ACCA

The Sustainable Development Goals:

Redefining context, risk and opportunity across Africa

Think Ahead

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About this report

This report explores how the United Nations Sustainable Development Goals provide a new prosperity creation framework for government, business and society to adhere to and how their effective delivery will increasingly call on the skills of professional accountants. It provides a focus on the role of the accountancy profession in delivery of the SDGs across Africa by sharing highlights from roundtables held with ACCA members in Nairobi, Lagos and Kampala, alongside research shared in ACCA's global report: *The Sustainable Development Goals: Redefining context, risk and opportunity*.

Foreword

Countries across Africa are embarking on various development endeavours in their national plans as cascaded from the Africa Union's Agenda 2063, and as aligned to the United Nation's Sustainable Development Goals. They are respectively going through unique processes of economic transformation, and whilst they collectively share new global risks and opportunities with other countries, they also have their own context specific issues that are challenging and complex.

For example, the changing nature of trade and investment, the impact of digital and emerging climate change realities are transforming the way people live and work across the continent and the means by which businesses generate value. What is clear is that these redefined horizons require a more complete understanding of what inclusive and sustainable prosperity creation looks like.

The UN Sustainable Development Goals (SDGs) provide a roadmap towards building prosperity that is ready for the future. The 17 Goals agreed at the United Nations in 2015 – and to be achieved by 2030 – set out the risks and opportunities ahead. The private sector operating across Africa is at the forefront of delivering the 2030 Agenda. At all scales, from multinational to microenterprise, businesses will be interacting with the issues that the SDGs set out to build this new type of prosperity. To make delivery of the SDGs a reality will demand investment, innovation, evaluation and communication. Across these areas the role for the professional accountant is clear. Their unique role in helping businesses with the proposition, creation and capture of value, and their trusted position in effective assessment and communication of progress made, will be vital towards achieving these new benchmarks and building a more sustainable future.

Jamil Ampomah
Head of Africa
ACCA

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1. Introduction

At a global level, today's world has tools at its disposal, as never before, to create prosperity. Digital technologies are transforming societies with new services that are radically reshaping how people live and work. Humankind has never been more prosperous, with rising global living standards being a hallmark of recent decades.

Rising living standards have also been a theme across parts of Africa. Over this diverse continent of countries with distinct cultures and polities, gains have been made in areas such as reducing extreme poverty, income growth, improving education and institution building.

But despite rising prosperity, progress is uneven. For although the proportion of the African population living in extreme poverty fell from 57% in 1990 to 43% in 2012, the number living in extreme poverty increased by more than 100 million as the population grew (World Bank, 2016).

While incomes have risen dramatically in emerging economies, led principally by China, the world's poorest, many of whom are in countries across Africa, remain locked out of growth. According to the *World Inequality Report 2018*, monthly per capita income across Africa is only '0.3 times the world average (€430 or $560) today' (WIL, 2018).

And while at a global level, despite gains, it is not hard to notice that a number of the building blocks of prosperity creation are underperforming, across different countries in Africa these building blocks face their own urgent and specific challenges. It is important that economies are set on a course that will see them able to engage with complex, emerging risks in a meaningful way that responds to unique regional and national contexts and characteristics.

There are a number of issues that demand action. Inequality is rising across the continent and, as in other parts of the world, this is often made worse by growing urban populations that are swelling the continent's congested and polluted cities, which are themselves suffering from chronic underinvestment in infrastructure.

Environmental systems are being rapidly degraded. These systems support livelihoods for many working in agriculture and provide protection for all against inhospitable extremes of excessive heat, worsening water scarcity and deteriorating air quality.

According to the IMF, 'climate change is a negative global externality of potentially catastrophic proportions' with rising temperatures having 'vastly unequal effects across the world, with the brunt of adverse consequences borne by those who can least afford it' (IMF, 2017). Water shortages are predicted to become serious across Africa as populations grow and live longer and demands for agricultural irrigation intensify (Falkenmark, 2018).

Low levels of economic growth across Africa are holding back chances of the continent's advantages being realised. Alongside issues related to historic ties to developed countries, current challenges also include a lack of integration into global supply and value chains, and underinvestment in productivity-enhancing activities (IMF, 2016).

To resolve these interconnected challenges means recognising that they are complex and multidimensional. For example, more education alone is not enough. According to the United Nations Development Programme (UNDP), while it 'is key to social mobility', education 'cannot generate the quantum of jobs needed to tackle the "time bomb" of the youth bulge without strong institutions and sound economic reforms that prioritize agricultural modernization, national and regional value chains, and industrialization' (UNDP, 2017).

Economic, social and environmental problems are coming together and causing countries to underperform in creating prosperity for their citizens.

Economic, social and environmental problems are coming together and causing countries to underperform in creating prosperity for their citizens. Interconnected negative feedback loops that link environmental problems to economic challenges and social issues are becoming more pronounced and more difficult to break.

The growing challenges of building prosperous countries that are as economically productive as they are socially inclusive and environmentally conscious, demands a better understanding by governments, business and civil society of the contexts and systems in which they interact and the recalculated parameters of successful prosperity creation.

The UN Sustainable Development Goals: what, why, how

The UN Sustainable Development Goals (SDGs) – 17 objectives agreed by all UN member states in September 2015 – provide a way for countries to recognise and meet these challenges to building future prosperity (see Figure 1.1).

Converging, interconnected issues have brought the SDGs to the fore as a unifying global agenda for countries, companies, investors and civil society to pursue. They create a framework for building enduring, inclusive prosperity that is fit for the future. The aim is for the SDGs to be fully achieved by 2030: this is the UN's '2030 Agenda'. For countries, the 17 SDGs propose a new model to adhere to in order to generate prosperity for their citizens. They combine environmental issues, such as Goal 13 – 'take urgent action to combat climate change and its impacts' – with social issues, such as Goal 1 – 'end poverty in all its forms everywhere' – and economic issues, such as Goal 9 – 'build resilient infrastructure, promote sustainable industrialization and foster innovation', to create an all-encompassing framework that has as its motto 'leave no one behind'. The challenge of meeting the SDGs by 2030 is immense. The 17 Goals encompass 169 targets and 230 indicators.

