

Recommendations for SDG Disclosures

*A consultation paper
August 2019*

By Carol Adams, Russell Picot, Paul Druckman



Think Ahead



CHARTERED ACCOUNTANTS™
AUSTRALIA + NEW ZEALAND

Copyright © August 2019 by the authors: Professor Carol Adams (Adams, C A), Russell Picot (Picot, R C) and Paul Druckman (Druckman, P). This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice. This publication has been prepared so that is current as at the date of writing. You should be aware that such information can rapidly become out of date. You should not act, or refrain from acting, or rely on any statement, view or opinion expressed in this publication. You should make and rely on your own inquiries in making any decisions or giving any advice.

No warranty is given as to the correctness of the information contained in this publication, or of its suitability for use by you. To the fullest extent permitted by law, Adams, C A, Picot, R C, Druckman, P, Chartered Accountants Australia and New Zealand ABN 50 084 642 571 (CA ANZ) and its subsidiaries, affiliates and controlled entities, including the New Zealand Institute of Chartered Accountants, a regulatory body established under the New Zealand Institute of Chartered Accountants Act 11996 (NZ) and controlled by CA ANZ (together the CA ANZ Group), the Institute of Chartered Accountants Scotland (ICAS) and the Association of Chartered Certified Accountants (ACCA) are not liable for any statement or opinion, or for any error or omission contained in this publication and disclaims all warranties with regard to the information contained in it, including, without limitation, all implied warranties of merchantability and fitness for a particular purpose. Adams, C A, Picot, R C, Druckman, P, CA ANZ Group, ICAS and ACCA are not liable for any direct, indirect, special or consequential losses or damages of any kind, or loss of profit, loss or corruption of data, business interruption or indirect costs, arising out of or in connection with the use of this publication or the information contained in it, whether such loss or damage arises in contract, negligence, tort, under statute, or otherwise.

This material has been reproduced by the CA ANZ Group in conjunction with ICAS and ACCA under licence or permission from Adams, C A, Picot, R C and Druckman, P. **This document is protected by copyright. You are granted permission to use this document provided that all references are accompanied with the following statement: Adams, C A, Picot, R C, Druckman, P, (2019) 'Recommendations for SDG Disclosures: A Consultation Paper', published by CA ANZ Group, ICAS and ACCA.** Other than for the purposes of and in accordance with the Copyright Act 1968 (Cth) or Copyright Act 1994 (NZ), no part of this document may by any means be reproduced, adapted, stored in a retrieval system or communicated in whole or in part by any means without express prior written permission.

Members of CA ANZ are not liable for the debts and liabilities of CA ANZ. 1442-AUG-19

ISBN-13: 978-0-6482276-5-6.

Contents

About the authors.....	4
Expert Advisory Group	4
Foreword.....	5
Purpose of this consultation document.....	6
Target audience.....	7
Principles of SDG Disclosure	8
Recommended SDG Disclosures.....	11
Management approach.....	12
Strategy	13
Governance.....	14
Performance and targets.....	15
Enhancing the credibility of Disclosures	16
Consultation questions.....	18
Examples of reporting on the SDGs	19
The SDGs, business models and multiple capitals.....	19
SDG reporting by asset owners and asset managers.....	23
References.....	24

How to make a submission

Responses to this consultation should be emailed as a Word or PDF attachment to the lead author Carol Adams at carol.adams@durham.ac.uk

The consultation questions are on page 18. The deadline for responses is **31st October 2019**. All responses will be made public unless marked confidential.

The authors



Carol Adams CA is a Professor of Accounting at Durham University Business School and Swinburne Business School. She is Chair of the Global Reporting Initiative's (GRI) Stakeholder Council and a member of the ICAS Sustainability Panel, the ACCA Global Forum on Sustainability and the Technical Working Group of the Climate Disclosure Standards Board. She advises organisations on non-financial reporting.



Paul Druckman is Chair of the World Benchmarking Alliance. He is a former Board member of the UK's Financial Reporting Council and was Founding CEO of the International Integrated Reporting Council (IIRC). He is an Honorary Professor at Durham University Business School.



Russell Picot is Chair of the Trustee Board of HSBC Bank (UK)'s pension scheme. He is Special Advisor to the Taskforce on Climate related Financial Disclosures (TCFD). He is an Honorary Professor at Durham University Business School.

Expert Advisory Group

Earlier drafts of this consultation document have benefited from input from the following experts who provided feedback in an individual capacity:

Anne Adrain, Head of Sustainability and Assurance, ICAS

Thomas Coutts, Partner, Baillie Gifford

Olivia Dickson, Non-Executive Director of the UK's Financial Reporting Council; Co-Chair of Better Reporting Programme of Impact Investing Institute

Stathis Gould, Deputy Director, International Federation of Accountants

Rachel Jackson, Technical Advisor, The Prince's Accounting for Sustainability Project

Professor Nancy Kamp-Roelands, Professor of non-financial information, integrated reporting and assurance at University of Groningen and Associate Partner, EY

Dr Robyn Leeson, Principal at STR Consulting; Vice-Chair, GRI's Global Sustainability Standards Board

John Lelliott, Board Member, The Environment Agency; Chair, Natural Capital Coalition; Chair, ACCA Global Sustainability Forum; Member, HRH The Prince of Wales A4S Advisory Council; former Finance Director, the Crown Estate

Karen McWilliams, Business Reform Leader, Chartered Accountants Australia and New Zealand

Dr John Purcell, Policy Advisor ESG, CPA Australia

Professor Richard Slack, Professor of Accounting, Durham University Business School

The authors are grateful to the ACCA, CA ANZ and ICAS for providing in-kind resources to publicise this document and support the consultation process.

