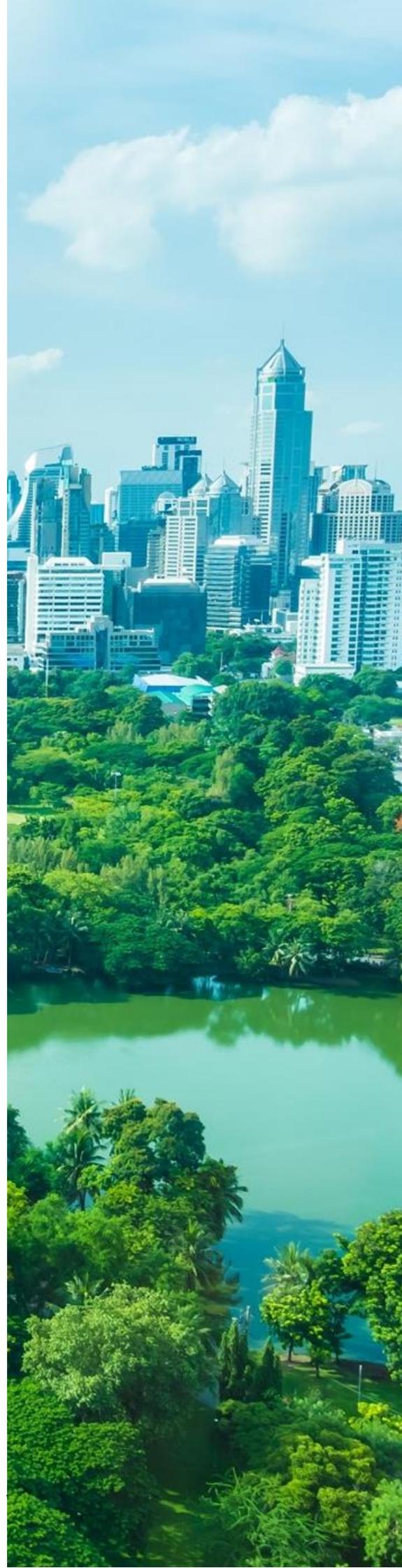




White Paper on Project Savannah: Common ESG Metrics for Generating Digital Sustainability Credentials for MSMEs

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Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is a not-for profit organization created to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF services ensure the operational integrity of the Global LEI System. GLEIF also makes available the technical infrastructure to provide, via an open data license, access to the full global LEI repository free of charge to users. GLEIF is overseen by the Regulatory Oversight Committee, which is made up of representatives of public authorities from across the globe. The Legal Entity Identifier (LEI) is a 20-character, alphanumeric code based on the ISO 17442 standard. The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. It provides a universally recognized identifier paired with essential entity data, rigorous verification processes and high data quality.



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Executive Summary

Corporates and businesses today face escalating sustainability reporting requirements from regulators, financial institutions, and supply chain partners. As these reporting requirements become more prevalent, Micro, Small, and Medium-sized Enterprises (MSMEs), integral to larger firms' supply chains, will increasingly fall within the purview of sustainability reporting schemes. They require support to navigate and fulfill these evolving requirements.

Launched in June 2023 as a collaborative effort between the UNDP, MAS, and GLEIF, Project Savannah aims to provide a strong starting point, piloting a proof of concept to aid MSMEs in their sustainability reporting journey. It aims to establish a set of basic Environmental, Social, and Governance (ESG) metrics for common adoption by MSMEs worldwide. The initiative harnesses technology and verified data (where available) for a streamlined reporting process. This will facilitate simplified data collection, storage, verification, and transmission to third-parties for business purposes. Over time, the systematic collection of data will enable MSMEs to access capital, tap into supply chains, and unlock new business opportunities.

Objectives and Approach

Project Savannah aims to empower MSMEs in their sustainability reporting journey through three key pillars: Metrics, Technology, and Opportunities.

- The **Metrics** pillar focuses on establishing a globally relevant and harmonized set of common ESG metrics for MSMEs to generate basic ESG credentials for their key stakeholders, including regulators, financial institutions, and supply chain partners.
- The **Technology** pillar focuses on matchmaking MSMEs to innovative solutions that simplify ESG data collection and reporting, making it cost-effective and user-friendly for MSMEs to evaluate and report their sustainability performances against the common baseline metrics.
- The **Opportunities** pillar focuses on harnessing Legal Entity Identifiers (LEIs) to facilitate the transmission of verifiable ESG data to financial institutions (FIs) and multinational corporations (MNCs) to promote access to green procurement, financing, and supply chain opportunities.

Significance of MSMEs in Global Economy

MSMEs constitute the backbone of economies worldwide, contributing significantly to employment, GDP, and inclusive growth. Despite their importance, many MSMEs face challenges in sustainability reporting, particularly concerning financially material ESG data. These difficulties arise from resource constraints and the complexity of existing reporting requirements.

Addressing ESG Reporting for MSMEs

To address these challenges, Project Savannah emphasizes streamlining reporting requirements through an accessible, automated, and bite-sized approach. Simplifying and standardizing ESG metrics is identified as a critical enabler, tailored to the capacities and profiles of MSMEs. Technology can significantly lower business costs, manual effort, and barriers to reporting high quality entity specific data.

Digitalization Challenges and Solutions

Acknowledging digitalization challenges, the project advocates for an ecosystem approach via participation of global, regional, and in-country solution providers

as well as data sources. The implementation of technological solutions should focus on significantly reducing barriers to entry for MSMEs to undertake ESG reporting.

Global Identity Standard and LEI Issuance

A globally accessible and verified digital identity framework is essential for trusted sharing of common ESG data across multiple endpoints. GLEIF's LEI is an example which can serve as a digital passport for MSMEs, strengthening their global visibility and credibility.

