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Resilient nations.*

GUIDE TO DRAFTING A SUSTAINABLE BUSINESS PROGRESS STATEMENT



Introduction

The Methodology for evaluating applications for the *SDG Business Pioneers Award in BiH*¹ will, first and foremost, facilitate regular reporting to firms on the sustainability of its development. It considers, *inter alia*, qualitative and quantitative indicators related to the SDGs. It is relevant to each firm, regardless of its size, sector or area of activity.

The Methodology² is intended not only as a consulting document for the application for the award, but also to facilitate regular reporting of companies on the sustainability of their development, as it, *inter alia*, considers the qualitative and quantitative indicators related to the Sustainable Development Goals (SDGs). It is relevant to each company, regardless of its size, sector, or area of activity.

The Methodology builds on existing sources in this area, especially on **SDG Compass** (jointly developed by UN Global Compact³, GRI and the World Business Council for Sustainable Development). It offers a starting point for companies trying to get acquainted with the SDGs and provides a very a detailed approach to defining priorities.

When determining priorities to implementing SDGs, the Methodology follows the approach consistent with:

- UN Guiding Principles on Business and Human Rights⁴
- Ten Principles of the UN Global Compact⁵
- OECD Guidelines for Multinational Enterprises⁶ and
- OECD Due Diligence Guidance for Responsible Business Conduct⁷.

Sustainability reporting helps businesses become aware of globally established and accepted SDGs, to set their own SDG-related goals, launch initiatives and projects related to the achievement of their own and thus global goals, thereby increasing the degree of their sustainability. The Sustainable Business Progress Statement provides information on the environmental, societal, and economic impacts of a business - whether positive or negative.

Internationally agreed benchmarks and indicators enable the information contained in companies' Sustainable Business Progress Statements to become accessible and comparable, providing stakeholders⁸ with quality information to make informed decisions.

¹ The SDG Business Pioneers Award in BiH is the annual award that is being given to promote private sector activities in the field of sustainable development of the country. For more information, see: <https://zamisli2030.ba/business-pioneers-2020/>

² For more information, see: An Analysis of the Goals and Targets, www.globalreporting.org/resourcelibrary/GRI_UNGC_Business-Reporting-on-SDGs_Analysis-of-Goals-and-Targets.pdf

³ For more information, see: the SDG Compass online platform at www.sdgcompass.org

⁴ For more information, see: https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

⁵ For more information, see: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

⁶ For more information, see: <http://mneguidelines.oecd.org/guidelines/>

⁷ For more information, see: <http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

⁸ Company stakeholders include customers, employees and other workers, trade unions, local communities, shareholders and other financiers, suppliers, and civil sector organizations.



In preparing the Methodology, we looked at the latest theoretical views and practices of various international and national bodies, questioning what is and what is not effective to derive best recommendations for the development of sustainable development practices in BiH companies.

Sustainable development, i.e. achieving a balance of economic, social, and environmental goals for the present and future generations, is one of the most difficult balances to be achieved in strategic planning. As practice shows, the biggest challenge of strategic planning is to adequately include social development, which is usually neglected or least involved in strategic planning, because very few countries have the developed capacity to consider and balance the social development. Countries' practices vary from a focus on the health consequences of environmental policies through care for ethnic minorities and gender balance, to comprehensive considerations of quality of life, sustainable consumption, and social relations (poverty, crime, employment, education, inequality) (OECD, 2006).

Strategic planning serves as a mechanism to transform goals and aspirations for sustainable development into concrete policies and actions. It began to develop systematically after World War II and over the past 70 years various paradigms have dominated the core of theory and practice.

Immediately after World War II, a focus on industrialization and growth existed. During the 1950s, the emphasis was on the stages of growth, 1960s on structural transformation, 1970s on dependency theory, 1980s and 1990s on the 'Washington Consensus', and since the 2000s a goal-based approach dominates. This approach led to the formulation of the Millennium Development Goals and their successors the Sustainable Development Goals (SDGs) (OECD, 2019), on which the goal-oriented business development is based on as well.

