United Nations Network of Economic Statisticians
Summary of Third Beyond GDP Sprint 2023 Meeting

What is the role of Environmental, Social, and Governance data within Beyond GDP?

22 June 2023, 7:00 am to 9:30 am (New York time) | United Nations, Virtual Meeting

The third meeting of the Beyond GDP sprints focused on the role of ESG (Environmental, social and governance) within GDP. The meeting was well attended, and presentations were shared on various frameworks available to measure ESG metrics, as well work from a business accounting, National Statistical Office, academic and auditing perspective.

The main highlights include the need to include social well-being data in corporate reporting to truly understand the risks and opportunities and for standardization in ESG reporting of which the present lack leads to challenges in comparability and harmonization. Currently, ESG reporting is voluntary but there are ongoing efforts to move towards mandatory reporting. In order to facilitate this transition to mandatory reporting, stakeholder engagement needs to be fostered, including with employees, investors, and business communities.

The meeting started with a brief introduction of the ESG landscape, an overview of the agenda for this third sprint meeting and a summary of the discussions from the second meeting by Cliodhna Taylor (UK Office of National Statistics).

In the first session, Richard Barker (Board Member, International Sustainability Standards Board) presented three different lenses to corporate reporting. First, there is corporate financial reporting for which there is a high degree of standards harmonization. The second lens of corporate reporting includes environmental reporting such as low-carbon transition plans and social capital reporting on diversity of the workforce. Recent analysis has shown interests of investors for more information than the current content of financial reporting (i.e., sustainability related financial disclosures) to assess risks and opportunities. The International Sustainability Standards Board (ISSB) provides guidance on metrics to report on, in the ESG realm, with standards related to climate change been finalized and released. The first two lenses of corporate reporting are primarily for investors. Lastly, there is other corporate reporting which has a multi-stakeholder focus (such information for employees or information on biodiversity). While ESG reporting is currently voluntary, Europe is working on legislation to mandate reporting on ESG metrics in the near future.

The second presentation focused on leveraging the concept of well-being and related metrics at the macro and micro-level to align with ESG concepts. Vincent Siegerink, (Economist/Policy Analyst, Centre for Well-being, Inclusion, Sustainability and Equal Opportunity OECD), highlighted the OECD response to Beyond GDP. It includes a conceptual framework and guidance for indicators and measures of well-being. The OECD's Well-being Framework is a multi-dimensional framework of current and future outcomes, which measures material conditions as well as quality of life conditions and aligns with many national and international initiatives. Additionally, the framework has a social dimension, which aims to better measure meaningful non-financial outcome data which for various stakeholders (investors, employees, business communities, and consumers).

The OECD has also developed a pilot employee well-being survey to measure working conditions and well-being outcomes. To further work in this space, the OECD and UNDP, together with groups of business coalitions and civil society organisations, are exploring options to create a taskforce on social/inequality-related financial disclosures to serve as a forum for conceptual and measurement work.

Also, the OECD identified some benefits of the private sector reporting on ESG metrics, such as providing accountability to stakeholders and making a positive contribution to society. However, OECD analysis showed there is no consensus on a conceptual framework to measure ESG metrics, which hampers comparability.

In the third session, Helen Slinger (Executive Director, Knowledge and Learning, Accounting for Sustainability (A4S)) presented an overview of the business accounting community perspectives on these new non-financial measures and the tools that could support this transition from conventional financial reporting to the inclusion of sustainability information. Well-being is linked directly or indirectly to all the SDGs, whether its through a corporate or national lens. Accounting data is needed for reporting as well as decision making. For decision making, A4S has developed a maturity map to enable businesses to use social and human capital information to deliver better outcomes. There is also the Social & Human Capital Protocol, which is a framework for businesses to measure and value their impacts and dependencies on people and society. Reporting financial data is needed to inform investors for which there are various well-established internationally agreed reporting standards. A4S conducted some case studies whereby they measured improvement in presenteeism and converted that into a dollar value, to measure the effect of mental health on productivity. A4S also conceptualized multi-capital accounting practices by creating profit and loss accounts as well as balance sheets with a side-by-side "other capital" column, which accounts for human and social capital. An issue arises though regarding who owns the human capital (employee or employer) and as such, multi-capital accounting is still in the conceptual stage.

Jan-Emmanuel De Neve (Professor of Economics & Director, Well-being Research Centre, University of Oxford) presented the work of a crowdsourced survey undertaken by Indeed. The Indeed Survey is developed to measure employees experiences at work and to calculate its Work Happiness Scores, There well-being results are collected from over 23 million jobseekers in 3 countries (USA, the UK, and Canada). The survey focuses on four main outcomes of workplace well-being (happiness at work, job satisfaction, stress-free and purpose at work) as opposed to drivers (the "why" we feel a certain way). The results showed much variation in well-being between companies as well as within organizations. These results were then linked to financial and stock market performance to show a positive correlation of employee well-being to firm value, return on assets and profits.

S&P Global have incorporated the trend of their employee well-being metric into their corporate sustainability assessment (CSA) across all 62 industries within the assessment. The University has shared the results of the Indeed survey (collected from employees) with S&P Global to ensure there is little "well-being washing" when the CSAs are conducted (whereby information collected through the CSAs might not be reflective of the company). Future work could include cross-referencing crowdsourced survey data with national labour statistics for validation.

Samir Trabelsi (Professor of Accounting and Governance, Brock University) presented the concept of linking GDP with ESG metrics to ensure the effects of climate change and well being are properly accounted as well as to ensure a comprehensive view of a country's long term economic sustainability. He noted that value creation is interdependent on not only financial and manufactured capital but also intellectual, social, cultural, relationship, human and natural capital. There are multiple frameworks and indicators for ESG metrics, which lack harmonization. Additionally, more than 50% of auditing and verification of ESG metrics is done by third-party assurance. Notwithstanding, there is an opportunity to develop a complement to GDP to ensure all aspects of the economy, environment and social well-being are accounted for a more fulsome picture of a country's condition.

Sonia Raizenne (Statistics Canada) presented the Canadian context of ESG reporting, whereby enterprises feel a growing demand for ESG reporting. The ESG reporting is not mandated, and as such, they voluntarily disclose this information. Statistics Canada's developed an experimental ESG dashboard by leveraging existing data within Statistic's Canada, focusing on the natural resources industry but having the intention of expanding to other industries as well. The development also involved reviewing existing ESG frameworks (such as the ISSB and Global Reporting Initiative (GRI)), data available through company's sustainability reports, and understanding the ESG needs and gaps. Currently the experimental dashboard has 12 indicators for 10 industry groupings. Next steps include developing a benchmarking tool, whereby companies can enter their own data into the dashboard and compare with other companies within their industry. Statistics Canada's ESG dashboard is an excellent example of a national statistical office initiative how in-house corporate ESG data can provide sectoral analysis to policy makers on well-being and sustainability.