Impact and Collaboration

Project Savannah seeks to be the starting point which could inspire a common framework for ESG data disclosure by MSMEs. Further collaboration with government agencies, financial institutions, standard-setting bodies, and technology solution providers is crucial to bolster MSMEs' efforts to report ESG data. Empowering MSMEs in ESG integration elevates their global standing and unlocks opportunities for improved financing and partnerships. It also positions MSMEs to navigate evolving sustainability regulations, encompassing current and upcoming initiatives within domestic and international jurisdictions. These include the Corporate Sustainability Reporting Directive (CSRD) in Europe, the IFRS Sustainability Disclosure Standards introduced by the International Sustainability Standards Board (ISSB), and the climate proposal by the United States Securities and Exchange Commission (US SEC).



Introduction

Amid the global trend of increasing scrutiny of companies' ESG performance and the demand for greater supply chain transparency, MSMEs face mounting pressure from stakeholders such as corporate partners, regulators, and consumers to start disclosing their sustainability performance.

However, MSMEs encounter challenges in their sustainability journey due to complex reporting frameworks and limited resources. A key challenge is the absence of a baseline set of ESG metrics tailored for MSMEs, along with relevant tools to facilitate reporting at low cost. Overcoming such challenges is crucial for MSMEs to navigate sustainability reporting, gain access to financing, and seize trade opportunities. Innovative and cost-effective solutions are needed for acquiring, processing, and refining relevant, consistent, and trustworthy data.

Launched in June 2023, Project Savannah is a collaborative effort between the UNDP, MAS and GLEIF to **develop basic ESG digital credentials for MSMEs globally**, providing them with a bite-sized approach to articulate and convey their basic ESG profile to external stakeholders and market participants (e.g. governments, customers, banks). It aims to help MSMEs meet reporting requirements, address ESG risks, and capitalize on additional ESG opportunities, including better access to green financing and cross-border supply chain opportunities, ultimately delivering net benefits to the economy.

Project Savannah aims to establish a baseline standard that MSMEs can report against, in order to track progress, identify regressions, and foster heightened awareness among managers regarding specific metrics and the impact of their decisions, particularly in relation to access to financing.

Project Savannah is supported by three key pillars, each designed to empower and support MSMEs in their sustainability journey:

1. Metrics:

The first pillar focuses on harmonizing ESG metrics for MSMEs. It involves the creation of a minimum viable set of ESG metrics for MSMEs. This facilitates the generation of basic ESG credentials, providing a common, coherent, and internationally recognized set of data points for MSMEs.

2. Technology:

The second pillar centres on leveraging technology solutions to simplify the ESG data collection, validation, and reporting process. Solutions should endeavour to utilize verifiable data where available and establish mechanisms both to validate MSME inputs in cases where such data is lacking and produce derived data. By harnessing innovative solutions and collaborating with industry partners, Project Savannah aims to empower MSMEs to collect and report their ESG data in a simple, repeatable, and cost-effective manner.

3. Opportunities:

The third pillar focuses on creating a robust network of opportunities for MSMEs. Project Savannah envisages the use of widely adopted frameworks, such as the issuance of LEIs to MSMEs to facilitate the housing and transmission of their verifiable ESG data. Through engagement with stakeholders across MSMEs' value chain like regulators, FIs, and MNCs, the initiative aims to leverage this data for enhanced access to green procurement, financing, and supply chain opportunities. This comprehensive network will thus support and amplify sustainable business practices for MSMEs.

Motivation

MSMEs form the backbone of economies, accounting for around 90% of businesses, over 60% of employment and 50% of GDP worldwide¹. MSMEs play an important role in economic and social development by fostering value-adding activities, taking part in global supply chains, driving innovation, and promoting inclusive growth through the creation of job opportunities.

With the regulation of ESG factors emerging as a global priority, there will be a substantial rise in demand for corporate disclosure on sustainability. Large companies under such impending regulations will need to adjust their respective ESG reporting approaches to meet requirements. This entails obtaining data from their end-to-end value chain partners, including MSMEs.

MSMEs are critical stakeholders with material impacts to global net zero ambitions. They collectively account for at least 50% of Greenhouse Gas (GHG) emissions in the business sector². Despite this, surveys indicate that most MSMEs are in the early stages of their net zero journey, implementing only basic actions to reduce their carbon footprint. As a result, corporates encounter challenges in assessing and disclosing the sustainability impacts of their smaller suppliers, particularly MSMEs positioned at the tail end of their supply chains.

For MSMEs to maintain access to target market segments, collaboration with corporate counterparts to account for sustainability performance becomes essential. This dynamic will drive a transformation in how sustainability data for MSMEs are incorporated and reported. While ESG disclosure frameworks have aided in structuring discussions on sustainability topics, differences in opinion, particularly on materiality and impact,

present challenges to achieving global alignment.

Given the considerable scale and significance of this segment, active engagement by MSMEs in effectively taking part in addressing global ESG challenges is critical. Project Savannah aims to facilitate such participation, ensuring their voices are heard in the process.

MSMEs face considerable challenges in transitioning to impact-driven decision-making, primarily due to a lack of guidance and direction. This challenge is further compounded by the scarcity and, when available, complexity of information in this domain. The business rationale for ESG reporting remains less than robust, as MSMEs often lack the necessary guidance, capacities, and direction to improve reporting and management practices aligned with ESG aspirations. The intricate nature of existing reporting requirements, tailored primarily for larger corporations, magnifies these challenges. Many MSMEs find themselves ill-equipped to accurately measure their ESG impacts, further hindering the generation of sustainability data. As a result, sustainability information from MSMEs tends to be both scarce and inconsistent, impeding global efforts to advance Sustainable Development Goals (SDGs) and related intergovernmental agreements.

Navigating multiple and often conflicting ESG reporting frameworks exacerbates challenges for organizations. The existence of over 600 global ESG frameworks leads to fragmentation in reporting efforts, impeding consistency and trustworthiness. Moreover, the associated costs, encompassing data collection preparation and third-party services, introduces an additional layer of complexity to the reporting landscape.

