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BUSINESS INTELLIGENCE FOR CORPORATE RESPONSIBILITY AND SUSTAINABILITY

REPORTING THE SDGS BRIEFING

With 2030 now only a decade away, we look at how companies can make real progress on tackling the 17 Global Goals

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MAKING THE RUBBER HIT THE ROAD ENROUTE TO 2030

MARK HILLSDON reports on efforts to hold companies to account for their SDG pledges to help address the world's biggest sustainability challenges

Highly ambitious and highly visible, the 17 Sustainable Development Goals (SDGs) were launched in 2015 by the United Nations amid great fanfare. The big brother to the Millennium Development Goals, they cover everything from ending poverty and zero hunger, to gender equality via sustainable cities and, of course, climate change. Addressing them, and finding solutions, so the thinking went, should form a blueprint for the future of the planet.

But as the 2030 deadline to achieve them draws ever nearer, the UN's recent annual report on progress towards the goals concluded that a "much deeper, faster and more ambitious response is needed" to unleash the economic and social transformation necessary to achieve the SDGs.

On human wellbeing, it predicts that 6% of the world's population will still live in poverty by 2020 (SDG 1), while global hunger (SDG 2) continues to increase and half the world's population still lacks essential health services (SDG 3). And of course, every day sees some reminder of the effect the climate crisis is having on the planet.

The lack of progress comes despite the fact that businesses are embracing the goals. PwC conducts an annual survey into the SDGs, examining the corporate and sustainability reporting of over 700 listed companies. Last year, 72% of these organisations →

> The UN says a much deeper, faster and ambitious response is needed to achieve the Global Goals

mentioned the SDGs in their annual corporate or sustainability reports – a year-on-year increase of 10% on last year. Turning these pledges into real action, however, is proving far more difficult.

"Success with the SDGs depends on making them a central part of business strategy," says Alan McGill, global sustainability reporting and assurance leader at PwC. "The increase in companies indicating the SDGs challenge in their reporting is a positive sign of engagement that will increasingly need to be backed by strategies that look beyond business as usual."

Jukka Ahonen, head of communications at the Nordic Investment Bank (NIB), sums it up neatly. "We are trying to define what kind of world we would like to live in. And that is a very complicated question." Solving it will involve considerable investment.

According to the UN, achieving the goals in developing countries calls for up to $5 trillion of investment a year, yet currently just $1.4trn is being allocated. When the SDGs were conceived, they were about how governments or countries could meet this figure, but that's now changed. "It is clear that private finance needs to be mobilised to achieve the SDGs, public sources are not enough," adds Ahonen.

The flip side of this is that achieving the SDGs could open up an estimated $12trn in market opportunities and create 380 million new jobs, according to the Business & Sustainable Development Commission. →

"There is a huge amount of capital required," explains Freddie Woolfe, head of responsible investment and stewardship at Merian Global Investors. "The funding gap is obvious and that will open opportunities for new types of funding and financing."

Specialist green bonds are already proving popular. HSBC, for instance, has issued a £1bn SDG bond that aligns to several goals, explains the bank's sustainable finance reporting manager Jon Wright. The bank is also looking at introducing loans that are linked to specific SDGs.

Impact investors buy into those bonds, continues Wright, with HSBC then lending the money to businesses for projects eligible under the bond's green framework. The bank also provides annual reports to investors demonstrating the impact of their investments.

To be backed by finance from a green bond, businesses must show their alignment to SDGs, and reporting their impacts is an important way of encouraging investment, says Wright. "It can help articulate the story and generate demand from investors."

Woolfe agrees: "If companies are able to show themselves as attractive investments through a particular framework such as the SDGs, then they are more likely to attract larger amounts of capital."

> *We're putting more information into the public domain on how companies are performing to really drive a race to the top*

But there needs to be evidence to back up the claims in order to avoid so-called "impact-washing", adds Ahonen. "It is not only the positive impact but also the negative impact that you should report; otherwise it is very biased."

Richard Hardyment is research director at the World Benchmarking Alliance (WBA), which was set up by the UN Foundation to accelerate corporate progress on the SDGs. "There has really been an explosion in the last 10 years of both companies and investors interested in this topic of impact, but there isn't yet a clear consensus on how everyone should measure it," he says.

The WBA is a collaboration of more than 100 different organisations, including businesses, investors and civil society, and over the next four years it will benchmark the progress on the SDGs of 2000 influential global companies.

"Keystone companies have the potential to unlock the SDGs and create a more sustainable world," continues Hardyment. "We're putting more information into the public domain on how companies are performing to really drive this race to the top and accelerate progress."

