

# Thresholds of Transformation

UNRISD/r3.0  
Sustainable Development  
Performance Indicators  
Project (2018-2022)

IÖW/future Tagung  
'Next Generation CSR Reporting'

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**Sustainable Development  
Performance Indicators**

# Why indicators?

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## Indicators and Information Systems for Sustainable Development

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by Donella Meadows



A Report to the Balaton Group

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**“People can’t respond to  
information they don’t have.”**

***Limits to Growth* Lead Author  
Dana Meadows, 1998**

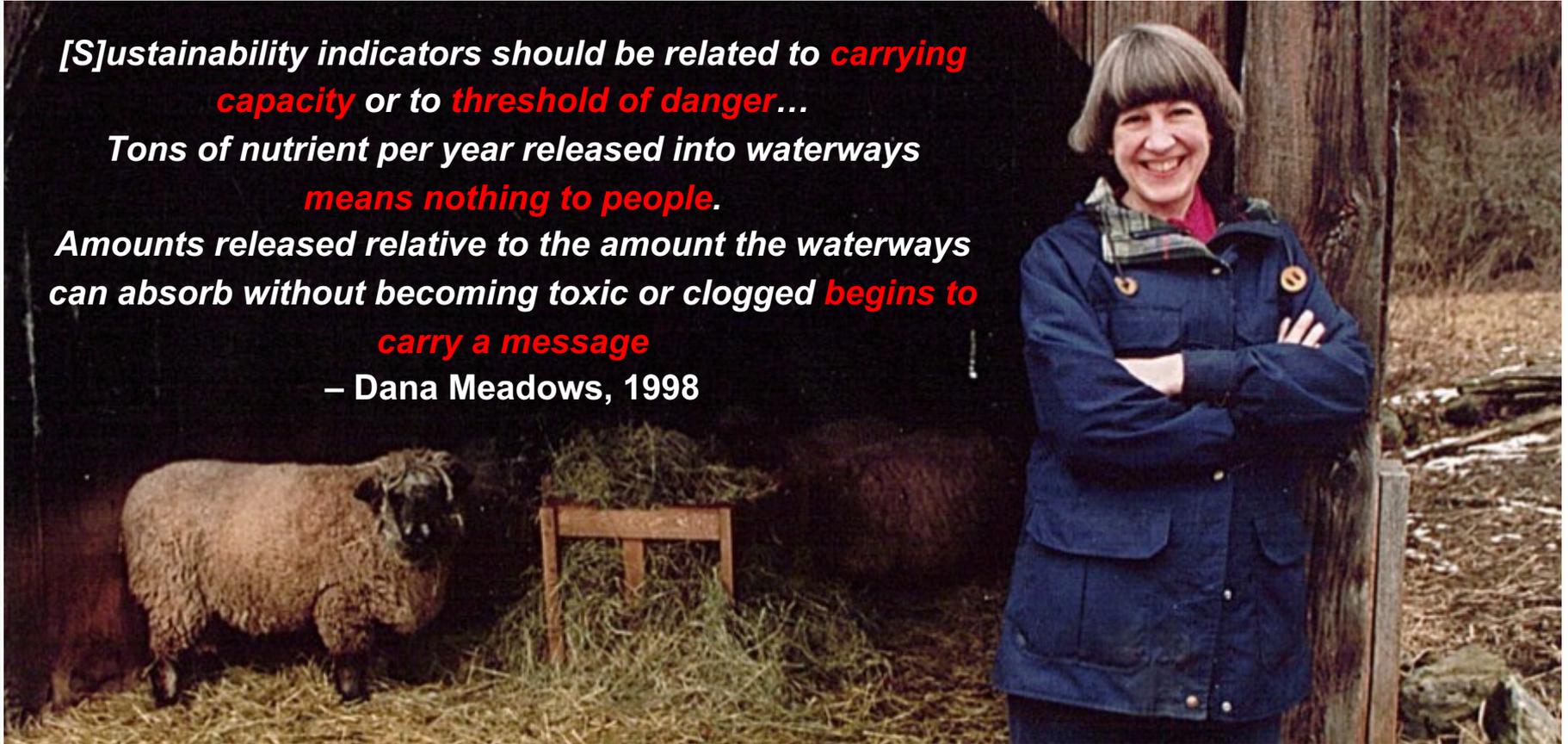
# Sustainability Indicators: *Mean Nothing / Carry a Message*