Addressing these hurdles necessitates a dual approach: streamlining reporting

requirements with an accessible, bite-sized approach and providing MSMEs with the requisite expertise through concise and targeted learning. This must be deployed in conjunction with a set of incentives to make disclosure attractive, such as better access to sustainable financing, cross-border trade opportunities, or government contracts.

Simplifying and standardizing ESG metrics emerges as a critical enabler for MSMEs to objectively gauge their environmental, social, and governance impacts. Tailoring these metrics to the distinctive capacities and profiles of MSMEs, as opposed to imposing uniform criteria designed for larger enterprises, will facilitate their successful integration into the global sustainability landscape. Adopting a common baseline set of metrics also does not negate regional or sector specificities, including those driven by regulatory

requirements, as this common baseline can and should be complemented by metrics supporting needs induced by the local context and global trade relationships.

Efforts should be directed towards enabling inclusive and technologically supported data collection and verification, considering the heterogenous nature of data infrastructure, policy, and legal frameworks, as well as considerations of data quality, availability, and sources at the local level. Further details on the practical implementation of this approach are elaborated in the Pillar 2: Technology section of this report.

The pressing ESG agenda requires strong MSME participation on a global scale. **Implementing an internationally relevant baseline framework for ESG data disclosure by MSMEs is the first step on this journey.**

Significance of MSMEs in Global ESG Challenges

- ❖ The definition of MSMEs vary from country to country, and is based not only on number of employees, but also by inclusion of other variables such as turnaround and assets. According to the World Bank³, MSMEs are defined as follows – Micro Enterprises: 1-9 employees; Small Enterprises: 10-49 employees; and Medium Enterprises: 50-249 employees.
- ❖ While MSMEs play a vital role for countries to reach their net zero goals, many are still in the early stages of their journey, taking only basic steps to reduce carbon footprints. Beyond greenhouse gas reduction, MSMEs also have diverse social impacts in employment, gender equality, inclusion, and community participation, collectively contributing to their overall influence.
- ❖ Providing clear guidance and direction can ensure that these impacts are positive and enhance the potential contributions of MSMEs to broader societal goals.

¹https://unctad.org/system/files/information-document/diaeed_2021_06_28_en_concept_note_0.pdf

²<https://www.oecd.org/coronavirus/en/data-insights/sustainable-smes>

³https://www.smefinanceforum.org/sites/default/files/analysis_note_2010.pdf

Pillar 1: Metrics

1.1 Overview

In the effort to outline a reporting framework, Project Savannah attempts to propose a baseline set of metrics for common adoption by MSMEs globally. The metrics were formulated through an analysis of leading global sustainability reporting frameworks encompassing the GHG Protocol, ISSB standards, and the UN SDGs.

The preliminary set of metrics proposed by Project Savannah aims to allow MSMEs to better measure, track and report their ESG performance, and seeks to supply verified data to inform global initiatives on charting more efficient pathways to a sustainable future. In addition, these metrics will enable the establishment of digital credentials that will enhance MSMEs' capacity to tap into the expanding realm of green finance and global supply chain opportunities. Importantly, Project Savannah does not introduce a divergent standard for MSMEs but articulates a starting point for them to progress towards a fuller reporting aligned with prevailing

global standards. As such, the project aims to engage with the ISSB and other major standards bodies to ensure that the metrics continue to be developed and refined in alignment with international standards.

This baseline set has also been developed with initial input from UNDP offices across the globe to understand the feasibility of various metrics and potential implementation methods. Consequently, the metrics should be regarded as a starting point in contrast to more sophisticated approaches such as the IFRS S2, and which will be tested and improved over time.

These metrics, consisting of 6 Environmental, 5 Social, and 4 Governance disclosures, are designed to direct reporting companies' focus on how sustainability issues affect their businesses and on how their businesses impact people and the environment. Quantitative metrics and binary questions have been outlined with the intent of simplifying the task of ESG reporting for MSMEs.