Foreword

The Association of Chartered Certified Accountants (ACCA), Chartered Accountants Australia and New Zealand (CA ANZ) and the Institute of Chartered Accountants of Scotland (ICAS) are delighted to support the publication of this consultation paper: *Recommendations for SDG Disclosures*. The document extends the work undertaken in a report previously published jointly by ICAS and the International Integrated Reporting Council (IIRC): *'The Sustainable Development Goals, integrated thinking and the integrated report'* and responds to recent national and international initiatives to assist national governments in fulfilling their commitment to achieve the UN Sustainable Development Goals (SDGs).

The 17 SDGs sit at the heart of the 2030 Agenda for Sustainable Development, which was adopted by all United Nations Member States in 2015. They represent the blueprint for a more sustainable future for all by tackling some of the biggest global challenges we face such as poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

We are grateful to the authors Professor Carol Adams, Paul Druckman and Russell Picot for developing these recommendations for a proposed disclosure framework

for organisations reporting on their progress towards the achievement of the SDGs. The timing of the consultation paper is key as national and international governments consider and propose regulatory initiatives to help them fulfil their commitment to achieving the SDGs.

As chief executives of global professional accounting bodies representing over 890,000 current and next generation professional accountants, we recognise the relevance of this issue to the accounting and finance profession and the communities they serve.

As such, we welcome the creation of a framework that helps reporting organisations:

- develop their SDG reporting aligned with the other reporting frameworks that they use;
- enhance the credibility of their SDG disclosures; and
- embed SDG considerations into their strategic business decisions to make sure we leave a better planet for future generations.

We therefore, urge you to read this consultation paper and provide helpful feedback to inform the future development of these disclosure recommendations and the final framework.

Helen Brand, OBE
Chief Executive
ACCA

J Bruce Cartwright,
Chief Executive
ICAS

Rick Ellis
Chief Executive Officer
Chartered Accountants Australia
and New Zealand

Purpose of this consultation document

This consultation document sets out a proposed Framework for recommended Sustainable Development Goal (SDG) Disclosures that support both the:

- identification of material sustainable development risks and opportunities relevant to value creation; and,
- the communication of impact on achievement of the SDGs.

The recommended Disclosures can be aligned to the TCFD's Climate related Financial Disclosures (TCFD, 2017), targets and indicators proposed by the GRI and UN Global Compact (2017) and the GRI Global Sustainability Standard Board's (GSSB) Standards. They are compatible with the International <IR> Framework (IIRC, 2013).

They are grouped into four themes:

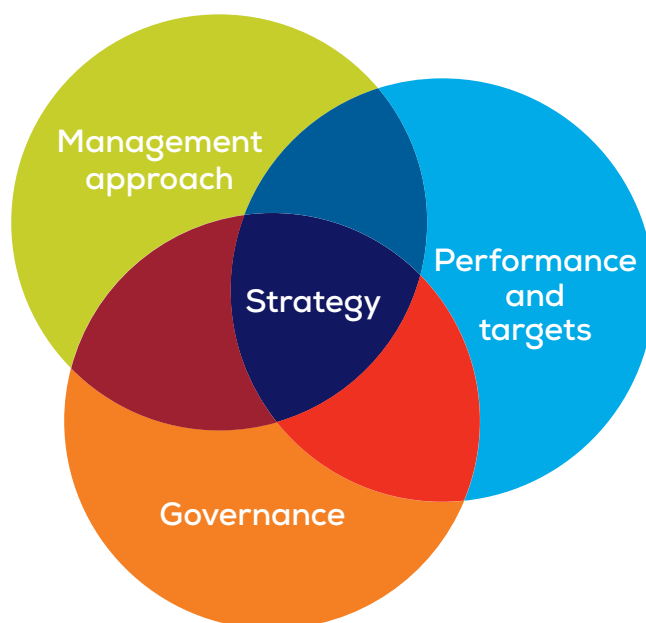
- **Management approach**
- **Strategy**
- **Governance**
- **Performance and targets.**

The Framework has been developed for the following stakeholders:

- **Reporting organisations¹** – to develop their SDG reporting aligned with other reporting frameworks that they use and to guide their approach to the SDGs.
- **Investors** – to obtain reliable and credible information relevant to long term value creation.
- **Assurance providers** – to obtain relevant evidence.
- **Reporting organisations and their stakeholders** – to enhance the credibility of SDG Disclosures.
- **National governments** – to understand the impact that organisations have on the SDGs.
- **All stakeholders** – to facilitate the involvement of organisations in the achievement of the SDGs.

¹ Includes public, private and not for profit organisations that report on the SDGs (as distinct from governments who are signatories to the SDGs and prepare reports on progress).

SDG Disclosure themes



A shift in investment and capital markets is required to achieve the SDGs. This has been recognised in numerous initiatives and supra-national, government, regulatory and stock exchange interventions. Examples include the EU Sustainable Finance initiative², the UK Government's Green Finance Inquiry³ and its Implementation Taskforce for Impact Investing⁴, the UK's Financial Reporting Council⁵, the Australian Senate Inquiry on the SDGs⁶ and the focus on the SDGs by UNCTAD-ISAR. Organisations such as the Taskforce on Climate related Financial Disclosure (TCFD), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) have developed tools and resources to facilitate this shift (see, for example, GRI and UN Global Compact, 2017 and TCFD, 2017).

