CILEA
Comité de Integración Latino Europa - América

ESTUDIOS INTERNACIONALES CILEA
CILEA INTERNATIONAL STUDIES
2024/1
ISSN 2309-1053



CILEA MODEL FOR SME SUSTAINABILITY REPORTING



CILEA
Comité de Integración Latino
Europa - América



CILEA MODEL FOR SME SUSTAINABILITY REPORTING

CREDITS

© CILEA (October 2024)


Creative Commons License:
Credit required-Non commercial-No derivatives

CILEA MODEL FOR "SME SUSTAINABILITY REPORTING"

PRODUCED BY THE TECHNICAL GROUP FOR UPDATING THE CILEA "SME SOCIAL AND ENVIRONMENTAL BALANCE SHEET MODEL"

COORDINATOR:
Claudio Siciliotti, CNDCEC (Italy)

ADVISOR:
Laura Accifonte, FACPCE (Argentina)

MEMBERS:
Javier Anaya Lorduy, FEDECOP (Colombia)
Carlos Alberto Espinosa Chiriboga, (Ecuador)
Loreto Alonso Berrio, CGE (Spain)
Ricardo Castro Silva, CCEAU (Uruguay)
Evangelina Grazu, CCEAU (Uruguay)

Translation by Nicholas Southey for CILEA of the official version in Spanish of **"Modelo CILEA de Informe de Sostenibilidad para PYMES"**

"CILEA INTERNATIONAL STUDIES"

EDITORIAL BOARD

Chairwoman: Maria Clara Bugarim, CFC (Brazil)

Members:
Gustavo Gil Gil, CAUB (Bolivia)
Javier Anaya Lorduy, FEDECOP (Colombia)
Valentín Pich Rosell, CGE (Spain)
Philippe Arraou, CNOEC (France)
Claudio Siciliotti, CNDCEC (Italy)
Laura Grajeda Trejo, IMCP (Mexico)
Paula Franco, OCC (Portugal)

EDITORIAL DIRECTOR

Beatriz de Asprer Hdez. de Lorenzo, CILEA Permanent Secretariat

CONTENTS

PRESENTATION	7
INTRODUCTION	8
OVERVIEW OF THE GUIDE	9
FRAMEWORK OF THE PROCESS FOR PREPARING THE SME SUSTAINABILITY REPORT	9
SME DIAGNOSTIC QUESTIONNAIRE	**10**
Phases for drafting the questionnaire	**10**
Identification of the parties involved	10
Definition of the governance model	10
Stakeholder identification	10
Scenario construction for climate change adaptation	10
SME diagnostic questionnaire model	**11**
SME SUSTAINABILITY REPORT	**28**
KPI dashboard	**28**
Identification of historical indicators	28
Applicability criteria for historical and new indicators	28
Setting KPI objectives and goals	28
The SME Sustainability Report	**28**
Alignment chart of the indicators with the Sustainable Development Goals	**47**
Alignment chart of the indicators with the Principles of the Global Compact	**48**
Alignment chart of the indicators with the European Sustainability Reporting Standards	**48**
Verification of the sustainability report	**50**
ANNEX A: CLIMATE RESILIENCE - CONSTRUCTION FOR COMPANIES' ADAPTATION TO CLIMATE CHANGE	**52**
Conceptualization	**52**
Objective of the document	**52**
Steps to analyze the vulnerability of companies to the effects of climate change	**53**
Step 1: Scenario identification	53
Step 2: Evaluation of adaptive capacity	55
Step 3: Vulnerability	55
Climate scenario chart for adaptation to climate change or natural disaster	**56**
Climate scenario chart for adaptation to regulatory changes	**57**
ANNEX B: RISK IDENTIFICATION AND ASSESSMENT IN RELATION TO SUSTAINABILITY	**58**
Objective	**58**
Introduction	**58**
Definition of the sustainability impact materiality matrix	**60**
Impact materiality matrix	61
Guideline model for risk event identification and impact assessment	**65**
Probability of occurrence of risk events	**75**
ANNEX C: PROCESS FOR CALCULATING GREENHOUSE GAS EMISSIONS	**76**
BIBLIOGRAPHY	77
GLOSSARY	78

PRESENTATION

In a world in which environmental, social and economic challenges are increasingly urgent, sustainability has become a strategic imperative for companies.

Within this context, at the Comité de Integración Latino Europa-América (CILEA), an association that brings together the leading accounting and auditing organizations in Latin countries on two continents on which approximately 99% of the business community is made up of SMEs, we firmly believe that these companies play a crucial role in promoting sustainability. If we are able to ensure that small firms embrace the culture of sustainability, global development will also be sustainable and will help strengthen the planet's biodiversity, cultures and people's dignity.

The CILEA Model for SME Sustainability Reporting is a guide that fosters sustainable thinking in business, helping companies to integrate and manage sustainable practices and transforming them into drivers of change in the social, economic and environmental spheres.

The model comprises a set of specific, practical and accessible tools that form part of the comprehensive management of the company. These tools diagnose the company's starting point, evolution and outlook, enabling the company to adopt the model gradually and participatively, without getting bogged down in a bureaucratic process that would generate a greater workload and cost burden.

Our model generates great benefits in terms of business management, decision-making, and defining the company's vision, mission and strategy. Therefore, its application should be embraced beyond merely at the level of regulatory compliance. Publishing a non-obligatory sustainability report for SMEs boosts the visibility of the company's commitment to responsible, sustainable practices, which in turn not only enhances their reputation but also attracts customers who value sustainability. By adopting a proactive approach to sustainability, SMEs can identify opportunities to improve their processes, thereby reducing costs and increasing operational efficiency, as well and making improvements in their products and the relationships with stakeholders, employees and neighboring communities.

The model outlined in this guide has been developed by professionals for professionals, by and for the company. As it is a valuable tool aligned with international standards, SMEs can be confident that they are applying the best practices in the sector when they use it. Not only can they create an effective sustainability report, but also consolidate their status as business leaders by demonstrating their commitment to a more sustainable future.

This guide is more than just a set of tips, it is an invitation to form part of a significant change: by embracing sustainability, SMEs not only contribute towards a better world, but also position themselves strategically in an increasingly aware and demanding market in which every action counts and can make all the difference.

At CILEA, we want to contribute towards shifting the approach to business towards a more integrated sustainable culture, to help build a more responsible, prosperous world that benefits companies, the community and the planet.

We must not miss this opportunity to grow, excel and lead the way on sustainability.



Maria Clara Bugarim
Chairwoman of CILEA

INTRODUCTION

First developed in 2013, CILEA's Social and Environmental Balance Sheet Model was designed with SMEs in mind as, due to their size, these companies lack the operational capacity to prepare non-financial information on social responsibility using existing models.

This model was published as a set of guidelines, including a prior diagnostic questionnaire and the balance sheet itself, accompanied by a set guidelines for SMEs explaining how to complete it (published in the *CILEA International Studies* collection 2013/2 in Spanish, Italian and English. Available at www.cilea.info).

In 2016, the Excel accessible version of the balance sheet was released, containing an integrated and interactive guide for each section. Between 2019 and 2022, the online app was developed and released in Spanish. This practical tools enables professionals to complete the questionnaires and balance sheets more efficiently, as they can take advantage of automated processes such as report generation.

We have been pioneers in offering a complete, easy-to-use model for SMEs, which complies with the principles of the Global Compact, as well as being aligned with the UN's Sustainable Development Goals.

But we cannot stop there, especially in view of the fact that, over the last few years, new sustainability reporting requirements have been imposed. In 2023, in response to these new standards, we updated the indicators of the 2013 model.

Concern over the effects of climate change on companies and their environmental conduct has had an impact on the world of business. In turn, this has led investors to ask companies for information on the climate and climate change management in order to make their investment decisions.

In 2021, the IFRS Foundation created the International Sustainability Standards Board (ISSB), with the aim of issuing regulations on reporting sustainability data, first published in June 2023, to be applied by large or listed companies.

In the initial draft regulations, companies are primarily required to disclose information on climate change management, their climate actions and the effect on their businesses. However, the sustainability standards cover the entire value chain (as required by the ISSB's guidelines), which, as we know, is predominantly formed by SMEs. With this in mind, it seemed useful to analyze how to update and expand the indicators of CILEA's 2013 model, adding the necessary features for SMEs to report information on the climate, climate change management, climate resilience and greenhouse gases.

Moreover, in 2023, the European Directive 2022/2464 on Corporate Sustainability Reporting (CSRD) came into force, which expanded the obligation for certain organizations to report non-financial information. The EU stipulates different starting points from which this obligation to publish a sustainability report takes effect, depending on the type of company. Specifically, the directive states that: listed companies with more than 500 employees must publish the report from January 2025, with reference to the 2024 financial year (FY); large unlisted companies must begin in January 2026, with reference to FY 2025; SMEs listed on financial markets have to publish the report in January 2027 with reference to FY 2026; and, lastly, the obligation comes into force for non-European companies with a minimum turnover of 150 million euros in January 2029 with reference to FY 2028.

The CILEA model has been updated so that SMEs can use it to adapt to the new demands imposed by the international regulators. This process has resulted in the CILEA MODEL FOR SME SUSTAINABILITY REPORTING. We are confident that it will be a big help to companies and the professionals in charge of implementing their awareness of and commitment to sustainability.



Claudio Siciliotti
Project Coordinator



Laura Accifonte
Project Advisor

OVERVIEW OF THIS GUIDE

The objective of this guide is to help SMEs develop their Sustainability Report.

The guide has been distributed in three content blocks:

SME Diagnostic Questionnaire: As well as questions regarding issues directly related to environmental, social and governance aspects, this includes questions designed to identify stakeholders and ascertain materiality.

SME Sustainability Report: This sets out indicators aligned with the sustainability regulations grouped by topic. The Report allows for new indicators to be added.

Annexes with support documents for sustainability management:

- Guide to scenario construction for companies' adaptation to climate change.
- Guide to risk identification and assessment in relation to sustainability: the content of this document includes an integrated risk management framework, a proposal for defining the materiality matrix and a model for cataloguing risk events.
- Process for calculating greenhouse gas emissions.

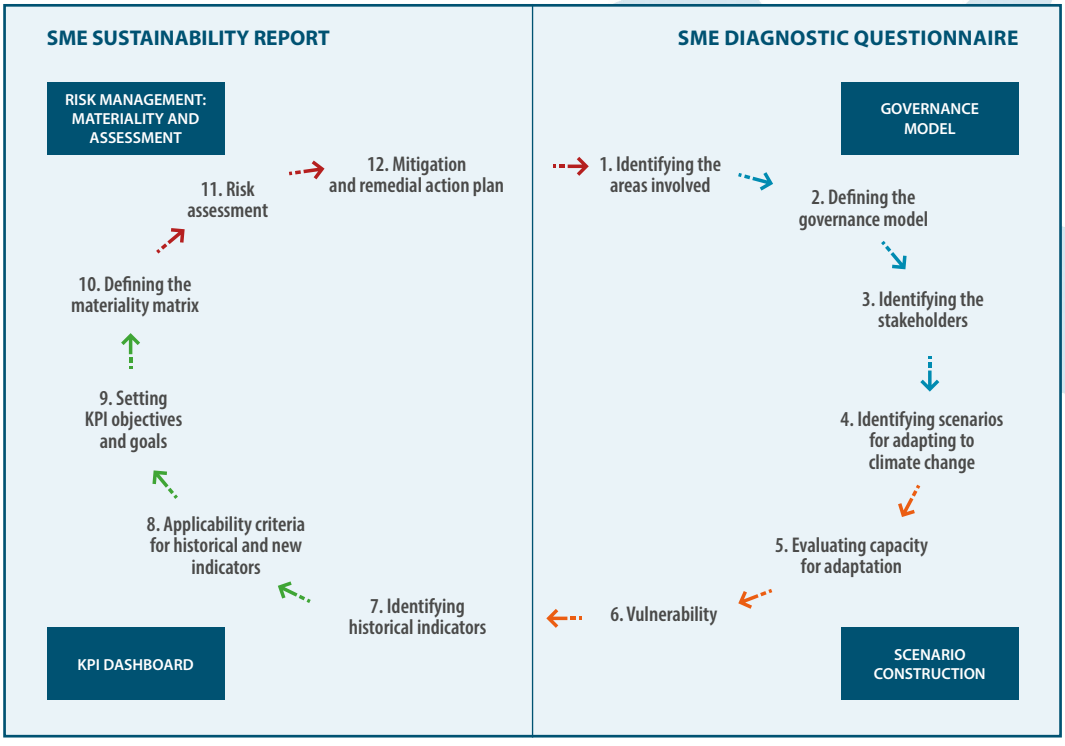
FRAMEWORK FOR THE PROCESS OF PREPARING THE SME SUSTAINABILITY REPORT

As mentioned in the previous section, the CILEA Model, along with the SME diagnostic questionnaire and SME Sustainability Report, includes tools related to comprehensive sustainability management, which can be found in the annexes.

The following graph shows the full framework of the process of preparing the SME Sustainability Report with the phases involved, including scenario construction to support the diagnostic questionnaire, as well as an overview of developing the materiality matrix and risk assessment.

Therefore, the phases have been grouped into two blocks, in which four subprocesses have been identified:

- Diagnostic questionnaire
  - Governance models
  - Scenario construction
- SME Sustainability Report
  - KPI dashboard
  - Risk management, materiality and assessment



Source: Produced in-house by the CILEA Technical Group for updating the model

SME DIAGNOSTIC QUESTIONNAIRE

PHASES FOR DRAFTING THE QUESTIONNAIRE

In accordance with the framework proposed in the previous section, the following phases are involved in preparing the questionnaire:

IDENTIFICATION OF THE PARTIES INVOLVED

This phase focuses on identifying the different management teams, departments, areas and units involved in managing the sustainability goals. They are responsible for conducting activities, preparing the KPIs and implementing the mitigation or remedial action plan, either directly or through external experts.

The cross-cutting nature of sustainability within the company requires the parties involved to take part in the process and be aware of deadlines and periodicity, as well as developing the narratives for the policies and describing the KPIs.

DEFINITION OF THE GOVERNANCE MODEL

As mentioned above and presented graphically in the previous phase, the cross-cutting nature of sustainability requires effective coordination between the different areas of the company and management teams involved.

Moreover, it is necessary to identify the governance bodies responsible for validating and approving the results of the process.

Some companies may have specially constituted Sustainability Committees or this role may have been assigned to an existing committee of the Board of Directors.

STAKEHOLDER IDENTIFICATION

This is the process by which the SME identifies the groups that must report back on the company's conduct with respect to social, environmental and governance aspects, in line with a procedure selected by the organization itself in accordance with the environment in which it operates.

In general terms, stakeholders comprise all parties that, directly or indirectly, have an interest in the organization (suppliers, customers, employees, banks, community, state government, etc.).

In this critically important stage, the goal is to identify and evaluate the stakeholders' expectations and, if applicable, allocate the resources to meet these expectations.

SCENARIO CONSTRUCTION FOR CLIMATE CHANGE ADAPTATION

SMEs are aware of the climate scenario in which they operate; however, they do not always formalize this process by identifying the risks they face and their effects. Annex A includes a support document for identifying and constructing scenarios for adapting to climate change, with an overview of the steps to be followed to analyze the company's vulnerability.

SME DIAGNOSTIC QUESTIONNAIRE MODEL

As a tool for doing the groundwork prior to preparing the sustainability report, CILEA proposes the following diagnostic questionnaire for the company. The questionnaire contains questions designed to ascertain the current situation of the organization with respect to economic, governance, environmental, social and business variables.

