

Measuring Corporate Sustainability Accounting

Corporate sustainability accounting is a necessary tool to measure environmental, social, economic, and governance performance of enterprises; particularly multinational enterprises in line with sustainability. This process of accounting should serve as an instrument for enterprises to become more sustainable. It has a range of benefits for business entities. Benefits such as helping them to demonstrate their transparency and accountability, improving stakeholder and investor confidence, and developing good governance in management. It is gaining more and more importance nowadays due to contemporary problems. These include an increased level of climate crisis, a wide range of inequalities, and recent crisis associated with Covid-19. It has been more than 20 years since “Earth Summit” in 1992 urged global corporations to disclose their reports associated with sustainable development. A number of initiatives such as [‘Global Reporting Initiates’](#) have been developed to encourage entities to submit their sustainability reporting.



Despite that, sustainable development and its measurement have been the topic of discussion for decades. Measuring and evaluating the sustainability performance of a broad range of economic entities is still underdeveloped and

even neglected in many parts of the world. There has been an evident progress in corporate sustainability accounting. However, there is still a lack of motivation to make corporate sustainability accounting a normal business practice as compared to the financial accounting and reporting. There is widespread recognition that the existing system lacks credibility and transparency, particularly for assessing progress related to the [SDGs](#), because its design is overly complex and overburdened by an ever-proliferating array of indicators.

The United Nations Research Institute of Social Development (UNRISD) has been actively working in the field, developing [Sustainable Development Performance Indicators \(SDPI\)](#). These aim to improve the measurement and evaluation of the performance of a broad range of economic entities—both in the for-profit sector and in the social and solidarity economy—in relation to the vision and goals of [the 2030 Agenda for Sustainable Development](#). This will require that contextual factors and social dimensions receive appropriate consideration.

The UNRISD research shows that there are fundamental problems with existing corporate sustainability accounting. During [the conference](#) held at the United Nations Office at Geneva on 3-4 June, 2019, on Measuring and Reporting Sustainability Performance, many speakers expressed their concerns about the multiplicity and complexity of current measurement and reporting practices, stressing the need for greater consistency, harmonization, and standardization. There is a necessity to improve the system. To make it happen, we need more stakeholder engagement via conferences or projects. Particularly, the private sector needs to engage more proactively with [the 2030 Agenda for Sustainable Development](#), a process which could be facilitated by improved sustainability measurement, reporting methods, and indicators.

The *THRIVE* Project is one such initiative. Supported by research groups associated with the UN, the project is contributing to measure sustainability performance as best informed by the natural and social sciences, as well as leveraging the framework for strategic sustainable development (FSSD). Using the *THRIVE* framework, organizations are able to see true impacts on available resources in context and at scale. From a company or community through to a city or country, and indeed the whole world. A wealth of historical data is available and the extended AI capabilities of the *THRIVE* Platform makes it possible to measure sustainability performance in connection with adopted business strategies. This will ultimately identify which innovations are most

sustainable.

It is important to share experiences and encourage discussion on most innovative approaches to sustainability measurement and reporting. In this matter, scientists and research institutions around the world have been proposing a range of ideas and innovative ways to improve the reporting mechanism. The UNRISD, for example, has developed [several suggestions and recommendations](#) to develop transformative approach to sustainability disclosure. To take examples, the following constitutes several suggestions that can be applied in practice:

- gender equality: comprising gender balance within corporate structures, the gender pay gap, and care support and responsibility—not only in relation to pre-natal and post-natal care but throughout various phases of the life cycle that impact the situation of women in paid work;
- labour rights: particularly the percentage of workers covered by collective bargaining;
- the distribution of corporate income via taxation, using indicators that reveal the gap between effective and statutory tax rates, the effective tax rate as a percentage of pre-tax profits and the industry norm, and profit shifting;
- measuring impacts not only at the company level but throughout the value chain;
- establishing concrete time-bound targets—for example, reducing carbon emissions by 50% by 2030; and bringing science into the process of materiality determination;
- going beyond compliance with minimum wage standards to measuring how equitable or skewed the distribution of income is within the enterprise;
- going beyond equal pay for equal work to addressing the gender pay gap, as well as key determinants of the gender pay gap related to the gender balance in different occupational categories and support for care giving;
- going beyond occupational health and safety, or working conditions, to engaging in labour rights, notably collective bargaining coverage and trade union density; and,
- going beyond qualitative statements of principle to providing quantitative data on multiple forms of corporate political influence.

As Gabriel Salathé-Beaulieu (2019) suggests, it is likely to take another 20 years

to develop new frameworks of evaluation and measurement in response to the existing and relatively new challenges. Learning from the past and improving the existing reporting system is a process that must be undertaken collaboratively between stakeholders. Therefore, everybody's contribution is worthwhile. For more information, and for those who want to make a positive contribution towards a prosperous future, visit the [THRIVE](#) Project.

Written in collaboration with THRIVE Tribe member Khishge Oyundelger.

References:

Salathé-Beaulieu, Gabriel, in collaboration with Marie J. Bouchard and Marguerite Mendell. (2019). *Sustainable Development Impact Indicators for Social and Solidarity Economy – State of the Art*. UNRISD Working Paper 2019-4. Geneva: UNRISD.

UNRISD. (2019). *Measuring and Reporting Sustainability Performance: Are Corporations and SSE Organizations Meeting the SDG Challenge?* Event Brief 09. Geneva: UNRISD.

UNRISD. (2019). *Measuring Corporate Sustainability TOWARDS ACCOUNTING FIT FOR THE SDGS*, RESEARCH AND POLICY BRIEF 28. Geneva: UNRISD.

Zuzana Chvatalová, Alena Kocmanová, and Marie Dočekalová. (2011). *Corporate Sustainability Reporting and Measuring Corporate Performance*. Brno University of Technology, Faculty of Business and Management, Kolejní 4, 612 00 Brno, Czech Republic