



Measuring
Stakeholder Capitalism

WEF IBC common metrics

**Implementation guide for
sustainable value creation**

KPMG IMPACT

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Introduction

At a time of a global pandemic, climate change, biodiversity depletion and growing inequality, a company's role in contributing to solving these issues is more important than ever. Environmental, social and governance (ESG) topics have therefore become a top priority on Board and executive agendas. They need to demonstrate how sustainable their companies are, how they create long-term value for society and how they make the company future-fit. Investors and other stakeholders demand this information in order to meet their own requirements and expectations.

But whilst it is possible to see how much value a company has created for its shareholders; it is difficult to assess how a company is contributing to outcomes that are important for stakeholders and societies. Investors and other stakeholders need this information to allocate capital efficiently to drive progress towards a sustainable society.

Numerous companies have, for many years already, reported on their ESG performance in line with various standards and reporting frameworks. Of the world's largest 250 companies, almost all do so.¹ What has been lacking is the ability to measure how well they are doing on ESG across industry sectors and geographies. The World Economic Forum's (WEF) International Business Council (IBC) therefore asked the Big 4 (KPMG, EY, Deloitte and PWC) to identify a set of universal and material ESG metrics that can be made in the mainstream annual reports of companies on a consistent basis.

Following the draft publication at Davos in January 2020, extensive consultation was conducted with companies, investors, standard setters and others, and the refined set of metrics was released at the IBC's meeting in August.

The metrics have received widespread support and have contributed to the considerable movement of standard setters and regulators to work intensively together toward convergence.

This convergence amongst others now involves the International Financial Reporting Standards (IFRS) Foundation which is consulting on broadening its mandate to include sustainability issues. In addition, the five leading voluntary standard-setters have committed to working towards a joint vision with Sustainability Accounting Standards Board (SASB) and International Integrated Reporting Council (IIRC), announcing in November 2020 their intent to merge into the Value Reporting Foundation.

KPMG fully supports the WEF IBC initiative and will be promoting further global standardization and convergence of the ESG (also called non-financial or sustainability) reporting landscape, amongst others through our support of the IIRC, the Corporate Reporting Dialogue (CRD), the Task Force on Climate-related Financial Disclosures (TCFD) and SASB. The WEF's corporate convening power supports the channeling of corporate perspectives into convergence efforts driven by the recognized global standard setters.

We believe it is time to act and we will further commit our leading efforts in this space. It is also time, however, to start implementing the WEF IBC metrics. With this guide, we further introduce you to the metrics and also provide you with a simple approach to get started — regardless of whether you have already been reporting for a long time or are a first time reporter.



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90% of corporates said that a set of universal ESG metrics and disclosures would be useful for financial markets and the economy.

Source: WEF Toward Common Metrics and Consistent Reporting of Sustained Value Creation, 2020

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¹ Source: KPMG Survey of Sustainability Reporting 2020

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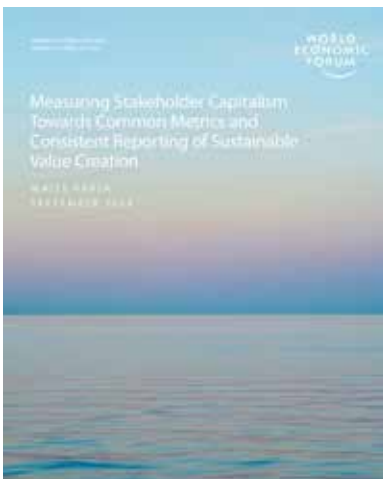
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Introduction to the WEF IBC metrics

The WEF's IBC, comprising more than 140 CEOs of global companies, view sustainability and the Sustainable Development Goals (SDGs) as critical to long-term business value creation. In order to address practical challenges in balancing short- and long-term value for shareholders and society, the IBC wanted to develop a set of metrics for companies to demonstrate and communicate their sustainable business performance and long-term value creation in a clear, comparable way to investors and other stakeholders.

The WEF and the IBC — in collaboration with the Big 4 professional services organizations Deloitte, EY, PWC and KPMG — presented a Consultation Draft Report at Davos in January 2020. The report identified a set of industry-agnostic, material ESG metrics and reporting requirements that could be reflected in the mainstream annual reports of companies. Following an extensive consultation with more than 200 companies, investors, standard setters and other key stakeholders, the refined set of metrics were released at the IBC's meeting in August 2020. In September 2020, the final report, including the refined set of metrics was published.



[Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#)

The WEF IBC initiative aims to act as a catalyst towards the convergence of standards and an expanded set of reporting requirements in a system-wide solution, which could culminate in a new international accounting standard. With this initiative, the CEOs of IBC members can lead efforts to reduce fragmentation and encourage faster progress towards a systemic solution.



ESG has become a top priority on investors' agendas. Boards and executives increasingly see ESG topics as important to long-term value creation and need to meet investor demand for ESG information in a way that drives value for the company and society.

The existence of 100+ environmental, social and governance (ESG) standards and reporting frameworks, along with the lack of consistency and comparability of metrics have been identified as obstacles to progress.

The WEF's business community has recognized the need for the private sector to demonstrate long-term value creation along financial and non-financial criteria.

Adopting the WEF IBC metrics

Why companies should consider the common metrics.

The WEF IBC metrics may be seen as 'another framework to report against'. In reality, the WEF IBC metrics build exclusively on current standards and frameworks, and therefore would fit easily with current reporting practice. Still, many stakeholders, companies and investors alike have asked why the WEF metrics should be considered. KPMG has collated an overview of the reasons to consider the WEF IBC metrics from our engagement with the WEF and further conversations:

- The WEF IBC metrics create consistency and comparability and contribute to a level playing field amongst companies — across sectors, industries and geographies.
- The set of metrics provides an easy entry point for companies embarking on their ESG reporting journey, as they are concise, clear and feasible to start applying.
- For companies who are mature sustainability reporters, they represent an opportunity to highlight where and how the company's approach is distinctive, ambitious and progressive.
- The WEF IBC metrics specifically address investors' needs and are therefore relevant for companies who have a high investor interest in sustainability. The set of metrics have also been tested against a broad selection of other stakeholders to validate their relevance.
- Companies can lead efforts to reduce fragmentation and encourage faster progress towards a systemic solution of ESG reporting, perhaps even the adoption of a generally accepted accounting standard.



Overview of the WEF IBC metrics

The WEF IBC metrics are grounded on four pillars and cover 18 topics.

The WEF IBC metrics are built on the basis of the SDGs and are categorized in four pillars. Taking the SDGs as the basis, universal metrics have been defined for 18 topics. A summary of these metrics is below.

Principles of Governance



- Governing purpose
- Quality of governing body
- Stakeholder engagement
- Ethical behaviour
- Risk and opportunity oversight

A company's purpose, governance and accountability. This pillar includes metrics in relation to how companies set purpose, are governed responsibly and manage risks.

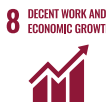
Planet



- Climate change
- Nature loss
- Fresh water availability
- Air pollution
- Water pollution
- Solid waste
- Resource availability

A company's role in protecting the planet to support the needs of current and future generations. Metrics include greenhouse gas (GHG) emissions, TCFD implementation, land protection and water consumption and withdrawal in water stressed areas.

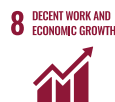
People



- Dignity and equality
- Health and well-being
- Skills for the future

A company's responsibility to its people in creating diverse, safe and inclusive workplaces. Metrics include diversity and inclusion, pay equality, safety, training and human rights.

Prosperity



- Employment and wealth generation
- Innovation of better products and services
- Community and social vitality

A company's role in furthering economic, technological and social progress for its communities. Metrics include employment, taxes paid and research and development expenditure.

A closer look at the core and expanded metrics

The topics as outlined for the four pillars have been translated into universal metrics, of which 21, the core metrics, are deemed to be critically important across industries. In addition, 34 expanded metrics have been defined that represent a more advanced way of measuring and communicating long-term value creation. The metrics are drawn from existing standards, e.g. Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), Science Based Targets initiative (SBTi), World Development Indicators (WDI), CDP, The UN's Universal Declaration of Human Rights (UDHR) and Principles for Responsible Investment (PRI). A link to the full overview of all metrics is provided in the Appendix.



The **21 core metrics** are deemed to be critically important in the short term. They are primarily quantitative metrics for which information is already being reported by many companies (albeit often in different formats) or can be obtained with reasonable effort. They focus primarily on activities within an organization's own boundaries and are proposed to be included in mainstream annual reports. The metrics are a good entry point and provide a good baseline for companies embarking upon their ESG reporting journey.