	YES	NO	COMMENTS
1. GOVERNANCE			
1.1. **Does the company have a risk management system in place that covers sustainability, including the most relevant risks and opportunities for the company and stakeholders, and does it evaluate them in line with double materiality criteria?** ***Aim of the question:*** *To determine whether the company has the capacity to identify and monitor the risks and opportunities related to sustainability and its stakeholders, and whether it implements action or remediation plans for risks that exceed tolerance levels.* ***Guidance for the response content:*** *The company must indicate whether it has a process in place that identifies risks and opportunities related to the three aspects of sustainability (environmental, social, and governance), conducted on at least an annual basis; whether it monitors the defined indicators; and whether there is a degree of supervision at an appropriate level.* ***Documentation:*** *Reports to governance bodies/ committees/commissions (risk assessment, KRIs, monitoring of action and remediation plans regarding material impacts).*			
1.2. **Is there adequate oversight of ESG aspects by the Governance Body and the Sustainability Committee, if such a committee has been established either voluntarily or due to legal requirements, or by any other relevant committee?** ***Aim of the question:*** *To ascertain the governance structure in relation to sustainability in the company.* ***Guidance for the response content:*** *The SME must explain whether it has a suitable oversight system in place and that responsibilities are adequately distributed.* ***Documentation:*** *Organigram and assignment of functions.*			

	YES	NO	COMMENTS
1.3. **Are there communication channels in place with the different stakeholders (customers, employees, regulator, etc.)?** ***Aim of the question:*** *Determining whether the company has the capacity to identify and monitor risks and opportunities that affect sustainability and the company's stakeholders, and to draft action plans or remediation plans.* ***Guidance for the response content:*** *To verify whether customer service channels exists for complaints, grievances and suggestions and that this channel is managed and monitored to ensure it works effectively and identify any possible weaknesses.* ***Documentation:*** *Monitoring reports detailing the existence and operation of a customer/ consumer service channel for complaints, claims and suggestions, and the way this channel is accessed.*			
1.4. **a) Does the company include in its purchasing policy procedures for evaluating environmental, social, and ethical issues (including corruption and bribery)?** **b) Are these included in the supplier approval procedures?** **c) Do they extend to the purchasing and supply chain?** ***Aim of the questions:*** *To determine whether the company has the capacity to identify and monitor stakeholder-related risks that affect purchasing and supplies.* ***Guidance for the response content:*** *To verify whether risks of inappropriate supplier contracting exist and are managed within the purchasing process. The performance of this system is monitored, as well as any weaknesses detected through it.* ***Documentation:*** *Internal manual or contracting standards.*			
2. ECONOMIC CONTINUITY OF SUSTAINABLE ACTIVITY			
2.1. **Has the company identified economic or business factors that could compromise the continuity of its activity in the coming years?** ***Aim of the question:*** *To determine whether there is any risk that, due to its significance, could lead to activities being terminated.* ***Guidance for the response content:*** *The company must explain whether there is any actual or potential risk that could lead it to terminate its activity, such as product obsolescence, legal restrictions on its production or commercialization, tariff or non-tariff barriers, risks in the value chain, depletion of raw material sources, etc.* ***Documentation:*** *Legal regulations, organizational reports, customs reports (if applicable), invoicing, and any other relevant sources of information, depending on the activity.*			

	YES	NO	COMMENTS
2.2. **Is there any technological, commercial, organizational, or market development that could call into question the performance of the company and the continuity of its activity?** ***Aim of the question:*** *To identify internal situations within the organization (technological, commercial, or market-related) that may reduce efficiency or lead the company to cease its activity.* ***Guidance for the response content:*** *The company must indicate whether its technology is at the level required by the market, whether there are risks of contractual non-compliance, whether internal organizational problems arise (for example, potential conflicts with employees), and whether there are changes in consumer preferences.* ***Documentation:*** *The organization's annual report, contracts with suppliers and customers, invoicing, and any other relevant source of information, depending on the activity.*			
3. COMPLIANCE			
3.1. **Is the company aware of and does it manage the regulatory and operational risks of its activity?** ***Aim of the question:*** *To determine the degree of knowledge and compliance with the regulations applicable to the organization, and whether it has a monitoring and evaluation system in place to identify regulatory changes and any deviations that may have occurred.* ***Guidance for the response content:*** *The company must explain how it has identified the regulatory aspects applicable to it according to its activity, as well as any defined within its internal regulatory framework (policies, instructions, manuals).* ***Documentation:*** *Internal regulatory framework for risk or compliance management or, if applicable, the regulations of the specific areas where regulatory risk has an impact or which are most affected by compliance with sustainability regulations. Internal or external consultancy (contracted legal services).*			
3.2. **How does the company monitor the legal or regulatory changes that affect it, and how does it ensure compliance?** ***Aim of the question:*** *If the answer to the previous question is affirmative, this aims to identify the tools that the SME has for monitoring regulatory changes.* ***Guidance for the response content:*** *The SME should state whether the it has a legal advisory service and/or is subscribed to a legal newsletter or specialist publications. It should also indicate whether it has a calendar of obligations to facilitate regulatory compliance.* ***Documentation:*** *Contracts and invoices for legal services, subscriptions to specialist magazines or publications.*			

	YES	NO	COMMENTS
3.3. **Does the company have a code of ethics, rules of conduct, and a whistleblowing channel?** ***Aim of the question:*** *To determine the company's degree of commitment to ethical values.* ***Guidance for the response content:*** *The response should indicate whether the SME has developed a code of ethics, rules of conduct, and a whistleblowing or complaint channel; and whether it manages compliance with these codes and rules by its employees and suppliers.* ***Documentation:*** *Code of ethics, rules of conduct, whistleblowing channel management manual. Documents showing employee and supplier compliance.*			
3.4. **Does the company have mechanisms in place for internal communication and dissemination of regulatory changes or company policies in relation to sustainability? And in relation to ethics, including corruption and bribery?** ***Aim of the questions:*** *If the answer to the previous questions is affirmative, this aims to identify the tools available to the SME for monitoring and communicating regulatory developments, both external and internal.* ***Guidance for the response content:*** *The response should indicate whether the SME has a legal advisory service and/or is subscribed to legal newsletter or specialist publications. It should also state whether there is a calendar of obligations to facilitate regulatory compliance.* ***Documentation:*** *Contracts and invoices for legal services, subscriptions to magazines or specialist publications.*			
3.5. **Has the company faced any issues related to business ethics, fair competition, internal fraud risks, or its commercial relationships?** ***Aim of the question:*** *To understand the SME's background regarding its ethical behavior, commercial practices, or incidents of internal fraud.* ***Guidance for the response content:*** *It should be stated whether the SME is involved in any legal proceedings or has been summoned by governmental bodies for violations of business ethics, fair competition, or whether it has had to deal with internal fraud.* ***Documentation:*** *Legal notices, summons from governmental bodies, fines paid.*			

	YES	NO	COMMENTS
4. QUALITY			
4.1. **Has the company implemented any quality process?** ***Aim of the question:*** *To ascertain whether the SME has implemented quality management systems or intends to do so.* ***Guidance for the response content:*** *The interviewee's response should be transcribed.* ***Documentation:*** *Quality reports, measurements taken.*			
4.2. **If so, has it obtained any certification such as ISO 9000 and its updated versions?** ***Aim of the question:*** *To find out whether the SME has certified all or some processes of the quality management system.* ***Guidance for the response content:*** *The response should specify which processes have been certified, and by which certifying body, whether it is a first certification or renewal, and, if only some processes have been certified, whether there are plans to include others.* ***Documentation:*** *Certificate issued by certifying body, quality management system documentation, invoices paid for system implementation and audit services.*			
4.3. **How does the SME assess its customers' satisfaction?** ***Aim of the question:*** *To ascertain whether the SME has any system for checking customer satisfaction.* ***Guidance for the response content:*** *The response should specifically identify how customer satisfaction is verified (through surveys, after-sales service, claims center, complaints book, etc.)* ***Documentation:*** *Contracts with survey companies, call center service, contract with after-sales service providers, claims records.*			
5. LEGAL PROCEEDINGS			
5.1. **Has the company been convicted or is it currently involved in legal proceedings due to the quality or safety of its products and/or services, for having negatively impacted the environment, or the working conditions of its employees?** ***Aim of the question:*** *To find out whether the SME has been convicted or is involved in any legal proceedings for non-compliance with regulations related to sustainability.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, specifying the type of litigation and degree of convictions.* ***Documentation:*** *Report from the SME's legal counsel.*			

	YES	NO	COMMENTS
5.2. **If so, in what context and for what reasons?** ***Aim of the question:*** *To determine the circumstances of the legal proceedings and their causes.* ***Guidance for the response content:*** *The response should specify the number of lawsuits, indicating whether the SME was convicted or acquitted and, in all cases, the reason for the legal proceedings.* ***Documentation:*** *Legal case files, invoices for legal services paid, fines paid, etc.*			
5.3. **a) Has the company implemented measures or remediation plans to improve the situation and prevent recurrence?** **b) If so, are these measures monitored, and have they been taken into account in the risk assessment?** ***Aim of the questions:*** *To ascertain whether measures have been implemented to avoid new legal action.* ***Guidance for the response content:*** *The interviewee's responses should be transcribed, stating the type of measures that have been implemented.* ***Documentation:*** *If implemented in writing, the new product or service specifications should be verified, as well as investments made, or modifications to working and contracting conditions.*			
6. ENVIRONMENT			
6.1. ENVIRONMENTAL MANAGEMENT SYSTEM			
6.1.1. **Does the company have an environmental management system in place, whether certified or not, such as ISO 14000 or EMAS (and their updates)?** ***Aim of the question:*** *To determine whether the SME has an environmental management system to mitigate its impacts on the environment.* ***Guidance for the response content:*** *In the case of an affirmative response, the scope of the environmental management system should be specified, as well as whether it is certified or not, and if not certified, the current stage of implementation.* ***Documentation:*** *Certifications issued by the certifying body or documents on the implementation and progress of the system. Invoices for consulting services paid, company reports.*			

	YES	NO	COMMENTS
6.1.2. **Does the company belong to a sector with high climate impact or operate in a dangerous scenario affected by climate change or natural disasters?** ***Aim of the question:*** *To determine whether the SME has a system in place to identify if its activity causes significant harm to the climate or operates in an environment of climate risk or natural disaster.* ***Guidance for the response content:*** *In the case of an affirmative response, it should indicate the scenario in which the materiality assessment was conducted.* ***Documentation:*** *Assessment of the scenarios conducted.*			
6.1.3. **If the response to the previous question was affirmative, does the company have remediation plans in place to tackle the effects of climate change? (Climate resilience)** ***Aim of the question:*** *To ascertain whether the SME has implemented and monitors actions to mitigate the effects it causes or suffers due to climate change.* ***Guidance for the response content:*** *The remediation plans implemented should be specified.* ***Documentation:*** *Remediation plan monitoring records.*			
6.1.4. **Does the SME have eco-efficient production processes, products or services, or has it obtained any ecological label?** ***Aim of the question:*** *To determine whether the SME has obtained an ecological label and/or applies any mechanism that ensures the ecological efficiency of the processes.* ***Guidance for the response content:*** *The interviewee's response should be transcribed. If affirmative, it should specify the type of labeling, mechanism, or system guaranteeing eco-efficiency.* ***Documentation:*** *All documentation related to the process of obtaining and maintaining the eco-label or other system for monitoring ecological efficiency. Invoices paid for consulting or implementation services.*			
6.2. ENVIRONMENTAL PROTECTION SITES			
6.2.1. **Does the company own any assets (lands or buildings) on environmental protection sites?** ***Aim of the question:*** *To find out if the SME is located or owns properties in biologically protected sites or environmental protection zones.* ***Guidance for the response content:*** *The interviewee's response should be transcribed. If affirmative, the response should specify the location of the lands or buildings.* ***Documentation:*** *All documentation related to the declaration of protected zones.*			

	YES	NO	COMMENTS
6.2.2. **If so, does it comply with all its obligations?** ***Aim of the question:*** *To determine whether the SME is aware of and complies with the regulations regarding biologically and environmentally protected zones.* ***Guidance for the response content:*** *The response should specify he relevant regulations and the actions taken by the SME to comply with them.* ***Documentation:*** *Relevant regulations and protection plans, either public or developed by the SME.*			
6.2.3. **Does the company take measures to tackle deforestation?** ***Aim of the question:*** *To ascertain whether the SME has policies and measures in place to tackle deforestation.* ***Guidance for the response content:*** *The response should indicate the actions taken and those currently under way.* ***Documentation:*** *Projects or actions undertaken.*			
6.2.4. **If the SME's activity is related to land exploitation, does it carry out actions to minimize land degradation or to rehabilitate degraded areas?** ***Aim of the question:*** *To find out whether the SME has defined and implemented policies and actions.* ***Guidance for the response content:*** *The response should indicate the actions taken and those currently under way.* ***Documentation:*** *Projects or actions undertaken.*			
6.2.5. **Does the SME know the water stress index in its region? If the scarcity level is significant, does it take actions to reduce water consumption?** ***Aim of the question:*** *To find out whether the SME has defined and implemented policies and actions.* ***Guidance for the response content:*** *The response should indicate the actions taken and those currently under way.* ***Documentation:*** *Projects or actions undertaken.*			

	YES	NO	COMMENTS
6.3. ENERGY AND GREENHOUSE GAS EMISSIONS			
6.3.1. **Does the company measure its energy consumption?** ***Aim of the question:*** *To determine whether the SME has methodologies and tools in place for measuring its energy consumption, provided this measurement is not performed by the energy supplying companies.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, indicating the methodologies and tools used to measure its energy consumption.* ***Documentation:*** *Records or indications of energy consumption measurement, if available.*			
6.3.2. **Does the SME have any energy efficiency projects under way?** ***Aim of the question:*** *To find out whether the SME has projects under way to reduce energy consumption, whether reducing, redefining processes, or changing technology, as well as ascertaining whether it has drafted a transition plan to achieve climate neutrality by 2050.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, indicating the characteristics and scope of the projects.* ***Documentation:*** *All documentation related to the design of the projects. Payment of invoices for consulting, renovations, acquisition of new technology.*			
6.3.3. **Is the company aware of potential greenhouse gas emissions?** ***Aim of the question:*** *To ascertain whether the SME is aware of the emissions from its production processes and their impact on society and the environment.* ***Guidance for the response content:*** *The response should specify the degree of awareness of greenhouse gas emissions resulting from the processes as well as indicating any plans to mitigate their emissions and what these plans consist of.* ***Documentation:*** *If available, any documentation on the development and execution of greenhouse gas mitigation projects, the company's environmental policy.*			
6.3.4. **Has the company implemented any plans to reduce greenhouse gas emissions?** ***Aim of the question:*** *To determine whether the SME has implemented any policies and actions to reduce greenhouse gases.* ***Guidance for the response content:*** *The processes implemented by the SME should be detailed.* ***Documentation:*** *The company's environmental policy, documentation of emission reduction processes.*			

	YES	NO	COMMENTS
6.4. RAW MATERIALS			
6.4.1. **Does the company use raw materials or substances that are non-renewable and/or cause significant environmental or health impacts?** ***Aim of the question:*** *To determine which raw materials the SME uses, whether they are non-renewable resources, and the degree of significance of the impact their use causes on the environment, as well as to find out if they use substances harmful to health.* ***Guidance for the response content:*** *The response should specify the non-renewable raw materials or substances harmful to the environment and health. If possible, it should indicate the volume of these materials.* ***Documentation:*** *The company's environmental policy, purchase receipts, inventories, production specifications.*			
6.4.2. **Has the company had to withdraw any product or substance from the market due to pressure from a stakeholder?** ***Aim of the question:*** *To determine whether the SME has had to withdraw products that were reported as harmful to the environment or people.* ***Guidance for the response content:*** *In the case of an affirmative response, it should indicate the withdrawn products and the reason for the complaint.* ***Documentation:*** *Inventory reports, complaints lodged, fines paid.*			
6.4.3. **Does the company have plans to reduce the consumption of raw materials or other consumables (for example: water, paper, cardboard, etc.)?** ***Aim of the question:*** *To determine whether, within its corporate policy, the SME has plans to reduce packaging waste and the consumption of water, paper, and cardboard.* ***Guidance for the response content:*** *In the case of an affirmative response, it should specify the plans for reducing consumption and generating solid and liquid waste.* ***Documentation:*** *The company's environmental policy, material reduction specifications.*			
6.4.4. **Does the company recycle or reuse materials?** ***Aim of the question:*** *To find out whether the SME has a recycling or material reuse policy.* ***Guidance for the response content:*** *In the case of an affirmative response, it should specify whether the reduction refers to the company's own waste or if recycled material is purchased for its production processes. If possible, the percentage this represents of total inputs will also be indicated.* ***Documentation:*** *The company's environmental policy, purchase receipts, inventories, production specifications.*			

	YES	NO	COMMENTS
6.4.5. **Does the company adopt any measures for wastewater treatment?** ***Aim of the question:*** *: To ascertain whether the SME has processes in place for water treatment.* ***Guidance for the response content:*** *In case of an affirmative response, it should indicate the volumes of treated water and the controls applied in this respect.* ***Documentation:*** *All documentation related to the procedure for monitoring indicators and deviations.*			
6.4.6. **Does the company carry out any water reuse processes?** ***Aim of the question:*** *To find out whether the SME has processes for water reuse.* ***Guidance for the response content:*** *In case of an affirmative response, it should indicate the volumes of treated water and the controls applied in this respect.* ***Documentation:*** *All documentation related to the procedure for monitoring indicators and deviations.*			
6.4.7. **Does the company take any measures for the treatment of hazardous waste?** ***Aim of the question:*** *To find out whether the SME generates hazardous waste and has processes in place for its treatment.* ***Guidance for the response content:*** *In the case of an affirmative response, it should specify the types of waste involved and the controls applied in this respect.* ***Documentation:*** *All documentation related to the procedure for monitoring indicators and deviations.*			
6.4.8. **Does the company take any measures for the treatment of non-hazardous waste?** ***Aim of the question:*** *To determine whether the SME has processes in place for treating waste, even though it is not hazardous.* ***Guidance for the response content:*** *In the case of an affirmative response, it should specify the types of waste involved and the controls applied in this respect.* ***Documentation:*** *All documentation related to the procedure for monitoring indicators and deviations.*			

	YES	NO	COMMENTS
6.5. POLLUTION REDUCTION			
6.5.1. **Does the company try to mitigate pollution (noise, odor, soil, air, water, waste)?** ***Aim of the question:*** *To ascertain whether the SME has processes in place to reduce noise and odors from production, whether it avoids polluting soil, air, and water, and whether it is concerned with reducing waste generation.* ***Guidance for the response content:*** *In the case of an affirmative response, it should specify the pollution mitigation actions taken.* ***Documentation:*** *The company's environmental policy, specifications related to production processes or services.*			
6.5.2. **Is the company's activity regulated by any specific regulations?** ***Aim of the question:*** *To find out whether there is specific regulations governing the activity.* ***Guidance for the response content:*** *If any specific regulation exists, it should be identified, with a brief explanation of how it affects the SME.* ***Documentation:*** *The corresponding regulations.*			
6.6. LEGAL PROCEEDINGS			
6.6.1. **Has the company been convicted or is it currently involved in legal proceedings in relation to environmental regulations?** ***Aim of the question:*** *To identify whether the SME has been convicted or is currently involved in litigation for non-compliance with environmental regulations.* ***Guidance for the response content:*** *The interviewee's response should be transcribed.* ***Documentation:*** *None.*			
6.6.2. **If so, in what context and for what reasons?** ***Aim of the question:*** *To ascertain the causes that led to the legal proceedings.* ***Guidance for the response content:*** *The response should specify the number of concluded and ongoing lawsuits, indicating the regulation that was violated. The reasons for the lawsuits should be specified.* ***Documentation:*** *Court case files, fines or penalties paid, legal services paid.*			