The shift will only be achieved by involving the accounting/finance, sustainability and strategy functions. Corporate reporting frameworks that require Board engagement lead to change (Adams, 2017a). By involving the accounting/finance, sustainability and strategy functions and requiring Board engagement, it is hoped that the Disclosures proposed in this document will facilitate a shift in organisations' business models and investment decisions.

Target audience

The target audience for this Framework is reporting organisations and their investors, other key stakeholders and assurance providers. It is also relevant to national governments seeking to enlist the support of organisations and capital markets in order to realise their commitment to the UN SDGs.

Within reporting organisations, it is expected that implementing the Framework will involve a multi-disciplinary approach involving finance, accounting, strategy and sustainability expertise/professionals.

2 https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

3 <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/inquiries/parliament-2017/green-finance-17-19/>

4 <https://www.grow-impact-investing.org/>

5 <https://www.frc.org.uk/investors/uk-stewardship-code>

6 https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/SDGs/Report

Principles of SDG Disclosure

The fundamental Principles of SDG Disclosure set out in Table 1 column 1 underpin the specific disclosure recommendations for the SDGs.

The Principles of SDG Disclosure reflect the following:

- SDG Disclosures must include reference to the sustainable development issues that the SDGs seek to address.
- The sustainable development issues that are relevant and material to an organisation's ability to create value (or prevent value destruction)⁷ present risks and/or opportunities for its providers of finance, stakeholders and society more broadly.
- The sustainable development issues which led to the development of the SDGs are interdependent in ways which are impossible to predict and over which an organisation has limited control.
- Organisations must acknowledge their impact on the achievement of sustainable development both outside and within the organisation's boundary.
- SDG Disclosures cannot and should not be expressed only or even primarily in financial terms.

The *Principle of Sustainable Development context and relevance* and the *Principle of Materiality* shall always be applied even where in conflict with other Principles.

Sustainable development context and relevance

GRI 101 (Global Reporting Initiative 101) defines sustainability context as 'presenting the reporting organisation's performance in the wider context of sustainability'. The definition in this Framework recognises that the sustainable development context has implications for strategy and the business model. That is, an organisation's presentation of sustainable development issues should go beyond their relationship to performance to consider their implications for *how* business is done – and *what* business is done.

Materiality

The organisation's approach to materiality might follow the approach set out in GRI 101 supplemented by management and Board consideration of those issues which are material to value creation.

⁷ Value creation is the creation of value broadly defined (i.e. beyond financial value). Creating value involves avoiding value destruction.

Table 1: Definitions of the Principles of SDG Disclosure

Principles of SDG Disclosure	Definition
Sustainable Development context and relevance	SDG Disclosures shall reflect the sustainable development context of the organisation and its industry/sector and be relevant to that context.
Materiality	The organisation shall disclose material sustainable development information. Material sustainable development information is any information which is reasonably capable of making a difference to the conclusions drawn by: <ol style="list-style-type: none"> a) providers of finance concerning the ability of the organisation to create value in the short, medium and long term; and b) reasonably informed stakeholders concerning the impact of the organisation on the achievement of the SDGs.
Strategic focus and future orientation	Consideration of the SDGs, and the sustainable development issues that they address, shall be integrated into the organisation’s business model and strategy to create value in the short, medium and long term.
Stakeholder inclusiveness	The reporting organisation shall identify its stakeholders and explain how it has responded to their reasonable expectations and interests. (Source: GRI, 101)
Conciseness	SDG Disclosures shall be concise so that relevant information is not obscured.
Connectivity of information	SDG Disclosures shall demonstrate that consideration of sustainable development issues and impact on the achievement on the SDGs is integrated into the organisation’s: <ul style="list-style-type: none"> • business model • consideration of the external environment • strategy to create value • risk management, and • other key organisational processes. SDG Disclosures shall convey the interrelatedness of the SDGs and the interdependencies between the sustainable development issues that affect the organisation’s ability to create value, particularly in the long term.
Comparability	Changes that occur through the application of these principles shall be disclosed so that the SDG Disclosures are comparable over time.
Reliability, completeness, balance, understandability and verifiability	SDG Disclosures shall be reliable and complete including all material impacts on the achievement of the SDGs in a balanced way and without material error. In order for SDG Disclosures to be complete and comply with the <i>Principle of Sustainable Development context and relevance</i> and the <i>Principle of Materiality</i> , they may need to address issues and impact in the organisation’s value chain but outside its boundary. <p>SDG Disclosures shall be understandable and verifiable.</p>
Timeliness	SDG Disclosures shall be provided on a timely basis.

Table 2 demonstrates that Principles of SDG Disclosure align closely with those of other major reporting frameworks and, as such, can be used in conjunction with them.

Table 2: Principles of SDG Disclosure compared with other key frameworks

Principles of SDG Disclosure	International <IR> Framework (Source IIRC 2013)	GRI Standards (Source GRI 101 Foundation Standard)	TCFD recommendations (Source TCFD 2017)
Sustainable Development context and relevance		Sustainability context	Disclosures should present relevant information
Strategic focus and future orientation	Strategic focus and future orientation		
Stakeholder inclusiveness	Stakeholder inclusiveness	Stakeholder inclusiveness	
Materiality	Materiality	Materiality	
Conciseness	Conciseness		
Connectivity of information	Connectivity of information		
Comparability	Consistency and comparability	Comparability	Disclosures should be consistent over time Disclosures should be comparable among companies within a sector, industry or portfolio
Reliability, completeness, balance, understandability and verifiability	Reliability and completeness	Completeness Reliability Accuracy Balance Clarity	Disclosures should be specific and complete Disclosures should be clear, balanced and understandable Disclosures should be reliable, verifiable and objective
Timeliness		Timeliness	Disclosures should be provided on a timely basis

Recommended SDG Disclosures

This section sets out the steps for developing strategy to contribute to the SDGs and related recommended Disclosures. The recommended Disclosures should be included in the annual report, annual integrated report or strategic report. All Disclosures should be made with reference to the Principles of SDG Disclosure.