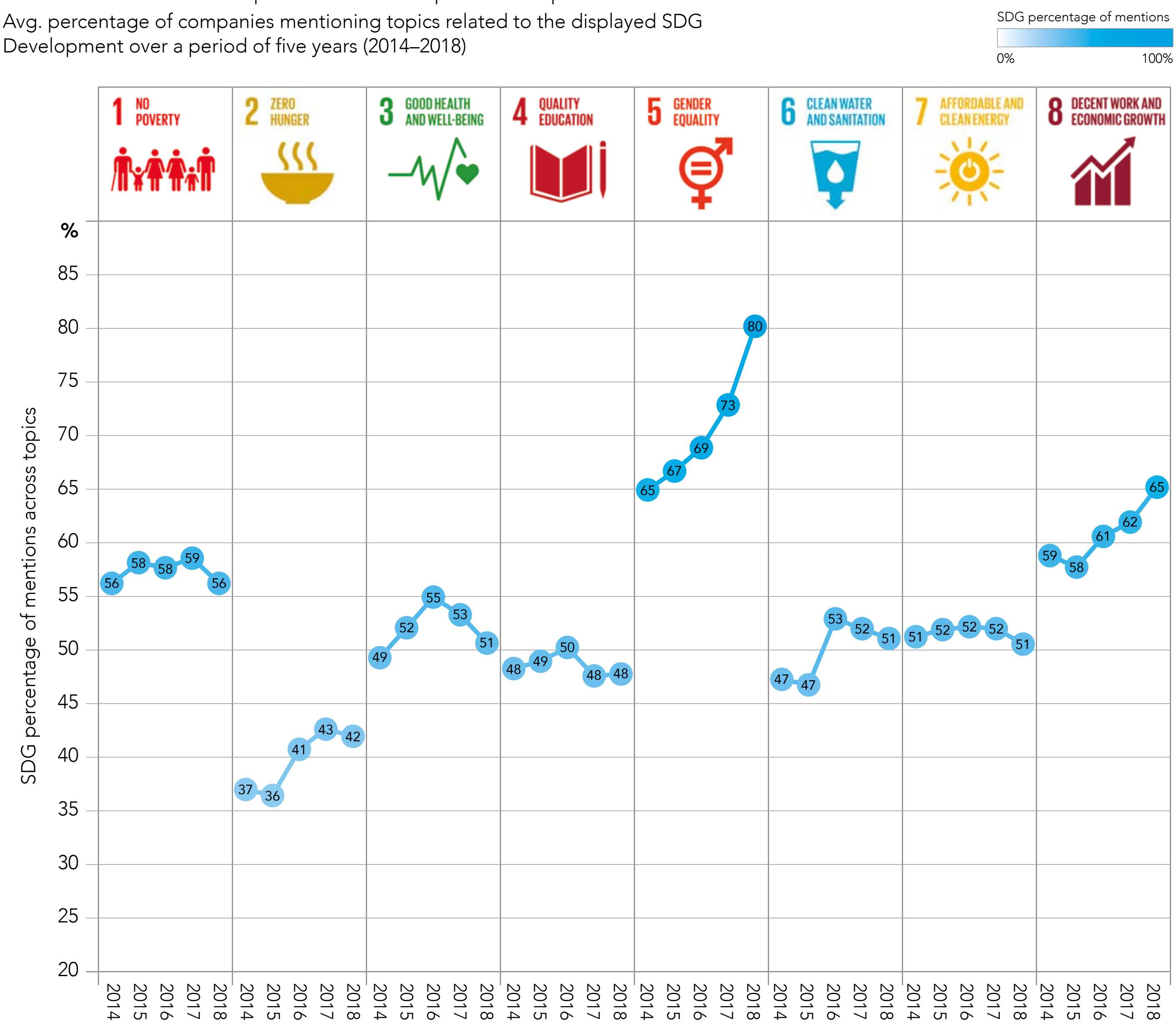
If you look at the SDGs generally, it is just about ensuring a good life to the citizens of the world.
Nairobi roundtable participant

The task of ensuring widespread understanding, adoption and skills development in assessment, monitoring and reporting of progress towards the issues that the SDGs encompass will be a defining challenge for the accountancy profession in the years leading up to 2030. And they go beyond assessment, measurement and reporting to demand an appreciation of complexity, the interdependence of systems and a desire to achieve tangible positive outcomes for society. For business, the SDGs have been referred to as 'a purchase order from 2030 for business and government action today' (BSDC, 2016). Can the private sector make the most of these 17 opportunities? Can it find new ways of working together and with a range of government and civil society actors that will address the systemic market failures that the 17 SDGs are intended to repair? Mainstreaming the SDGs so that opportunities can be realised and that their delivery becomes embedded into business practices through monitoring, and reporting on progress towards them, will be a critical factor in their success. At present across different countries in Africa, SDGs related issues are being reported on by companies to varying degrees and some SDGs are rapidly growing in significance compared to others (see Figure 1.2). The accountancy profession, today and into the future, has a key role to play in hitting the targets of the 2030 Agenda. The SDGs will rely on the expertise of the profession to operationalise the opportunities, build the systems for achieving the desired outcomes and report on the progress made towards reaching these new prosperity-creation benchmarks (ACCA, 2017).

FIGURE 1.1: The 17 Sustainable Development Goals

Source: UN

FIGURE 1.2: SDG related topic mentions of companies headquartered in Africa
Avg. percentage of companies mentioning topics related to the displayed SDG Development over a period of five years (2014–2018)