	YES	NO	COMMENTS
6.6.3. **Has the SME implemented measures to improve the situation and prevent recurrence?** ***Aim of the question:*** *To determine whether measures have been implemented to avoid new lawsuits.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, indicating the type of measures that have been implemented* ***Documentation:*** *If the measures have been implemented in writing, verify the relevant instructions.*			
7. SOCIAL AND CORPORATE			
7.1. HUMAN RESOURCES			
7.1.1. **Is staff turnover high?** ***Aim of the question:*** *To ascertain the permanent nature of the SME's employees in terms of length of service.* ***Guidance for the response content:*** *The interviewee's response should be transcribed.* ***Documentation:*** *None.*			
7.1.2. **If so, what could cause this high rate of turnover and how often does it occur?** ***Aim of the question:*** *To determine whether the SME has investigated the causes of the high rate of staff turnover.* ***Guidance for the response content:*** *The interviewee's response should be transcribed.* ***Documentation:*** *Staff payroll, other employee records.*			
7.1.3. **Does the SME promote a climate of social dialogue within the company?** ***Aim of the question:*** *To identify the working atmosphere at the SME.* ***Guidance for the response content:*** *The interviewee's response should be transcribed.* ***Documentation:*** *The personnel or human resources department may be consulted.*			
7.1.4. **In the staff hiring process, are equal opportunities regarding gender, diversity, disability, minorities, etc. taken into account?** ***Aim of the question:*** *To find out whether the SME applies the principles of the Global Compact in this regard.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, indicating the percentages and/or quantity of employees that meet these requirements.* ***Documentation:*** *Staff payroll.*			

	YES	NO	COMMENTS
7.1.5. **In the incentive policy, does the incentive system for executives consider the achievement of sustainability objectives?** ***Aim of the question:*** *To ascertain whether the SME applies sustainability criteria in its executive compensation policy.* ***Guidance for the response content:*** *Objectives set for the accrual of incentives for the Executive Team.* ***Documentation:*** *Calculation of the estimated incentives accrued in the last financial year.*			
7.2. HUMAN RIGHTS			
7.2.1. **Does the company verify that human rights are not violated in the value chain, including children's rights and in terms of forced, compulsory and illegal labor?** ***Aim of the question:*** *To find out if the SME applies the principles of the Global Compact in this regard.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, specifying whether investigations are conducted to determine if the products purchased involve forced or child labor, and/or precarious working conditions.* ***Documentation:*** *Contracts signed with suppliers.*			
7.3. LEGAL PROCEEDINGS			
7.3.1. **Has the company been convicted or is it involved in legal proceedings related to human rights or labor issues?** ***Aim of the question:*** *To ascertain whether the SME has been convicted in a lawsuit related to human rights violations or labor issues.* ***Guidance for the response content:*** *The interviewee's response will be transcribed, specifying the type of litigation and the extent of any convictions.* ***Documentation:*** *Report from the SME's legal counsel.*			
7.3.2. **If so, in what context and for what reasons?** ***Aim of the question:*** *To determine the circumstances of the lawsuit and the reasons behind it.* ***Guidance for the response content:*** *The number of lawsuits should be specified, indicating whether the SME was convicted or acquitted and, in all cases, the reason for the litigation.* ***Documentation:*** *Legal case files, invoices for legal services, proof of payment of fines, etc.*			

	YES	NO	COMMENTS
7.3.3. **Has the SME implemented measures to improve the situation and prevent recurrence?** ***Aim of the question:*** *To determine whether measures have been implemented to avoid new legal action.* ***Guidance for the response content:*** *The interviewee's response should be transcribed, indicating the type of measures that have been implemented.* ***Documentation:*** *If they have been set out in writing, verify the new measures.*			
7.4. STAKEHOLDERS			
7.4.1. **Has the company identified its external stakeholders and their expectations?** ***Aim of the question:*** *To find out whether the SME has conducted the process of identifying its stakeholders and their expectations regarding the SME.* ***Guidance for the response content:*** *The interviewee's response will be transcribed, indicating the process used to identify the stakeholders and their expectations; that is, the understanding of those who, directly or indirectly, have some type of interest in the SME —whether internal (employees, partners, shareholders) or external (suppliers, government, customers, unions, the general community)— what their demands or concerns are, and whether the SME is capable of meeting them.* ***Documentation:*** *Meetings should be held with stakeholders, to record their expectations.*			
7.4.2. **How do these expectations impact the company's activity and organization?** ***Aim of the question:*** *To ascertain whether the SME has assessed the impact of meeting the expectations expressed by stakeholders. These expectations may vary depending on where the SME is located, the type of suppliers and/or customers, the pressure groups involved (unions, civil organizations, government), the environmental requirements of the location, the characteristics of the community, etc.* *For instance, the company may indicate:* *• Social and economic expectations: The establishment of the SME is expected to generate a mutual benefit, for itself and for the community, in the form of more local employment, purchases from local suppliers, contributions to education and culture, etc.* *• Environmental expectations: Environmental regulations are expected to be met regarding noise, and taking care of the air, soil, and water (e.g., noise levels during rest hours, minimization of greenhouse gas emissions, and no waste discharge onto soil or in water).* ***Guidance for the response content:*** *The response should indicate what the impact would be of fulfilling stakeholders' expectations, which may involve the allocation of material and/or human resources.* ***Documentation:*** *Reports from meetings with stakeholders and supporting documentation of any expenses or resources allocated to meet their expectations.*			

	YES	NO	COMMENTS
7.4.3. **Does the SME have joint CSR projects under way with NGOs, the local community, or other agents of civil society?** ***Aim of the question:*** *To ascertain whether the SME has joint CSR projects with NGOs, the local community, and other civil society agents (governments, other SMEs, customers, suppliers).* ***Guidance for the response content:*** *Give an overview of the joint projects and the potential economic, social, and environmental impacts they may have.* ***Documentation:*** *If applicable, any written agreements between the organizations.*			
8. MATERIALITY			
Does the company determine the topics that reflect significant economic, environmental, and social impacts that substantially influence stakeholders' opinions and decisions? ***Aim of the question:*** *To find out whether the SME has implemented any procedure to select the relevant topics about which information might be required by stakeholders.* *For instance:* *• Which stakeholders are affected by the SME's actions, and which stakeholders impact the company?* *• What do these stakeholders consider important?* *• What is the SME's capacity to respond to these demands (can it meet the stakeholders' demands)?* *• Could the stakeholders' perception or attitude toward the SME change if a required aspect were not reported (if so, then it constitutes a material issue that must be included in the Sustainability Report)?* *• The SME must determine the required actions and include the aspect in the Sustainability Report* ***Guidance for the response content:*** *The SME maintains ongoing contact with stakeholders. Based on this interaction, the relevant topics to be reported are identified.* ***Documentation:*** *Meeting minutes with stakeholders and copies of procedures for determining relevant matters may be requested.*			

CILEA

SME SUSTAINABILITY REPORT MODEL

SME SUSTAINABILITY REPORT

KPI DASHBOARD

In the process of preparing the sustainability report, with the support of the data gathered using the diagnostic questionnaire, the next stage is the identification of the indicators to be used, taking the following aspects into account:

IDENTIFICATION OF HISTORICAL INDICATORS

Over the course of its management, the SME might have defined and applied different KPIs that may or may not be related to sustainability. Identifying these historical indicators is the first stage of the process.

APPLICABILITY CRITERIA FOR HISTORICAL AND NEW INDICATORS

This phase consists of reviewing the historical indicators and determining other new ones to use, in accordance with the applicable regulations on sustainability.

SETTING KPI OBJECTIVES AND GOALS

The CILEA Model for SME Sustainability Reporting is developed within the framework of a process of continuous improvement. Therefore, in the case of most of the KPIs defined, improvement plans are included, which are reflected through the selected indicators.

THE SME SUSTAINABILITY REPORT

The CILEA Model for SME Sustainability Reporting comprises a cover sheet, detailing the financial year covered in the Report and other company details, and the KPIs on the relevant governance, economic, social, human resources, labor and environmental aspects.

The information is presented as a comparison to the previous financial year and goals for the following year. The aim is to evaluate the company's improvement process, year on year, in relation to sustainability, by verifying the extent to which the set objectives have been met and establishing new goals for the year ahead, and so on.

Each group of KPIs is accompanied by explanations with respect to their relevance, how to collect the required data and how to complete the corresponding section.

It should be noted that not all of the KPIs included in the report may be necessary and others may be desirable. SMEs that are able to define indicators that, in their opinion, are necessary to demonstrate their economic, social, environmental and governance performance more effectively can do so, as long as they take into account all reporting requirements in terms of relevance, balance, clarity and transparency.

If deemed appropriate, SMEs can add notes to clarify their KPIs.

Lastly, the model links the proposed KPIs to the SDGs and the 10 principles of the UN's Global Compact, as well as with the European Sustainability Reporting Standards.

COMPANY IDENTIFICATION	FINANCIAL YEAR (FY) :.....
Company name:	
Economic sector: [ ] trade [ ] industry [ ] services [ ] agribusiness	
Activity:	
Head office: (Headquarters where the activity is carried out or the legal address of the SME, as required by the legislation of its country)	
Mission:	
Vision:	
Values:	
Brief historical overview: (Date founded, subsidiaries, brief description of the organizational structure, any recognitions, general economic-financial information, etc.)	
Policy in relation to sustainability: Select options: ☐ We use environmentally friendly energy sources ☐ We incorporate recycling and reuse practices into our daily work ☐ We promote growth practices, develop technical and human capacities in our collaborators, and work to ensure their safety ☐ We maintain ongoing communication with stakeholders ☐ Within our scope of influence, we eradicate child labor and coerced labor practices ☐ Within our scope of influence, we eradicate corruption practices ☐ We evaluate and review the risk management system and opportunities in relation to sustainability ☐ We require a commitment to sustainability throughout the value chain ☐ We ensure compliance with legal regulations ☐ Other factors:	

1 - GOVERNANCE INDICATORS	Previous FY	Current FY	
	Indicator value	Indicator value	% Variation
1.1 - Board members related to sustainability			
1.2 - Auditing/sustainability/risks committees or working groups			
1.3 - Nº of meetings held			
1.4 - Nº of risks defined/Nº of regulatory and operational risks identified			
1.5 - Nº of sustainable objectives identified in the strategic plan			
1.6 - Nº of sustainability impact analyses conducted for the proposed investments			
1.7 - Due diligence in relation to sustainability in contracting suppliers and in supplier relations.			
1.8 - Internal communication platform and subscription to specialist platforms			
1.9 - Nº of incidents and/or complaints received in the financial year			
1.10 - Nº of incidents and/or complaints settled			
1.11 - Amount of penalties and/or fines			
1.12 - Amount of penalties and/or fines settled			
1.13 - Nº of complaints lodged for cases of non-compliance in the value chain			
1.14 - Degree of compliance with the quality plan			

Relevance of these indicators:

The purpose of the governance indicators is to highlight the commitment of the company's governance bodies to sustainability management, as well as to the communication with and participation of stakeholders.

The information gathered includes how sustainability is considered in risk management, the development of strategic plans, and the relationship with the value chain. It also covers whether sustainability is part of the proper oversight by governance bodies and whether there are situations of non-compliance.

Gathering data and documentation:

The data for preparing these indicators should be taken from governance body reports, risk management policies related to sustainability, and their applicability may depend on the governance structure or the legal form of the SME.

Instructions and key concepts:

Board members involved in sustainability: The number of board members who are part of the sustainability committee established within the board.

Audit/sustainability/risk committees or working groups: The number of members in the audit and/or sustainability and/or risk committee responsible for acting as a communication channel between the Board of Directors or partners and internal/external auditors, verifiers, or reviewers, as well as evaluating the level of risk and/or opportunity the organization faces in relation to sustainability.

Number of meetings held: The number of meetings held by the board of directors or by its committees or working groups.

Number of defined sustainability-related risks and/or opportunities / Number of regulatory and operational risks identified: The number of sustainability risk assessments still pending during the reporting period, over the total number of identified sustainability risks

Examples of risks include: a) Extreme weather events; b) Unemployment or underemployment; c) Natural disasters; d) Lack of adaptation to climate change; e) Regulatory risk – Non-compliance with environmental legislation; f) Regulatory risk – Non-compliance with labor risk legislation; g) Lack of anti-fraud policies and procedures; h) Legal proceedings; i) Arbitrary actions by governments and institutions; j) Accidents.

Number of sustainable objectives identified in the strategic plan: The number of strategic objectives linked to the SDGs (Sustainable Development Goals) or the UN Global Compact, including deadlines for achievement and action plans with measurable intermediate goals to monitor deviations.

Number of sustainability impact analyses conducted on proposed investments: The number of sustainable investment criteria evaluated.

Due diligence in relation to sustainability in the contracting and maintenance of relationships with suppliers: a) The number of suppliers identified as sustainability risk; b) The number of suppliers evaluated from among those identified as sustainability risks; c) The number of suppliers assessed on environmental, social, and ethical issues including corruption and bribery.

Internal communication platform and subscription to specialist platforms: The number of platforms (e.g., whistleblowing channels).

Number of incidents and/or complaints received during the reporting period: The number of penalties, fines, or incidents received, including those settled during the reporting period.

Number of incidents/complaints settled: The number of penalties or fines settled, including those contested during the reporting period.

Amount of penalties and/or fines: The amount of penalties or fines received, including those contested (paid or unpaid) during the reporting period.

Amount of settled sanctions/fines: The amount of penalties or fines received, including those settled (paid or unpaid) during the reporting period.

Number of complaints received due to non-compliance in the value chain: The number of complaints regarding non-compliance by suppliers/customers within the value chain, whether due to product quality, lack of response to claims, or misuse of the product or service.

Degree of compliance with quality plans: If the organization has obtained ISO 9000 or 14000 certification (or their updates), it should indicate the degree of compliance with recommended actions.

2 - ECONOMIC INDICATORS	Previous FY		Current FY	
	Amount in local currency	% of gross revenue	Amount in local currency	% of gross revenue
Gross revenue				
MINUS Third-party inputs				
TOTAL ADDED VALUE FOR THE COMPANY				
Third-party revenues				
Return on investments				
TOTAL ADDED VALUE GENERATED TO DISTRIBUTE				
Taxes to Government				
Human resources				
Remuneration				
Security social contributions and other additional employee-related obligations				
Charity donations to the community				
Other contributions				
Return on third-party capital				
Interest and other earnings from assets				
Return on equity				
Dividends and other returns				
Remuneration for directors/board members/partners				
Undistributed added value				
TOTAL ADDED VALUE DISTRIBUTED				

Relevance of these indicators:

The purpose of the economic indicators is to highlight the added value generated by the organization and how it is distributed among the stakeholders who contributed to its creation.

Data on the generation and distribution of added (or generated) value shows how the organization has created wealth for its stakeholders and how it distributes it among them. Through this indicator, stakeholders can obtain information about the SME's commitment to its internal stakeholders, to society, and to the environment.

Gathering data and documentation:

Data for preparing these indicators should be taken, where possible, from the organization's audited balance sheet and income statement, or from internally verified management accounts, or failing that, from regular records where gross revenue, costs, and expenses necessary for generating and distributing added value are recorded: invoicing, tax settlements, payrolls, etc., as detailed in the instructions. It is recommended to use the accrual basis, although the cash basis can be used when justified.

If the SME operates in more than one location, a breakdown of the indicators can be presented by location.

Instructions and key concepts:

Indicators should be prepared using total gross revenue as a reference, with each value expressed as a percentage of total gross revenue (TGR). Values should be stated in local currency.

The SME should start by recording the total gross revenue. From this, deduct third-party inputs, which gives the ADDED VALUE GENERATED. Then, the distribution of this generated added value should be detailed, for example: Taxes to Government; Human resources; Social and environmental investment; Return on third-party capital; Return on equity.

Lastly, the SME should indicate the retained or undistributed added value to obtain the total added value distributed. The added value generated must match the distributed value.

Gross revenue: Total sales (products, goods or services) and other extraordinary income.

Third-party inputs: Materials consumed included in the cost of products, goods, and services sold; other costs excluding in-house staff expenses, depreciation, and amortization; expenses such as telephone, water, energy; losses from inventory realization or investments.

Taxes to Government: Total in local currency and as a percentage of gross revenue for all mandatory taxes, fees, and contributions.

Human resources: Total payroll expenses (including vacation, bonuses, etc.) plus mandatory social expenses (employer and employee social security contributions and other additional obligations), both in local currency and as a percentage of gross revenue.

Social and environmental investment: Costs of actions, projects, and programs related to social and environmental issues.

Return on third-party capital: Financial costs related to any loan or financing operation.

Return on equity: Return on investment (interests, dividends).

Undistributed added value: Retained or undistributed added value.

3 - INTERNAL SOCIAL INDICATORS (Social investments for employees)	Previous FY			Current FY			Planned improvement		
	Amount in local currency	% of Gross revenue	Nº of beneficiaries	Amount in local currency	% of Gross revenue	Nº of beneficiaries	Amount in local currency	% of Gross revenue	Nº of beneficiaries
3.1 - Food/meals									
3.2 - Health									
3.3 - Workplace safety									
3.4 - Education (literacy, primary, middle or higher education)									
3.5 - Culture									
3.6 - Training and professional development									
3.7 - Internal or external childcare									
3.8 - Other investments									
TOTAL INTERNAL SOCIAL INVESTMENTS									

Relevance of these indicators:

In the case of internal social indicators, they aim to report on all actions, benefits, and investments made by the SME for its employees, always calculating each indicator in relation to the gross revenue. The information is presented in comparison with the previous fiscal year (FY), as well as with projections for the upcoming year.

The structure of these indicators is mainly based on the concept of workplace ethics, meaning everything the SME provides to its employees beyond what is required by law or specific regulations. Examples include spending on food, workplace safety and hygiene, culture, training and professional development, and childcare (whether internal or external), as well as any other investments made for the benefit of employees.

The indicators are presented as suggestions and can be expanded. What matters is that the benefits and actions are proposed, discussed, and selected through a participatory process involving both management and employees.