The recommended Disclosures build on the framework for contributing to the SDGs aligned with long term value creation in Adams' (2017b) report. The report set out a five-step process:

- 1** Understand the Sustainable Development issues relevant to the organisation's external environment
- 2** Identify material Sustainable Development issues that influence value creation
- 3** Develop strategy to contribute to the SDGs through the business model
- 4** Develop integrated thinking, connectivity and governance
- 5** Prepare the Integrated Report⁸.

⁸ Or other similar report.

Management approach

Steps to contributing to the SDGs aligned with long term value creation

1

Understand sustainable development issues relevant to the organisation's external environment

"Consideration of the SDGs, and the sustainable development issues that they address, should be incorporated into the wider consideration of the external environment relevant to the organisation's ability to create value."*

Practical implementation

"Organisations typically scan the external environment to identify short, medium and long-term risks and opportunities which need to be considered when developing strategy and evolving the business model.

This process should include the identification of risks and opportunities associated with sustainable development.

In practice, the identification of relevant external factors including those relevant to the SDGs... should involve stakeholder engagement. Organisations should consider how they can contribute to the sustainable development issues that the SDGs address through their own operations."*

2

Identify material sustainable development issues that influence value creation

"When planning their approach to the SDGs, organisations seeking to reassess their mission and purpose and/or to reduce corporate risk and increase opportunities arising from sustainable development issues should identify, evaluate and prioritize which sustainable development issues maximize outcomes for... multiple capitals and hence their contribution to the SDG targets."*

Practical implementation

"Few organisations can or should aim to contribute to all 17 SDGs. Not all SDGs will be material to an organisation's value creation process. An organisation will not make a material contribution to (or negative impact on) the achievement of all SDGs.

Further, a number of the SDG targets will not be applicable to some types of organisations.

Organisations typically engage with external stakeholders in identifying appropriate sustainability and other disclosures. Some organisations develop a materiality matrix (showing materiality to both value creation and stakeholder groups) which might include sustainable development issues relevant to the SDGs.

Sound governance is critical throughout this process in order to ensure completeness with respect to both positive and negative issues (see also Step 4)."

Recommended Disclosures

The organisation should disclose management's role in integrating sustainable development issues and the SDGs into all aspects of the organisation including the organisation's processes for:

- Ensuring stakeholder inclusivity;
- Determining relevant and material sustainable development issues;
- Identifying SDGs on which the organisation has the greatest impact on achievement;
- Assessing, prioritising and managing risks posed by sustainable development issues; and
- Changing the organisation's business model to take advantages of opportunities for creating long term value through impacting on the achievement of the SDGs.

* (Source: Adams, 2017b)

Strategy

Steps to contributing to the SDGs aligned with long term value creation

3 Develop strategy to contribute to the SDGs through the business model

“Organisations should set out their strategic objectives and strategies to support relevant and significant SDGs through their business model. This should incorporate resource allocation plans and specific, quantified short, medium and long-term targets.”*

Practical implementation

“Having identified sustainable development issues relevant to an organisation’s external environment (step 1) and material issues that could affect value creation (step 2), an organisation should develop a strategy that addresses them. This should align with the business model... Resource allocation plans can then be developed to ensure achievements of the strategic objectives, including outcomes for the SDGs.”*

Recommended Disclosures

The organisation shall describe how consideration of sustainable development issues has influenced strategy and its impact on the achievement of the SDGs and shall disclose:

- The impact of risks and opportunities on the organisation’s business model, strategy and financial planning (where such information is material).
- The resilience of the organisation’s strategy, taking into account the likelihood and magnitude of sustainable development risks and opportunities.
- Value created for the organisation and its stakeholders through the organisation’s approach to sustainable development issues and its impact on achieving the SDGs.

* (Source: Adams, 2017b)

Steps to contributing to the SDGs aligned with long term value creation

4 Develop integrated thinking, connectivity and governance

"Those charged with an organisation's governance should satisfy themselves that:

- the processes of building relationships with stakeholders will: identify material sustainable development issues; that these are incorporated into strategy; and, that appropriate goals and targets have been developed;
- the organisation develops and nurtures relationships with and between stakeholders in order to enhance collective well-being;
- the organisation's business model considers all material sustainable development issues impacting on inputs and outcomes in terms of... multiple capitals;
- the organisation's strategy and business model evolve to reflect past performance with respect to the SDGs.**

Practical implementation

"This step includes ensuring sound governance with respect to the processes set out in steps 1-3. It also includes embedding material SDG considerations (identified through Steps 1 and 2) and resulting strategies and expected outcomes (Step 3) into the fibre of the organisation through integrated thinking.

Governance processes should be able to deal with conflicting stakeholder needs, the interrelationship between capitals relied upon and the interdependency of the SDGs.**

Recommended Disclosures

Describe the Board's integration of sustainable development issues into overall governance processes including oversight of:

- The sustainable development context and relevant sustainable development issues.
- Material sustainable development issues.
- Risks and opportunities associated with sustainable development issues.
- Stakeholder inclusivity, the process of stakeholder engagement and key stakeholder relationships in enhancing the organisation's impact on the achievement of the SDGs.
- The integration of sustainable development issues into strategy.