Source: Datamaran, www.datamaran.com

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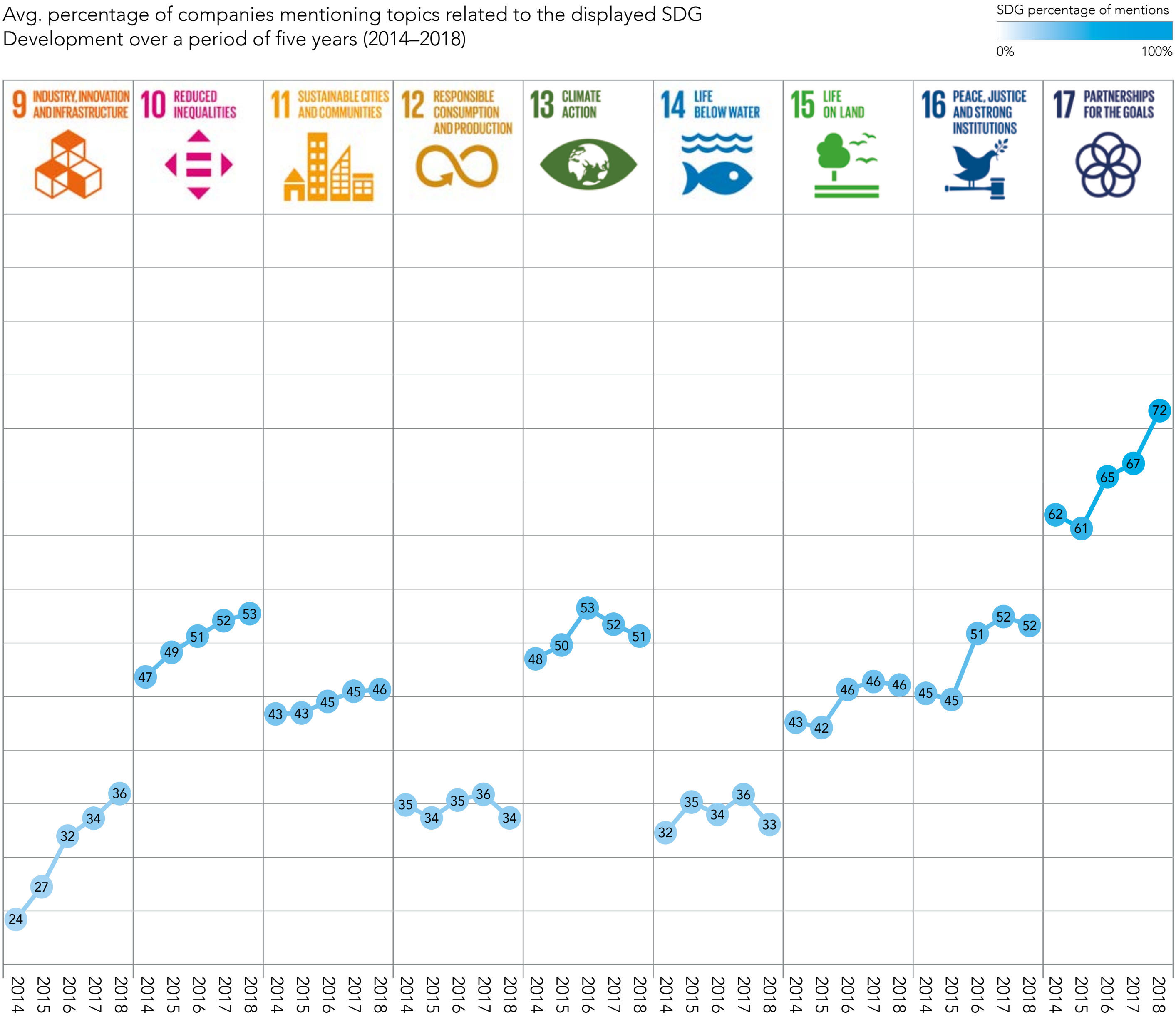


Source: Datamaran, www.datamaran.com

> Reliability of quality information will be critical for investors and presents an emerging space where professional accountants can use their skills.

This short report sets out to demonstrate why the SDGs matter to governments, business and society across Africa, the role of the private sector and how professional accountants can be part of a collaborative group of actors working together to achieve the aims of the 2030 Agenda. This short report is a supplement to ACCA's 2017 report, *The Sustainable Development Goals: redefining context, risk and opportunity* (ACCA, 2017).

Throughout the remaining chapters of this report, quotes are featured from ACCA members and other experts from Nairobi, Lagos and Kampala who took part in roundtables and interviews.

The remainder of this report sets out to:

- outline the factors behind the business case for the SDGs
- explore how ESG issues are transforming finance
- examine how corporate sustainability reporting frameworks are enabling business to engage with the SDGs
- provide recommendations for professional accountants' engagement with SDGs.

Professional accountants around the world can make a significant contribution to achieving the SDGs.

1. **Future business growth opportunities and new market preferences that are more socially and environmentally aware are strongly aligned to the SDGs.** Increasingly, professional accountants will be involved in assessment and pursuit of SDGs-related opportunities that are more connected than ever with an understanding of the wider context of operating in more complex markets where sustainable development issues lie at the heart of value creation. Conception and implementation of new strategies alongside delivery and capture of value created will depend on the profession.

2. **Environmental and social risks for business, linked to many of the SDGs, are growing at an exponential rate.** They are also becoming more interconnected. For environmental risks, particularly climate change, this is already demanding a new level of precision for analysis, monitoring and reporting. Social risks are also rising up boardroom agendas. They, too, will require a greater degree of accurate understanding. Professional accountants are well placed to meet this growing demand for better, more inclusive risk assessment and – through using tools such as the Integrated Reporting Framework – for making explicit the connections between social, environmental and financial value creation and destruction.

3. **Digital technologies and the rise of data analytics and artificial intelligence (AI) are growing in relevance for the profession.** This is equally the case for engaging with SDG issues. Combined with core technical professional competencies related to areas such as ethics, judgement, reporting and audit, familiarity with a growing set of digital tools that support environmental and social data collection and analytics will be of increasing importance for the professional accountants of the future. Correctly employed, the use of such tools will unlock new sources of value creation and improve discovery of emerging risks linked with the 2030 Agenda.

4. **New investor preferences aligned to the SDGs will spur an increasing demand for better SDGs-related disclosures from companies.** From mainstream investing where environmental, social and governance (ESG) issues are growing in prominence, to the continued expansion of 'impact investing' that supports mission-led companies, the SDGs have the potential to provide an easy-to-understand framework for a range of investors across different thematic areas as they pursue future growth combined with positive social and environmental returns. Reliability of quality information will be critical for investors and presents an emerging space where professional accountants can use their skills.

5. **Governments are reporting on their progress on the SDGs to the UN.** This will involve across-government coordinated approaches to multi-faceted issues, improved data collection and an increasing role for co-delivery with the private sector of SDG-related outcomes for citizens. Data collection and measurement will grow in importance, with interdepartmental and wider collaboration becoming increasingly important. Not only will the SDGs be incorporated into frameworks for government action at many tiers, they will increasingly emerge in regulatory discussions (ACCA, 2017).

SDGs and skills for the future

While the 2030 Agenda is relatively new, the issues it sets out to address are longstanding government and market failures that have grown to become urgent impediments to future prosperity creation. The role of professional accountants as strategic business leaders – with a unique blend of understanding of context, appreciation of risk, implementation and operational know-how, alongside technical and ethical competencies, leaves them well placed to elevate the SDGs so that they become a standard tool for measuring success across government, business, finance and civil society. From analysing the impact of resource constraint issues to operationalising new business models that radically change the ways in which products and services are delivered, professional accountants are already contributing to the 2030 Agenda around the world.

> *Roles and responsibilities are important. As an accountant, this falls under my area of responsibility. My questions are: who is going to hold the data? Who is going to do the reporting? What indicators am I going to be reporting on?*
> Nairobi roundtable participant

The SDGs can be part of the daily work of a new generation of professional accountants. Stronger governance, the growing use of digital technologies, rising expectations on the role of professional accountants and more globalisation have been identified by ACCA as the four overarching 'Drivers of Change' that are set to transform the profession to 2025 (ACCA, 2016a).