Gathering data and documentation:

The data for preparing these indicators should be obtained, when possible, from the audited balance sheet and income statement of the organization, internally audited management accounts, or from regular records documenting revenue, costs, expenses, and investments. Employee files, collective bargaining agreements, and other documentation related to employees may also be consulted.

Instructions and key concepts:

Food/meals: This should indicate the total amount spent on restaurants, meal vouchers, snacks, basic food baskets, and other food-related expenses for employees. This amount should then be calculated as a percentage of gross revenue, thereby showing the impact of these expenses on total billing.

Health: This should specify the total amount spent on non-mandatory health plans, medical assistance, preventive medicine programs, quality of life initiatives, and other health-related expenses for employees, including retirees and dependents. This amount should then be calculated as a percentage of gross revenue.

Education: This should indicate the total spending on education at all levels, tuition reimbursement, scholarships, magazine subscriptions, publications, and other expenses related to the education of executives and employees. This amount should then be calculated as a percentage of gross revenue.

Culture: This should state the total spending on artistic and cultural events or activities for employees (e.g., music, theater, cinema, literature, etc.) or other forms of cultural participation. This amount should then be calculated as a percentage of gross revenue.

Training and professional development: This should indicate the total resources invested in courses and practices aimed at the training related to the work performed by executives and employees. This amount should then be calculated as a percentage of gross revenue.

Internal or external childcare services: This should specify total amount spent on childcare services provided either on-site or externally, for employees and executives. This amount should then be calculated as a percentage of gross revenue.

Other voluntary benefits: The company may include here the amount of other voluntary benefits offered to employees and executives, such as insurance (company-paid portion), loans (only the cost), expenses for recreational activities, transportation, or housing. Then calculate the percentage of this spending in relation to gross revenue. This amount should then be calculated as a percentage of gross revenue.

IMPROVEMENT PLAN: For all areas, the SME should indicate in the right-hand column whether it intends to improve the composition of the indicators in the next fiscal year. The improvement should be expressed in local currency values and as a percentage of gross revenue.

4 - INTERNAL SOCIAL INDICATORS (Social investments for employees)	Previous FY		Current FY		Planned improvement	
	Amount in local currency	% of Gross revenue	Amount in local currenc	% of Gross revenue	Amount in local currenc	% of Gross revenue
4.1 - Spending on charity / donations (financial, products and/or services) / humanitarian aid						
	Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):	
4.2 - Investments in and incentives for volunteering						
	Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):	
4.3 - Investments in culture / cultural and/or artistic projects						
	Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):	
4.4 - Investments in education / literacy						
	Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):	
4.5 - Other investments						
	Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):		Nº of beneficiaries (people): Nº of beneficiaries (organizations):	
TOTAL INTERNAL SOCIAL INVESTMENTS						

Relevance of these indicators:

Through this series of indicators, information is provided on the expenses incurred by the SME in relation to actions, projects, and investments that benefit the community (external actions), which demonstrate the SME's concern for the society in which it operates.

Like all organizations, SMEs generate expectations in their surroundings when they establish themselves in a certain location. It is recommended that these expectations be analyzed by the SME and, if they can be addressed, they should be reported to stakeholders through these indicators.

It is particularly important not only to report the amount invested and the percentage it represents of gross revenue, but also the number of beneficiaries, if they can be identified.

Gathering data and documentation:

The data for preparing these indicators should be obtained, when possible, from the organization's audited balance sheet and income statement, or from internally audited management accounts or, if not available, from regular records detailing revenues, costs, expenses, and investments. Information should also be collected on the number of beneficiaries—both individuals and organizations.

Instructions and key concepts:

Spending on charity/donations (financial products and/or services) / humanitarian aid: This should indicate the total amount spent and the percentage it represents of total revenue. It should also specify the number of individuals and/or organizations benefited.

Investments and incentives for volunteering: This indicator refers to the total cost for time granted to employees to participate in volunteer activities during working hours, and for volunteer incentive schemes (such as awards, media coverage of activities, tokens like pins or badges, letters of gratitude, or invitations to share experiences). This response should indicate the total amount spent and the percentage it represents of total revenue, as well as specifying the number of individuals and/or organizations that benefited.

Investments in cultural/artistic projects: Support for the organization of cultural or artistic events such as photography, sculpture, painting, film, or performances. The SME should indicate the total amount spent and the percentage it represents of total revenue, as well as specifying the number of individuals and/or organizations that benefited.

Investments in education/literacy: Allocation of financial or human resources to support education and/or literacy efforts in the community. The SME should indicate the total amount spent and the percentage it represents of total revenue, as well as specifying the number of individuals and/or organizations that benefited.

Other indicators: Other indicators may be added here that reflect improvements in community quality of life (e.g., sports projects, community leisure, donations of products and/or services, support and participation in NGOs, and involvement in and support for municipal councils). In each case, the SME should indicate the total amount spent and the percentage it represents of total revenue, as well as specifying the number of individuals and/or organizations that benefited.

IMPROVEMENT PLAN: For all areas, indicate in the column on the right whether the SME plans to improve the composition of the indicators in the next fiscal year. This improvement should be expressed in local currency and as a percentage of gross revenue.

5 - HUMAN RESOURCES INDICATORS	Previous FY					Current FY					Planned improvement
	Directors Partners	%	Employees	%	Total	Directors Partners	%	Employees	%	Total	
5.1 - Nº of people working at the company (on 31/12)											
5.2 - Nº of new employees / hirings in the reporting period											[ ] No [ ] Yes, please specify:
5.3 - Ratio of new employees to the average workforce											[ ] No [ ] Yes, please specify:
5.4 - Nº of dismissals / employees leaving in the reporting period											[ ] No [ ] Yes, please specify:
5.5 -Ratio of dismissals to the average workforce											[ ] No [ ] Yes, please specify:
5.6 - Nº of labor-related lawsuits											[ ] No [ ] Yes, please specify:
5.7 - Nº of complaints and/or incidents related to discrimination (internal or external) as a proportion of the average number of employees											[ ] No [ ] Yes, please specify:
5.8 - Nº of beneficiaries (people) for whom this is their first job											[ ] No [ ] Yes, please specify:
5.9 - N° of permanent employees											[ ] No [ ] Yes, please specify:
5.10 - % of employees with a permanent contract											[ ] No [ ] Yes, please specify:
5.11 - N° of temporary employees											[ ] No [ ] Yes, please specify:
5.12 - % of employees with a fixed-term contract											[ ] No [ ] Yes, please specify:
5.13 - Nº of interns or trainees during the reporting period											[ ] No [ ] Yes, please specify:
5.14 - Nº of people with a family relationship to a director/partner											[ ] No [ ] Yes, please specify:
5.15 - Level of education:											
Primary											[ ] No [ ] Yes, please specify:
Middle											[ ] No [ ] Yes, please specify:
Higher											[ ] No [ ] Yes, please specify:
5.16 - Nº of people over 50 years old											[ ] No [ ] Yes, please specify:

5 - HUMAN RESOURCES INDICATORS	Previous FY					Current FY					Planned improvement
	Directors Partners	%	Employees	%	Total	Directors Partners	%	Employees	%	Total	
5.17 - Ratio of average nº of women over the reporting period to total average number of employees and directors/partners											[ ] No [ ] Yes, please specify:
5.18 - Ratio of average nº of men over the reporting period to total average number of employees and directors/partners											[ ] No [ ] Yes, please specify:
5.19 - Number of people with disabilities											[ ] No [ ] Yes, please specify:
5.20 - Number of employees performing volunteer work in the community											[ ] No [ ] Yes, please specify:
5.21 - Other minorities (native people, others, please specify)											[ ] No [ ] Yes, please specify:
5.22 - Proportion of variable salary dependent on sustainability objectives											[ ] No [ ] Yes, please specify:
5.23 - Remuneration per hour – men											[ ] No [ ] Yes, please specify:
5.24 - Remuneration per hour – women											[ ] No [ ] Yes, please specify:

Relevance of these indicators:

This group of indicators will present information related to the composition of the employee payroll, as well as the composition of the management team, staff turnover, degree of kinship, place of residence, diversity, etc.

The composition of the workforce and management reflects the SME's commitment to local hiring, respect for diversity, and policies on job stability and motivation.

If the staff turnover rate is high, it may indicate uncertainty or dissatisfaction among employees. Staff turnover and inequalities in hiring can affect productivity. A sound employment policy can attract qualified employees and boost talent retention.

Gathering data and documentation:

The information to prepare these indicators can be obtained from the employee payroll, salary statements, and other documents found in employee records.

Instructions and key concepts:

Number of people with disabilities: This should include the number that exceeds the requirement established by national legislation, if applicable.

Number of employees performing volunteer work in the community: This should include an overview of the number of employees engaged in volunteer work during working hours.

Proportion of variable salary dependent on sustainability objectives: The percentage of variable remuneration paid to members of administrative, management, and supervisory bodies that is linked to sustainability matters, depending on sustainability-related goals or impacts.

IMPROVEMENT PLAN: For the areas in which the SME plans to improve, the company should specify how in the column on the right, in quantitative or qualitative terms.

6 - EMPLOYMENT POLICY INDICATORS	Previous FY	Current FY	Planned improvement
6.1 - Ratio between the minimum wage and the average compensation (excluding the highest earners)			[ ] No [ ] Yes, please specify:
6.2 - Total number of work-related accidents or occupational illnesses			[ ] No [ ] Yes, please specify:
6.3 - Do employees participate in problem-solving and/or in the search for solutions with the aim of promoting collaborative work environments?	[ ] No [ ] Yes, occasionally [ ] Yes, regularly	[ ] No [ ] Yes, occasionally [ ] Yes, regularly	[ ] No [ ] Yes, occasionally, please specify: [ ] Yes, regularly, please specify:
6.4 - Are there concrete measures related to the safety, physical or mental health of workers, and to ensure a good psychosocial work environment in the company?	[ ] No [ ] Yes, providing equipment [ ] Yes, running campaigns, training or other initiatives	[ ] No [ ] Yes, providing equipment [ ] Yes, running campaigns, training or other initiatives	[ ] No [[ ] Yes, providing equipment [ ] Yes, running campaigns, training or other initiatives
6.5 - Does the company encourage elementary, secondary, and higher education for employees?	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody
6.6 - Does the company encourage specific training (trades, languages, training courses, or others, related or not to the company's activity)?	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody	[ ] No [ ] Yes, for the partners [ ] Yes, for everybody
6.7 - Does the company adopt the practice of hiring/ recruiting people from nearby communities?	[ ] No [ ] Yes, up to 25% [ ] Yes, from 26% to 50% [ ] Yes, from 51% to 75% [ ] Yes, over 75%	[ ] No [ ] Yes, up to 25% [ ] Yes, from 26% to 50% [ ] Yes, from 51% to 75% [ ] Yes, over 75%	[ ] No [ ] Yes, up to 25% [ ] Yes, from 26% to 50% [ ] Yes, from 51% to 75% [ ] Yes, over 75%
6.8 - Does the company adopt the practice of hiring/ recruiting people from nearby communities?	[ ] No [ ] Yes, for some people [ ] Yes, for everybody	[ ] No [ ] Yes, for some people [ ] Yes, for everybody	[ ] No [ ] Yes, for some people [ ] Yes, for everybody
6.9 - Does the company adopt policies to avoid the gender pay gap?	[ ] No [ ] Yes, for some people [ ] Yes, for everybody	[ ] No [ ] Yes, for some people [ ] Yes, for everybody	[ ] No [ ] Yes, for some people [ ] Yes, for everybody
6.10 - Does the company invest in corporate wellness programs?	[ ] No [ ] Yes, please specify the investment as a percentage of gross revenue	[ ] No [ ] Yes, please specify the investment as a percentage of gross revenue	[ ] No [ ] Yes, please specify the investment as a percentage of gross revenue
6.11 - Nº of beneficiaries (people) of the programs / average number of employees			[ ] No [ ] Yes, please specify:

Relevance of these indicators:

This group of indicators reflects the SME's policy regarding the work environment and staff incentives. It sets out the policy for the current reporting period and projections for the future. The responses help to round off the indicators reported.

It is important to highlight the policies established by the company concerning employee participation in resolving operational problems, profit sharing, specific training, and anything aimed at improving workplace relations.

Gathering data and documentation:

These data can be obtained from the SME's reports or disclosed employment policies. Payroll records may also be consulted.

Instructions and key concepts:

Total number of work-related accidents or occupational illnesses: The SME should indicate the number of employees affected by work-related accidents that occurred during the reporting period or who were diagnosed with occupational illnesses.

IMPROVEMENT PLAN: For all sections, the SME should indicate in the column on the right whether it plans to improve the composition of the indicators in the next reporting period, responding as applicable.

7 - ENVIRONMENTAL INDICATORS	Previous FY	Current FY	Planned improvement
CIRCULAR ECONOMY Does the company adopt material reuse policies (paper, packaging, printer cartridges, etc.)?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.1	Indicator: Ratio of waste reused (%)	Indicator: Ratio of waste reused (%)	Projected indicator: Ratio of waste reused (%)
CIRCULAR ECONOMY Does the SME have recycling policies in place?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.2	Indicator: Ratio of materials reused (%)	Indicator: Ratio of materials reused (%)	Projected indicator: Ratio of materials reused (%)
ENERGY Does the company have any measures in place to reduce energy consumption?	[ ] No [ ] Yes, please specify	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.3	Indicator 1: Annual consumption of primary energy (MWh/year)	Indicator 1: Annual consumption of primary energy (MWh/year)	Projected indicator: Annual consumption of primary energy (MWh/year)
7.4	Indicator 2: Rate of consumption of renewable energy (%)	Indicator 2: Rate of consumption of renewable energy (%)	Projected indicator: Rate of consumption of renewable energy (%)
NATURAL RESOURCES (WATER): Does the company have any measures in place to reduce water consumption?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.5	Indicator 1: Cubic meters (m^3) of water consumed	Indicator 1: Cubic meters (m^3) of water consumed	Projected indicator: Cubic meters (m^3) of water consumed
7.6	Indicator 2: Ratio of reduced water	Indicator 2: Ratio of reduced water	Projected indicator: Ratio of reduced water
NATURAL RESOURCES (WATER): Does the SME adopt any measures for wastewater treatment?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.7	Indicator 1: Cubic meters (m^3) of treated water consumed	Indicator 1: Cubic meters (m^3) of treated water consumed	Projected indicator: Cubic meters (m^3) of treated water consumed
7.8	Indicator 2: Ratio of treated wastewater (%)	Indicator 2: Ratio of treated wastewater (%)	Projected indicator:
NATURAL RESOURCES (WATER): Does the company adopt any measures for water reuse?	Ratio of treated wastewater (%)	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.9	Indicator1: Investment in water reuse (monetary unit)	Indicator1: Investment in water reuse (monetary unit)	Projected indicator: Investment in water reuse (monetary unit)
7.10	Indicator 2: Cubic meters (m^3) of reused water consumed	Indicator 2: Cubic meters (m^3) of reused water consumed	Projected indicator: Cubic meters (m^3) of reused water consumed
7.11	Indicator 3: Water reuse rate (%)	Indicator 3: Water reuse rate (%)	Projected indicator: Water reuse rate (%)
BIODIVERSITY/ ECOSYSTEMS: Does the SME carry out impact measurements in protected areas in which it operates?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.12	Indicator: Measurements of impact in protected areas (%)	Indicator: Measurements of impact in protected areas (%)	Projected indicator: Measurements of impact in protected areas (%)
BIODIVERSITY: Does the SME operate in an area affected by or at risk of deforestation?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.13	Indicator: Investments in reducing the risk or effects of deforestation	Indicator: Investments in reducing the risk or effects of deforestation	Projected indicator: Investments in reducing the risk or effects of deforestation

7 - ENVIRONMENTAL INDICATORS	Previous FY	Current FY	Planned improvement
BIODIVERSITY: Does the SME operate in an area affected by or at risk of land degradation?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.14	Indicator: Investments to mitigate land degradation or rehabilitate it	Indicator: Investments to mitigate land degradation or rehabilitate it	Projected indicator: Investments to mitigate land degradation or rehabilitate it
BIODIVERSITY/ECOSYSTEMS: Does the SME know the water stress index in its region? Does it carry out actions to reduce water consumption?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.15	Indicator: Water stress index in the region it operates in	Indicator: Water stress index in the region it operates in	Projected indicator: Water stress index in the region it operates in
CLIMATE CHANGE: Is the company aware of / does it apply regulations related to climate change?	[ ] No [ ] Yes, please specify:	Has the company been sanctioned in the current FY?: [ ] No [ ] Yes, it is aware but no measures applied [ ] Yes, it is aware and applies measures	If applicable, does the company have remediation plans?: [ ] No [ ] Yes, please specify:
7.16	Indicator 1: Nº of penalties/ complaints / fines received in relation to climate change	Indicator 1: Nº of penalties/ complaints / fines received in relation to climate change in this FY (last 12 months)	Projected indicator: Investment in remediation plans (monetary unit)
7.17	Indicator 2: Amount of the penalties/ complaints / fines received in relation to climate change	Indicator 2: Amount of the penalties/ complaints / fines received in relation to climate change in this FY (last 12 months)	Projected indicator: Investment in remediation plans (monetary unit)
7.18	Indicator 3: Rate of compliance / non-compliance with climate change adaptation targets (%)	Indicator 3: Rate of compliance / non-compliance with climate change adaptation targets (%)	Projected indicator: Expected compliance rate
CLIMATE CHANGE: Does the SME consider different scenarios in relation to climate change in its operations? (Climate resilience)	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.19	Indicator 1: Energy intensity coefficient	Indicator 1: Energy intensity coefficient	Projected indicator: Expected energy intensity coefficient
7.20	Indicator 2: Percentage of climate change impact on revenues (%) a short, medium and long term	Indicator 2: Percentage of climate change impact on revenues (%) a short, medium and long term	Projected indicator: Expected evolution in accordance with the evaluation of the efficacy of the measures to combat climate change in the short, medium and long term
7.21	Indicator 3: N° of climate variables used to determine the climate scenario that it operates in	Indicator 3: N° of climate variables used to determine the climate scenario that it operates in	Projected indicator: N° of climate variables it plans to use in the future to evaluate the climate scenario that it operates in
CLIMATE CHANGE: Is the company's activity affected by natural disasters?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.22	Indicator: Contingency plans implemented in response to natural disasters (monetary unit)	Indicator: Contingency plans implemented in response to natural disasters (monetary unit)	Projected indicator: Planned contingency plans in response to natural disasters (monetary unit)
CLIMATE CHANGE: Does the SME develop remediation plans in response to the effects of climate change? (Climate resilience)	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.23	Indicator 1: Rate of compliance with drafting remediation plans for high and critical risks(%)	Indicator 1: Rate of compliance with drafting remediation plans for high and critical risks(%)	Projected indicator: Rate of compliance with drafting remediation plans for high and critical risks (%)
7.24	Indicator 2: Rate of progress /efficacy with respect to remediation plans (%)	Indicator 2: Rate of progress /efficacy with respect to remediation plans (%)	Indicator 2: Rate of progress /efficacy with respect to remediation plans (%)