Describe the Board's competencies concerning sustainable development issues and the mechanisms (such as internal audit, performance incentives, etc) used by the Board to effect oversight of processes to drive progress.

* (Source: Adams, 2017b)

Performance and targets

Steps to contributing to the SDGs aligned with long term value creation

5 Prepare the report

“Organisations should report on key sustainable development issues which impact on stakeholders and the organisation to influence value creation in the short, medium and long term. Organisations should report their contribution to SDG targets.”*

Practical implementation

“The organisation should disclose how sustainable development issues limit the availability of one or more capitals, how they have been considered in the development of strategy and how they impact value creation.”*

Recommended Disclosures

Describe the connection between the organisation’s approach to sustainable development and its vision and mission.

Disclose the organisation’s impacts on the achievement of the SDGs. [See GRI and UN Global Compact (2017) *An Analysis of the Goals and Targets* and the GRI Standards for appropriate metrics].

Describe the targets used by the organisation to inform changes to the organisation’s business model and to develop strategy.

Report performance against targets.

Describe how the organisation’s approach to sustainable development has contributed to value creation for the organisation and its stakeholders.

* (Source: Adams, 2017b)

Enhancing the credibility of Disclosures

Lack of assurance and the limited scope of many current assurance engagements can be a barrier to the information being used by investors in their decisions about capital allocation.

Table 3 details evidence that can be used by the organisation to support their Disclosures. Maintaining documentary evidence adds credibility and robustness to the organisation's approach. It may also be used by assurance providers.

As an alternative to assurance, which can be costly particularly for smaller organisations, and in the spirit of SDG 17, an organisation might consider appointing a panel of independent experts and representatives of key stakeholders to provide comment on the recommended narrative Disclosures in the first column.

Table 3: Evidence supporting recommended Disclosures

Recommended Disclosures	Evidence
<p>Management approach</p> <p>The organisation should disclose management's role in integrating sustainable development issues and the SDGs into all aspects of the organisation including the organisation's processes for:</p> <ul style="list-style-type: none"> • Ensuring stakeholder inclusivity • Determining relevant and material sustainable development issues • Identifying SDGs on which the organisation has the greatest impact on achievement • Assessing, prioritising and managing risks posed by sustainable development issues • Changing the organisation's business model to take advantage of opportunities for creating long term value through impacting on the achievement of the SDGs 	<p>Terms of reference for Executive Team meetings</p> <p>Papers provided to senior management team meetings and minutes of those meetings</p> <p>Terms of reference of Audit and Risk Committee</p> <p>Internal documents concerned with monitoring risk and opportunity including relevant policies</p> <p>Interviews with the internal auditors</p> <p>Examination of internal controls, procedures and processes</p> <p>Documented process of stakeholder engagement and meetings with stakeholders to identify risks and opportunities</p> <p>Documented materiality process</p> <p>Documentation supporting the organisation's approach to identifying the SDGs on which it has the greatest impact</p> <p>Interviews with management</p> <p>Interviews with key stakeholders</p>

Recommended Disclosures

Evidence

Strategy

The organisation shall describe how consideration of sustainable development issues has influenced strategy and its impact on the achievement of the SDGs and shall disclose:

- The impact of risks and opportunities on the organisation's business model, strategy and financial planning (where such information is material)
- The resilience of the organisation's strategy, taking into account the likelihood and magnitude of sustainable development risks and opportunities
- Value created for the organisation and its stakeholders through the organisation's approach to sustainable development issues and its impact on achieving the SDGs

Presentations to investors
Papers provided to Board strategy meetings
Documented outcomes of Board strategy meetings
Strategic plan and supporting documents
Papers provided to senior management team meetings and minutes of those meetings
Interviews with Board Chair, chairs of relevant board sub-committees, CEO and members of the senior management team
Documented review of external research, industry, competitor and media documents to check completeness of risk and opportunity identification
Documented process of stakeholder engagement and meetings with stakeholders to identify risks and opportunities

Governance

Describe the Board's integration of sustainable development issues into overall governance processes including oversight of:

- The sustainable development context and relevant sustainable development issues
- Material sustainable development issues
- Risks and opportunities associated with sustainable development issues
- Stakeholder inclusivity, the process of stakeholder engagement and key stakeholder relationships in enhancing the organisation's impact on the achievement of the SDGs
- The integration of sustainable development issues into strategy

Describe the Board's competencies concerning sustainable development issues and the mechanisms (such as internal audit, performance incentives, etc) used by the Board to effect oversight of processes to drive progress

Terms of reference for Board and Board sub-committees
Interviews with Board members
Board meeting minutes and minutes of the Audit and Risk Committee
Board meeting minutes and minutes of any relevant Board sub-committee concerned with CSR/climate change/sustainability issues
Interviews with Board Chair, chairs of relevant board sub-committees, CEO and members of the senior management team
Board skill's matrix
Remuneration policy

Performance and targets

Describe the connection between the organisation's approach to sustainable development and its vision and mission

Disclose the organisation's impacts on the achievement of the SDGs. [See GRI and UN Global Compact *An Analysis of the Goals and Targets* and the GRI Standards for appropriate metrics]

Describe the targets used by the organisation to inform changes to the organisation's business model and to develop strategy

Report performance against targets

Describe how the organisation's approach to sustainable development has contributed to value creation for the organisation and its stakeholders

Presentations to investors
Board papers and management meeting papers.
Data sources, data protocols and documents justifying choice of indicators
Interviews with internal auditors
Examination of internal controls
Documented approach to developing the targets included basis for target determination
Interviews with responsible managers, investors and key stakeholders

Consultation questions

The consultation questions are:

1 Principles

- Are the disclosure Principles selected appropriate to encourage both the integration of SDGs into strategy and transparency in relation to risks, opportunities and impacts?