A goal-based approach is important for mobilizing society and the economy. In doing so, it is important that the private, civil, and public sectors can jointly say that the direction is good, that it is common, and that they follow it voluntarily.

In line with these recent views on the theory and practice of strategic planning, and keeping in mind the main dimensions of sustainable development (economic growth, social equality, and environmental protection), it can be said that the operationalization of sustainable development essentially comes down to evaluating and managing complex links between economic, social, and environmental goals.

It should be borne in mind that the OECD member countries, the 'rich countries' club', are also missing a foundational design and the implementation elements recommended by the OECD and the UN on the path to sustainable development (OECD, 2006: 7).



Involvement of the company in the achievement of the SDGs

This Methodology is a sketch of the process of incorporating Sustainable Development Goals (SDGs) into business operations and of how they can report on it, including applying for the award.

Therefore, the Methodology is not a unique guide of reporting of companies.

Companies can include SDGs in their operations in five steps, as suggested by SDG Compass⁹:

1. Understanding the SDGs
2. Determining the implementation priorities of the SDGs
3. Determining the company's sustainability goals
4. Integrating the company's goals into its operations
- 5. Reporting and communicating.**

Getting acquainted with the SDGs is the first step during which the company gains understanding of the opportunities and responsibilities that the SDGs represent for it. A company can increase its sustainability by implementing its ongoing and investment activities in such a way that it enhances the external effects of its activities, i.e. increases positives and minimizes negatives. This creates additional space for company growth and reduces the risks of actions.

Not all SDGs are equally relevant to BiH economy and its companies. Therefore, it is important that each company recognizes which of the SDGs are relevant to it - which present the greatest opportunities and risks for its activities and thus establish a hierarchy of SDGs and priorities in their implementation that will - if companies in the value chains in which the company is involved also accept this - secure a greater sustainability of each company individually.

Setting company goals common to all organizational parts and their employees is crucial to the operations of the company. Setting the goals of the company by taking into consideration the SDGs points to the fact that those responsible for the actions of the company are devoted to its sustainable development. If the management and business operations of the company are in line with the set goals, it is on the way to transform all aspects of its business, including the products and services it creates, relationships with clients, managing the value chain, selecting and utilizing the materials used in production, and distribution and transport network.

SDGs allow the company to prepare reports on its operations and to inform stakeholders and the general public based on the use of general indicators and a common set of priorities.

Table 1 gives an overview of the steps and activities involved in SDG embracement, with two added columns. Column 5 gives the results of a scientific study of what stage Japanese companies are at with regards to the implementation of the SDGs to show that there are difficulties in this process even within the G-7 countries.

⁹ For more information, see: SDG Compass, p.5, http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf



Table 1. Overview of steps and activities

1	2	3	4	5
Step	Name	Activity	Activity description	Stage in which Japanese companies are
1.	Understanding the SDGs	1.1	Getting acquainted with the SDGs	54%
		1.2	Aligning the business operations with the SDGs	
		1.3	Establishing minimal international (UN, ILO, etc.) and national standards of company operations	
2.	Determining the implementation priorities of the SDGs	2.1	Collecting and analyze data	22%
		2.2	Mapping value chains	
3.	Determining the company's sustainability goals	3.1	Establishing thematic areas of goals and key indicators of success	10%
		3.2	Establishing lower and desired perimeters for performance	
4.	Integrating the company's goals into its operations	4.1	Ensuring that all employees see how progress in achieving the SDGs represents value for the firm and how it contributes to the business goals of the company	22%
		4.2	Ensuring that the achievement of the SDGs is reported when considering the performance of the firm as well as when reporting on the company's reward system	
5.	Reporting and communicating	5.1	Reporting on accomplishments in accordance with globally respected standards (e.g. GRI standards, CDPs, etc.)	4%
		5.2	Communicating using globally accepted terminology	

Source: GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) (2015) and Global Compact Network Japan/Institute for Global Environmental Strategies (2017)



It is possible to summarize the five relational steps in a total of three steps, as it is done in GRI. Then, the first step is to identify the SDGs that are relevant to the company and prioritize them. The second step is to set business goals, analyze the level of achievement of each, and select the information to be disclosed about it, and the third step that involves advice and guidance on reporting and improving a company's SDG compliance.