*[S]ustainability indicators should be related to **carrying capacity** or to **threshold of danger**...*

*Tons of nutrient per year released into waterways **means nothing to people.***

*Amounts released relative to the amount the waterways can absorb without becoming toxic or clogged **begins to carry a message***

*– Dana Meadows, 1998*



## Sustainability Context (2002): How Reports Can *Carry a Message*



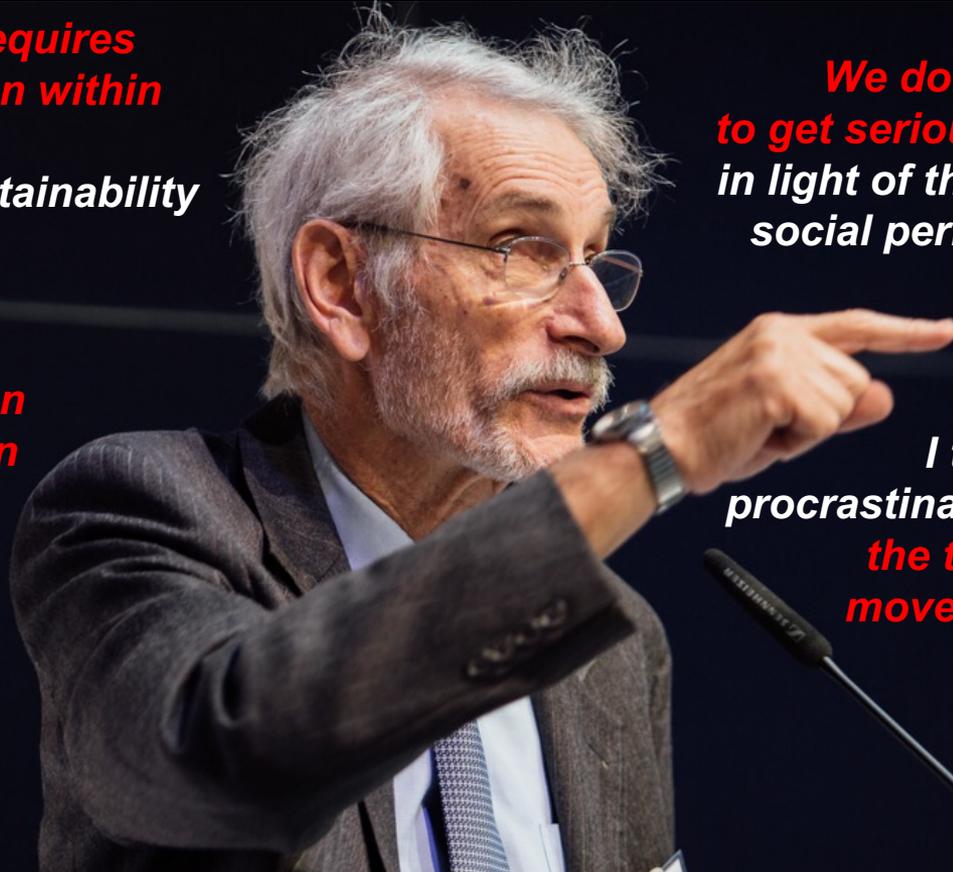
- [S]ustainability reporting draws significant meaning from the larger **context** of how performance at the organisational level affects economic, environmental, and social **capital formation and depletion** at a local, regional, or global level.
- [R]eporting organisations should consider ... the performance of the organisation in the context of the **limits and demands** placed on economic, environmental, or social resources at a macro-level.

# Sustainability Requires Contextualization Within Thresholds

***Sustainability requires contextualization within thresholds.***

***That's what sustainability is all about.***

***Yet to this day, contextualization rarely appears in sustainability assessments.***



***We don't have decades to get serious about Context in light of the ecological and social perils that lie ahead.***

***I think the time for procrastination has passed; the time for assertive movement is upon us.***

**Allen White  
Co-Founder  
Global Reporting  
Initiative**



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# Sustainable Development Performance Indicators

ALTERNATIVE ECONOMIES FOR  
TRANSFORMATION



2018 -  
2022

SOCIAL DIMENSIONS OF SUSTAINABLE  
DEVELOPMENT

## Tier One: *Incrementalist Numeration*

Numerator indicators focus on actual impacts, including absolute indicator, as well as relative or intensity indicators that are non-normative, and therefore incrementalist by definition.