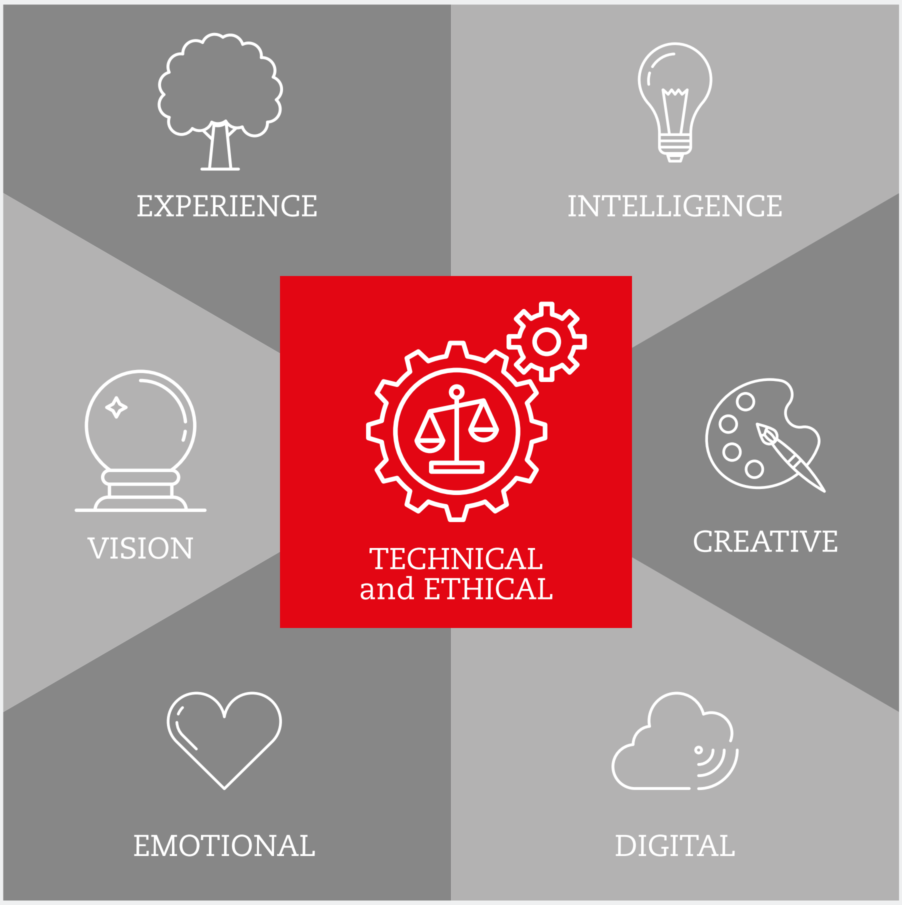
> *We have a responsibility as accountants to support and advocate market-led policy initiatives that support climate action.*
> Lagos roundtable participant

In addition, in a survey of over 18,000 millennial professional accountants, ACCA discovered that the most important factor in attraction and retention was the opportunity to learn new skills (ACCA, 2016b). Despite this desire to learn new skills, only 38% of the millennials claimed that their current organisation offered them sufficient opportunities to achieve their goals (ACCA, 2016b).

> *How can I use the SDGs for my own professional growth? Accountants have an opportunity with the SDGs to go beyond being known as number crunchers. It is important to be part of the solution – right from designing systems and structures through to reporting.*
> Kampala roundtable participant

ACCA has identified seven quotients for professional accountants to develop so that they are able to thrive in an environment dominated by these four interconnected 'Drivers of Change' (see Figure 1.3). Supporting career development through learning interventions that engage with the SDGs can be a key tool in building the accountancy profession the world needs, going beyond core technical and ethical competencies and reaching into emerging domains. The SDGs can provide professional accountants with purpose-driven, digitally enabled skills-development opportunities at the cutting edge of business practice, in high-growth sectors, solving some of the world's biggest challenges and contributing to the successful endeavours of their organisations (ACCA, 2017).

FIGURE 1.3: Professional quotients for success



2. SDGs and the business imperative

***'Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro enterprises to cooperatives to multinationals. We call on all businesses to apply their creativity and innovation to solving sustainable development challenges'* (UN 2015: Article 67).**

Business has an essential role to play in achieving the SDGs. The forerunner of the SDGs, the Millennium Development Goals (MDGs), were conceived of as eight targets to improve the lives of the world's poorest by 2015. And while one of the MDGs was 'partnership', it did not explicitly acknowledge the role of the private sector. By contrast, all UN member states have committed to the SDGs and they are clear-cut in emphasising the role of business in achieving them. At a variety of scales, business can use its ingenuity to address complex challenges as it transforms inputs into new sources of value. It can be a driver of investment, a creator of employment and a responsible member of society.

We say we are an entrepreneurial country. The SDGs in that way present an opportunity for organisations to look at what sustainable solutions they can create related to particular SDGs that can meet social impact and profitability.
Kampala roundtable participant

The senior management needs to be convinced that the SDGs are an agenda that should be actioned. Without senior management commitment this will not happen.
Nairobi roundtable participant

Can the SDGs be the building blocks of a new type of prosperity creation by business that is inclusive, environmentally aware and rewards those that create enduring, meaningful value? Research by The Business and Sustainable Development Commission (BSDC), a group of global business leaders, has estimated that across Africa alone, achieving the SDGs can unlock $1.1 trillion of market opportunities and generate up to 85 million jobs by 2030 (BSDC, 2017). New opportunities can arise from, for example, engaging with the challenges faced by growing urban populations in new centres of economic dynamism, or finding new ways to reach out to underserved groups with new business models and through harnessing lower-cost digital technologies. And these opportunities go hand in hand with a greater acknowledgement of the risks associated with issues that may previously have been externalised, or ignored, by business.

Coordination is one problem, another one is creating that awareness to tell private sector this is here, it is for their benefit. The next step is to explain how to implement it.
Nairobi roundtable participant

These include health impacts of products and services on customers and society, and business models that involve processes that cause irreversible environmental degradation or overexploit finite resources and give rise to climate-related risks, such as rising sea levels. Critically, the BSDC makes clear that a new mindset will be needed to unlock these new possibilities. 'To capture these opportunities in full', it states, 'businesses need to pursue social and environmental sustainability as avidly as they pursue market share and shareholder value' (BSDC, 2017a). Economic trade-offs related to sustainable development are difficult to map out fully for a fast-growing country focused on growth. As systems change, the way the economy functions changes.