7 - ENVIRONMENTAL INDICATORS	Previous FY	Current FY	Planned improvement
ENVIRONMENTAL MANAGEMENT: **Has the company been sanctioned for non-compliance with environmental regulations?**	[ ] No [ ] Yes, please specify:	Has the company been sanctioned in the current FY?: [ ] No, never [ ] No, not in this FY [ ] Yes, N° of penalties: Please specify reasons:	If applicable, does the company have remediation plans?: [ ] No [ ] Yes, please specify:
7.25	Indicator: Nº of penalties/ complaints/ fines received related to environmental regulations in the previous FY	Indicator: Nº of penalties/ complaints/ fines received related to environmental regulations in this FY (last 12 months)	Projected indicator: Investment in remediation plans (monetary unit)
ENVIRONMENTAL MANAGEMENT: **Does the SME invest in environmental education for its employees?**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
7.26	Indicator: N° of employees trained at the end of the FY: Amount invested in environmental training in the FY:	Indicator: N° of employees trained at the end of the FY: Amount invested in environmental training in the FY:	Projected indicator: Expected n° of employees trained: Amount of planned investments:
NATURAL RESOURCES (AIR): **Does the company adopt any measures to reduce greenhouse gas emissions? Scope 1 emissions**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.27	Indicator: Scope 2 emissions	Indicator: Scope 2 emissions	Projected indicator: Scope 2 emissions
NATURAL RESOURCES (AIR): **Does the company adopt any measures to reduce greenhouse gas emissions? Scope 2 emissions**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.28	Indicator: Scope 2 emissions	Indicator: Scope 2 emissions	Projected indicator: Scope 2 emissions
NATURAL RESOURCES (AIR): **Does the company adopt any measures to reduce greenhouse gas emissions? Scope 3 emissions (transport and distribution in upstream activities)**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.29	Indicator: Scope 3 emissions	Indicator: Scope 3 emissions	Projected indicator: Scope 3 emissions
NATURAL RESOURCES (SOIL): **Does the SME adopt any measures for the treatment of hazardous waste?**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.30	Indicator: Generation of hazardous waste	Indicator: Generation of hazardous waste	Projected indicator: Generation of hazardous waste
NATURAL RESOURCES (SOIL): **Does the SME adopt any measures for the treatment of non-hazardous waste?**	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:	If applicable: [ ] No [ ] Yes, please specify:
7.31	Indicator: Generation of non-hazardous waste	Indicator: Generation of non-hazardous waste	Projected indicator: Generation of non-hazardous waste
7.32 - ACTIVITY-SPECIFIC INDICATORS			

Relevance of these indicators:
SMEs operate within an environmental setting, which they alter when they begin operating. Stakeholders develop expectations regarding the company's environmental policy, specifically in relation to noise, air quality, water, soil, and solid and liquid waste. Through these indicators, the SME can express its environmental policy, indicating the actions carried out during the reporting period and the goals for the following ones.

Gathering data and documentation:
The data required to prepare the indicators can be obtained from production processes, the SME's environmental policy, and documentation such as utility bills showing consumption of energy, water, and other natural resources.

Instructions and key concepts:
7.1 - Ratio of reused waste (%): Total reused waste (tons) / Total generated waste (tons).
7.2 - Ratio of recycled materials (%): Total recycled waste (tons) / Total generated waste (tons).
7.3 - Annual consumption of primary energy (MWh/year): Megawatt-hours (MWh) of energy consumed: this includes the sum of renewable and all types of non-renewable energy, broken down, if applicable, by energy source: electricity, heat, steam, and cooling purchased or acquired.
7.4 - Ratio of renewable energy consumption(%): Megawatt-hours (MWh) of renewable energy consumed / Megawatt-hours (MWh) of total energy consumed.
7.5 - Cubic meters (m^3) of water consumed: Total sum of all water entering the organization's boundaries from all sources (including surface water, groundwater, rainwater, and municipal water supply) for any use during the reference period.
7.6 - Ratio of reduced water use: Total reduction in water consumption(water saved) / Total water consumed.
7.7 - Cubic meters (m^3) of treated water consumed: Cubic meters (m^3) of treated water consumed (wastewater that has undergone a purification process).
7.8 - Ratio of treated wastewater (%): Treated wastewater (m^3) / Total water consumed (m^3).
7.9 - Investment in water reuse (monetary unit): Cubic meters (m^3) of reused water consumed.
7.12 - Water reuse ratio (%): % of reused water over the total amount of water used for any purpose during the reference period.
7.13 - Measurement of impact in protected areas (%): Degree of compliance with measurements (%) with satisfactory results and degree of non-compliance with measurements.
7.14 - Investments to reduce the risk or effects of deforestation: Investments made to reduce the risk or effects of deforestation (for projected indicators, approved future investments).
7.15 - Investments to mitigate or rehabilitate land degradation: Investments made to mitigate or rehabilitate land degradation (for projected indicators, approved future investments).
7.16 - Water stress index in the region of operation: The previously recorded reduction rates. The SME should specify whether there is a strategy in place.
7.17 - Number of penalties/complaints/fines received related to climate change in the reporting period (last 12 months): Number of penalties/complaints/fines received for non-compliance with regulations (GHG emissions reduction)
7.18 - Amount of penalties/complaints/fines received related to climate change in the reporting period (last 12 months): Amount of penalties/complaints/fines received for non-compliance with regulations (GHG emissions reduction)
7.19 – Ratio of compliance/non-compliance with respect to climate change adaptation targets (%):
Non-compliance with objectives for managing incidents, risks, and actions to combat climate change (deployment of renewable energy, energy efficiency goals, mitigation of physical risks).
7.20 - Energy intensity coefficient: Calculation of total energy consumption from activities in climate-impact sectors (MWh) / Net revenue from activities in climate-impact sectors (monetary unit).
7.21 - Percentage of climate change impact on revenue (%): Result of assessing how climate change may affect business continuity: % of revenue loss (short, medium, and long term).
7.22 - Number of climate variables used to determine the climate scenario in which it operates: This should include the number of variables and specify which are used. Climate variables could include, for instance, average annual temperature, annual rainfall, aridity index, etc.
7.23 - Contingency plans implemented for natural disasters (monetary unit): Investment in contingency plans for natural disasters, incidents, and losses due to natural disasters.
7.24 - Compliance ratio in the development of remediation plans for high and critical risks (%): Degree of progress in the development of remediation plans related to climate change for high and critical risks.
7.25 - Percentage of progress/effectiveness of remediation plans (%): Percentage of progress in the execution of remediation plans or measurement of their effectiveness (or delays if progress declines compared to the previous financial year).
7.26 - Number of employees trained by the end of the fiscal year or amount invested in environmental training during the year: Amount invested or number of people trained on environmental topics.
7.27 - Scope 1 pollutant emissions: To determine direct emissions, multiply consumption by the emission factors or coefficients used for calculating the carbon footprint.
7.28 - Scope 2 pollutant emissions: To determine indirect emissions generated from electricity consumption, multiply consumption by the updated emission factors.
7.29 - Scope 3 pollutant emissions: To determine other indirect emissions generated by fuel consumption (including that of company vehicles), multiply consumption by the emission factors.
7.30 - Generation of hazardous waste: Tons of hazardous waste (according to the national legislation of the place where the waste is generated).
7.31 - Generation of non-hazardous waste: Tons of non-hazardous waste (all other forms of solid or liquid waste excluding wastewater).
7.32 - Activity-specific indicators: This allows the SME to include any indicators that are important for each particular activity and not otherwise specified.

IMPROVEMENT PLAN: For all sections, the SME should indicate in the column on the right whether it plans to make improvements and in what way.

8 - OTHER INFORMATION	Current FY	Planned improvement
8.1 - Does the company ensure that the product, throughout its value chain, is free from child labor, forced labor, or labor performed under coercion, in accordance with current legislation?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
8.2 - Does it take measures to prevent incidents of corruption and/or bribery?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:
8.3 - Does it adopt measures of responsibility regarding the product, in accordance with current legislation?	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify
8.4 - Others:	[ ] No [ ] Yes, please specify:	[ ] No [ ] Yes, please specify:

Instructions and key concepts:

This space is available for the SME to add any other information it considers important, in accordance with its activity. For instance, it could add indicators that correspond to the other principles of the UN Global Compact, such as those suggested in the table. It should be noted that small actions can have a big impact, which is why it is important to describe the activities and social impact of the actions taken, and provide other qualitative or quantitative information.

IMPROVEMENT PLAN: For all sections, the SME should indicate in the column on the right whether it plans to make improvements and in what way.

ALIGNMENT CHART OF INDICATORS WITH THE SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS	Applicable Model Indicators
1 NO POVERTY	4.1 5.5 6.8
2 ZERO HUNGER	3.1 4.1 8.3
3 GOOD HEALTH AND WELL-BEING	3.2 6.4 8.1 8.3
4 QUALITY EDUCATION	3.4 3.6 4.4 5.8 6.6 7.8
5 GENDER EQUALITY	3.7 6.1
6 CLEAN WATER AND SANITATION	7.1 7.2 7.4 7.5 7.6 7.7 7.8 7.9 7.10
7 AFFORDABLE AND CLEAN ENERGY	7.3 7.4 7.5 7.6 7.7 7.8
8 DECENT WORK AND ECONOMIC GROWTH	3.3 3.6 5.5 5.8 5.11 6.2 6.3 6.5 6.6
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	6.3 6.6 7.1 7.2 7.3 7.4 7.5 7.6 7.7 7.8 7.9 7.10 8.3
10 REDUCED INEQUALITIES	4.8 5.12 5.13 5.14 5.16 6.1
11 SUSTAINABLE CITIES AND COMMUNITIES	4.3 5.17 6.7 7.1 7.2 7.3 7.4 7.5 7.6 7.7 7.8 8.2 8.3
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	4.2 6.7 7.1 7.3 7.4 7.5 7.7 7.8 7.9 7.10 8.3
13 CLIMATE ACTION	4.2 7.1 7.2 7.3 7.4 7.5 7.6 7.7 7.8 7.9 7.10
14 LIFE BELOW WATER	4.2 7.1 7.2 7.6 7.7 7.8 7.9 7.10
15 LIFE ON LAND	4.2 7.1 7.2 7.4 7.5 7.6 7.7 7.8 7.9 7.10
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8.1 8.2 8.3
17 PARTNERSHIPS FOR THE GOALS	4.1 4.2 8.1 8.2 8.3

ALIGNMENT CHART OF INDICATORS WITH RESPECT TO THE PRINCIPLES OF THE GLOBAL COMPACT

Principles of the Global Compact	Applicable model indicators				
1 - Businesses should support and respect the protection of internationally proclaimed human rights	3.1 to 3.9				
2 - Businesses must make sure that they are not complicit in human rights abuse	3.1 to 3.9	5.1 to 5.16	6.1	6.4	6.5
3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	6.1 to 6.9				
4 - Companies should support the elimination of all forms of forced and compulsory labor	8.1				
5 - Companies should support the effective abolition of child labor	8.1				
6 - Companies should support the elimination of discrimination in respect of employment and occupation	3.1 to 3.7	5.1 to 5.6	6.1 to 6.9		
7 - Businesses should support a precautionary approach to environmental challenges	7.1 to 7.11				
8 - Business should undertake initiatives to promote greater environmental responsibility	7.1 to 7.11				
9 - Companies should encourage the development and diffusion of environmentally friendly technologies	7.1 to 7.11				
10 - Businesses should work against corruption in all its forms, including extortion and bribery	8.2				

ALIGNMENT CHART OF INDICATORS WITH THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS

ESRS area	ESRS subtopics	ESRS Disclosure requirement	Applicable model indicators
ESRS G1 Company culture	• Company culture • Whistleblower protection • Animal welfare • Political commitment • Supplier relations management, including payment practices • Corruption and bribery	GOV-1 The role of the administrative, management and supervisory bodies IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	1.1 to 1.14 8.2
ESRS E1 Climate change	• Adaptation to climate change • Climate change mitigation • Energy	GOV-3 Integration of sustainability-related performance in incentive schemes SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	1.4 to 1.6 5.22 7.16 to 7.26

ESRS area	ESRS subtopics	ESRS Disclosure requirement	Applicable model indicators
ESRS E2 Pollution ESRS E3 Water and marine resources	• Air pollution • Water pollution • Soil pollution • Contamination of live organisms and food resources • Substances of concern • Substances of very high concern • Microplastics • Water • Marine resources • Water consumption • Water extractions • Water discharges • Water discharges into the oceans • Extraction and use of marine resources	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	7.5 to 7.11 7.27 to 7.32
ESRS E4 Biodiversity and ecosystems	• Direct impact factors on loss of biodiversity • Impact on the status of species • Impacts on the extent and state of ecosystems • Impacts on ecosystemic services and dependents of these services	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business models IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	7.12 to 7.15
ESRS E5 Resource use and circular economy	• Inputs of resources, including resource use • Outputs of resources related to products and services • Waste	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	7.1 to 7.3 7.5 to 7.11 7.27 to 7.3
ESRS S1 Own workforce	• Work conditions • Equal treatment and opportunities for all • Other employment rights	SBM-2 Interests and views of stakeholders SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	1.4 to 1.8 3.2 to 3.7 5.1 to 5.24 6.1 to 6.11
ESRS S2 Workers in the Value Chain	• Work conditions • Equal treatment and opportunities for all • Other employment rights	SBM-2 Interests and views of stakeholders SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	1.4 to 1.8 6.1 to 6.11 8.1
ESRS S3 Affected communities	• Economic, social and cultural rights of communities • Civil and political rights of communities • Rights of indigenous peoples	SBM-2 Interests and views of stakeholders SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	1.4 to 1.8 4.1 to 4.4 6.1 to 6.11
ESRS S4 Consumers and end-user	• Incidents related to information for consumers and end users • Personal safety of consumers and end users • Social inclusion of consumers and end users	SBM-2 Interests and views of stakeholders SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	1.4 to 1.8 8.3

VERIFICATION OF THE SUSTAINABILITY REPORT

The information included in the Sustainability Report will have more credibility if it is verified in accordance with the regulations in force in each of the countries.

Although this type of verification contains particular conditions, due to the specificity of the topics it involves and because the multidisciplinary approach required by the task, the procedures used for auditing financial reports are applicable, with input from experts being used when necessary.

In the absence of a specific standard, the International Standard on Sustainability Assurance 5000 (ISSA 5000) may be used, for example.

ANNEXES

ANNEX A: CLIMATE RESILIENCE - SCENARIO CONSTRUCTION FOR COMPANIES' ADAPTATION TO CLIMATE CHANGE

CONCEPTUALIZATION

Scenario analysis is a methodology that supports strategic decision-making, as well as identifying improvements in the current performance of processes and in risk management.

Scenario construction involves identifying different alternatives and probabilities of occurrence in the face of a given event.

When referring to adaptation scenarios to climate change, we must refer to studies carried out by international organizations on the evolution of the climate and its impact. In this regard, the Intergovernmental Panel of Experts on Climate Change (IPCC), which reports to the World Meteorological Organization and the United Nations' Environment Programme, the following future scenarios defined in the Fifth Assessment Report (AR5), considering a range of greenhouse gas (GHG) emissions and concentrations:

- **RCP 2.6 considered as the lowest level of GHG emissions**
- **RCP 6.0 and RCP 4.5 considered as medium GHG mitigation scenarios**
- **RCP 8.5 considered as a scenario with high rates of GHG emission**

In the Sixth Assessment Report (AR6), the IPCC includes the climate change scenarios as "Shared Socioeconomic Pathways" (SSP) that show how the world could evolve in the following decades in different aspects (economies, levels of inequality, demographic and technological change, among others), as well as the challenges posed by these changes in terms of climate change mitigation and adaptation.

Each scenario developed by the IPCC is defined as follows:

• **SSP1 ("Sustainability"):** Low population growth, high economic growth, high levels of education, governability, a globalized society, international cooperation, technological development, and environmental awareness. Under these assumptions, this scenario represents low levels of challenges for mitigation and adaptation.

• **SSP3 ("Fragmentation"):** High population growth and low economic development, lower levels of education, and a regionalized society with little environmental awareness, which therefore represents a high level of challenges for adaptation and mitigation.

• **SSP4 ("Inequality"):** In this scenario, technology advances in developed countries, but not all the population manages to benefit from it, which represents a high level of challenge for adaptation.

• **SSP5:** This scenario assumes there is still a very high dependence on fossil fuels, and there would be low population growth, high economic growth, and high human development; therefore, it represents a big challenge in terms of mitigation.

• **SSP2:** This is an intermediate scenario, in which the assumptions fall between those of SSP1 and SSP3.