The **34 expanded metrics** are less well-established metrics in existing practice and standards and represent a more advanced way of measuring and communicating long-term value creation for leading companies that are already mature in sustainability/ESG reporting. They are more impact-oriented, address the wider value chain scope and convey impact in a more sophisticated and tangible way, such as in monetary terms.

Practical steps towards reporting on the WEF IBC metrics

Five steps to implement common metrics based on current reporting.

Many companies will likely have some form of sustainability reporting already. In this section, we outline five simple steps to implement the WEF IBC metrics based on current reporting. For those companies who are just starting on the journey, the second step would be skipped.



1

Identify material topics impacting a company and society

For a company to create sustainable value, it is essential to identify which topics are material to your business. This helps allocate resources towards corporate purpose.

Because corporate purpose should create value for all stakeholders, investors and other key stakeholders should be identified and engaged with. Stakeholder engagement will provide valuable insight into how the company impacts their stakeholders and surroundings and their expectations of the company. The WEF IBC publication is useful for companies embarking on the sustainability reporting journey as the themes and metrics provide a common baseline of universal and industry-agnostic topics.

Companies embarking on sustainability reporting can look to the WEF IBC themes for inspiration (see step 2 for further details). These are important to the majority of companies and can be expanded upon as required to meet the particular interests of a company and its stakeholders. Peers, sector and industry associations will be a good source for benchmarking, best practice and trends.

KPMG firms often witness that knowledge regarding key stakeholders and their concerns are spread across the organization (e.g. the investor and customer relations, finance, health, safety and environment (HSE), human resources (HR), legal and supply chain

functions. Gathering this information from your colleagues could prove invaluable as a starting point. Identifying key external stakeholders to engage with to further expand the understanding of stakeholder concerns should also be a priority. Colleagues can then serve as sparring partners when prioritizing the material topics.

For companies who already have a mature sustainability or integrated annual report, we suggest revisiting the existing material topics as the WEF IBC metrics represent an opportunity to highlight where and how the company's approach is distinctive, ambitious and progressive.

Proposed steps:

- I. Perform a peer analysis for best practice and benchmarking.
- II. Research industry associations for trends and developments.
- III. Consult colleagues in other functions for an initial understanding of stakeholders' concerns and the identification of external stakeholders.
- IV. Identify and engage with your key external stakeholders to confirm, adjust and expand the understanding of their concerns.
- V. Develop a gross list of potential topics to be clustered into categories.
- VI. Explore each topic to understand its relevance to the company and its stakeholders.
- VII. Prioritize the metrics that will have an impact on sustainable value creation for the company and use that as the measuring rod.
- VIII. Integrate the list of material topics, and present them in a materiality matrix.
- IX. Discuss and confirm material topics with senior management and the Board of Directors and integrate them in business planning and strategy.

Stakeholders may include:

- Investors
- Employees
- Contractors
- Suppliers
- Clients
- NGOs

Remember to:

- Confirm the material topics with senior management and the Board of Directors.
- Integrate the material topics in business planning and strategy.

2 Conduct gap analysis

Once you have identified the material topics impacting long-term value creation for the company and its stakeholders, the next step is to map them against the material topics and metrics you are currently reporting on — and subsequently, also against the WEF IBC themes and metrics.

The gap analysis may reveal material topics not currently disclosed that should be included.

We recommend focusing on the core metrics first, as they are more established and of critical importance to most companies. The expanded metrics represent a more advanced way of measuring sustainable value creation and should be the next priority.

Starting with the core metrics can provide a phased and feasible approach, providing investors and other stakeholders with the information they need, as soon as possible.

Although the recommended metrics and disclosures are intended to be universal and industry-agnostic, certain metrics may lack materiality for a company. At this stage, we suggest confirming if this is the case and if so, identify which metrics it applies to.

Proposed steps:

- I. Map the material topics against those currently reported on.
- II. Plot these against the WEF IBC themes to identify metrics and assess potential gaps in the metrics disclosed.
- III. Focus on the core metrics prior to the expanded metrics.

The result will be an overview of the gaps between current reporting and the set of WEF IBC metrics.

3

Perform feasibility analysis to close the gaps

A feasibility analysis for the selected metrics to be reported on should be the next step, highlighting the gaps in the reporting against the WEF IBC metrics.