2 Disclosures

- a Are the recommended Disclosures appropriate and complete?
- b Are you aware of additional good practice examples?

3 Enhancing the credibility of Disclosures

- a Are there additional sources of assurance evidence that could be included?
- b Do you foresee issues in the supply of assurance? Why?
- c Are there alternatives to assurance that could be included to enhance credibility of reporting?

4 Alignment

- Are there further opportunities for aligning existing frameworks?

5 Other matters

- Are there additional matters which should be addressed prior to finalisation?

See page 3 for details of how to make a submission.

Examples of reporting on the SDGs

Additional examples are sought through the consultation. A good source of examples covering SDG reporting using a star rating is at <https://www.supportthegoals.org/businesses/>. It covers the FTSE 250 and ASX 100 companies.

The SDGs, business models and multiple capitals

The examples showcased here challenge current business models in order to enhance contribution to the SDGs. Some good examples are emerging which stretch corporate strategic thinking and challenge business models. Many organisations are selecting SDGs that are material to their strategy to create value. The seafood company **Sanford** selected eight particularly relevant SDGs noting:

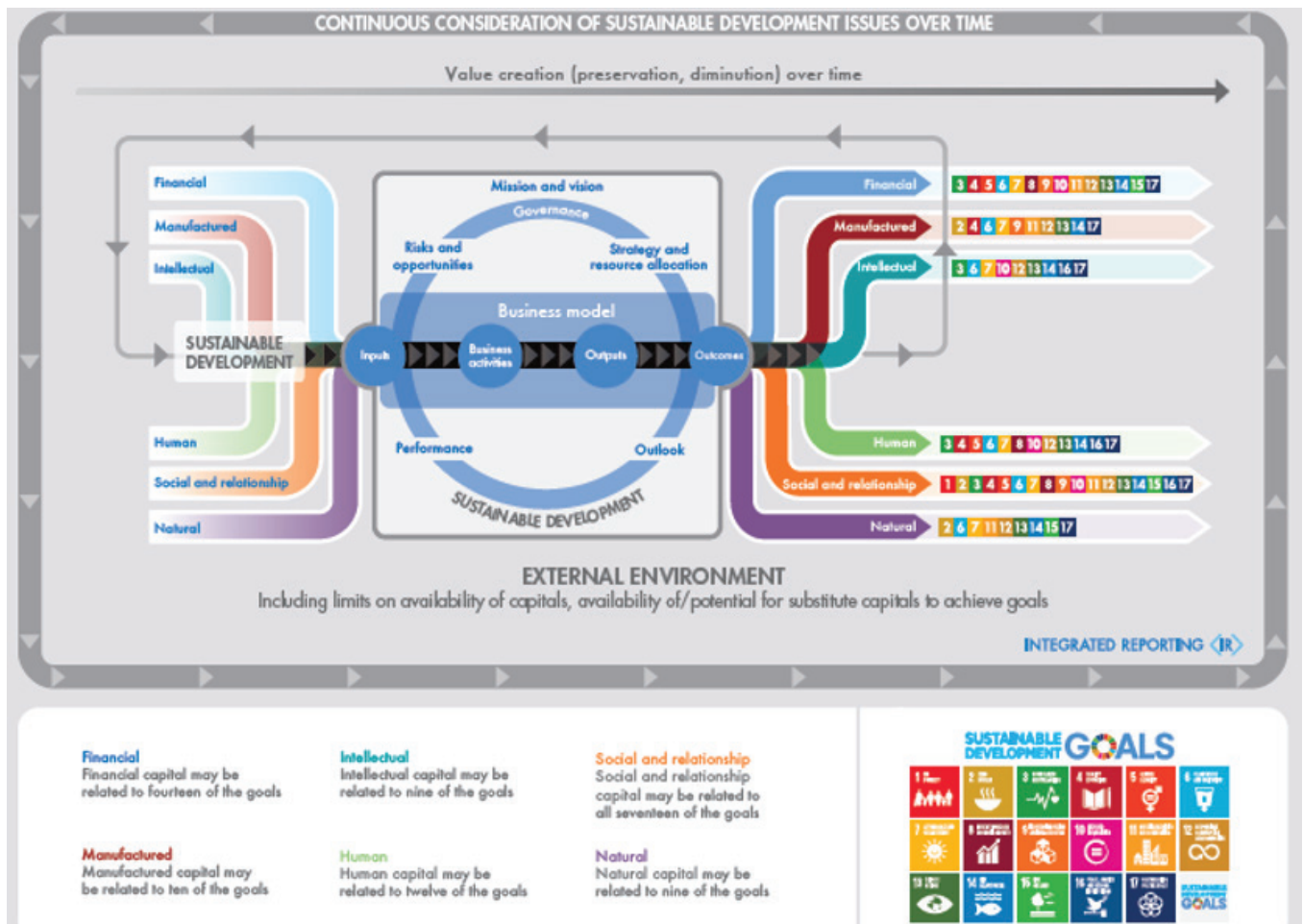
The SDGs have continued to challenge us to stretch our aspirations further, particularly in areas such as healthy oceans and climate action. [Sanford's annual report 2018⁹, page 15]

In a double page spread, too big to replicate here, **Sanford's annual report 2018**¹⁰, pages 16-17 links their value creation outcomes with the SDGs they claim to make a material contribution to.

