated with a meaningful interpretation of sustainable development, the discussion identifies a number of targets that companies could work towards. The point was made that sustainability norms may appear highly ambitious or aspirational. Such indicators, however, reveal the scope of the challenge, a company's true position along the pathway to sustainable development and whether progress is meaningful. This information is vital for any company that adheres to the ethos of corporate social responsibility and is serious about sustainable development. It is also essential for the multiple stakeholders engaged in the movement for greater corporate accountability. Several targets or target ranges identified above include:

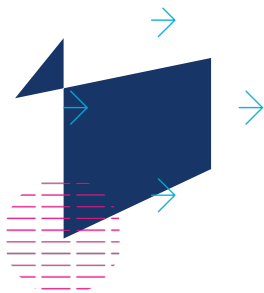
- CEO-worker pay ratios in the region of 10–50 to 1 depending on sectors and institutional settings;
- wage levels that meet the living wage;
- decreases in the gender pay gap of 3 percent or more per annum, and a gender pay gap of less than 3 percent;
- equal representation of women and men in the workforce; women's representation above 40 percent at board and executive levels;
- a corporate tax gap within the 0 to 5 percent range;
- an increasing as opposed to declining trend in collective bargaining coverage, with the aim of achieving full coverage;
- zero corporate political spending or spending not exceeding the USD 0.2 – 0.5 million range per annum in the case of large corporations;
- regarding the revolving door, zero movement of personnel from the public to the private sectors during a two-year cooling off period.

The discussion in Part 2 also insists on the need to enhance user-friendly disclosure through **time series data** that reveal trends over time. A five-, 10- or even 20-year time horizon for several of the above indicators is far more revealing than an annual or two- to three-year snapshot. Time series data is important for revealing instances of **contradictory performance**—or **red flags**—discussed chiefly in Chapter 8. Such data allow stakeholders to better assess the validity of the seemingly positive developments in corporate sustainability metrics and indicators associated with fair remuneration, employment, labour rights and corporate political influence, as follows.

Fair
remuneration

Does compliance with minimum wage regulations and industry norms mask the fact that increases in nominal wages fall far short of increases in labour productivity, or do not translate into increased real wages, that is, when adjusted for inflation?

Labour rights	Do increasing rates of collective bargaining coverage among full-time employees occur in a context where the percentage share of full-time employees is declining in relation to subcontracted (non-unionized) labour? How do changing levels of full-time employment compare with those of revenues and profits? Such data may reveal whether economic growth supports or undermines growth in full-time employment. Are suppliers upgrading certain ESG standards in contexts of ongoing aggressive commercial policy and purchasing practices?
Corporate political influence	Do trends indicating a significant concentration of corporate power through increases in market share signal increased corporate political influence? Does positive performance related to controls on political spending or increased lobbying for SDG-related issues mask significant lobbying for public policies that support business-as-usual?



Future work

At various points this report has referred to ongoing challenges that confront the task of designing and promoting indicators for transformative change. It is hoped that the structural and contextualized perspective outlined in this research provides a foundation for future work to ensure that corporate sustainability accounting serves to effectively measure impacts and assess progress.

The UNRISD project behind this report has both complemented cutting-edge civil society and private sector initiatives in this field and highlighted the useful role of United Nations-led and interagency inquiry in promoting advanced practice. It is vital that organizations like UNRISD, the ILO, UNCTAD, UN Women, OHCHR, UNEP and specific initiatives such as the UN Global Compact, among others, come together in a more structured way to address ongoing blind spots, reprioritize issues, refine indicators, harmonize methods, promote user-friendly disclosure formats and identify normative targets.

Suggested areas of work for such a group include:

- **Forging a consensus** on the relevance of the approach to sustainability disclosure and the five issue areas and related indicators highlighted in this research.
- **Examining other transformative blind spots** that are flagged in the research but not examined in depth, such as the fair distribution of income and value added throughout the global commodity or value chain, and whether a company's commercial policy and purchasing practices facilitate or undermine upgrading efforts in the supply chain.
- **Promoting granular and transparent disclosure**, identifying those indicators where this is particularly important, for example, country-by-country tax disclosure, pay and promotion by occupational category, and supply chain performance.
- **Promoting user-friendly disclosure through time series data** that allow stakeholders to view trends as opposed to annual snapshots.
- **Highlighting the need for disclosure and data related to contradictory performance** trends and "red flags".
- **Raising the bar and promoting greater consistency and harmonization of the methods used for calculating specific indicators**, for example, CEO pay and CEO-worker pay ratios, the living wage, the gender pay gap, care support and corporate political spending.
- **Identifying normative targets or target ranges**, related to thresholds and fair allocations, consistent with a transformative notion of sustainable development.
- **Examining the possibilities of time-bound targets** that set a certain date for compliance, as is beginning to occur in the case of carbon emissions or as seen in the 2030 horizon for the SDGs.