We need to find our own national solutions that fit our context. Why don't we together analyse what the problem is for us nationally and build leadership.
Lagos roundtable participant

The SDGs present business with a globally recognised framework for deepening understanding of 21st-century risks and opportunities, which are complex and interconnected.

Finance must be there from the start. The numbers tell the story which relates to the workplan. As accountants we are part of the organisation. We understand the business and we can bring critical thinking skills to help tell the story.
Kampala roundtable participant

Today's global economy is a feat of interconnectedness that over recent decades, when successful in its implementation, has given rise to structural transformations that have radically altered the way people live and work for the better – but currently the businesses behind these shifts are falling short.

As accountants we have to show that we have much more to offer to help people build new business cases around SDGs issues.
Kampala roundtable participant

Environmental degradation and negative social externalities caused by businesses are not being addressed sufficiently, nor do businesses fully understand or disclose the risks to their own operations from issues such as climate change. And at a time when quality job creation is needed on an unprecedented scale, the rise of more sophisticated automation threatens livelihoods around the world, across sectors and occupations, from manual to managerial. These environmental, social and economic issues come together and impede people's ability to live well. As these factors multiply and become more complex, the questions around the purpose of business and its role in society grow.

The SDGs have been called 'a purchase order from 2030 for business and government action today' (BSDC, 2016). They present business with a globally recognised framework for deepening understanding of 21st-century risks and opportunities, which are complex and interconnected. They also provide a way of thinking about the shape of the markets and business models of the future. The 17 SDGs link issues such as demographic shifts and degradation of environmental systems with other factors, including changing patterns of economic activity (for example, the shift from manufacturing to services), the role of technology (for example, the business implications of AI) and the shifting nature of work (for example, the move to more self-employment).

Let us not fear the SDGs. We just need to choose a few that are applicable; we cannot do the 17. Go through your organisation and prioritise.
Nairobi roundtable participant

For business, the SDGs have the potential to renew 21st-century corporate dynamism in tackling and solving social problems and adopting a wider view on the value that they are creating over the short, medium and long term.

We have good quality reporting, we have <IR>, we have everything; the reports are there. Nothing is going happen unless it is part of an organisation's strategy.
Nairobi roundtable participant

The complexity and interconnectedness of the underlying problems that have created the demand for the SDGs points to the need for a broader approach to business value creation that is collaborative and multidimensional. It is one that recognises a range of dependencies that play a role in value creation and the relevance of a wider group of stakeholders beyond investors.

Organisations from our side are willing to participate in the SDGs, but it is always a balancing act. We are working to have a sustainable organization, we want to employ more, and we want to pay better, so that people are more content. But all these things add to the cost of doing business.
Nairobi roundtable participant

On the one hand, there are new opportunities that will be new sources of growth, but on the other, there are social and environmental issues whose material impacts are currently not sufficiently recognised by business. By taking on the SDGs, and sharing their global common language with governments and society, business can reimagine its role in building inclusive prosperity.

We need to empower people to create value. Quality education is key.
Lagos roundtable participant

3. Finance and the SDGs

A number of developments have seen ESG issues move deeper into the mainstream of finance.

The United Nations Conference on Trade and Development (UNCTAD) has estimated that US$5 trillion–7 trillion per year is needed to implement the SDGs and that developing countries face an annual investment gap of US$2.5 trillion in areas such as infrastructure, clean energy generation, water and sanitation and agriculture (UNCTAD, 2014). Given the scale of investment that needs to be made to realise the SDGs, the continued mainstreaming of ESG issues is welcome evidence of a shift across the finance landscape towards more effective pricing of risk and allocation of capital. It is also one that is demanding more effective corporate disclosure of non-financial information. An example of the principles that stock exchanges want to embed to improve ESG disclosures can be seen in the ESG reporting guidelines of the The London Stock Exchange Group (LSEG) which sets out criteria for provision of quality data. The guidance lists the following 'Characteristics of investment grade data'.

- **Accuracy:** deploy rigorous data collection systems.
- **Boundaries:** align to the fiscal year and business ownership model.
- **Comparability and consistency:** use consistent global standards to facilitate comparability.
- **Data provision:** provide raw as well as normalised data.
- **Timeliness:** provide data to coincide with the annual reporting cycle.
- **External assurance:** consider strengthening the credibility of data by having it assured.
- **Balance:** provide an objective view, including both favourable and unfavourable information' (LSEG, 2018).

These characteristics echo financial quality rules for reporting, such as the need for such factors as faithful representation, relevance, comparability, verifiability and timeliness.

Accountability will come in to help us focus so that we have the monitoring and evaluation, and governance systems to keep this in check and ensure that it is sustainable over time.
Nairobi roundtable participant

From ESG to SDG

At an institutional level, the UN Sustainable Stock Exchanges initiative is a peer-to-peer platform for exploring how exchanges can promote responsible investment for sustainable development. An increasing number of exchanges are participating in this initiative – for example, by including ESG indices or issuing ESG guidance (See Figure 3.1). They have also identified five action areas where securities regulators can support the SDGs. These are:

1. **Facilitate investment to support the delivery of the SDGs:** Aid investment flows to towards achieving the SDGs via financial products.
2. **Strengthen corporate sustainability-related disclosures:** Improve the quality and quantity of disclosure on environmental and social data.
3. **Clarify investor duties on sustainability:** Guide investors on the integration of sustainability into their decisions.
4. **Strengthen corporate governance to support sustainability:** Introduce board responsibilities related to environmental and social factors.
5. **Build market capacity and expertise on sustainability:** Facilitate the training of market participants on sustainability topics (SSE, 2018).

From the beginning we need to align our results with outcomes and impact. Change our reporting from activity-based to impact-based.
Kampala roundtable participant

As the mainstreaming of ESG continues, the SDGs are emerging as a theme for the investment community. The UN-supported Principles for Responsible Investment (PRI), whose 1,700 signatories represent around one-third of global private capital, The purpose of this information is to give the financial community insights into how climate-related risks and opportunities will affect the company's future cash flow, assets and liabilities.

have put forward five factors supporting an investment case for the SDGs.

1. The SDGs are a critical part of professional investors' fiduciary duty.
2. Financial returns for large institutional investors (universal owners) are dependent on healthy sustainable economies.
3. Achieving the SDGs will be a key driver of global economic growth.
4. The SDGs, as a risk framework, reflect the very specific regulatory, ethical and operational risks that can be financially material.
5. The SDGs serve as a capital allocation guide to new investment opportunities (PRI and PwC, 2017).