Companies may already have the information needed to report on the metrics, albeit in a different format. Where the company reports on similar metrics, it should be assessed whether it is possible to align the current indicators with the related WEF IBC metrics, to help ensure consistent and comparable reporting between companies.

Confidentiality and other legal constraints may prevent reporting on certain metrics, and these should be identified and explained in the subsequent report.

For identified gaps, we recommend consulting with the relevant function (i.e. finance for prosperity metrics, HR and HSE departments for people metrics). The aim is to assess whether data exists for the lacking metrics. If data does exist, it is important to consider whether the coverage is company-wide, measured, calculated or estimated and if the definitions, scope and reporting process are clear, robust and well-defined.

For data that is not currently available, is it possible to collect these in the short term or can it only be obtained in the longer term? A roadmap would help in laying out the steps towards further reporting to set ambitious, yet achievable timelines.

Proposed steps:

- I. Identify if the metrics similar to those specified in the WEF IBC report can be modified.
- II. Identify if there are any legal constraints to reporting the metrics.
- III. Involve functions who are responsible for the topic to assess availability and reliability of data.
- IV. Identify metrics for unavailable data.
- V. Review whether data is obtainable in the short or longer term.
- VI. Identify metrics which cannot be reported on.

The result will be an overview of metrics that can be reported and a roadmap for developing data for other metrics. With this, you will be well-equipped to decide on the feasibility of closing the gaps for reporting on the WEF IBC metrics.

4

Enhance reporting systems

An enhanced reporting system with robust processes and effective internal controls throughout the organization will provide reliable information to base strategic decisions upon and to be used for external reporting.

Furthermore, governance should oversee the definition, monitoring and implementation of the company's sustainability metrics and targets for a balanced view on long-term value creation.

The quality of the data therefore needs to be validated. If the data is part of financial reporting, the controls are likely to be strong. Other sustainability data may be challenging to include alongside audited financial data. Are the internal processes and controls for the reporting sufficiently robust? Are the measurement and reporting procedures well defined and are internal controls in place? The internal audit department or your external auditor may assist by conducting a readiness assessment to assess weaknesses in governance structures and internal controls and provide recommendations for improvements.

The data can then be collected and integrated into this year's reporting.

For metrics where data is not yet available or reliable, a roadmap should be developed to integrate the metrics into governance mechanisms, to allow for future reporting.

Proposed steps:

- I. Assess the robustness of the reporting process and controls.
- II. Review whether the data is already part of financial reporting.
- III. Involve the internal audit department or the external auditor.
- IV. Integrate the metrics into the reporting cycle.
- V. Develop a roadmap for strengthening governance for data that is not reliable.

The result will be an overview of available, robust data that can be collected and integrated into this year's reporting, as well as a roadmap for strengthening the reporting of lacking metrics.

The metrics have received strong support from investors and companies, and the majority of companies have agreed that reporting on universal ESG metrics would be useful for them and have shown a willingness to report on the core metrics in their annual report. This is seen as the right thing to do, for both business and society.

5

Reporting & assurance

By reporting in line with the WEF IBC metrics, companies can credibly demonstrate their progress on sustainability and their contributions to the SDGs. Companies that hold themselves accountable to their stakeholders and increase transparency may or will likely be more viable — and valuable — in the long term.

Companies are therefore encouraged to report on the recommended core metrics in mainstream corporate disclosures (annual reports to investors and proxy statements), demonstrating the materiality of these metrics to the company. Companies should report each metric as soon as it is feasible, rather than waiting for the full set of metrics to be reported. Stakeholders are looking for progress rather than waiting for the perfect solution.

While the recommended metrics and disclosures are intended to be universal and industry-agnostic, there may be instances when certain metrics are not feasible, relevant or easy to implement. This may be due to concerns about, for example, confidentiality constraints, legal prohibitions, data availability, geographic idiosyncrasies or lack of materiality. In these instances, an 'explain approach' outlining the specific information omitted and the reasons for these omissions, is encouraged.

The initial focus should be to report on the core metrics as they are more established and were determined to be critically important for most companies. The expanded metrics should then follow suit, as they represent a more advanced way of measuring and communicating sustainable value creation.

Proposed steps:

- I. Integrate the core metrics into mainstream reporting.
- II. Alternatively, consider including the most important metrics in the annual report with reference to further metrics in the separate report.
- III. Advance the reporting to include the expanded metrics.
- IV. Integrate the metrics into the reporting cycle.
- V. Consider a reference table to enable the reader to locate the information in the various reports.

