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Compared to What?
A Three-Tiered Typology of Sustainable Development Performance Indicators

From Incremental to Contextual to Transformational

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prepared for the UNRISD project
Sustainable Development Performance Indicators

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The United Nations Research Institute for Social Development (UNRISD) is an autonomous research institute within the UN system that undertakes multidisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

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Introduction to Working Papers on Sustainable Development Performance Indicators

This paper is part of a series of outputs from the research project on Sustainable Development Performance Indicators.

The project seeks to contribute to assessing and improving methodologies and indicator systems that measure and evaluate the performance of a broad range of economic entities in relation to the vision and goals of the 2030 Agenda. It assesses the adequacy of existing methods and systems for gauging the contribution of enterprises to achieving the Sustainable Development Goals (SDGs); expand the scope of sustainability measurement, disclosure and reporting beyond for-profit enterprises to encompass enterprises and organizations that make up the social and solidarity economy; identify data points and indicators related to SSE that may inform conventional approaches to sustainability measurement associated with for-profit enterprises; identify and test a set of sustainable development impact indicators that can address the 21st century challenges.

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Working Papers on Sustainable Development Performance Indicators

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Bill Baue, October 2019

Sustainable Development Impact Indicators for Social and Solidarity Economy: State of the Art
Gabriel Salathé-Beaulieu with Marie J. Bouchard and Marguerite Mendell, October 2019

Summary

Compared to what? That's the key question this report asks, when it comes to assessing sustainable development performance. So-called sustainable development indicators abound, but do they actually *do* what they *purport* to do? *Not really*, argues Bill Baue in this report: almost no current sustainable development indicators, that is, actually indicate sustainable development.

Why not? To answer this question, it helps to ask, *compared to what?* Current sustainable development indicators typically compare performance to incremental goalposts – *less this, less that* – which, of course, doesn't actually tell us anything about the *sustainability* of the impacts. To remedy this, the report invokes the Sustainability Quotient (S = A/N), which compares *actual* impacts (in the numerator) to *normative* impacts (in the denominator) to calibrate *sustainability*.

To illustrate this distinction, the report introduces a multi-tiered typology of sustainable development performance indicators. The first tier encompasses "numeration" indicators, which look at *actual* impacts (and sometimes compare them to other companies, or past performance, or incremental goals); a second tier adds a denominator to compare actual impacts to *normative* impacts, to determine if performance is indeed sustainable – or not. The typology adds a third tier, which steps beyond asking *if* to ask *how* sustainable development is achieved – specifically by indicating transformation from existing unsustainable systems.

- **Tier One: *Incrementalist Numeration***

  Numeration indicators focus on actual impacts, which include absolute indicators as well as "intensity" indicators that describe performance relative to a non-normative counterpart (such as unit of production), and are therefore incrementalist by definition.

- **Tier Two: *Contextualized Denomination***

  Denomination indicators contextualize actual impacts against normative impacts. Also known as "Context-Based" indicators, denominator indicators take into account sustainability thresholds in ecological, social, and economic systems, as well as allocations of those thresholds to organizations and other sub-system entities such as sectors, portfolios, or bioregional habitats.

- **Tier Three: *Activating Transformation***

  Transformation indicators add transcontextual elements of implementation practices and policies (as well as more ephemeral emergence) to normative indicators in order to instantiate sufficient change within complex adaptive systems.

The report also identifies specific shortcomings in current practice, and recommends solutions for improved practice. This Three-Tiered Typology sets the stage for identifying specific indicators on each tier that are most promising for tracking progress toward achieving sustainable development.

The report ends with a set of Recommendations:

- All entities that have impacts on vital capital resources that stakeholders rely on for their wellbeing have duties and obligations to measure, manage, and report on these impacts using **Tier Two** (*Contextualized Denomination*) indicators that allocate their fair-share impacts on these common capital resources within the thresholds of their carrying capacities.

- Multilateral organizations (such as UN bodies) should collaborate to create a global governance body of scientists, academics, business practitioners, NGOs and other stakeholders to provide guidance on methodologies for determining ecological and social thresholds, as well as guidance on approaches to allocations, all of which are readily and broadly applicable in practice by business, investment, and governing organizations, among others.
- Organizations with purview over reporting and accounting should embrace Context-Based mindsets by integrating **Tier Two** (*Contextualized Denomination*) indicators more explicitly into their frameworks, for example by applying the concept of carrying capacities to multiple capitals-based frameworks.
- All relevant organizations and bodies should promote research and development as well as broad incubation and implementation of **Tier Three** (*Activating Transformation*) indicators.

Bill Baue, an internationally recognized expert on Thriveability, Sustainability Context, and Online Stakeholder Engagement, is a co-founder of r3.0, Sustainability Context Group, Sea Change Radio, and Currnt. He currently serves as Senior Director of r3.0, where he oversees the Blueprint Projects that are crowdsourcing redesign templates for the fields of reporting, accounting, data, new business models, sustainable finance, and value cycles. He is also currently leading the establishment of the Global Thresholds & Allocations Council, and is undertaking research for the International Integrated Reporting Council (IIRC) in addition to UNRISD. Bill Baue has worked with organizations across the sustainability ecosystem, including Audubon, Cabot Creamery Coop, Ceres, GE, Harvard, United Nations Environment Programme, Walmart, and Worldwatch Institute. He serves on the Technical Advisory Group of the Science Based Targets initiative, and as a Senior Advisor to Preventable Surprises.

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Contents

Acronyms

CBS	Context-Based Sustainability
CDP	Carbon Disclosure Project
CO2	Carbon dioxide
ERM	Enterprise risk management
FTE	Full-time equivalent
GDP	Gross domestic product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GTAC	Global Threshold & Allocation Council
H1	Horizon One
H2	Horizon Two
H3	Horizon Three
IIRC	International Integrated Reporting Council
IPCC	Intergovernmental Panel on Climate Change
LSC	Large Systems Change
MCS	MultiCapital Scorecard
S=A/N	Sustainability = Actual Impacts / Normative Impacts
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNRISD	United Nations Research Institute for Social Development