In turn, each country or region develops its climate scenarios. Therefore, companies must take the developments of their country or region to develop their scenario model and analyse how the different climate phenomena impact their activities, as well as the consequences that the materialization of these events would also have on their various stakeholders.

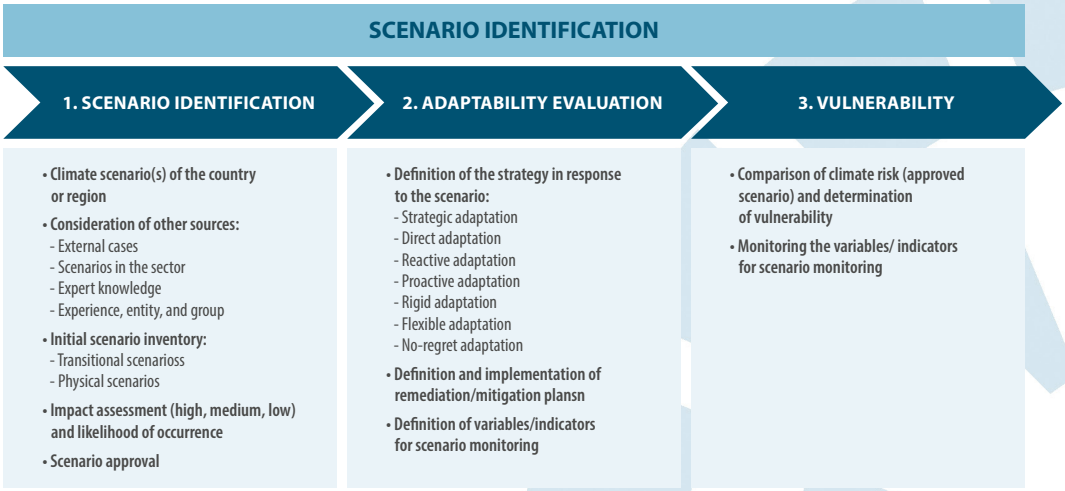
Because of this, it is not possible to create a scenario model that is applicable to all companies.

OBJECTIVE OF THE DOCUMENT

This document is designed to support SMEs in the development of their scenarios that allow, based on a combination of human and climate factors, the creation of a strategy to avoid or reduce the effects of climate change on companies, and to design policies for adaptation to climate change and contribution to the fight against climate change.

STEPS TO ANALYZE THE VULNERABILITY OF COMPANIES TO THE EFFECTS OF CLIMATE CHANGE

The following chart summarizes the steps to take in the scenario construction process:



Source: Produced in-house by the CILEA Technical Group for updating the model

STEP 1: SCENARIO IDENTIFICATION

Companies should use scenarios developed at the country or regional level as a starting point. However, it must also take into consideration other available sources of information, such as extreme cases that have occurred in its environment, scenarios that the sector is considering, expert knowledge, and its own experience. All of this will help us to understand how climate change can affect the activity of each sector and to develop an initial inventory of scenarios before starting an analysis of which scenarios align with the company's reality and its possible future impacts.

There may be the following types of scenarios:

- **Transitional scenarios:** These include different assumptions about the likely timing of changes in policies and legislation, the adoption of more efficient and cleaner technologies, changes in energy and its demand, increases in the price of carbon, and other factors aimed at achieving a sustainable economy.

  This type of scenario is relevant for companies whose use of resources is intensive and that generate high greenhouse gas emissions within their value chain. They are particularly influenced by political actions, technology, market changes, subsidies, taxes, and other restrictions or incentives, and can have a particularly direct effect.

  As a reference for this type of publicly available scenarios, we highlight those from the International Energy Agency (IEA) and the International Renewable Energy Agency (IRENA).

- **Physical scenarios:** These are based on climate models developed at the country or regional level where the company is located, with assumptions taken at minimum, average, and maximum temperature levels, rainfall volumes and patterns, and other parameters such as water stress, and the season and duration of droughts.

  These scenarios generally identify extreme climate threats with risks categorized from moderate to high before the year 2030, and a greater variety of physical threats between 2030 and 2050. They are relevant for companies exposed to very extreme or chronic climatic conditions and that are affected by the abovementioned climate factors.

The scenario analysis can be qualitative, quantitative, or a combination of both:

- Qualitative analysis is characterized by descriptive narratives, explores relationships and trends, and there is not a large quantity of numerical data available.
- Quantitative analysis is based on data and can be used to evaluate measurable trends and relationships using models and other analytical techniques.

The selected scenarios will be approved.

Example of climate variables that could be included in the scenario model, depending on the geographical region in which the company operates:

- **Average annual temperature**
- **Annual rainfall**
- **Aridity index:** ratio between reference evapotranspiration and rainfall, both annual, directly linked to the disappearance of humid and sub-humid zones.
- **DF Productivity factor:** net annual availability of time for the photosynthetic function (DF factor). This factor estimates the productive capacity of a climate, without soil limitations, to recreate the necessary conditions that a plant requires to produce.
- **Snowfall**
- **Longer drought periods**
- **Increase in the number and intensity of hurricanes or cyclones**
- **Increase in fires caused by climate phenomena**
- **Increase in floods**
- **Increase in intense rainfall (including hail)**
- **Melting glaciers**
- **Rising sea levels**
- **Increasing ocean acidification**

STEP 2: EVALUATION OF ADAPTIVE CAPACITY

The company's capacity to adapt to the effects will be evaluated, as well as whether it has the financial capacity to carry out the necessary actions. In this step, we determine the organization's level of preparedness to tackle current climate risks.

The company can choose different strategies in response to the scenarios. The following table includes the different options for adaptation to climate change:

Strategic adaptation	Based on a top-down approach, which includes large-scale structural measures, usually long-term, that create the framework within which more specific action plans are formulated.
Direct adaptation	With a bottom-up approach, the direct measures are smaller in scale, designed for the short term, and aimed at tackling a specific change.
Reactive adaptation	Designed to address a change that has already occurred to return to the prior situation.
Proactive adaptation	Focused on preventing an expected change in order to preserve the current situation, prior to the change.
Rigid adaptation	This includes adaptation measures that are not reversible or only reversible at a high cost, often related to engineering works.
Flexible adaptation	This encompasses reversible measures, often related to knowledge generation and capacity development.
No-regret adaptation	Adaptation measures that are beneficial even in the absence of climate change.

STEP 3: VULNERABILITY

By comparing climate risk with the adaptive capacity, the company's vulnerability to climate change is determined, both under the current climate conditions at the time of comparison and its future projections.

High vulnerability must be accompanied by contingency plans for climate-related disasters.

Based on the analyses conducted, priorities will be identified in terms of the measures to be taken, considering any measures for which the benefits outweigh the costs.

CLIMATE SCENARIO CHART FOR ADAPTATION TO CLIMATE CHANGE OR NATURAL DISASTER

CLIMATE VARIABLES / INDICADORES (certain/probable/possible/remote) — **AREA OF REFERENCE: .....**

CLIMATE ENVIRONMENT

	Risk in the climate region		Risk in the climate region		Risk in the climate region		Risk in the climate region
Average annual temperature		Longer drought periods		Snowfall	N/A	Net annual availability of time for the photosynthetic function (DF factor)	
Annual rainfall		Increase in the number and intensity of hurricanes or cyclones		Melting glaciers		Increase in floods	
Aridity index	N/A	Increase in fires caused by climate phenomena		Rising sea levels	N/A	Increasing ocean acidification	N/A

RISK FACTORS IN THE ORGANIZATION

- Negative evolution of the severity and frequency of climate indicators
- Preventive closures due to prior warning
- Concentration of production infrastructures
- Concentration of suppliers in a risk area
- Impact on the customers' ability to buy/pay
- Impact on DPC

EFFECTS ON THE ORGANIZATION

- Lack of access to critical production structures for employees and suppliers
- Lack of access to customers and/or the customer distribution network
- Destruction or loss of value of assets
- Unavailability of services and/or impact on the operational platform
  - Loss of transactions
  - Service unavailability

SCENARIO TOLERANCE LIMIT (To be defined by the company's bodies)

- Impact on suppliers > 20%
- Impact on employees > 20%
- Impact on critical production assets > 20%
- Impact on the distribution network > 20%
- Intermittent interruptions for > 1 week
- Service unavailability

POTENTIAL IMPACTS (To be defined by the company's bodies)

- **FALL IN PRODUCTION**: Extreme > % / Medium…%
- **FALL IN SALES**: Extreme > % / Medium…%
- **LOSS OF DATA AND/OR TRANSACTIONS**: Extreme > % / Medium…%
- **INFRASTRUCTURES**: Extreme > Monetary unit (millions) / Medium > Monetary unit (millions)
- **LEGAL PROCEEDINGS**: Potential investigation and claims

RESULT OF THE SCENARIO EVALUATION (VULNERABILITY)

- **EXTREME** (LIMITED ADAPTATIVE CAPACITY)
- **MEDIUM** (WITH THE CAPACITY TO ADAPT OR DEFINE POLICIES)
- **LOW** (NO OR LOW IMPACT OF CLIMATE CHANGE)

Source: Produced in-house by the CILEA Technical Group for updating the model

Note: The conclusion of the analysis of the data included in the chart will be indicated in the "RESULT OF THE SCENARIO EVALUATION" as: EXTREME, MEDIUM, OR LOW.
The result of the scenario evaluation will be used as a framework for the risk assessment and determination of remediation plans.
The colors used in the chart are for illustrative purposes only.

CLIMATE SCENARIO CHART FOR ADAPTATION TO REGULATORY CHANGES

CLIMATE ENVIRONMENT

VARIABLES / INDICATORS OF A REGULATORY CHANGE SCENARIO (certain/probable/possible/remote)

Indicators of political instability	Risk in the climate region	Indicators of the expected effect of the regulatory change	Risk in the climate region	Indicators of the expected effect of the regulatory change	Risk in the climate region	Indicators of access to grants and subsidies	Risk in the climate region
Economic growth		Indicators of the expected effect of the regulatory change		Fosters the development of new economic sectors	N/A	Economic activity that causes significant harm to climate change adaptation (water and marine resources)	
Inflation/ Interest rate		Requires changes to production processes (costs)		Stimulates the development of new products and services		Economic activity that causes significant harm to climate change adaptation (pollution prevention and control)	
Unemployment		Reduces the life cycle of existing products or triggers the disappearance of the product		Increases the company's management costs	N/A	Economic activity that causes significant harm to climate change adaptation (biodiversity and ecosystems)	N/A

RISK FACTORS/ OPPORTUNITIES IN THE ORGANIZATION

- Political instability
- Dependence on supranational bodies
- Need for significant investment in technology
- Need for significant investment in infrastructure for efficient use of clean energy
- Access to public grants and subsidies
- Access to new market niches/ changes in client profile

EFFECTS ON THE ORGANIZATION

- Total or partial closure of activity → Fines/penalties
- Liquidity/solvency problems
- Loss of client contracts
- No option to access financing
- Loss of status as beneficiary of public grants
- Public grants/subsidies → Meet conditions for grant/subsidy
- New clients

SCENARIO TOLERANCE LIMIT (To be defined by the SME's bodies)

- Loss of production activity > 20%
- Loss of clients > 20%
- Drop in cash flow > 20%
- Repay grants/subsidies due to non-compliance > Monetary unit (millions)
- Obtain grant /subsidy for > Monetary unit (millions)
- Increase in activity > 20%

POTENTIAL IMPACTS (To be defined by the SME's bodies)

- **DROP IN ACTIVITY** Extreme > %
- **CLAIMS/PENALTIES/FINES** Extreme > %
- **INVESTMENTS** Extreme > Monetary unit (millions)
- Loss of production activity > 20%

RESULT OF THE SCENARIO EVALUATION (VULNERABILITY)

- **EXTREME** (LIMITED ADAPTATIVE CAPACITY)
- **MEDIUM** (WITH THE CAPACITY TO ADAPT OR DEFINE POLICIES)
- **LOW** (NO OR LOW IMPACT OF CLIMATE CHANGE)

Source: Produced in-house by the CILEA Technical Group for updating the model

Note: The conclusion of the analysis of the data included in the chart will be indicated in the "RESULT OF THE SCENARIO EVALUATION" as: EXTREME, MEDIUM, OR LOW.
The result of the scenario evaluation will be used as a framework for the risk assessment and determination of remediation plans.
The colors used in the chart are for illustrative purposes only.

ANNEX B: RISK IDENTIFICATION AND ASSESSMENT IN RELATION TO SUSTAINABILITY

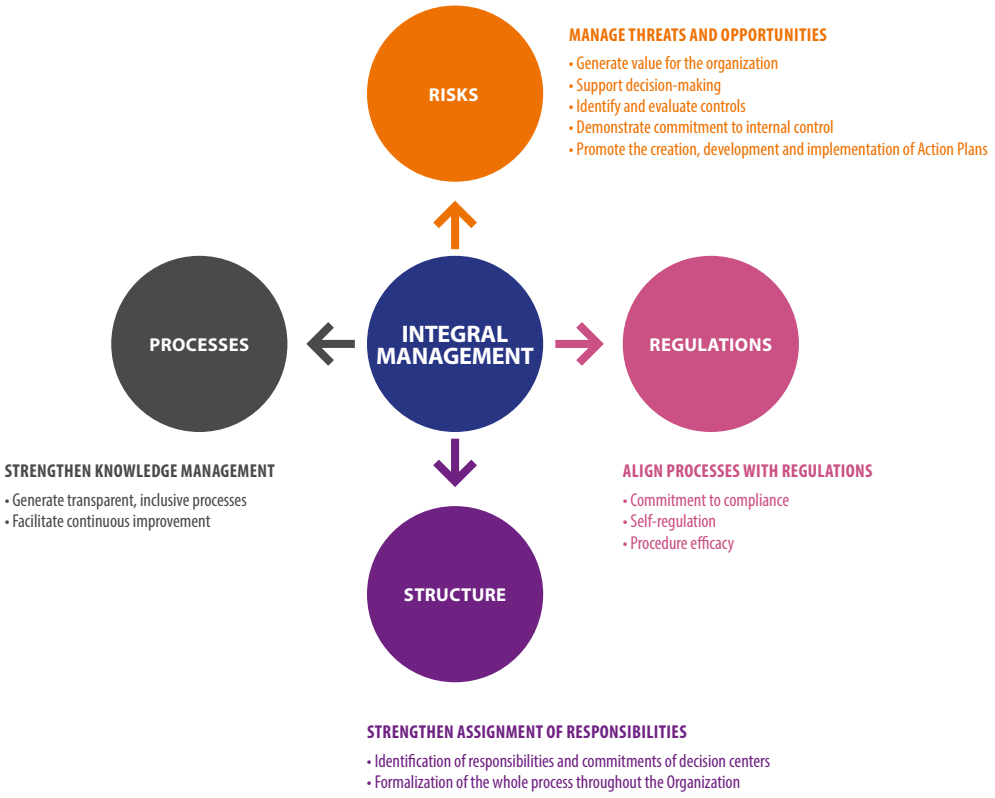
OBJECTIVE

The aim of this Annex is to support the SME in the development of a risk management model in relation to sustainability. It is not intended to be a risk management manual or an overview of a risk management policy.

INTRODUCTION

The starting point for tackling the risk management process in an organization is the responsibility assumed by the governance bodies, management, and employees in setting and carrying out the organization's objectives, strategy, mission, vision, and values, as well as laying the foundations for action in business development and performance.

Risk management reinforces the following four pillars:



Source: Produced in-house by the CILEA Technical Group for updating the model

The risk management generates:

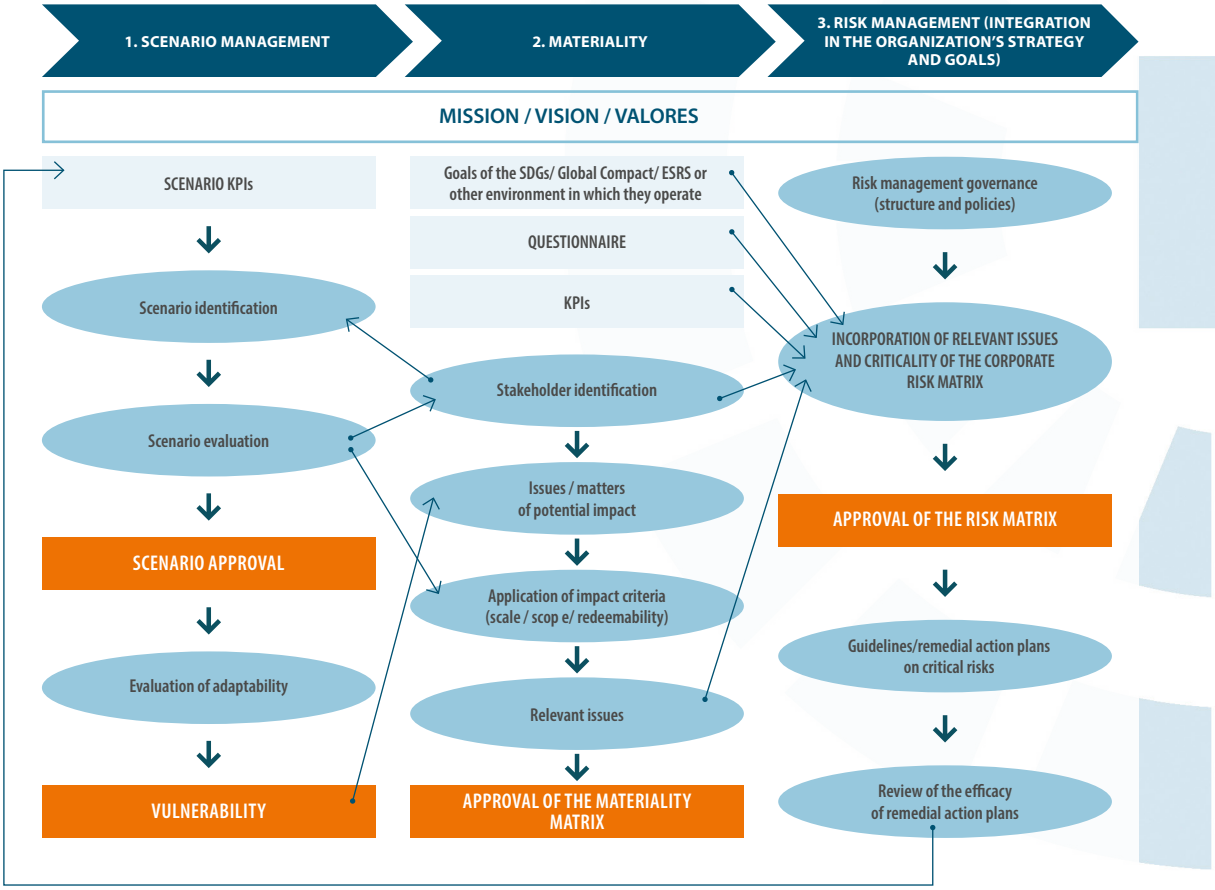
- Foresight (predicting, overseeing corrective actions and remediation plans)
- Integrity (covering the entirety of risks, processes, and controls)
- Reliability (prevents/reduces subjectivity)

Risk management should be seen as:

- A self-reinforcing process
- Part of the organization's internal control system, which should include the development of the sustainability materiality matrix and the management of sustainability scenarios in response to climate change.