## Tier Two: *Contextualised Denomination*

Denominator indicators contextualise actual impacts against normative impacts. Also known as “Context-Based” indicators take into account sustainability thresholds in ecological, social, and economic systems, as well as allocations of those thresholds to organizations and other entities.

## Tier Three: *Activating Transformation*

Transformative indicators add the element of implementation and policy to normative denominator indicators to instantiate change within complex adaptive systems.

# Sustainability Quotient Serves as Basis for 3-Tiered Typology

$$\text{Sustainability Quotient: } S = \frac{A}{N}$$

$$\text{Sustainability} = \frac{\text{Actual Impacts}^*}{\text{Normative Impacts}^*} \left( \frac{\text{Numeration}}{\text{Denomination}} \right)$$

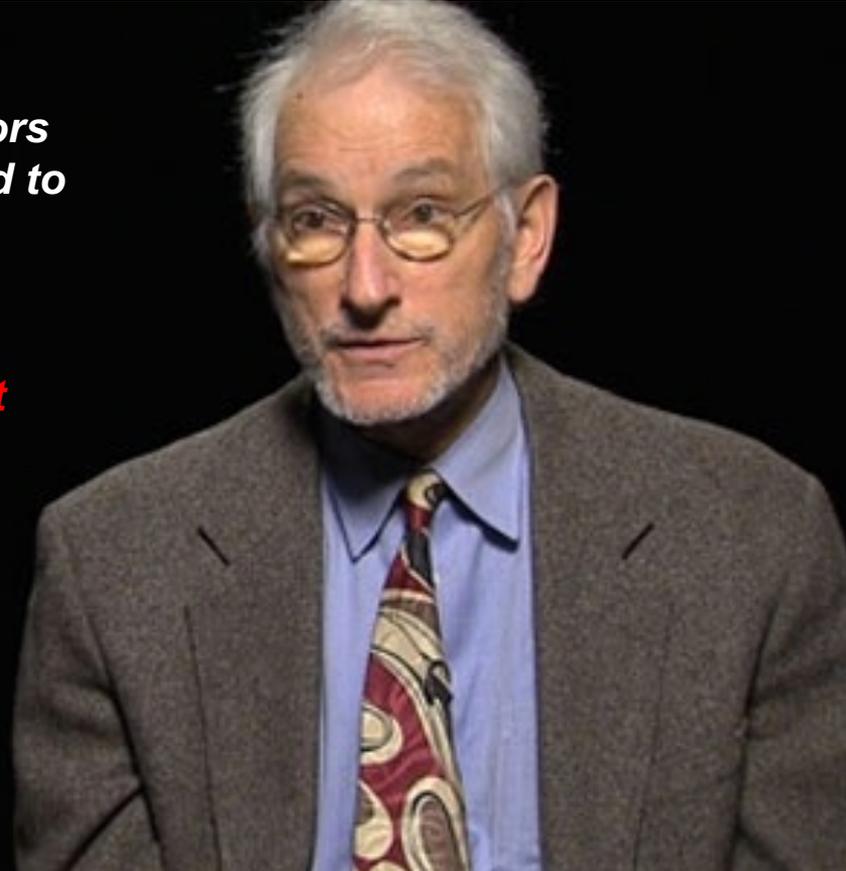
*\*On the Carrying Capacities of Vital Capital Resources*

## Incrementalist 'Numeration' → Contextualized 'Denomination'

*We need to move beyond incrementalist 'numeration' indicators & add 'denomination' indicators tied to upper (ecological ceilings) & lower (social foundations) thresholds.*

*Sustainability measurement without this context is simply not sustainability measurement.*