The relational steps do not have a precisely determined sequence in time, but they can instead adapt to the circumstances of a given company.

GRI standards for economic, social, and environmental development

In the context of GRI standards, the economic dimension of sustainability relates to company effects both on the economic status of its stakeholders and on local, national, and global ecosystems.

For two decades, more precisely since 2000, thousands of companies from more than 90 countries have been using ***GRI Sustainability Reporting Standards*** when reporting to the public on their effects on economy, environment, and society.

Sustainability Reporting Standards were developed by the Global Reporting Initiative (GRI) (Global Reporting Initiative, GII). GRI is an independent, international organization that has been a pioneer, since 1997, in addressing sustainability reporting of companies. The mission of GRI is to empower decision makers around the world towards a more sustainable economy and the world through adherence to its standards, developed by its Global Sustainability Standards Board (GSSB).

It should be borne in mind that the Guidelines contain requirements, recommendations, and guidance.

GRI Standards are the latest modus of non-financial reporting and form the basis for reporting from companies. They are different from the previous reporting method, G4 Sustainability Reporting Guidelines¹⁰ - new sets of interconnected modules were introduced using the 33 GRI themes. Reporting on these effects enables organizations and their stakeholders to understand their contribution to sustainable development.

1. Topics of reporting

1. Economic topics

The economic dimension of sustainability refers to the company's effects on the economic status of stakeholders as well as local, national, and global ecosystems. It

¹⁰ For more information, see: <https://www2.globalreporting.org/standards/g4/Pages/default.aspx>



looks at capital flows between the various donors and the key economic effects of the firm. These concepts are covered by key instruments of OECD.

Table 2. GRI standards of the economic topics of reporting

Ordinal no.	GRI standard		GRI topic	
	Code	Name	Code	Name
1	201	Economic performance	201-1	Direct economic value generated and distributed
2			201-2	Financial implications and other risks and opportunities due to climate change
3			201-3	Defined benefit plan obligations and other retirement plans
4			201-4	Financial assistance received from government
5	202	Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
6			202-2	Proportion of senior management hired from the local community
7	203	Indirect economic impacts	203-1	Infrastructure investments and services supported
8			203-2	Significant indirect economic impacts
9	204	Procurement practices	204-1	Proportion of spending on local suppliers
10	205	Anti-corruption	205-1	Operations assessed for risks related to corruption
11			205-2	Communication and training about anti-corruption policies and procedures
12			205-3	Confirmed incidents of corruption and actions taken
13	206	Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Source: United Nations Global Compact and Stichting Global Reporting Initiative (2018)



2. Environmental topics

Ordinal no.	GRI standard		GRI topic	
	Code	Name	Code	Name
1	301	Materials	301-1	Materials used by weight or volume
2			301-2	Recycled input materials used
3			301-3	Reclaimed products and their packaging materials
4	302	Energy	302-1	Energy consumption within the organization
5			302-2	Energy consumption outside of the organization
6			302-3	Energy intensity
7			302-4	Reduction of energy consumption
8			302-5	Reductions in energy requirements of products and services
9	303	Water and effluents	303-1	Interactions with water as a shared resource
10			303-2	Management of water discharge-related impacts
11			303-3	Water withdrawal
12			303-4	Water discharge
13			303-5	Water consumption
14	304	Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
15			304-2	Significant impacts of activities, products, and services on biodiversity
16			304-3	Habitats protected or restored
17			304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
18	305	Emissions	305-1	Direct (Scope 1) GHG emissions
19			305-2	Energy indirect (Scope 2) GHG emissions
20			305-3	Other indirect (Scope 3) GHG emissions