I also get push back in fora that I go to where the SDGs are discussed they say at the end of the day, what is my EPS, and that is what they are after.
Nairobi roundtable participant

Climate change and the Task Force for Climate-related Financial Disclosures (TCFD)

Climate change risks have become a key focus for finance. Over 500 organisations – with a combined market capitalisation of US$7.9 trillion and investors responsible for nearly $100 trillion – have committed to implementing the TCFD climate risk reporting recommendations (TCFD, 2018).

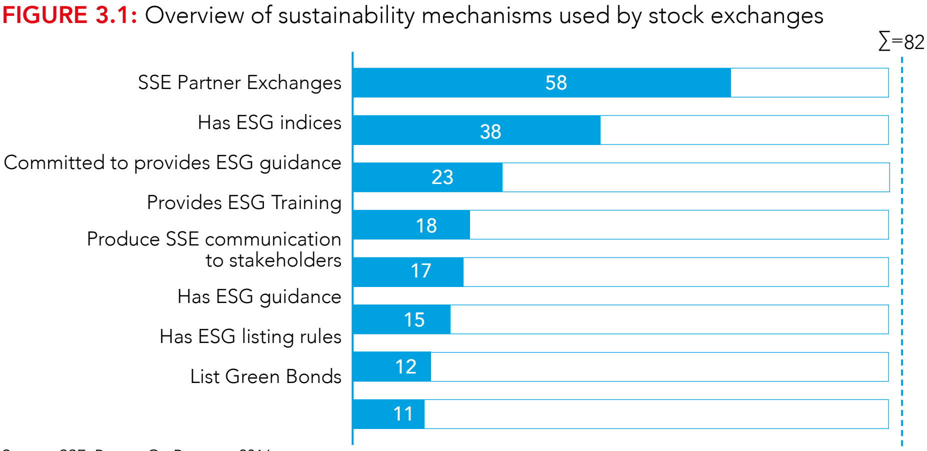
The investor-focused TCFD recommendations call on professional accountants to apply their skills, developed in financial reporting, to this non-financial area. The TCFD has a number of differences from other non-financial frameworks, the main three being as follows.

1. The focus is not on how a company contributes to climate change and the environment but rather on how climate change risks affect that company.
2. Reporting must be incorporated into existing financial reporting – as a minimum in the annual report, but more frequent reporting is recommended.
3. The recommendations are strongly forward-looking, involving scenarios, risk evaluations and stress tests, which the TCFD wishes to have incorporated in the current risk statements.

The purpose of this information is to give the financial community insights into how climate-related risks and opportunities will affect the company's future cash flow, assets and liabilities.

Aligning your organisation to the SDGs helps you with resource mobilisation and creates a virtuous circle. They are a tool.
Kampala roundtable participant

FIGURE 3.1: Overview of sustainability mechanisms used by stock exchanges



Source: SSE, Report On Progress 2016

4. SDGs and Reporting

While there is no universally agreed definition of the term, sustainability reporting can be defined as: 'Information that communicates how flows of material, resources and services between corporations, capital markets, society, the economy and the environment affect the ability of corporate, economic, social and environmental systems to continue and flourish' (ACCA, 2016c).

In 2018, KPMG reported that of the world's largest 250 companies, while over 70 mentioned the SDGs in their reporting, the information was unbalanced and, critically, only 20% had identified specific SDG targets that linked back to their business (KPMG, 2018). A number of standards and frameworks exist to help companies engage with and report on ESG issues in their corporate reporting. The UN Global Compact's Principles, The Global Reporting Initiative (GRI) and the <IR> Framework are commonly used by companies and organisations when reporting on issues such as how they create sustainable value and in communicating their performance on non-financial indicators.

> *This financial year we are looking at three SDGs, and many of them are interconnected. So long as we have started, then we will be able to move forward. But if we do not start, there is no way we can move.*
> Nairobi roundtable participant

In addition to these, a wide range of frameworks for particular issues exist to help companies deal with specific risks and impact areas. For example, the CDP (formerly the Carbon Disclosure Project) provides guidance on climate change reporting while the United Nations Guiding Principles on Business and Human Rights (UN, 2011) helps companies approach human rights reporting. Despite challenges due to the fragmentation of the sustainability reporting landscape, reporting standards and frameworks are constantly evolving and responding to changes in the wider external environment, the legislative landscape and requests by stakeholders for information (Table 4.1) (ACCA 2016c).

The standards, frameworks and tools can provide businesses with a way of understanding and communicating their impacts on, and contribution to, the

TABLE 4.1: The old and new orders of corporate reporting

The old order of corporate reporting	The new order of corporate reporting
Long and cluttered	Concise and material
Boilerplate language	Effective communication
Backward looking and short-term	Forward looking and longer term
Complex	Simple and easily navigable
General purpose	Sensitive to audience needs
Focused on financial results for shareholders	Focused on value creation for the organisation and its stakeholders
Rule bound, narrow disclosures	Transparent and responsive to individual circumstances
Reflects stewardship of financial capital	Reflects stewardship of all forms of capital on which the organisation is dependent and that it affects
Locked in, static	Technology enabled

Source: ACCA 2016

The standards, frameworks and tools can provide businesses with a way of understanding and communicating their impacts on, and contribution to, the SDGs.

SDGs. This section summarises four approaches to SDGs reporting that highlight different areas for companies to consider when integrating the SDGs into their activities. The four approaches are:

1. SDG Compass
2. <IR> Framework five-step approach
3. GRI UN Global Compact (UNGC) Business Reporting on the SDGs, and
4. UNCTAD International Standards of Accounting and Reporting (ISAR) Core Indicators.

Larger companies have the resources and capacity. They understand the correlation between superior reporting, their share price and the cost of capital. What about the mid-cap and the small-cap companies?
Nairobi roundtable participant

4.1 SDG COMPASS

The SDG Compass, developed in 2015 by the World Business Council for Sustainable Development (WBCSD), the UNGC and the GRI, is collaborative approach to aligning business activities with the SDGs. It is intended to help businesses capitalise on the SDGs, and to make the most of the value that they can create, by helping them to:

- identify future business opportunities
- enhance the value of corporate sustainability
- strengthen stakeholder relations and keep pace with government policy developments
- stabilise societies and markets
- use a common language and shared purpose (UNGC et al. 2015).

The SDG Compass sets out five steps for companies to take to align their strategic priorities, and to measure and manage their contribution, to the SDGs.

Awareness of reporting that is relevant to people at a community level is important How accessible are our reports if they are not translated into local languages, or if they are only available online? They should be translated and made more accessible to get people involved and to assess if something has happened or not as it is set out in the report.
Kampala roundtable participant

Step 1. Understand: find out what the SDGs are and the business case for engaging with them. The business case could be related to, for example, aligning with, and preparing for, new business opportunities, getting ready for regulatory shifts and evolving investor demands, and better engagement with new customer preferences that the SDGs have the potential to strengthen.