Category	Proposed Metrics	Rationale	Possible Data Sources	Mapping to Global ESG Frameworks/ Standards
Environmental	Scope 1 GHG Emissions <ul style="list-style-type: none"> Direct emissions from company facilities or vehicles Combustion of fuels in sources like boilers or trucks 	Setting GHG emissions reduction targets and tracking progress	Utility bills, invoices, mileage records	<ul style="list-style-type: none"> GHG Protocol – Scope 1 UN SDG – 12 and 13 ISSB – IFRS S1 and S2
	Scope 2 GHG Emissions <ul style="list-style-type: none"> Indirect emissions from purchased electricity generated outside the organisation Calculated using location-based or market-based methods 	Setting GHG emissions reduction targets and tracking progress	Utility bills, Renewable Energy Certificates	<ul style="list-style-type: none"> GHG Protocol – Scope 2 UN SDG – 12 and 13 ISSB – IFRS S1 and S2
	Calculation Intensity <ul style="list-style-type: none"> GHG emissions, energy and water consumptions, divided by business specific metrics such as revenue, manpower, gross floor area 	Improving efficiency in operations	Emissions, energy, and water data, income statements, HR system, property agreement	<ul style="list-style-type: none"> GHG Protocol – Scope 1 and 2 UN SDG – 12 and 13 ISSB – IFRS S1 and S2
	Energy Consumption <ul style="list-style-type: none"> Total fuel consumed by sources owned or controlled by the MSME Total energy consumption of electricity, steam, heat, cooling Share of energy from renewable and non-renewable sources 	Reporting energy consumption with intent to increase share of renewables	Utility bills, renewable energy sources	<ul style="list-style-type: none"> UN SDG – 7, 12 and 13 ISSB – IFRS S1 and S2
	Water Consumption <ul style="list-style-type: none"> Total water consumed by the organisation 	Implementing effective water management processes	Water meters, water utility bills	<ul style="list-style-type: none"> UN SDG – 6, 12 and 13 ISSB – IFRS S1 and S2
	Waste Generation <ul style="list-style-type: none"> Total waste generated Breakdown indicating the proportion of non-hazardous waste 	Enabling sustainable waste disposal	Waste management invoices	<ul style="list-style-type: none"> UN SDG – 12 and 13 ISSB – IFRS S1 and S2
Social	Headcount <ul style="list-style-type: none"> Total headcount of employees and tenure of employees 	Reflecting recruitment and labor practices	HR system, payroll system, employee identification (against data schema)	<ul style="list-style-type: none"> UN SDG – 8 ISSB – IFRS S1 and S2
	Youth Hires <ul style="list-style-type: none"> Number & percentage of employees in different age groups 	Reflecting commitment to diversity and equal opportunity	HR system, payroll system, employee identification (against data schema)	<ul style="list-style-type: none"> UN SDG – 8 ISSB – IFRS S1 and S2
	Women Hires <ul style="list-style-type: none"> Number & percentage of women in the workforce 	Reflecting commitment to diversity and equal opportunity	HR system, payroll system, employee identification (against data schema)	<ul style="list-style-type: none"> UN SDG – 5 and 8 ISSB – IFRS S1 and S2
	Workplace Safety <ul style="list-style-type: none"> Number of work-related incidents resulting in damage or injury 	Enhancing occupational health and safety management	HR system, corporate insurance account	<ul style="list-style-type: none"> UN SDG – 8 ISSB – IFRS S1 and S2
	Financial Inclusion <ul style="list-style-type: none"> Various payment options available to employees 	Developing financial inclusion solutions	Employee handbook, payroll	<ul style="list-style-type: none"> UN SDG – 8 ISSB – IFRS S1 and S2
Governance	Business Registration <ul style="list-style-type: none"> Firm's business registration identification number 	Ensuring credentials as per local regulations	Registration certificate, registration number, registered bank account	<ul style="list-style-type: none"> UN SDG – 16 ISSB – IFRS S1 and S2
	Business Compliance <ul style="list-style-type: none"> Certificates for compliance with tax, safety, zoning, etc. 	Maintaining compliance with jurisdiction's laws	Business certificates for safety & zoning, tax receipts	<ul style="list-style-type: none"> UN SDG – 16 and 17 ISSB – IFRS S1 and S2
	Accurate Financial Records <ul style="list-style-type: none"> Accurate bookkeeping reflecting true financial position of the firm 	Empowering internal and external users of financial statements to make informed decisions	Financial accounting system, tax receipts	<ul style="list-style-type: none"> UN SDG – 16 ISSB – IFRS S1 and S2
	Transparency in Financial Transactions <ul style="list-style-type: none"> Transparent and clearly displayed pricing, accurate receipts and invoices 	Enhancing firm's credibility and access to capital	Financial accounting system	<ul style="list-style-type: none"> UN SDG – 16 ISSB – IFRS S1 and S2

Environment

Environmental metrics are mainly quantitative measures intended to encourage MSMEs to track their GHG emissions, energy or water consumption and waste generation over time.

This data collection and monitoring serves as a foundation for climate-related strategies and policies.

Social

Quantifying social impact tends to be more challenging for companies relative to climate reporting. Project Savannah's metrics along the social dimension focus on identifying and disclosing basic characteristics of the organisation's workforce and employment policies that reflect a broad level of commitment to diversity, equity, and inclusion.

Governance

The Governance metrics shed light on the comprehensiveness of MSMEs' level of data regarding their business registration, business compliance, accuracy in financial reporting, and transparency in financial transactions. The governance dimension also prioritises compliance with local rules and regulations, highlighting the significance of regional context in meeting the goals of Project Savannah. Over time, the systematic collection of data in accordance with these metrics can allow for better decision-making, optimizing net positive impact and enabling leadership from the top to take a proactive stance on sustainability issues.

1.2. Environmental Metrics

Proposed Metrics

Scope 1 GHG Emissions

- ▶ Direct emissions from company facilities or vehicles arising from sources owned or controlled by the MSME, e.g. boilers, trucks
- ▶ Data source(s): Utility bills, invoices, mileage records

Scope 2 GHG Emissions

- ▶ Indirect emissions from purchased electricity generated outside the MSME calculated using location-based or market-based methods
- ▶ Data source(s): Utility bills, Renewable Energy Certificates

Calculation Intensity

- ▶ GHG emissions, energy and water consumptions, divided by revenue, manpower, gross floor area
- ▶ Data source(s): Emissions, energy, and water data, income statements, HR system, property agreement

Energy Consumption

- ▶ Disclose total energy usage, energy intensity ratios and portion of renewable energy
- ▶ Data source(s): Utility bills, renewable energy sources

Water Consumption

- ▶ Report total water consumption from all sources and water use intensity
- ▶ Data source(s): Water meters, water utility bills

Waste Generation

- ▶ Disclose the type of waste and the total weight of waste generated indicating the proportion of non-hazardous waste
- ▶ Data source(s): Waste management invoices

United Nations Sustainable Development Goals (UN SDGs)

6 CLEAN WATER AND SANITATION

- ▶ Integrated and sustainable management of water resources with increased water use efficiency

7 AFFORDABLE AND CLEAN ENERGY

- ▶ Improving access to affordable, clean, reliable and modern energy via greater energy efficiency

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- ▶ Sustainable corporate consumption & production with the help of environmentally sound resource management

13 CLIMATE ACTION

- ▶ Taking actions to combat climate change and its impacts by integrating climate change measures into strategies

Absolute Emissions

GHGs trap heat in the atmosphere and contribute to the greenhouse effect. In line with global treaties such as the Paris Agreement, countries develop national targets to reduce their GHG emissions, which must be supported by corresponding targets at the corporate level.