21			305-4	GHG emissions intensity
22			305-6	Emissions of ozone-depleting substances (ODS)
23			305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions
24	306	Effluents and waste	306-2	Waste by type and disposal method
25			306-3	Significant spills
26			306-4	Transport of hazardous waste
27	307	Environmental compliance	307-1	Non-compliance with environmental laws and regulations
28	308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria
29			308-2	Negative environmental impacts in the supply chain and actions taken

Source: United Nations Global Compact and Stichting Global Reporting Initiative (2018)



3. Social topics

Ordinal no.	GRI standard		Topic	
	Code	Name	Code	Name
1	401	Employment	401-1	New employee hires and employee turnover
2	402	Labor Management Relations	402-1	Minimum notice period regarding operational changes
3	403	Occupational Health and Safety	403-1	Occupational health and safety management system
4			403-2	Hazard identification, risk assessment, and incident investigation
5			403-3	Occupational health services
6			403-4	Worker participation, consultation, and communication on occupational health and safety
7			403-5	Worker training on occupational health and safety
8			403-6	Promotion of worker health
9			403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
10			403-8	Workers covered by an occupational health and safety management system
11			403-9	Work-related injuries
12			403-10	Work-related ill health
13	404	Training and Education	404-1	Average hours of training per year per employee
14			404-2	Programs for upgrading employee skills and transition assistance programs
15			404-3	Percentage of employees receiving regular performance and career development reviews
16	405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees
17			405-2	Ratio of basic salary and remuneration of women to men
18	406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
19	407	Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
20	408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor
21	409	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor



22	410	Security Practices	410-1	Security personnel trained in human rights policies or procedures
23	411	Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples
24	412	Human Rights Assessment	412-2	Employee training on human rights policies or procedures
25			412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
26	413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs
27			413-2	Operations with significant actual and potential negative impacts on local communities
28	414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria
29			414-2	Negative social impacts in the supply chain and actions taken
30	415	Public Policy	415-1	Political contributions
31	416	Customer Health and Safety		Assessment of the health and safety impacts of product and service categories
32				Incidents of non-compliance concerning the health and safety impacts of products and services
33	417	Marketing and labeling	417-1	Requirements for product and service information and labeling
34			417-2	Incidents of non-compliance concerning product and service information and labeling
35			417-3	Incidents of non-compliance concerning marketing communications
36	418	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
37	419	Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area

Source: United Nations Global Compact and Stichting Global Reporting Initiative (2018)



B. Sustainable Business Progress Statement

Sustainable Business Progress Statement should be based on the principles of the UN Global Compact, because these principles are the minimum standards that a firm needs to adhere to in their actions. The minimum requirement of the UN Global Compact for Sustainable Business Progress Statement, so for Sustainable Business Progress Statement too, is that firms should report to stakeholders on their own progress on an annual basis.

Sustainable Business Progress Statement should be included in the announcements to be made to major stakeholders, to a minimum in the annual business report, and hopefully, as far as possible, in a separate report on sustainability.¹¹

There is no statutory form in which companies need to lay out their Sustainable Business Progress Statement, although there are three minimum elements of this content:

1. *Statement by the managing director* showing continued support for UN Global Compact, its initiatives and principles of action,
2. Description of practical activities (e.g. presenting relevant policies, procedures, and measures) that the firm has taken (or plans to do) regarding the implementation of the principles
3. Measuring results, such as the degree to which performance goals have been achieved, or through other qualitative or quantitative ways of measuring results.

The relevant authorities in Bosnia and Herzegovina will monitor which BiH firms are publishing their Sustainable Business Progress Statement and, depending on the quality of these reports, group them into three groups: (i) active firms, (ii) advanced firms, and (iii) extremely advanced firms. The Methodology is presented in a separate document.

¹¹ In order to prepare the Sustainable Business Progress Statement more easily, it is useful for the company to join the United Nations Global Compact, after which it gets a company-specific deadline related to the inclusion date. Newcomers to the UN Global Compact must submit their first Sustainable Business Progress Statement one year after inclusion, and other members one year after their last submission.