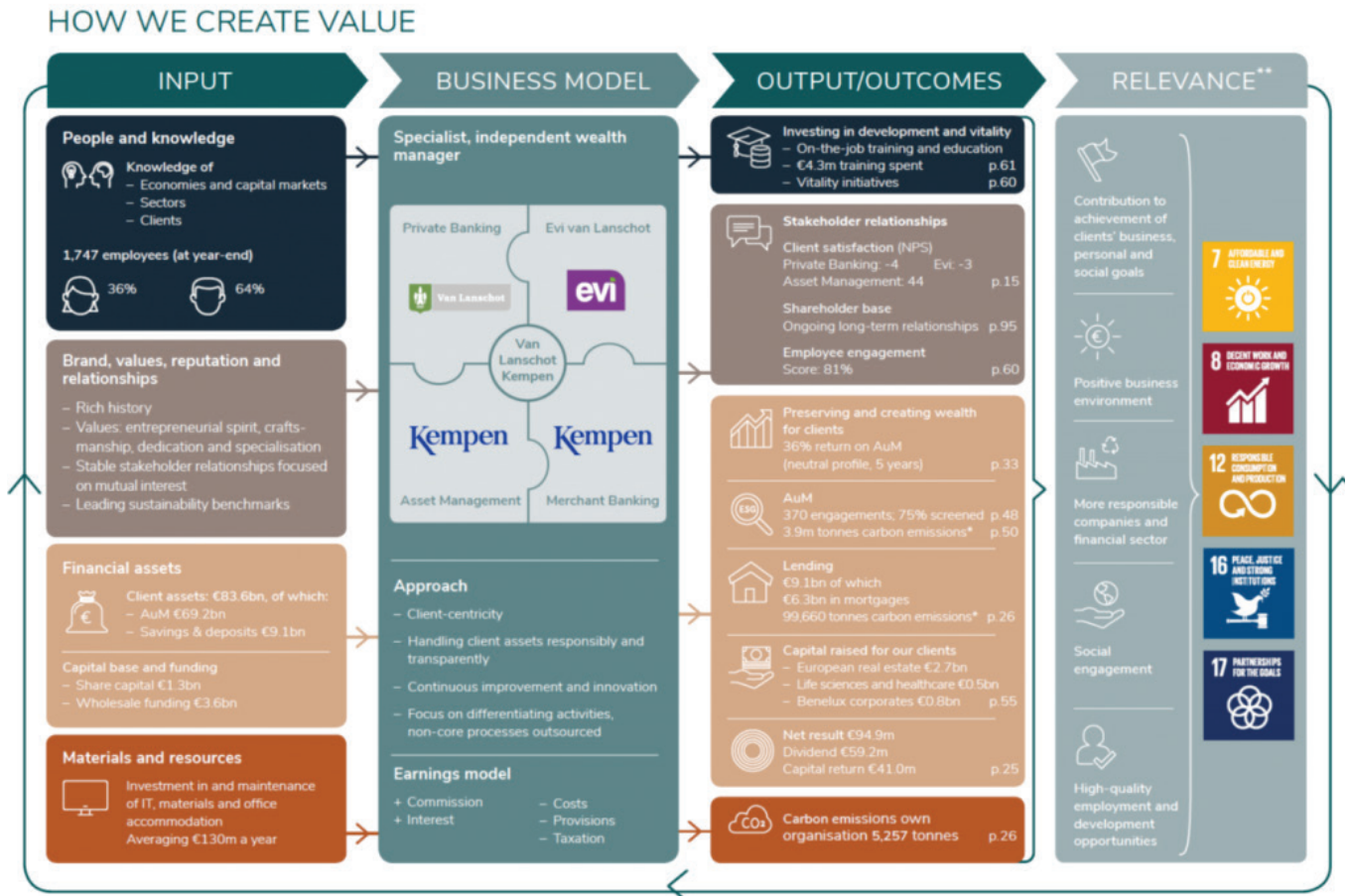
⁹ <https://www.sanford.co.nz/investors/reports-1/company-reports/2018/2018-annual-report/>

¹⁰ <https://www.sanford.co.nz/investors/reports-1/company-reports/2018/2018-annual-report/>

The diagram below from Adams (2017b) is adapted from a diagram in IIRC (2013).



Dutch Bank, **Van Lanschot Kempen** identified five SDGs to which they contribute through their core business and set out these contributions [here](#)¹¹. They produced a diagram similar to that in Adams (2017b) linking the SDGs to value creation. They report their negative social and environmental impacts using the GRI Standards. Indeed, it makes sense to use the detailed work of the GRI and UN Global Compact in determining metrics showing contributions to, and negative impacts on, achieving the SDGs. To facilitate this the GRI is linking indicators in its Standards with the SDGs.



11 <https://www.vanlanschotkempen.com/media/3318/our-contribution-to-the-sustainable-development-goals-van-lanschot-kempen.pdf>

Unilever has long linked its sustainability strategy and accompanying detailed targets with its growth mission. This diagram¹² clearly links its core value creation outcomes with specific SDGs. Contributing to the SDGs helps ensure the continued availability of multiple capitals that the business depends on and in this diagram Unilever has highlighted its contribution to SDG 17, partnerships for the goals as an important contributor to its business success.



12 <https://www.unilever.com/sustainable-living/our-strategy/un-sustainable-development-goals/>

SDG reporting by asset owners and asset managers

Reporting by asset owners and asset managers is critical to shifting investment to contribute to the SDGs.