For businesses, setting targets and tracking progress over time require the measurement and reporting of GHG emissions. Those emissions may be categorized in different scopes: Scope 1, which are those produced by the reporting entity's own operations; Scope 2, which are those emitted in the process of producing the energy the firm uses; and Scope 3, which are the emissions along the value chain that do not derive from the production of goods and services but are rather generated in other parts of the value chain, for example, use and disposal.

MSMEs are advised to track activities that contribute to the release of GHGs across Scopes 1 and 2. The underlying data for reporting on absolute emissions depends on the activity and includes examples such as power invoices for electricity usage or mileage records for vehicular emissions. Scope 3 reporting involves more complex methods, which pose a higher burden on the reporting entity and therefore may be deemed excessive to require of most MSMEs. For this reason, Project Savannah has not included Scope 3 in the proposed framework.

Absolute Gross Scope 1

Absolute Gross Scope 1 emissions are direct emissions that arise from sources that are owned or controlled by the MSME, i.e., from company facilities and vehicles. Combustion of fuels in sources like boilers, furnaces, turbines, and trucks emit Scope 1 emissions. An MSME may gather activity data such as fuel purchase records, fuel

type, vehicle type, distances travelled, etc. to calculate these emissions.

Absolute Gross Scope 2

Unlike Scope 1, Scope 2 emissions are indirect because they do not occur from sources that are owned or controlled by the MSME. Rather, they encompass purchased electricity that is generated outside the organization but is consumed by the organization, i.e., emissions from purchased electricity, steam, heat, and cooling for own use. Absolute Scope 2 emissions can be calculated via the location-based or market-based methods:

- **Location-based:** Emissions are calculated based on the average emissions intensity of the electricity grid in the geography the facility is in.
- **Market-based:** Emissions calculations reflect the energy sources that the MSME uses and incorporate terms from the contracts or energy attribute certificates.

Calculation Intensity

Intensity calculates the ratio of the MSME's GHG emissions, energy consumption, and water consumption relative to a business-specific parameter. Project Savannah recommends using revenue, manpower, and gross floor area as the preliminary intensity denominators.

Intensity targets aim to reduce this ratio over time. An MSME may focus on monitoring a year-over-year trend within the organization or comparing its intensity metrics to that of its peers.

Energy

Purchased or self-generated electricity, along with energy from sources of heat, steam or cooling play a critical role in meeting energy requirements for many MSMEs.

MSMEs are advised to report the total energy consumption within the firm, as well as energy intensity ratios which define consumption in the context of a business metric such as the energy required per unit of output, or the energy required per square foot of facility space. Renewable energy generated on-site by production installations owned or controlled and consumed by the MSME should exclude the amount of self-generated renewable energy sold by the MSME. This also includes a physical Power Purchase Agreement (PPA) which characterizes consumption of purchased renewable energy from on-site projects owned by third-parties, off-site projects to which there is a direct line, or off-site grid-connected projects.

Additionally, the MSME is advised to report the types of energy consumed, i.e., electricity, heating, cooling or steam, and the composition of the fuel, i.e., from renewable or non-renewable sources.

Water

Through a comprehensive understanding of its water use, an MSME can evaluate the impact it has on water resources that benefit the ecosystem, other water users, and the MSME itself. It can leverage on this information for effective water management practices.

MSMEs are advised to report the amount and types of water consumption by the

firm. This includes reporting the amount of water withdrawn from sources and the amount discharged by the firm.

Furthermore, it could be beneficial to include classifications indicating which operations are in water-stressed or water-scarce regions should such information be available. MSMEs are also advised to disclose water intensity ratios to contextualize their water usage in relation to a relevant business metric.

Waste

Waste can be generated in the MSME's own activities, for example, during the production of its goods and delivery of services. Entities upstream and downstream in the MSME's value chain can also contribute to this waste generation, for example, when suppliers process materials that are later procured by the MSME, or when consumers use or discard the products that the MSME sells to them.

Waste can have significant negative impacts on the environment and human health when inadequately managed. MSMEs are advised to disclose the total weight of waste generated by their own operations, and a breakdown of this total by distinguishing between hazardous and non-hazardous types.

Sources: KPMG GHG Emissions reporting 2023 Handbook, GRI 303, GRI 306

1.3. Social Metrics

Proposed Metrics

Headcount

- ▶ Report total headcount and Full-Time Equivalents (FTEs)
- ▶ Data source(s): HR system, payroll system, employee identification (against data schema)

Youth Hires

- ▶ Report the number and percentage of employees in different age groups
- ▶ Data source(s): HR system, payroll system, employee identification (against data schema)

Women Hires

- ▶ Disclose number and percentage of women in the workforce
- ▶ Data source(s): HR system, payroll system, employee identification (against data schema)

Workplace Safety

- ▶ Report the number of work-related incidents resulting in damage or injury
- ▶ Data source(s): HR system, corporate insurance account

Financial Inclusion

- ▶ Disclose various payment options available to employees
- ▶ Data source(s): Employee handbook, payroll

United Nations Sustainable Development Goals (UN SDGs)

5 GENDER EQUALITY

- ▶ Gender equality and women empowerment through full, effective participation of women in economic life

8 DECENT WORK AND ECONOMIC GROWTH

- ▶ Achieving decent work by ensuring equal pay for work of equal value and promoting safe working environments

Employee-Focused

Headcount and New Hires

For accurate workforce planning and transparency, MSMEs are encouraged to disclose their employee headcount, including contract type details such as full-time, part-time, seasonal, and temporary workers. There are two common methods for calculating headcount:

- **Full-Time Equivalent (FTE):** This reflects the total number of full-time hours worked, regardless of individual employee schedules. For example, 2 part-time employees working 20 hours each translate to 1 FTE (40 hours/week = 2 x 20 hours).
- **Headcount:** This simply counts the total number of employees on the payroll at a specific point in time regardless of their schedule.