RISK MANAGEMENT PROCESS

The following diagram of the risk management process shows the links between scenario management in response to climate change, the determination of the impact matrix in relation to sustainability (materiality matrix), the risk assessment and management process, and remediation plans. In addition, it illustrates how the CILEA tool (questionnaire and indicators) is involved in the process, both in terms of its implementation and in its monitoring.



Source: Produced in-house by the CILEA Technical Group for updating the model

Later in this document, we present a template for the impact materiality matrix, a template for identifying risk events and evaluating their impact, and for determining the likelihood of the events occurring.

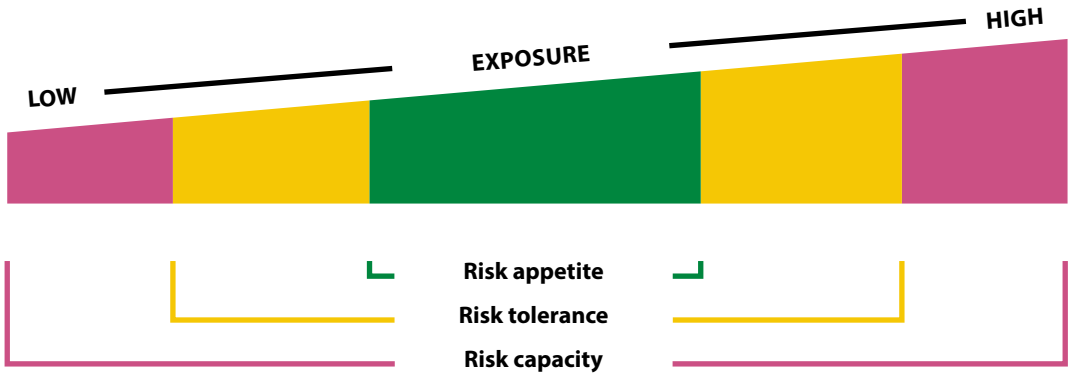
DEFINITION OF THE SUSTAINABILITY IMPACT MATERIALITY MATRIX

The materiality matrix identifies the impact criteria in terms of sustainability and economic factors, based on which the criticality of the issues is defined:

Criteria	Description
Scale	How severe the impact is
Scope	How far the impact reaches
Degree of remediation	The extent to which it can be mitigated

Through the definition of criticality levels, the company demonstrates its risk appetite by choosing values that are either closer to or further from not only its risk tolerance but also its capacity to assume risk.

Traditionally, risk management models distinguish between the three concepts shown in this diagram:



Source: Risk appetite definition and implementation, La Fábrica del Pensamiento (Instituto de Auditores Internos de España)

Below, we include a template for impact assessment for the purpose of guiding SMEs through this process. The percentages, amounts (thresholds), and severity criteria will be defined by the company's risk appetite, except for those established by legal regulations.

It should be noted that the criteria are applied to assess inherent risk, meaning the risk event is evaluated assuming that controls are not assigned or are not functioning.

IMPACT MATERIALITY MATRIX

Impacts	Criteria	1 - LOW	2 - MEDIUM	3 - HIGH	4 - CRITICAL
GOVERNANCE	Scale	There is a comprehensive risk system that includes relevant stakeholders and the value chain, overseen by the governance bodies. It also considers the assessment of scenarios related to climate change. The members of the governance bodies are bound by a code of conduct and, in turn, can be reported through the whistleblowing channel.	The risk management system is not overseen at the governance body level; its results are not announced or communicated. Members of the governance bodies are bound by a code of ethics. Compliance is monitored, but no sanctions have been defined.	The risk management system has not defined KPIs, does not perform periodic measurements of KPIs, does not manage deviations in indicators, does not identify all risks, or does not define remediation plans for high or critical risks. Members of the governance bodies are bound by a code of ethics, but their compliance is not verified.	There is no comprehensive risk system. Risks are managed as they occur. Neither is there a governance structure for risk management. Members of the governance bodies are not bound by a code of ethics, nor are complaints directed against them investigated.
	Scope	The comprehensive risk system includes all the company's activities and the value chain. It is evaluated and reviewed annually. The annual review includes risks that were previously considered non-relevant, especially those of which there have been incidents.	There is a risk management system. However, it has not been implemented in all activities and parts of the value chain. In this case, the risk would be high or critical for companies that: • Belong to a sector with a high climate impact. • Produce serious or very serious polluting effects on air, water, or soil. • Generate hazardous waste. • Operate or have activities affecting protected areas. • Use a large quantity of non-renewable and non-reusable raw materials.	There is a risk management system covering all areas and parts of the value chain. However, it has not been implemented in all of them.	The risk management system does not include the value chain nor all the activities.
	Degree of remediation	The weaknesses of the risk management system can be rectified directly by the company's governance bodies.	The risk management system and its structure and all functions and modifications must be approved externally to the company by the regulator.	The company does not take part in the risk management process and its implementation does not depend on the company.	Los governance bodies have made the decision not to implement and supervise a risk management system.
ECONOMIC	Scale	It affects xxx% of revenues.	It affects between xxx% and yyy% of revenues.	It affects between yyy% and zzz% of revenues.	It affects over zzz% of revenues.
	Scope	It affects xxx% of activities.	It affects between xxx% and yyy% of activities.	It affects between yyy% and zzz% of activities.	It affects over zzz% of activities.
	Degree of remediation	The remediation plans will significantly mitigate or eliminate the economic risk. The plans are monitored and reported on regularly.	The remediation plans do not manage to reduce the economic risk to low.	The remediation plans do not manage to reduce the economic risk to medium.	No remediation plans have been defined for critical or high risks.

Impacts	Criteria	1 - LOW	2 - MEDIUM	3 - HIGH	4 - CRITICAL
ENVIRONMENTAL	Scale	The company: • generates mild polluting effects in the air, water or soil, • produces non-hazardous waste that is not recycled nor reusable <xxx tons, • the quantity of non-renewable and non-reusable raw material that is not recycled nor reused is less than xx%, • has obtained environmental certification (ISO 1400 or EMAS) and has not identified any serious or very serious recommendations.	The company: • generates serious polluting effects in the air, water or soil, • produces non-hazardous waste that is not recycled nor reusable ≥ xxx tons and <yyy tons, • the quantity of non-renewable and non-reusable raw material that is not recycled nor reused is more than but less than zyyy%.	The company: • generates very serious polluting effects in the air, water or soil, • produces non-hazardous waste that is not recycled nor reusable ≥ yyy tons, • uses a large amount of non-renewable and non-reusable raw material ≥ yy%.	The company: • belongs to a high climate impact sector, • generates very serious polluting effects in the air, water or soil, • produces hazardous waste, • operates or has activities affecting protected areas, • uses a large amount of non-renewable and non-reusable raw material.
	Scope	Minor non-compliances with environmental regulations or internal environmental objectives have been identified in the company. There are no ongoing legal proceedings or final convictions related to complaints affecting the environment. The effects of climate change or natural disasters may cause a reduction in activity of less than xxx% and would not lead to the shutdown of critical structures.	Minor non-compliances with environmental regulations or the company's internal environmental objectives have been identified, and these have increased over the last 12 months. There are ongoing legal proceedings or minor final convictions related to complaints affecting the environment. The effects of climate change or natural disasters could result in a reduction of activity ≥ xxx% and < yyy%, but would not lead to the shutdown of critical structures.	Serious non-compliances with environmental regulations or the company's internal environmental objectives have been identified. There are ongoing legal proceedings or serious final convictions related to complaints affecting the environment. The effects of climate change or natural disasters could result in a reduction of activity ≥ yyy% and < zzz%, or impact critical structures.	Very serious non-compliances with environmental regulations or the company's internal environmental objectives have been identified. There are ongoing legal proceedings or very serious final convictions related to complaints affecting the environment. The effects of climate change or natural disasters could result in a reduction of activity ≥ zzz%, or impact critical structures.
	Degree of remediation	The remediation plans will significantly mitigate or eliminate the environmental risk. The plans are monitored and reported on regularly.	The remediation plans do not manage to reduce the environmental risk to low.	The remediation plans do not manage to reduce the environmental risk to medium.	The remediation plans will reduce the environmental risk to high.

Impacts	Criteria	1 - LOW	2 - MEDIUM	3 - HIGH	4 - CRITICAL
HUMAN RESOURCES / INTERNAL SOCIAL/POLICY IMPACTS	Scale	• The indicators show deviations regarding diversity, work-life balance, or gender equality ≤ xxx%. • No reports have been filed through the whistleblowing channel. • Occupational health and safety assessments are conducted, and the results have indicated minor weaknesses. • Measures are adopted to prevent corruption and bribery involving employees, and no reports have been filed against employees or the company for internal fraud. • Written compensation policies have been defined for employees outside of collective agreements, and these require the approval of the governance bodies.	• The indicators show deviations regarding diversity, work-life balance, or gender equality xxx%. • Minor reports have been filed through the whistleblowing channel and upheld for the complainant. • Occupational health and safety assessments are conducted, and the results have indicated minor weaknesses. • Unwritten compensation policies have been defined for employees outside of collective agreements, with the total accrued—whether in cash or in kind—amounting to less than xxx% of the total accrued compensation.	• There are policies on diversity, work-life balance, or gender equality that prohibit child labor, forced labor, or illegal hiring, but compliance with these policies is not verified. • Harassment protocols exist, but they have not been implemented, and complaints made through the whistleblowing channel are not investigated, or the confidentiality of the whistleblower is violated. • Occupational health and safety assessments are conducted, and the results have indicated serious weaknesses. • Unwritten compensation policies have been defined for employees outside of collective agreements, with the total accrued—whether in cash or in kind—amounting to ≥ xxx% of the total accrued compensation.	• There are no policies in place on diversity, work-life balance, or gender equality, nor any policies that prevent child labor, forced labor, or illegal hiring. • There are no harassment protocols or whistleblowing channel, or the channel does not guarantee confidentiality. • No activities are carried out, nor is any training provided, in relation to sustainability. • Occupational health and safety assessments are not conducted, or they are and the results have indicated very serious weaknesses. • There are no compensation policies for employees outside of collective agreements, despite the monetary or in-kind amounts accrued being highly significant.
	Scope	No workplace accidents or labor complaints have occurred in the last 12 months.	• Recurrent minor workplace accidents have occurred in the last 12 months. • The company has been reported for recurrent minor labor-related lawsuits.	• Serious workplace accidents have occurred in the last 12 months. • The company has been reported for serious labor-related lawsuits.	• Serious and very serious workplace accidents have occurred in the last 12 months. • T he company has been reported for human rights issues or serious labor-related lawsuits.
	Degree of remediation	The remediation plans will significantly mitigate or eliminate the risk. The plans are monitored and reported on regularly.	The remediation plans do not manage to reduce the risks to low.	The remediation plans do not manage to reduce the risks to medium.	No remediation plans have been defined for critical or high risks.

Impacts	Criteria	1 - LOW	2 - MEDIUM	3 - HIGH	4 - CRITICAL
EXTERNAL STAKEHOLDERS	Scale	• No risks affecting external groups (such as population displacement, livelihoods of communities, or health) as a consequence of the company's activities have been identified in the risk analysis. • An impact analysis of future investments is conducted, and no impact on external groups outside the company has been detected. • The expectations of the groups affected by the activity are known and have been analyzed. • An impact analysis of future investments is conducted, and no impact on external groups outside the company has been detected.	The company's activity affects vulnerable groups. It makes investments that impact local communities or vulnerable groups, resulting in population displacement, loss of livelihoods, or adverse effects on health.		
	Scope		• Vulnerable groups affected ≤ a xxx inhabitants / Km2 • Ongoing legal proceedings or definitive minor convictions.	• Vulnerable groups affected >xxx <yyy inhabitants / Km2 • Ongoing legal proceedings or definitive serious convictions graves.	• Vulnerable groups affected ≥ yyy inhabitants / Km2 • Ongoing legal proceedings or very serious convictions graves.
	Degree of remediation		The remediation plans do not manage to reduce the risks to low.	The remediation plans do not manage to reduce the risks to medium.	No remediation plans have been defined for critical or high risks.
VALUE CHAIN	Scale	• The procurement policy includes social, environmental, and governance issues as requirements for the contracting suppliers. Operations are not carried out with suppliers that do not meet these criteria and therefore have a significant environmental, social, or governance impact. • Operations are not carried out with suppliers based in countries with a corruption risk index, according to Transparency International (TI CPI 2021).	A total of xxx% of the company's suppliers has been evaluated, of which yyy% are classified as adequate or not posing a sustainability risk.	A total of zzzz% of the company's suppliers has been evaluated, of which yyy% are classified as adequate or not posing a sustainability risk.	The procurement policy does not include social, environmental, and governance issues as requirements for contracting suppliers. Significant changes have occurred in the supply chain towards countries with a corruption risk index. A total of jjjj% of the company's suppliers has been evaluated, of which hhhh% are classified as adequate or not posing a sustainability risk.
	Scope		Total spent on supplies and purchasing from inappropriate or unassessed suppliers > XXXX	Total spent on supplies and purchasing from inappropriate or unassessed suppliers > zzz	Total spent on supplies and purchasing from inappropriate or unassessed suppliers > jjjj
	Degree of remediation		The remediation plans do not manage to reduce the risks to low.	The remediation plans do not manage to reduce the risks to medium.	No remediation plans have been defined for critical or high risks.

GUIDELINE MODEL FOR RISK EVENT IDENTIFICATION AND IMPACT ASSESSMENT

Prior completion of the questionnaire and the indicators allows the risk matrix to be updated and the evaluation to be carried out by applying the different levels of impact.

The following guideline model sets out a proposal for a risk catalogue in which we have grouped risks into categories linked to the questionnaire and indicators. This model enables us to identify, for each risk, the type of impact that affects it and the associated risk level. The overall impact is the result of the highest assessed impact level for each risk event.

STRATEGIC RISKS	
E.1	Governance-organization
E.2	Economic continuity
E.3	Relations with external stakeholders
E.4	Investments and divestments

COMPLIANCE RISKS	
C.1	Ethical code and whistleblowing channel
C.2	Contracts and contracting
C.3	Legislation and development regulations

OPERATIONAL RISKS	
O.1	Climate impact or natural disasters
O.2	Production
O.3	Revenues
O.4	Assets
O.5	Quality
O.6	Human Resources
O.7	Functional disruption, new technologies and artificial intelligence
O.8	Climate change / Catastrophic events

FINANCIAL AND REPORTING RISKS	
F.1	Financial liquidity
F.2	Accounting and reporting

STRATEGIC RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
E.1	**GOVERNANCE - ORGANIZATION**									
E.1.1	**Management of governance bodies:** Lack of participation, communication and monitoring by the governance bodies in risk management policies related to sustainability. Insufficient regulation of the functioning of the main governance bodies, sustainability-related committees, and working groups.									
E.1.2	**Conflicts of interest:** There are conflicts between the interests of the company and those of its governance bodies, which may lead to non-compliance with human rights policies and other regulations related to sustainability.									
E.1.3	**Code of Ethics:** Non-compliance with the code of ethics by members of the governance bodies, including corruption and bribery.									
E.1.4	**Structure, communication, and separation of functions:** Lack of definition in the assignment of responsibilities and/or reporting lines, which leads to failure in identifying impacts on sustainability, monitoring, communication, or implementation of remediation plans within the company, hindering the channeling of policies and objectives.									
E.1.5	**Vision and direction:** Sustainable strategies that are unclear and/or not clearly communicated and/or perceived.									
E.2	**ECONOMIC CONTINUITY**									
E.2.1	**Market changes:** There are factors such as product obsolescence, competition, or customer behavior that may lead to the shutdown or reduction of activity.									

STRATEGIC RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
E.2.2	**Geopolitical uncertainty:** There are geopolitical uncertainties that may affect regulations, raw materials, or supplies.									
E.2.3	**Regulatory changes:** There are regulatory changes related to sustainability that may lead to the shutdown or reduction of activity.									
E.3	**RELATIONS WITH EXTERNAL STAKEHOLDERS**									
E.3.1	**Human rights:** There are risk factors within the value chain that may indicate human rights violations such as child labor, forced labor, coerced labor, illegal labor, etc.									
E.3.2	**Affected and/or vulnerable groups:** Stakeholders are not identified and neither are their expectations related to the company, its strategy, and its activities.									
E.3.3	**Relationship with other stakeholders:** Poor relationship with politicians, social agents, customer or supplier associations, groups affected by the company's business activities, etc.									
E.4	**INVESTMENTS AND DIVESTMENTS**									
E.4.1	**Investments:** There is a risk that investments may be approved which have a negative impact on sustainability (adverse effects on climate change, development of the circular economy, due diligence in terms of human rights, compliance, good governance, and ethics).									
E.4.2	**Investment/divestment program:** Undesired evolution of significant investment/divestment projects that endangers sustainability objectives. This includes significant budget deviations.									