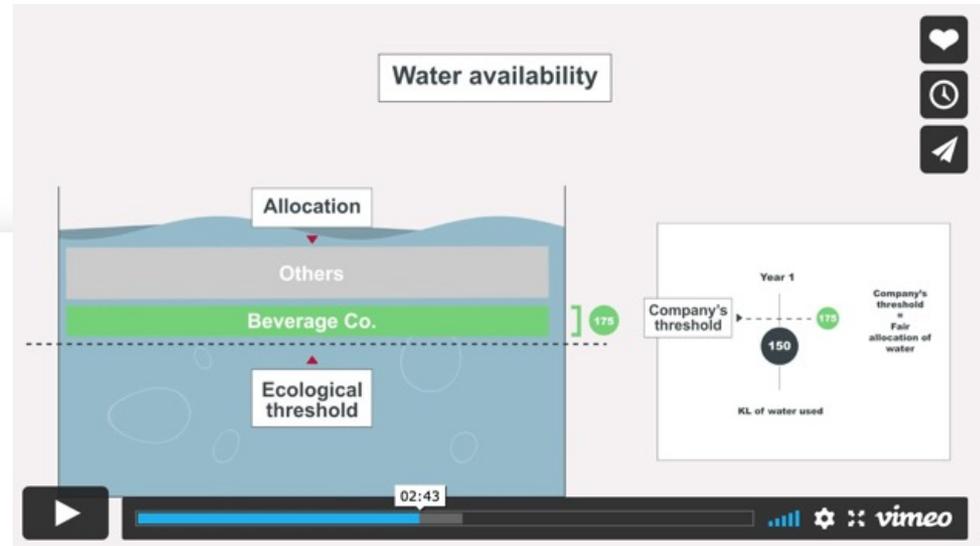
**Allen White**  
Co-Founder  
Global Reporting Initiative



## Thresholds and allocations

This page is one of a series that describes the important role of thresholds in impact management:

1. **Thresholds and allocations:** the role of thresholds in assessing performance on a social or environmental outcome as 'sustainable or unsustainable'.
2. **Sustainability performance classifications:** how thresholds are core to assessing performance against existing classification methodologies (the ABC, the EU taxonomy) and how this logic also drives assessment of SDG contribution.



- **Hard Context**

These indicators apply “context” consistent with the Sustainability Context Principle and laid out in the UNRISD paper [\*Making Materiality Determinations: A Context-Based Approach\*](#), which calls for such hard contextualization when organizations have duties and obligations to manage impacts on vital capital resources that stakeholder (or rightsholders) rely on for their wellbeing.

- **Soft Context**

In instances where no such duties and obligations exist, “soft” contextualization is applied, for example by providing a longer-term perspective, looking at five-year trends to reveal performance over time.

# Illustrative Indicators – *Environmental Area: Carbon*

## Tier 1

- B. Environmental Area .....
- B.1. Sustainable use of water .....
- I.B.1.1. Water recycling and reuse .....
- I.B.1.2. Water use efficiency .....
- I.B.1.3. Water stress .....
- B.2. Waste management .....
- I.B.2.1. Reduction of waste generation .....
- I.B.2.2. Waste reused, re-manufactured and recycled .....
- I.B.2.3. Hazardous waste .....
- B.3. Greenhouse gases (GHGs) .....**
- I.B.3.1. GHGs (scope 1) .....
- I.B.3.2. GHGs (scope 2) .....
- B.4. ODS and chemicals .....
- I.B.4.1. ODS and chemicals .....
- B.5. Energy consumption .....
- I.B.5.1. Renewable energy .....
- I.B.5.2. Energy efficiency .....

## Tier 2

- B. Environmental Area .....
- II.B.2.1. Five-year trend in solid waste .....
- II.B.2.3. Five-year trend in hazardous waste treatment .....
- II.B.3.1. Five-year trend on GHGs .....**

## Tier 3

### FPE

- III.B.1. Environment .....
- III.B.1.1. GHG emissions (scope 3)....**
- III.B.1.2. Water use .....
- III.B.1.3. Circular economy—LCA .....

### SSE

- III.B.1. Environment .....
- III.B.1.1. GHG emissions (scope 3).....**
- III.B.1.2. Water use .....
- III.B.1.3. Circular economy—LCA .....
- III.B.1.4. SSEOE's own environment indicator .....

# Tier Two Example: Five-year trend on Greenhouse Gas Emissions (Scope 1 and 2)

## Definition

A measure of an organization's direct (scope 1) and indirect (purchased electricity, heat, steam or cooling; i.e. scope 2) emissions that contribute to global warming.