While both methods are valuable, they capture different aspects of the workforce. FTE helps assess capacity and workload, knowing the total FTE informs strategic decisions such as resource allocation and budget planning. Headcount provides a snapshot of the personnel structure which supports recruitment efforts and ensures the firm has the right people in place to achieve their goals.

By disclosing both headcount and FTE, MSMEs offer a clearer picture of their workforce, aiding stakeholders in understanding their overall capacity and structure.

Youth Hires

Beyond simple headcount, disclosing workforce demographics by age group (e.g. under 30, 30-50, over 50) can offer valuable insights into recruitment practices,

including commitment to age diversity and equal opportunity.

Women Hires

This metric involves the disclosure of the number and percentage of women in the MSME's workforce, as well as the number of women in supervisory and leadership positions vs entry level staff. It helps to assess the broad employee diversity within the organization. The MSME can review this data and take decisions to promote gender inclusive policies such as eliminating gender bias in hiring and promoting equal pay and benefits for work of equal value.

Workplace Safety

Healthy and safe work conditions require prevention of physical and mental harm, and protection of workers' health. Failing to effectively manage health and safety at work has a human and business cost. MSMEs are advised to identify and report the number of workplace accidents causing harm or injury that take place during business activities. This disclosure can help the MSME plan, implement, and evaluate its occupational health and safety management system and programs.

Financial Inclusion

MSMEs play a crucial role in fostering financial inclusion within their communities. Here are two key areas where they can make a significant impact:

1. Offering inclusive payment options:

- **Expand payment choices for employees and stakeholders:** MSMEs can go beyond traditional bank transfers and offer mobile wallets, e-payments, and other accessible options catering to the underbanked population. This improves convenience and financial literacy for the workforce.

- **Prioritize accessibility and security:** MSMEs should ensure chosen payment methods are widely available, user-friendly, and secure to protect personal financial information.

2. Tracking and addressing employee financial needs:

- **Monitor salary advances:** MSMEs can track the number of salary advances granted during reporting periods. This data, verified through bank transfers, payment slips, or other evidence, provides insights into employee financial well-being.
- **Implement solutions based on data:** MSMEs can analyze the reasons for salary advances and consider initiatives like financial literacy workshops, emergency loan programs, or partnerships with microfinance institutions to address those needs.

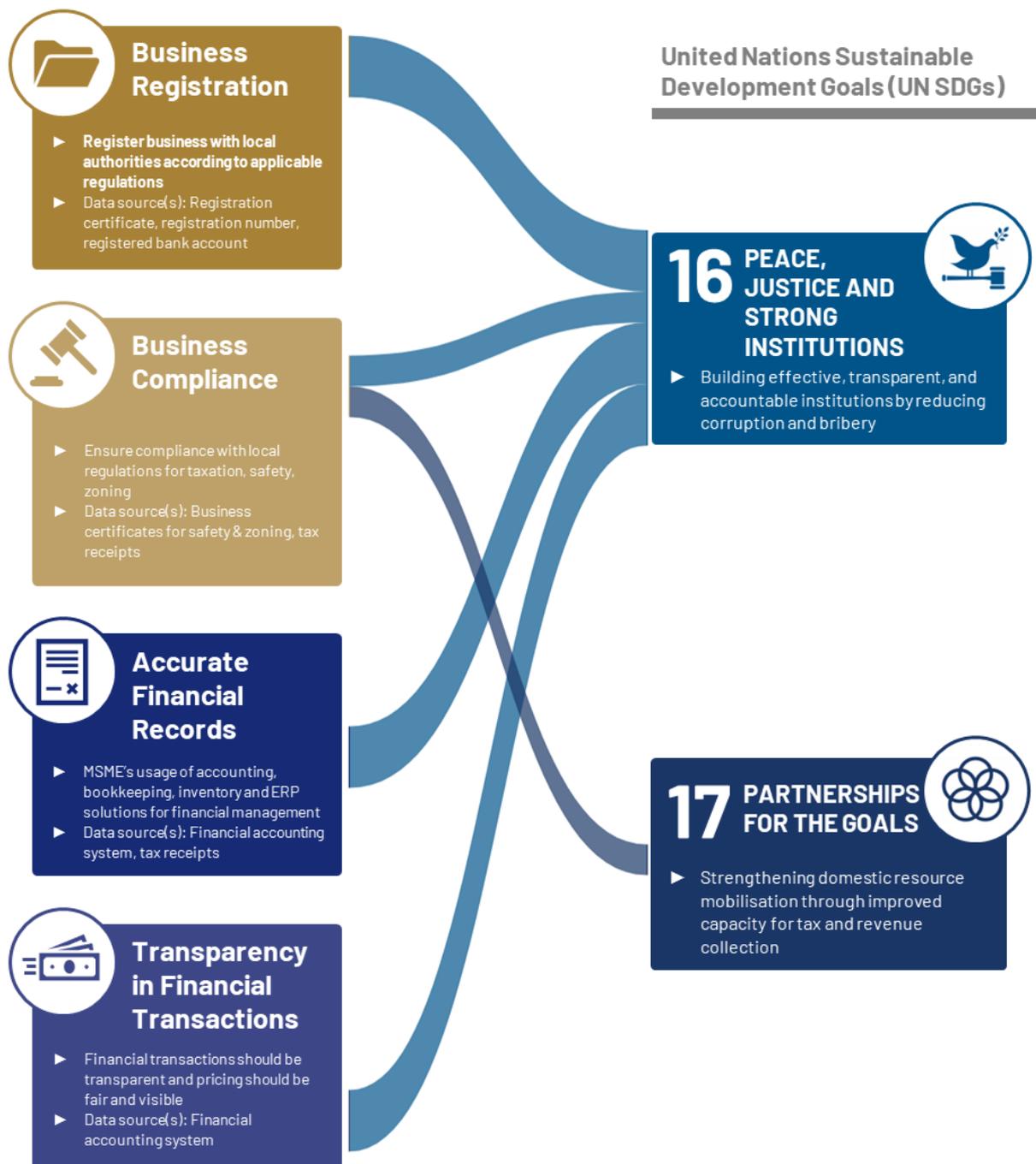
- **Reporting on provision of insurance and financial safeguards:** MSMEs can disclose information on insurance coverage and financial support where available, including health insurance, medical and dental benefits, and grants/ financial assistance for employees in challenging situations. These offerings underscore the company's commitment to employees' financial security and well-being. Relevant data such as insurer details, policy numbers, and commencement and expiry dates, along with supporting proof of verification can be uploaded.