COMPLIANCE RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
C.1	**ETHICAL CODE AND WHISTLEBLOWING CHANNEL**									
C.1.1	**Employee Ethics Code:** Insufficient or poor execution of the procedures implemented to ensure compliance with the ethical principles that govern the company's relations with its employees.									
C.1.2	**Supplier Ethics Code:** Insufficient or poor execution of the procedures implemented to ensure compliance with the ethical principles that govern the company's relations with its suppliers.									
C.2	**CONTRACTS AND CONTRACTING**									
C.2.1	**Contracting:** Insufficient or poor application of the supplier evaluation model in relation to sustainability (environmental evaluation of suppliers, social evaluation of suppliers, and ethical compliance evaluation).									
C.2.2	**Contract drafting:** Inadequate development of the process of analyzing and/or preparing contracts, resulting in clauses that are insufficient to protect sustainability objectives.									
C.3	**LEGISLATION AND DEVELOPMENT REGULATIONS**									
C.3.1	**Regulation (Greenhouse Gas emissions):** Cases of non-compliance due to limitations in management (implementing compliance with the regulation), lack of awareness of the regulation, or consequences (penalties, restrictions on activity) resulting from non-compliance.									
C.3.2	**Regulation (Water Treatment):** Non-compliance due to management limitations (implementing compliance with the regulation), lack of knowledge of the regulation, or consequences (penalties, restrictions on activity) resulting from non-compliance.									

COMPLIANCE RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
C.3	**LEGISLATION AND DEVELOPMENT REGULATIONS**									
C.3.3	**Regulation (Hazardous Waste Treatment):** Non-compliances due to management limitations (implementing compliance with regulations), knowledge of the regulation, or consequences (penalties, activity restrictions) resulting from non-compliance.									
C.3.4	**Regulation (Other Applicable Regulations):** Non-compliances due to management limitations (implementing compliance with regulations), knowledge of the regulation, or consequences (penalties, activity restrictions) resulting from non-compliance.									
C.3.5	**Employment regulation:** Non-compliances due to management limitations (implementing compliance with regulations), knowledge of the regulation, or consequences (penalties, activity restrictions) resulting from non-compliance.									
C.3.6	**Data protection:** Management limitations or consequences derived from non-compliance related to the obligations imposed by the legal requirement to protect sensitive information of third parties and employees.									

OPERATIONAL RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
O.1	**CLIMATE IMPACT OR NATURAL DISASTERS**									
O.1.1	**Climate scenarios:** Incorrect definition of climate scenarios or lack of evaluation of climate scenarios.									
O.1.2	**Natural disasters:** Inadequate or nonexistent contingency plans for natural disasters that may reduce the company's production capacity or service delivery.									
O.1.3	**Climate resilience:** No remediation plans developed for the effects caused by climate change; or such plans are insufficient or not monitored.									
O.2	**PRODUCTION**									
O.2.1	**Raw materials:** Use of raw materials with environmental or health impacts or non-recyclable materials. Plans to reduce raw material consumption are insufficient or ineffective.									
O.2.2	**Production process:** No mechanism is applied to guarantee environmental efficiency, or there are parts of the production process that do not guarantee such efficiency, impacting water consumption, greenhouse gas emissions, deforestation, use of fossil fuels, generation of hazardous products, or land degradation.									
O.2.3	**Water treatment:** The measures adopted for water treatment are insufficient or inadequate.									
O.2.4	**Water reuse:** Water reuse processes are not carried out or are insufficient.									
O.2.5	**Hazardous waste:** Processes for the treatment of hazardous waste are not carried out or are insufficient.									

OPERATIONAL RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
O.2.6	**Non-hazardous waste:** Processes for the treatment of non-hazardous waste are not carried out or are insufficient.									
O.2.7	**Energy efficiency projects:** Energy efficiency projects are not carried out or are insufficient.									
O.2.8	**Outsourced production process:** The company does not know or estimate the contaminating effects of external production processes, or the environmental control measures (pollutant emissions, use of raw materials, water treatments, etc.) are insufficient.									
O.2.9	**Transport:** The company does not know or estimate the contaminating effects of external production processes, or the environmental control measures (pollutant emissions, use of raw materials, water treatments, etc.) are insufficient.									
O.3	**REVENUES**									
O.3.1	**Commercialization and marketing:** Labeling and promotional messages that do not comply with the conditions of the product or its manufacturing.									
O.4	**ASSETS**									
O.4.1	**Environmental protection areas:** Insufficient measures to safeguard protected areas, which implies potential damage to the biodiversity of the area and the ecosystem.									
O.5	**QUALITY**									
O.5.1	**Products/services:** Shortcomings in the production of goods and/or provision of services. Deficiencies or delays in resolving incidents or dissatisfaction expressed by customers.									

OPERATIONAL RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
O.5.2	**New products/services:** Shortcomings or delays in the design, production launch, or provision of new services.									
O.5.3	**Environmental management system (ISO 14000 /14001) and EMAS:** Shortcomings in the environmental management system prevent the company from obtaining the certification.									
O.6	**HUMAN RESOURCES**									
O.6.1	**Recruitment and contracting:** Problems with the availability of qualified human resources. Inefficient processes for recruiting new employees, which result in delays in hiring and/ or in profiles that do not match the desired ones, or shortcomings in the formalization of contracts with employees.									
O.6.2	**Training:** Insufficient monitoring of employee qualities or their training in relation to ethics, environment, and workplace safety, which negatively affects their suitability for the positions they hold.									
O.6.3	**Motivation/key staff retention:** Inadequate schemes aimed at enhancing employee professional development that negatively impact their performance and/or their sense of identification with the company.									
O.6.4	**Labor relations:** Individual or collective conflicts with employees that harm the company's productive capacity and/or corporate reputation.									
O.6.5	**Remuneration and compensation:** Inadequate compensation and/or remuneration schemes that lead to a lack of employee productivity and motivation, or excessive costs for the company.									
O.6.6	**Internal communication:** Shortcomings in internal communication channels and/or the messages transmitted through them, which impact employee alignment or productivity, as well as the protection of the company's assets and reputation.									

OPERATIONAL RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
O.7	**FUNCTIONAL DISRUPTION, NEW TECHNOLOGIES AND ARTIFICIAL INTELLIGENCE**									
O.7.1	**Performance, efficiency, availability:** Inability of the IT application to perform its function optimally and operationally. Capacity problems, prolonged outages affecting the services provided.									
O.7.2	**Access control:** Inadequate control over access to information and business processes supported by information systems. Shortcomings in the logical security of information, whose loss or use by third parties could cause harm. Insufficient measures to ensure the custody, maintenance, or use of technological equipment.									
O.7.3	**Acquisition, design, and construction:** Shortcomings or defects in defining and deploying processes and resources (people, architectures, infrastructures, etc.) that enable information systems to deliver and build IT products and services effectively and efficiently in response to business needs (Web / e-learning).									
O.7.4	**Support, operation, and maintenance:** Shortcomings or defects in the definition and deployment of processes and resources (people, architectures, infrastructures, etc.) that enable the effective and efficient operation and maintenance of built IT products and services, ensuring their proper functioning.									
O.7.5	**Obsolescence of hardware and software:** Inadequate service delivery of machines, equipment, technologies, or application versions due to their age.									
O.8	**CLIMATE CHANGE / CATASTROPHIC EVENTS**									
O.8.1	**Sabotage:** Risk of suffering damage that directly affects people, facilities, the company's image, or assets as a consequence of sabotage caused by employees or third parties.									

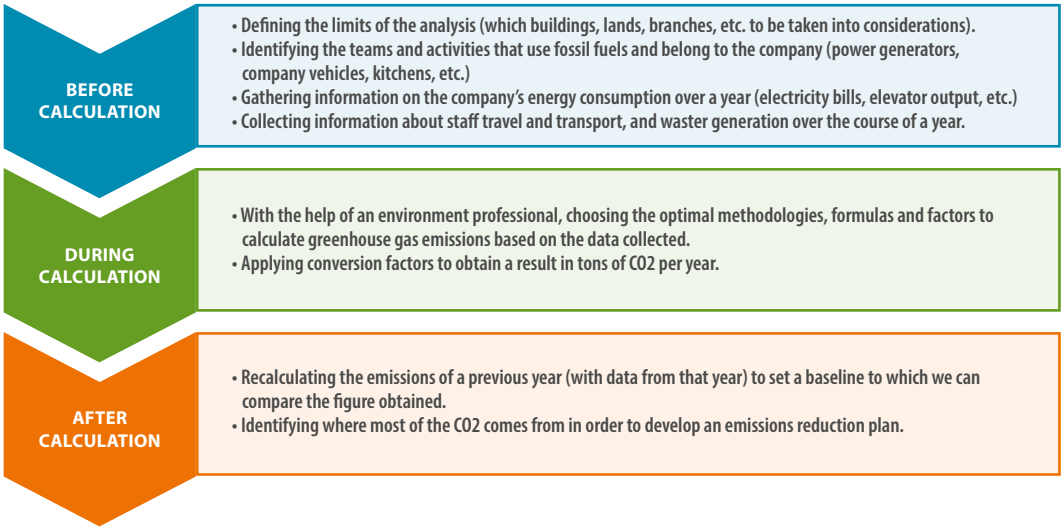
FINANCIAL AND REPORTING RISKS		IMPACTS IN RELATION TO SUSTAINABILITY							FINANCIAL IMPACT	PROBABILITY
		Governance/ Compliance	Economic impacts	Environmental impacts	Human Resources, Internal Social, Policy impacts	External social impacts	Value chain	Overall impact		
F.1	**FINANCIAL LIQUIDITY**									
F.1.1	**Financial structure:** Inadequate design of the financing structure, resulting in excessive burdens or returns below desirable levels (leverage ratio, maturity schedule, etc.), or liquidity problems.									
F.2	**ACCOUNTING / REPORTING**									
F.2.1	**Reliability of financial information:** Risk that the financial information contains errors, falsehoods, or omissions, whether accidental or intentional.									
F.2.2	**Reliability of non-financial information:** Risk that the non-financial information contains errors, falsehoods, or omissions, whether accidental or intentional.									
F.2.3	**External auditing:** Risk that the external review process of the financial statements concludes with significant shortcomings. Inadequate external auditing process (lack of auditor qualifications, lack of supporting information, etc.) that negatively impacts the final audit outcome.									
F.2.4	**Verification of the Sustainability Report:** Risk that the external review process of the Sustainability report concludes with significant shortcomings. Inadequate external verification process (lack of qualifications of verifiers, lack of supporting information, etc.) that negatively affects the final verification outcome.									
F.2.5	**Internal reporting:** Inadequate structure of processes and/or reports that leads to a lack of homogeneity, or insufficiency in the internal financial information flow in terms of timing or manner, which impedes or hinders decision-making by the company's managers.									

PROBABILITY OF OCCURRENCE OF RISK EVENTS

The proposal for assessing the probability of risks is as follows:

		%	Frequency
1	**Remote**	<9%	Every 5 to 10 years
2	**Possible**	Between 10% and 50%	Every 2 to 5 years
3	**Probable**	Between 5% and 100%	Annually

ANNEX C: PROCESS FOR CALCULATING GREENHOUSE GAS EMISSIONS



Source: Produced in-house by the CILEA Technical Group for updating the model

BIBLIOGRAPHY

- United Nations Global Compact
- GRI Guidelines (Global Reporting Initiative)
- IFRS sustainability reporting standards (IFRS S1 and IFRS S2)
- International Standard on Sustainability Assurance 5000 (ISSA 5000)
- Evaluation Reports of the Intergovernmental Panel on Climate Change (IPCC)
- IPC Regional World Atlas
- Directive (EU) 2022/2464 on Corporate Sustainability Reporting (CSRD), in force since 5 January 2023
- COMMISSION DELEGATED REGULATION (EU) 2021/2106 of 28 September 2021 supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard
- COMMISSION DELEGATED REGULATION (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports
- COMMISSION DELEGATED REGULATION (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards
- Internal Auditing and ESG aspects, La Fabrica del Pensamiento of the Instituto de Auditores Internos de España (The Thought Factory of the Spanish Institute of Internal Auditors)
- Definition and implementation of the risk appetite, La Fábrica del Pensamiento (Instituto de Auditores Internos de Spain)
- Social Balance Sheet model used in Argentina – Technical Resolution 36, issued by the FACPCE (Federación Argentina de Consejos Profesionales de Ciencias Económicas)
- Social Balance Sheet model used in Brazil - IBase
- CSR reporting requirements stipulated in France's Grenelle 2 Act

GLOSSARY

BOTTOM-UP: Short-term management approach focusing on specific aspects, conducted from the base of the organization.

ORGANIZATIONAL CLIMATE: Set of relatively permanent qualities, attributes or properties of a specific workplace, which are perceived, felt or experienced by the people who make up the business organization and which influence their behavior.

DATA CENTERS: Critical technological infrastructures that interconnect, store, process and disseminate data and applications, centralizing a company's operations and information structure.

DOWNSTREAM: Emissions associated with the delivery and use of a product and how it is processed and disposed of at the end of its useful lifetime.

GREENHOUSE EFFECT: A phenomenon in which certain gases retain part of the energy emitted from the ground after having been heated by solar radiation. As a result, warming occurs that is similar to the process that happens in a greenhouse, which raises the temperature.

EMAS (ECO-MANAGEMENT AND AUDIT SCHEME): The EU EMAS scheme is a regulatory tool developed by the European Union that accredits organizations that have implemented an EMS (Environmental Management System) and have made a commitment to improve continuously, having been verified by independent audits.

TOTAL OF GROSS REVENUE: Total sales (products, goods or services) and other extraordinary incomes.

GREENHOUSE GASES: Gas emissions into the atmosphere that contribute towards the greenhouse effect. The most important of these gases are naturally present in the atmosphere, although their concentration can be modified by human activity human. However, this concept also includes artificial gases, produced by human activity. Greenhouse gases include water vapor, carbon dioxide, methane, nitrogen oxide, chlorofluorocarbons and ozone.

STAKEHOLDERS: Anybody who directly or indirectly has an interest in the company's performance.

INDICATOR: Unit of measurement that enables the regular monitoring and evaluation of the key variables in relation to an organization by comparing the corresponding external and internal benchmarks. Indicators can be expressed quantitatively or qualitatively.

THIRD-PARTY INPUTS: Materials consumed that are included in the cost of the products, goods and services sold. Expenses other that internal staff costs, depreciation and amortizations, such as telephone, water and energy costs. Losses resulting from inventories or investments.

SOCIAL AND ENVIRONMENTAL INVESTMENT: Outlays for actions, projects and programs related to social and environmental issues.

ISO 9000 – Quality Management Systems: International standards that refer to total quality within a company, each of which ensures the quality of a product. In other words, it is a way of demonstrating that all the processes involved in its manufacture are carried out taking into account the planned and established characteristics.

ISO 14000 – Environmental Management Systems: International standards that regulate the environmental management of organizations, with the aim of promoting the standardization of the processes involved in production and service provision that protect the environment, minimizing the negative impacts that activities may generate.

KPI: Key performance indicators identified by the SME and used to assess its performance in relation to the objectives set. The source of the KPIs is historical data.

KRI: Key risk indicators. Indicators of risks identified by the SME with the aim of giving early warning in relation to risk variable or factors associated with risks or opportunities. The source of KRIs is future forecasts.

UNITED NATIONS GLOBAL COMPACT: A voluntary initiative through which companies pledge to align their strategies and operations with ten universally accepted principles in four areas: human rights, labor, the environment and anti-corruption. The compact is a framework of action designed to strengthen the social legitimacy of companies and markets. Companies that adhere to the Global Compact share the conviction that business practices based on universal principles help to build a more stable, fair and inclusive global market that fosters more prosperous societies.

HUMAN RESOURCES: The value in the local currency of the total payroll costs (including holidays, bonuses, etc.) and compulsory social expenses (employer and employee social security payments and other obligations); this value as a percentage of the company's gross revenue.

UNDISTRIBUTED PROFITS: Aggregate value retained or not distributed.

RETURN ON EQUITY: Return on investment (interests, dividends).

RETURN ON THIRD-PARTY CAPITAL: Financial expenses related to any loan or financing transaction.

TOP-DOWN: A management approach in which the directors make the decisions in relation to long-term structural aspects, which require short-term action plans to be developed that are then extended to the rest of the organization.

GOVERNMENT TAXES: The total amount in the local currency of taxes, duties and compulsory contributions; this amount as a percentage of the company's gross revenue.

UPSTREAM: Emissions generated over the course of the supply chain, from the extraction and transportation of raw materials through to the manufacture and delivery of the product.



Founded in 1997, the Comité de Integración Latino Europa-América (CILEA - the Latin Integration Committee of Europe and the Americas) is an association that brings together professional organizations in the fields of Economic and Accounting Sciences from Latin countries in Europe and the Americas, representing more than a million professionals as a whole.

The CILEA International Studies collection was inaugurated in 2013, with the aim of systematically collating and disseminating the studies conducted by CILEA on issues of professional interest. The collection includes research that generally covers technical aspects related to the work of professionals in in SMEs in Latin countries, presenting comparative results. They also strive to develop and publicize the CILEA's proposals on issues that affect SMEs and small and medium professional firms that are seldom covered at an international level.

It is not the collection's objective to put forward binding proposals for the affiliated countries, but rather to generate useful reflections and guidelines for discussion and professional practice which can successively contribute towards the regulation of these matters by the competent authorities.

CILEA PERMANENT SECRETARIAT
P.zza della Repubblica, 59
00185 Rome (Italy)
cilea@commercialisti.it

cilea.comite
cilea.info