## Contextualization

Hard contextualization—sustainability thresholds or norm; GHG emissions by an organization shall be no more than nearly zero.<sup>54</sup>

## Measurement methodology

This indicator calls for measurement and reporting of an organization's direct (scope 1) and indirect, electricity-related (scope 2) GHG emissions in accordance with the Greenhouse Gas Protocol

Equation (II.8):

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

Report a five-year trend as follows:

Year	t	t-1	t-2	t-3	t-4
RGG					

where:

RGG = ratio of actual scopes 1 and 2 GHG emissions to sustainability norm of nearly zero emissions;  
AGG = actual GHG emissions (scopes 1 and 2);  
NGG = normative GHG emissions of nearly zero (as defined herein); and  
t = a specific year.

And where:

RGG scores of  $\leq 1.0$  are sustainable; and  
RGG scores of  $>1.0$  are unsustainable.

In cases where an organization's GHGs are not already nearly zero or less, it shall use a science/context-based carbon emissions accounting tool to set interim annual targets for emissions, and separately measure and report performance in those terms.<sup>56</sup> Such targets shall be used in place of the  $NGG_t$  variable defined above to do so.

# Tier Three Example: Gender Pay Gap – Equality of Remuneration

## Definition

Disparities in the average remuneration of men and women in an organization.

## Sustainability norm or threshold

Hard - *sustainability norm or threshold*: The difference between the average remuneration of men and women in an organization shall not exceed 3%.

## Measurement methodology

Gender pay gaps shall be calculated in terms of women's pay as a percentage of men's, and in a way that includes not only base salary or wages, but also compensation associated with incentives and rewards.

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

## Equation(s)

- Annual gender pay gap =  $\frac{AWP_x}{AMP_x}$

Where:

- AWP = Average women's pay
- AMP = Average men's pay
- x = A specific year

And where:

- Sustainability performance scores of 1.0 +/- 0.03 are sustainable
- Sustainability performance scores of >1.03 or <0.97 are unsustainable

## Potential sources of information

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

## Relevance to the SDGs

5.c.1

# Next Steps

- Synthesis Report delivered to UNRISD
- UNRISD Report and Manuals for FPEs and SSEOs expected Q2/2022
- UNRISD Support Platform Q3/2022
- R3.0 'Transcending Incrementalism' Campaign (started)
- Further implementation at companies, e.g. GLS Bank



Redesign  
Resilience  
Regeneration

r3.0 Case Study # 1

## The First 'True' Sustainability Report?

The Case of GLS Bank, Following the r3.0 New Impetus and Context-based Multicapital Reporting

By Ralph Thurm, r3.0 & Sophia Orbach, GLS Bank  
January 2022

# Tier One Indicators

## A. Economic area

- A1.1. Revenue (see example below)
- A1.2. Value added
- A1.3. Net value added
- A.2. Payments to the Government
- A.2.1. Taxes and other payments to the Government
- A.3. New Investment/expenditures
- A.3.1. Green investment
- A.3.2. Community investment
- A.3.3. Total expenditures on research and development
- A.4. Local supplier/purchasing programs
- A.4.1. Percentage of local procurement

## B. Environmental area

- B.1. Sustainable use of water
- B.1.1. Water recycling and reuse
- B.1.2. Water use efficiency
- B.1.3. Water stress
- B.2. Waste management
- B.2.1. Reduction of waste generation
- B.2.2. Waste reused, re-manufactured and recycled
- B.2.3. Hazardous waste
- B.3. Greenhouse gas emissions
- B.3.1. Greenhouse gas emissions (scope 1)
- B.3.2. Greenhouse gas emissions (scope 2)
- B.4. Ozone depleting substances and chemicals
- B.4.1. Ozone-depleting substances and chemicals
- B.5. Energy consumption
- B.5.1. Renewable energy
- B.5.2. Energy efficiency

## C. Social area

- C.1. Gender equality
- C.1.1. Proportion of women in managerial positions
- C.2. Human capital
- C.2.1. Average hours of training per year per employee
- C.2.2. Expenditure on employee training per year per employee
- C.2.3. Employee wages and benefits as a proportion of revenue, with breakdown by employment type and gender
- C.3. Employee health and safety
- C.3.1. Expenditures on employee health and safety as a proportion of revenue
- C.3.2. Frequency/incident of rates of occupational injuries
- C.4. Coverage by collective agreements
- C.4.1. Percentage of employees covered by collective agreements