Step 2. Define priorities: map SDGs against the value chain, select indicators and collect data and defining priorities. This three-stage process involves three stages.

i. Map the value chain to assess direct and indirect, current and potential, negative and positive impacts. Inclusive stakeholder engagement is core to the process.
ii. Select indicators and collect data that effectively demonstrate how business activities translate into impacts. The SDG Compass suggests using a logic model to identify what data can be collected. This five-step process spans a) inputs -> b) activities ->c) outputs ->d) outcomes ->e) impacts.
iii. Define priorities using the evidence from the mapping and data gathered to focus actions on areas of highest impact.

Step 3. Set goals: select specific, measurable and time-bound key performance indicators (KPIs) that directly address the impacts or outcomes of activities. A baseline should be defined, an ambition set and a public commitment made.

Step 4. Integrating: this involves making sustainability an integral part of financial, strategic and operational goals. It also involves embedding identified sustainability goals across business functions and seeking out meaningful partnerships that can target shared objectives to achieve them in a wider collaborative setting.

Step 5. Report and communicate: ensure that information is material, is rooted in the appropriate context and adheres to internationally recognised standards for sustainability reporting. SDG Compass recommends that reporting should:

The <IR> Framework's multi-capitals reporting approach provides a way for companies to consider how they create value for the business and its stakeholders.

- explain why and how the identified SDGs have been recognised as relevant
- show how the significant impacts, whether positive or negative, relate to the relevant SDG
- describe the aims for the relevant SDGs and progress made in achieving them
- set out the firm's strategies and practices for managing impacts related to the SDGs and achieving these goals through integration across the business (for example, by giving a description of policies, systems and processes such as due diligence) (UNGC et al. 2015).

People tend to report what they have done but what about the negatives? It is very easy to focus on the positives. What about what you are not solving?
Lagos roundtable participant

4.2 THE IR FRAMEWORK AND THE SDGS

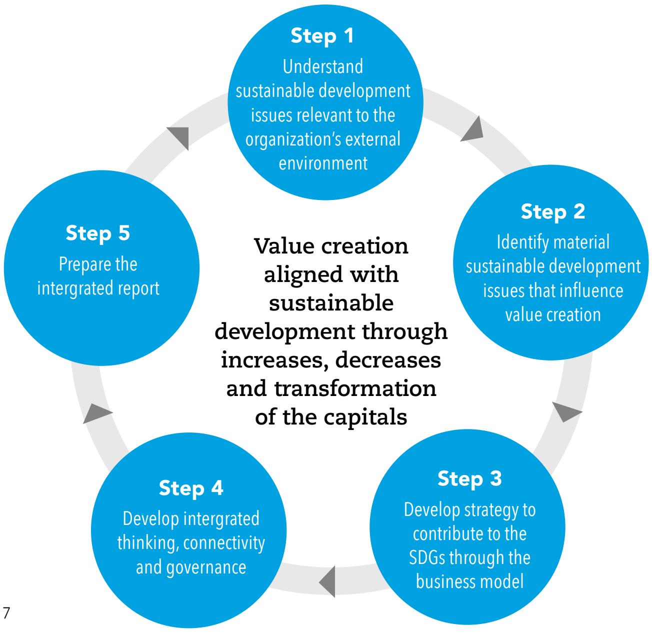
The <IR> Framework's multi-capitals reporting approach provides a way for companies to consider how they create value for the business and its stakeholders. *The Sustainable Development Goals, Integrated Thinking and the Integrated Report* (Adams, 2017), sets out five steps for companies to take to contribute to the SDGs through embedding them in the value-creation process (Figure 4.1).

Step 1
In understanding the sustainable development issues relevant to the organisation's external environment, the SDGs connect with many external environment factors referred in the Framework, for which the board is responsible for creating an oversight structure. These external environment factors affect strategy and resource allocation as an organisation transforms a range of capitals to create value. Transformation of capitals will have a positive or negative impact on the SDGs.

Step 2
When identifying material sustainable development issues that influence value creation, the Framework emphasises that value created over the short, medium and long term is created through relationships with others. A materiality assessment that engages with external and internal stakeholders to identify positive and negative impact areas as capitals are transformed can help identify relevant SDGs to be prioritised.

Step 3
In developing a strategy for contributing through the business model, understanding which SDGs are relevant and material permits an organisation to map them to strategic priorities and hence to the business model's inputs, outputs and outcomes and corresponding resource allocation plans.

FIGURE 4.1: Five steps for aligning SDGs to the value-creation process



Source: Adams, 2017

The integrated report should cover how the business model produces outcomes (both positive and negative) for multiple capitals and how this makes a contribution to achieving the SDGs.

Step 4
Developing integrated thinking, connectivity and governance is vital. Governance that supports connectivity of an organisation's strategy and business model with the external environment and embeds integrated thinking will be essential in engaging with identified SDGs, which are interconnected and dependent on multiple capitals.

Step 5
In preparing the integrated report, organisations should report their contribution to SDG targets alongside their outcomes with respect to the six capitals. The integrated report should cover how the business model produces outcomes (both positive and negative) for multiple capitals and how this makes a contribution to achieving the SDGs. Contributing to any SDG target is likely to involve increases or decreases in more than one capital. Where they are material to value creation, such increases, decreases or transformation of the capitals should be disclosed in the integrated report. Appropriate indicators should disclose material changes in the capitals and contributions to, and material negative impacts on, achievement of the SDGs (Adams, 2017).

Organisations focus so much on reporting the positives and ignore the negative aspects. We need to push for balance and better understanding of wider contexts. We also need to push for value for money reporting. Is this reporting a sustainable use of resources?
Kampala roundtable participant

4.3 GRI AND UNGC BUSINESS REPORTING ON THE SDGS

Business Reporting on the SDGs: An Analysis of Goals and Targets (GRI/UNGC, 2017) is a guide that complements the SDG Compass and sets out to be a first step towards the creation of a harmonised indicator set and methodology for companies reporting on their contributions to the SDGs. It examines each SDG and the intermediate targets below them and identifies possible relevant business actions to help achieve the targets.

It examines gaps where disclosures have not been made or are in the process of becoming established and links back to relevant indicators developed by the UN-backed Inter-agency Expert Group on SDG Indicators (IAEG-SDG). *Integrating the SDGs into Corporate Reporting: A Practical Guide*, adds to the original analysis report with a 3-step approach which starts with a 'principled prioritisation' process to help companies identify material SDG issues (GRI/UNGC, 2018).