By taking these steps, MSMEs can go beyond simply providing salaries and actively contribute to the financial resilience and well-being of their employees and broader community.

Sources: GRI 403, GRI 405

1.4. Governance Metrics

Proposed Metrics



Business Registration and Compliance

Business Registration with Local Authorities

MSMEs are advised to properly register their businesses with local authorities in keeping with the rules and regulations applicable to them. This is also in part of a broader initiative to assist MSMEs in establishing a universally endorsed set of Universal Trusted Credentials (UTC), enabling them to secure faster access to financing and new market opportunities. While all organizations adhere to the same fundamental ethical behavior standards, there might be differences in the metrics used to track performance. MSMEs can leverage certain general frameworks to define some of their key board-level indicators.

MSMEs may, for example, consider leadership commitment, which includes declarations from owners/CEOs regarding moral behavior, engagement in establishing principles, and participation in ethics seminars. Assessment methods include staff surveys on perceived leadership commitment to ethics and regular board meetings addressing ethics. Other relevant indicators include the board's composition, availability of Key Performance Indicators (KPIs) and Standard Operating Procedures (SOPs), and board meeting minutes. The applicability of these indicators can depend on factors such as turnover, entity type, and employee base. However, due to the complexity of information collection and their relevance primarily to larger businesses, these indicators will be excluded in the initial iteration of Project Savannah. Efforts will be made to incorporate them in subsequent iterations of the initiative.

MSMEs may also consider incorporating responsible business conduct into their performance management. An effective strategy can involve monitoring key

indicators related to responsible business conduct and discussing their implications during performance reviews. Regular reporting, such as board reports on business conduct performance with recognized risks and actions taken, is essential for oversight. The board's engagement in addressing concerns can be assessed through these reports. By enhancing their business conduct performance, MSMEs can foster a culture of integrity and ethical decision-making within the company.

Legitimate business registration protects the MSME, its employees and its customers, and indicates a baseline of governance. Maintaining adequate identification credentials can enhance an MSME's access to financing, trustworthiness among stakeholders, and business performance.

Business Compliance with Local Regulations

MSMEs must be compliant with local regulations for relevant areas including taxation, safety, and zoning laws. Ensuring compliance reduces exposure to legal and regulatory risks, which can impose prohibitive costs in the form of fines or penalties and damage the firm's reputation. Enhanced compliance improves the MSME's trustworthiness among stakeholders, maintains stability, and protects the business.

Financial Practices

Accurate Financial Records

Precise financial reports empower everyone, from investors to employees, to make informed decisions that shape the company's future. Building trust starts with internal checks by regularly reconciling accounts, addressing discrepancies, and conducting internal audits to stay on top of controls. External verification adds another layer of trust with annual independent

audits providing a formal opinion on financial health, boosting stakeholder confidence. Benchmarking will help MSMEs compare financial ratios and KPIs to industry standards to identify potential issues and course-correct before they become problems.

MSMEs could also consider adopting accrual accounting instead of cash-based accounting as it provides a more accurate picture of financial performance. Accrual accounting can help MSMEs accurately track expenses tied to revenue giving a clearer picture of the profit margins and profitability. While cash-based accounting might seem simpler initially, its limitations can hinder future growth and accurate

decision-making. With proper record-keeping systems and understanding, several accounting software solutions cater to MSMEs, making accrual accounting a feasible and more advantageous option in the long run.

Transparency in Financial Transactions

An MSME's financial transaction records should be aligned to fair and clearly displayed prices, and consistent with financial statements. Financial transparency contributes to a fairer work environment within the firm and improves the MSME's access to capital from the financial markets by enhancing the credibility of the firm.

Pillar 2: Harnessing Technology to Power MSME Reporting

Focus on Inclusive Technology

Harnessing technology is imperative for MSMEs to disclose ESG data more effectively. However, prevalent technology challenges such as high costs, limited data accessibility, and the lack of digitalization have impeded MSMEs from initiating reporting and baselining their sustainability performances. Yet, the obstacles extend beyond technological barriers; the capacity to use technology effectively and the absence of guidance and capacity-building measures on managing ESG considerations further constrain MSMEs' ability to engage in comprehensive reporting.

Project Savannah's goal is to support MSMEs in their reporting capabilities at low cost, by leveraging the diversity of technology adoption across different regions. A one-size-fits-all approach is not viable for these purposes. **Instead, an ecosystem approach is advocated, where a multiplicity of technological solutions is encouraged, to scale into an inclusive and adaptable framework.** However, caution must be exercised to prevent technology-driven fragmentation in the data space, as it can escalate the cost and complexity of consolidation.

Enhanced tools, such as data visualization and feedback mechanisms, are also essential for generating easy-to-understand insights and analyses that lend to MSMEs' action to improve their ESG performances. The focus should be on reducing the cost of optionality for ESG disclosure by MSMEs, making it more economically viable and transforming ESG reporting from a financial burden into a strategic opportunity for growth and sustainability.

Thoughtful Implementation and Automation

The implementation of technology in ESG reporting must be thoughtful, considering the diverse frameworks already in existence, such as the ISSB, the Task Force on Climate-Related Financial Disclosures (TCFD), and regional initiatives like Thailand's One Report.