The ambition of the initiative is for companies to embark on a journey that leads to reporting on both core and expanded metrics.

Companies publishing separate sustainability reports might consider incorporating the most material indicators in the mainstream annual report and make reference to the further metrics in the separate, sustainability/ESG/ non-financial report. By adding a reference table containing a map of the reported metrics to the WEF IBC metrics, the reader will be able to locate the information and can represent suitable communication formats.

Stakeholders want to see progress rather than having to wait for the perfect solution. Companies should therefore start reporting on metrics as and when feasible, as opposed to waiting for the complete set of metrics to be ready before reporting.

Disclose or explain

While the recommended metrics and disclosures are intended to be universal and industry-agnostic, there may be instances when certain metrics are not feasible, relevant or easy to implement. This may be due to concerns about, for example, confidentiality constraints, legal prohibitions, data availability, geographic idiosyncrasies or lack of materiality. In these instances, an 'explain approach' outlining the specific information omitted and the reasons for these omissions, is encouraged.

From the start, the initiative focused on identifying metrics that can be subject to assurance to enhance transparency and alignment among corporations, investors and all stakeholders. From an assurance point of view, the market expectation is that the data and disclosure of the core set of WEF IBC metrics are verifiable and that the management of the company can stand behind their accuracy and completeness.

External assurance can serve to confirm the reliability of the non-financial data by an independent party.

When starting the journey of obtaining assurance, we recommend that companies begin with a readiness assessment to ensure that the data is ready for external assurance. We recommend to firstly undertake external assurance on the core set of WEF IBC metrics, and when feasible, broaden the scope of assurance by including the expanded set of WEF IBC metrics.

Two levels of assurance exist: limited, where the data is plausible in the view of the assurance provider — and reasonable, where the data is accurate and complete with a high level of certainty in the view of the assurance provider.

Most external assurance starts with a limited level of assurance as this involves less effort from both the assurance provider and the company. In addition, non-financial data collection and procedures are often not mature enough to start with reasonable assurance.

However, if companies state that the data are critical for their contribution to society and/or the success of their business, one would expect the data and reporting processes to be robust and the external assurance be at the highest (i.e. reasonable) level.

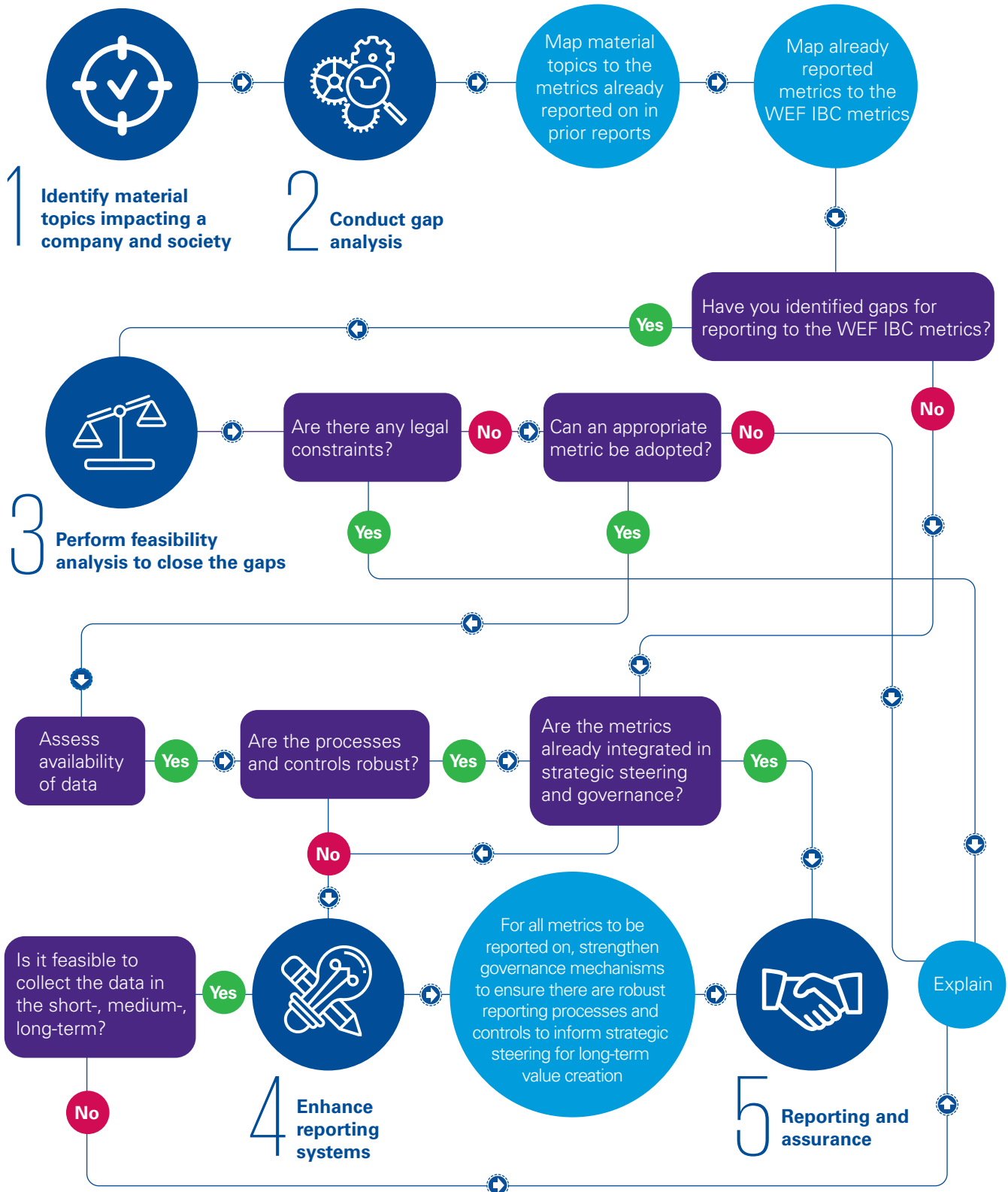
Proposed steps:

- I. Conduct a readiness assessment on the data.
- II. Start with limited assurance on the core metrics and then expand the level to the expanded metrics.
- III. Consider reasonable assurance on the data that is critical for the company's value creation.



In summary: an overview of the steps

The flow diagram below summarizes the steps that a company should take to align metrics reporting with the WEF IBC metrics.



How KPMG can help

KPMG IMPACT's network includes over seven hundred climate change and sustainability professionals working within more than 60 KPMG firms worldwide.

Local knowledge, global experience

Our network combines specialist sustainability expertise with in-depth understanding of the business landscape in the industry. At the same time, KPMG firms are connected through KPMG IMPACT and have access to KPMG firms' international experience for whatever challenge an organization faces.

Integrated services

As well as working shoulder-to-shoulder with clients, KPMG professionals work closely with colleagues right across the global organization including Tax, Audit, Risk Consulting, Deal Advisory and Management Consulting. This means KPMG firms are integrating sustainability services into a seamless solution for your business needs.

KPMG firms are specialists in strategy, sustainability reporting and assurance.

KPMG professionals can help you on your ESG journey to:



This means that we can assist you in all the stages of implementing the WEF IBC metrics into your reporting or alternatively provide assurance on the reporting.

We support the development of reporting requirements

For many years, KPMG has been shaping the sustainability reporting landscape. Our deep understanding and assistance in the development of external frameworks, give us a unique insight into best practice reporting and compliance with these frameworks.

Global Reporting Initiative (GRI)

Task Force on Climate-related Financial Disclosures (TCFD)

The Global Compact

Sustainability Accounting Standards Board (SASB)

International Integrated Reporting Council (IIRC)

CDP

World Business Council for Sustainable Development (WBCSD)

Appendix

To view a full set of the recommended core and expanded metrics and disclosures for each of the four pillars, see the Appendix on pages 48-82 of the [WEF's Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation Report](#).

For definitions of all key terms used in these metrics, refer to the Glossary at the end of the Appendix on pages 83-93 of the [WEF's Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation Report](#).

Watch the on-demand event for [Measuring Stakeholder Capitalism — How to consider the WEF metrics as a guide to consistent ESG](#). In this webinar, global leaders provide insights on the current reporting landscape, the importance of building long-term value creation including both financial and non-financial information, what the WEF paper entails and how it fits into the wider frameworks and how to start off with the WEF IBC metrics for your company — and what investors would be looking for.

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