4.4 UNCTAD ISAR CORE INDICATORS

Engaging with its UN mandate and working with UN Environment, UNCTAD has worked with the Intergovernmental Working Group of Experts on International Standards of Reporting and Accounting (ISAR) to build a set of core reporting indicators. These indicators are being established to provide the criteria for determining what constitutes a sustainability report in the context of the SDG monitoring framework. SDG Target 12.6 encourages: 'Companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle'. The UN IAEG-SDG indicator 12.6.1 is 'Number of companies publishing sustainability reports'. UNCTAD has been developing metadata guidance for indicator 12.6.1, so that countries have more clarity on criteria and methods for collecting data that can be useful for measuring their contribution towards the SDGs. It is expected that the metadata's definition of sustainability reports will take into consideration these core indicators. The core indicators expand across four areas:

i. natural resources
ii. human resources
iii. finances, and
iv. institutional and governance issues

and are based on existing initiatives' requirements and companies' practices (UNCTAD, 2018).

Lack of awareness about the SDGs is an issue. We have a duty as professional accountants to raise awareness and act at an individual level.
Lagos roundtable participant

Conclusions

Professional accountants across Africa can use their skills to help businesses align their methods of creating value with the SDGs.

The SDGs provide a framework for understanding risk and the external environment in a way that is in line with the new nature of economies and the future potential for growth. The profession can take a leadership role in connecting the private sector, government and finance with the 2030 Agenda.

There is a mindset challenge to mainstreaming the SDGs. People are not attuned to looking at society and the planet. They are more responsive to 'what's my profit', 'what's my bottom line?' We must be less short-sighted.
Kampala roundtable participant

Collaboration will be key for achieving the SDGs. At a company level, professional accountants must engage non-financial colleagues. They must also become more involved in wider understanding of the external environment. They must look to participate in broader networks to achieve results.

At present, the new contours of the external environment – which make up the operating system in which the SDGs are to be attained – are poorly understood and addressed by business. Changing this requires a reappraisal of the metrics used to define business success. Using financial reporting skills to give better understanding and communication about risks that are non-financial will be increasingly important.

The TCFD recommendations point to a future in which increasingly precise non-financial information will be demanded from financial markets and from regulators as social and environmental impacts become internalised in business.

Technology will be a driving force of future engagement with the SDGs. New data sources will emerge to meet the demands of measurement. There is a clear role for the profession in ensuring that data is reliable and that it is communicated effectively so that it can be used to help achieving the SDGs. Better data will be a critical driver in this respect. Professional accountants will be the custodians of this data.

Organisational culture is where this will be resolved. So for better collaboration, data quality and reporting it comes back to organisational culture.
Kampala roundtable participant

The 2030 Agenda provides a common language for a range of participants. Growing understanding of this language is gathering momentum. Becoming conversant in this language will become increasingly essential for professional accountants.

The SDGs should become a subject that we have been trained on continuously, whether in our syllabus, whether as members once qualified, and it should be continuous because it keeps on developing. It is not going to stop.
Nairobi roundtable participant

The opportunities the SDGs present will enable the accountancy profession to contribute meaningfully to shaping the future of business and playing their part in building prosperous and inclusive societies.

Institutions are important. We have the answers but how to put them into practice is difficult. There is need or an interdisciplinary approach to solving some of these challenges, from education upwards.
Lagos roundtable participant

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NAIROBI, KENYA

Josephyne Teresa Anyango, East African Packaging Industries Ltd
Valentine Moronge, Kenya Electrical Transmission Company
Eva Naneu Saiyuah, Capital Markets Authority
Linet Fiona Nkirote Muriungi, Dyer & Blair Investment Bank
Cosmas Mungai Muchina, SNV Netherlands Development Organisation
Sapna Jatinkumar Shah, Union Logistics Limited
Azza Ali Osman Bakkar, AC Consultancy limited
Toseef Mohammed Qadri, Mp Shah Hospital
Komal Laxmichand Jankharia, KJ Consultancy Ltd
Mary Mwangi, Serenity Spa Ltd
Sohin Bharat Shah, Jetlak Foods Ltd
Louis Onyango Owoko, Kenya Railways Corporation
Patrick Nganga, Madison Insurance
Fidelis Wanjiru Wanjihia, KCB Group
Damaris Wanjiru Wambui, Backlite Ltd
Dishal Rajnikant Shah, 195 Travels Limited
Rosemary Wahome, Beyond Profit
Robert Agufana Belle, Smip Consultancy
Diana Shem, PwC
Caroline Wangui Ndirangu, CEZAM and Associates Limited
Angeline Mwangi, Ecocare Africa Ltd
Hetal Ajay Shah, Orkidstudio Limited
Eliud Mutuma Njoroge, Silk Invest Limited
Josephine Adhiambo Juma, AARO Systems
Dennis Kamau Ngure, I-Dev International
Daniel Okila Omulando Angoyia, SGA Security
Victor Kimanga Nyangau, IE Law School, Madrid-Spain

KAMPALA, UGANDA

Alfred Brian Agaba, ACLAIM Africa Ltd
Allan B. Ssembajjwe, Thryve Lab
Amon Rwambuka, National Drug Authority
Carolyn B Nabalema, DFID
Carolyn Papaok, Total Uganda
Daniel Businge, Mildmay Uganda
Hadijah Nannyomo, EY
Ivan Kasambeko, Barclays Bank Uganda
Jackie Keirungi, Makerere University
Joanitah Joyce Kyarisiima, Umeme Limited
Josephine Kahangirwa, PwC
Pamela Tumwebaze, ICCO Cooperation
Racheal Nambalirwa, University Research Co. LLC
Richard Obasoni, Public Procurement & Disposal Assets
Stephen Hamya, Uganda Development Bank

LAGOS, NIGERIA

Ejemole Otisi, Zenith Bank
Omolola Adebayo, Lagoswhole.com
Ebojie Eromosele, Babcock International
Abiodun Folorunsho, Olam Nigeria Ltd
Bamgboye Adeniyi Emmanuel, Empyrean Professional Services
Oluseyi Olarenwaju, Vodacom Business Africa
Dolapo Onayemi, Niger Delta Petroleum Resources
Aliyu Mohammed, Central Bank of Nigeria
Ima Okutinyang, Guinness Nigeria
Olumuyiwa Coker, Mazars Coker
Oluseun Paseda, Fidelity Bank
Mories Atoki, PwC
Jide Ibironke, Mancapital
Folake Atanda-Chigbo, ACCA

PI-SDGS-AFRICA

ACCA The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom / +44 (0)20 7059 5000 / www.accaglobal.com