## D. Institutional area

- D.1. Corporate governance disclosure
- D.1.1. Number of board meetings and attendance rate
- D.1.2. Number and percentage of women board members
- D.1.3. Board members by age range
- D.1.4. Number of meetings of audit committee and attendance rate
- D.1.5. Compensation: total compensation per board member (both executive and non-executive directors)
- D.2. Anti-corruption practices
- D.2.1. Amount of fines paid or payable due to settlements
- D.2.2. Average hours of training on anti-corruption issues per year per employee

# Tier Two Indicators

## A. Economic area

- A1.3-2. Net Value Added (corresponds with Revenue, Value Added and Net Value-Added indicators in Tier 1)
- A.2.1-2. 5-Year Tax Gap
- A.3.1-2. 5-year Trend of Green Investment
- A.3.2-2. 5-year Trend of Community Investment
- A.3.3-2. 5-year Trend and Sustainability Alignment of Relative Expenditure on Research and Development
- A.4.1-2. 5-year Trend of Percentage of Local Procurement

## B. Environmental area

- B.2.1/2-2 5-year trend on solid waste
- B.2.3-2. 5-year trend of hazardous waste treatment
- B.3.1/3.2/5.1/5.2-2. Greenhouse gas emissions (see example below)

## C. Social area

- C.1.1-2. 5-year average gender diversity: Entry-level hiring and promotion
- C.3.1-2/3.2-2. 5-year average incident Rates of Occupational Injuries
- C.4.1-2. 5-year union density and collective bargaining coverage

## D. Institutional area

- D.1.1-2 5-year trend for the number of board meetings and attendance rate
- D.1.2-2. 5-year average percentage of women board members
- D.1.3-2. 5-year trend on board members by age range
- D.1.4-2. 5-year trend for the number of meetings of audit committee and attendance rate
- D.1.5-2. 5-year trend on total compensation per board member (both executive and non-executive directors)
- D.2.1-2. 5-year trend in amount of corruption-related fines paid or payable due to settlements
- D.2.2-2. 5-year trend on average number of hours training on anti-corruption

# Tier Three Indicators

## A. Economic area

- A.1-3. Corporate Taxation
- A.1.1-3. Tax gap and fiscal disclosure

## B. Environmental area

- B.1-3. Environment
- B.1.1-3. Greenhouse gas emissions (scope 3)
- B.1.2-3. Water use
- B.1.3-3. Circular economy

## C. Social area

- C.1-3. Fair remuneration
- C.1.1-3. CEO-Worker pay ratio
- C.1.2-3. 5-Year living wage gap
- C.1.3-3. Distribution of surplus/profits
- C.2-3. Gender equality
- C.2.1-3. Gender pay gap - Equality of remuneration
- C.2.2-3. Gender diversity: Hiring and Promotion at different occupational levels
- C.2.3-3. Dependent care - caregiving support programmes
- C.4-3. Labour rights
- C.4.1-3. Union density and collective rights bargaining coverage
- C.4.2-3. Harassment and discrimination at the workplace
- C.4.3-3. Access to remedy
- C.4.4-3. Discrimination in hiring and promotion
- C.4.5-3. Worker empowerment
- C.4.6-3. Contingent and subcontracted workers

- C.5-3. Employment, training and work integration
- C.5.1-3. Hiring of vulnerable groups
- C.5.2-3. Long-term work contracts
- C.5.3-3. Employee turnover rate
- C.6-3. Responsible and ethical sourcing
- C.6.1-3. Responsible and ethical sourcing

## D. Institutional area

- D.1-3. Corporate political influence
- D.1.1-3. Corporate political influence: Policies, programme and practices
- D.2-3. Performance accounting
- D.2.1. Context-based triple bottom line accounting
- D.3-3. Fines and settlements
- D.3.1-3. Amount of Total Fines Paid or Payable Due to Settlements
- D.4-3. Information sharing
- D.4.1-3. Public Sharing of Information and Knowledge
- D.5-3. Democratic governance
- D.5.1-3. Term limits for Board of Directors
- D.5.2-3. Participative Decision-making (employees)
- D.6-3. Resilience
- D.6.1-3. Resilience