Baillie Gifford's Impact Report¹³ for their Positive Change strategy highlights issues on which Baillie Gifford seeks better performance aligned with the SDGs which are flagged for discussion through active engagement with the companies. Their Positive Change strategy aims to deliver on two objectives simultaneously i.e. delivering attractive long-term returns and contributing to a more sustainable and inclusive world. They use 'logic models' to articulate business inputs, activities, outputs, outcomes and impacts in much the same way as the 'business models' of integrated reporting. The outcomes and impacts of the 'logic models' are linked with contributions to the Sustainable Development Goals.

Cbus Superannuation Fund's Annual Integrated Report 2017¹⁴ includes a timeline showing how their focus on being a responsible investor has increased over a relatively short period of time. They began to incorporate Environmental, Social and Governance (ESG) issues into fund manager and investment manager agreements in 2002 and appointed their first ESG manager in 2009. A few years later in 2017 with a responsible investment team in place they publicly supported the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) and set about developing an active engagement and investment strategy to contribute to the SDGs. Extending this focus to SDGs Cbus selected a number of SDGs which are particularly relevant to them and continue to report on how they integrated these SDGs into their strategy and policies.

Hermes Investment Management launched the Hermes SDG Engagement Equity Fund in 2018. Their first **annual report**¹⁵ notes (p2) their aim of achieving "positive social and environmental change by engaging with companies to help deliver the Sustainable Development Goals (SDGs)" and sets out their approach to engaging with companies and measuring impact.

Norges Bank Investment Management (NBIM) manage the Norwegian Government Pension Fund Global. In late 2018 they published a ten page **report**¹⁶ on the relevance of the SDGs to their management of that fund. They acknowledge their significance and approach to contributing to the achievement of the SDGs (p5): "Our main contribution to a more sustainable global economy will be through our investments in public markets. Due to our size and presence in financial markets, our diversified investments may contribute directly or indirectly to many SDGs. Beyond providing long-term capital to companies, we relate to the SDGs in four main ways: i. by promoting long-term value creation in companies, ii. by investing in developing markets, iii. by investing in companies providing environmental solutions, and iv. by divesting from unsustainable businesses."

Summa Equity's report¹⁷ integrates the SDGs throughout linking contributions to the SDGs with value creation. Like Baillie Gifford they do this on an individual company basis.

In contrast to Baillie Gifford and Summa Equity, the **WHEB Group's impact report**¹⁸ sets out the contribution to SDGs and specific targets **in total** across 60 listed companies. WHEB's investment strategy supports 7 SDGs and they report quantified positive metrics over a number of measures related to their SDGs. See – <http://www.whebgroup.com/impact/sustainable-development-goals/>

VicSuper's 2018 report¹⁹ page 18 set out the amount invested to contribute to each SDG and components of it.'

13 Baillie Gifford 's summary impact report for 2017 can be requested from impactreport@bailliegifford.com

14 <https://www.cbussuper.com.au/about-us/annual-report>

15 <https://www.hermes-investment.com/ukw/wp-content/uploads/2019/03/hermes-sdg-engagement-2018-annual-report.pdf>

16 https://www.nbim.no/contentassets/092e192d14d34d8eaf6110b75a27977c/nbim_amp_1_18_the-sdgs-and-the-gpfg.pdf

17 <http://summaequity.com/wp-content/uploads/2018/06/SE-Report-ARTWORK-01-Digital.pdf>

18 <http://www.whebgroup.com/media/2018/05/WHEB-Impact-Report-2017.pdf>

19 https://www.vicsuper.com.au/~media/files/about-us/reports/2018-annual-report/vicsuper_annual-report-2018.pdf

References

Adams, CA, (2017a) Conceptualising the contemporary corporate value creation process, *Accounting Auditing and Accountability Journal* 30 (4) <https://doi.org/10.1108/AAAJ-04-2016-2529>

Adams, C A (2017b). *The Sustainable Development Goals, integrated thinking and the integrated report*, IIRC and ICAS. ISBN 978-1-909883-41-3. https://www.icas.com/__data/assets/pdf_file/0010/336475/SDGs-and-the-integrated-report_full17.pdf

GRI and UN Global Compact (2017) *An Analysis of the Goals and Targets* https://www.globalreporting.org/resource/library/GRI_UNGC_Business-Reporting-on-SDGs_Analysis-of-Goals-and-Targets.pdf

GRI GSSB (2016) *GRI Standards: GRI 101 Foundation*. <https://www.globalreporting.org/standards/gri-standards-download-center/>

International Integrated Reporting Council (IIRC). (2013) *International <IR> Framework*. <http://integratedreporting.org/resource/international-ir-framework/>

Taskforce on Climate-related Financial Disclosures (TCFD). (2017). *Final report: Recommendations of the Task force on Climate-related Financial Disclosures*. <https://www.fsb-tcfd.org/publications/final-recommendations-report/>

About the publishers

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets. We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

More information is here: www.charteredaccountantsanz.com

About ICAS

ICAS is a professional body for more than 22,000 world class businessmen and women who work in the UK and in more than 100 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Almost two thirds of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have around 3,000 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854.

More information is here: www.icas.com

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 219,000 members and 527,000 students (including affiliates) in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 110 offices and centres and 7,571 Approved Employers worldwide, and 328 approved learning providers who provide high standards of learning and development.

Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

ACCA has introduced major innovations to its flagship qualification to ensure its members and future members continue to be the most valued, up to date and sought-after accountancy professionals globally.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability.

More information is here: www.accaglobal.com



Think Ahead



CHARTERED ACCOUNTANTS™
AUSTRALIA + NEW ZEALAND