MSMEs often face challenges in collecting and aggregating data from a wide variety of sources and formats for ESG reporting. The diversity in data types and the sheer volume of information necessitate efficient and accurate techniques for data collection. Leveraging technology to integrate with MSMEs' source systems (e.g., utilities, bookkeeping, payroll, waste management, government agencies) help facilitate the aggregation and standardization of ESG data into a unified and consistent representation. This can facilitate the automated computation of basic sustainability metrics and fosters more precise and credible reporting, thereby advancing sustainability goals.

For MSMEs without access to such source data, the solutions they use should enable mechanisms to validate the inputs. There may be value in linking reported data to third-party assurance should this be requested by end-users, such as banks and MNCs. This can help to affirm the reliability and integrity of reported ESG metrics, thus promoting greater confidence by end-users in engaging the reporting MSMEs.

Embracing technological solutions includes the testing of Artificial Intelligence (AI) and Machine Learning (ML) tools to pre-populate reporting fields based on informed estimates. Further explorations should be catered for the deployment of these advanced technologies to MSME audiences. The approach should also be collaborative. Engaging tech solution providers from various countries ensures a

global perspective while tailoring to the unique challenges faced by each country's MSMEs.

Importantly, the technology-enabled generation of initial datasets not only facilitates reporting but also reveals gaps in the supporting architecture, highlighting the need for policy and regulatory intervention. For instance, the absence of certifications for issuing waste transfer notes or linking carbon emissions to income statements requires supportive functions to be activated. In this context, technology-enabled, real-time reporting plays a crucial role by providing agility to policymakers and other stakeholders. This enables them to expedite their decision-making capacities, responding promptly to emerging issues and ensuring a more dynamic and responsive regulatory environment.

Overcoming Digitalization Challenges

The digitalization challenge is acknowledged, especially in emerging countries where a significant portion of MSMEs still operate without technology. To bridge this gap, an ecosystem approach is paramount. Utility providers, for instance, can play a pivotal role by supplying essential data.

Fintech participation is equally crucial, particularly for tasks like data aggregation, validation, and analysis, as well as for metrics computation, sustainability credentialing, and reporting. Digitalization, beyond enabling reporting tools, should be viewed as a capacity-building tool. By facilitating the transition of more businesses into the digital realm, it serves as a conduit for knowledge transfer, capturing relevant data points, and delivering essential training, thereby bolstering the overall capacity of these enterprises.

Pillar 3: Global Network of Opportunities

A Global Identity Standard

Enabling ESG data reporting by MSMEs requires a globally accessible, regularly verified, and consent-driven digital identity framework that will serve as the anchor point to drive scale. There is a need for a publicly available source of truth that FIs and supply chain partners can rely on to access verified, consolidated ESG information about an entity. Such repositories could serve as the cornerstone for informed decision-making and risk management.

A common LEI emerges as a good example, acting as a link to trusted ESG credentials collected from MSME disclosures that can be consumed by partners. The establishment of a global identity for MSMEs is a transformative step that can unlock access for them to better global financing options and enhance their cross-border trade opportunities.

In this framework, obtaining consent from MSMEs to share sensitive data with end-users will be key. It could also be achieved via certain technical frameworks, such as the verifiable LEI (vLEI), which is based on verifiable credentials. This ensures that data sharing is done ethically, with due consideration for privacy and compliance with local regulatory standards.

Scaling LEI Issuances by GLEIF

In this landscape, GLEIF is one of the organisations that play a pivotal role in shaping the future. Established by the Financial Stability Board (FSB) in the aftermath of the 2008 global financial crisis, GLEIF emerged as a supra-national not-for-profit organization headquartered

in Basel, Switzerland. Its mission: to provide trusted business identification by managing a network of partners, to issue LEIs and vLEIs.

LEIs act as a digital passport for companies. They comprise a unique 20 alphanumeric code that serves as an identifier on the global stage. GLEIF's commitment to transparency and reliability is underscored by the Global LEI Index, the only global online source offering open, standardized, and high-quality legal entity reference data. This initiative empowers businesses, especially MSMEs, to make informed decisions, fostering a more interconnected and efficient global business environment.

For MSMEs, the issuance of LEIs can facilitate accurate and standardized identification but also open doors to enhanced visibility on the global stage. Under Project Savannah, GLEIF's digital passports could enable entities to showcase their commitment to ESG principles, making them attractive for partnerships with MNCs and governments. This increased visibility, backed by the credibility of GLEIF's data verification processes carried out by Local Operating Units (LOUs) worldwide, positions MSMEs as reliable players in the global marketplace.

Sources: GLEIF website

Call to Action

Project Savannah aims to serve as a global call to action to support MSMEs in their first but crucial step on their ESG reporting journey. This initiative seeks to rally stakeholders and implement a practical, bite-sized approach that would help MSMEs access capital, tap into supply chains and unlock new business opportunities.

Active engagement from key stakeholders is essential to enabling MSMEs in their ESG reporting journey.

- **Government authorities and international organizations** play a crucial role in road-testing the feasibility of the metrics and deployment of reporting solutions at the country level, offering valuable insights for continual improvement.
- **Technology solution providers** in each locality can leverage their expertise to equip MSMEs with the necessary education and tools for efficient ESG reporting. This not only aids in nurturing

a global and inclusive tech community but also promotes the adoption of streamlined reporting practices.

- **Financial institutions, industry enterprises, and supply chain players** are critical to incentivizing MSMEs to commence their sustainability journeys, through the availment of financing and business opportunities for MSMEs willing to embark on ESG reporting and transmit their verified information to these end-users. This also unlocks opportunities FIs and MNCs committed to reducing emissions across their value chains, leading to a mutually beneficial outcome for both MSMEs and larger organizations in their sustainability endeavors.

With the requisite support from key stakeholders, Project Savannah aims to provide MSMEs worldwide with the necessary support and tools to get started on their ESG reporting journey. This collaborative endeavor is poised to shape a more inclusive and sustainable global business landscape.



Monetary Authority
of Singapore



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