As well as asking the businesses to voluntarily supply material, the WBA is using freely available information and publishing data to help investors, companies and governments understand how companies are performing.

"What we are looking for is evidence that companies are not just disclosing in line with the SDGs, but they are taking action," says Hardyment.

The SDGs are a great framework, he continues, and provide a common language for companies to take action and report. But he believes it's important that businesses don't attempt to address them all with a scatter-gun approach. "As a business, you need to →

> *Get your own house in order. You'll then have a licence to talk about the bigger issues and opportunities*

understand where your impact is greatest," he says. "Address the basics first; understand where the big risk areas are and map them out – get your own house in order.

"You'll then have a licence to talk about the bigger issues and the opportunities ... That's the exciting area companies want to go into, but you do need to address the basics first."

AUDIT FATIGUE

Investors use benchmarking in a number of ways, explains Hardyment. It can help them to engage with companies on areas such as human rights, formulate questions to ask and challenge companies to improve. They can also use performance data to create their own assessments of companies, a type of screening to highlight the top SDG performers.

Global seafood producer Thai Union, which owns brands such as John West, has been a leading driver for change in the seafood industry, particularly in the areas of overfishing and labour rights. "Our sustainable development strategy, SeaChange, has also achieved greater focus by targeting the three SDGs that we have identified we can have a real impact on," says Dr Darian McBain, the global head of corporate affairs and sustainability.

But she concedes: "Benchmarking and audit fatigue are always a risk. It takes time to complete each benchmarking process, which could be time spent effecting real and lasting change on the ground or water.

"Each one has value but it's really important to be clear on what each benchmark or audit is trying to achieve and to make sure they contribute in a meaningful way to sustainable development."

Ahonen agrees. "At the moment there are so many different frameworks and initiatives that it is a bit of a jungle."

Hardyment advocates a collaborative approach that builds on existing systems, cutting duplication of effort and making it easier for organisations to respond. However, a major obstacle to greater SDG-aligned investment is that auditing of corporate commitments to sustainability is neither uniform nor mandatory. →

> *Investors need to look behind the mask of colourful SDG logos to assess to what extent a company is acting intentionally when it comes to meeting the goals*

To address this, the WBA is one of several organisations working on the UN’s SDG Impact, a new initiative to identify, authenticate, and measure the impact of investments that advance the SDGs in a more standardised way.

“Achieving the SDGs will require investment on an unprecedented scale,” says Achim Steiner, chair of the SDG Impact steering group. “That means unlocking private capital by helping enterprises and investors identify and report on SDG-aligned business opportunities.”

By establishing consistent, globally accepted SDG standards for assets managers, enterprises, and bond issuers, SDG Impact aims to introduce capital into agriculture, cities, energy and health, catalysing up to $1trn annually in private investment to achieve the goals.

There will also be greater market intelligence and data in the form of SDG investor maps to help developing countries attract private investment that tangibly advances the SDGs. These will translate national priorities into investment opportunities, providing data that highlights the business case and development impact of such investments.

While reporting on the SDGs is a way of demonstrating a company’s impact, from an investor’s point of view it’s far from fool-proof, says Woolfe. “There is a lot of talk about SDGs within the investment community and I think we need to be very careful about that,” he says. Investors need to look behind the mask of colourful SDG logos to assess to what extent a company is acting intentionally when it comes to meeting the goals, he advises.

“If you are a renewable energy business you are much more likely to be contributing to the clean energy SDG in a meaningful, concerted, deliberate manner, than if you are a coal business that has a small renewables project on the side,” he says.

At the moment there is nothing to stop a company that produces 95% of its energy from coal saying it is contributing to SDG7 (affordable and clean energy), he continues, which is little more than greenwash.

Investors need to look behind the mask of colourful SDG logos to assess to what extent a company is acting intentionally when it comes to meeting the goals

"The reason why I get cynical about this is because I see companies slapping SDG logos all over their annual reports," he explains. "You see a whole load of these disclosures that are describing activities that are not at all meaningful for a company in the context of its overall business.

"A mining company could easily put an education SDG logo on an annual report, because it built a school in a local community, but the reason it built it is because it had to shift communities to get workforces closer to mines. What is genuine and what is a corollary activity?"

Woolfe talks about the concept of corporate purpose as a lens for really examining what a company stands for. "If companies want to be able to persuade people that they are genuinely contributing to the SDGs, it needs to be part of their strategy, part of the business model. That is how you unlock it."

He also insists that it's important to look at a company's performance over a long period, not just one point in time, to assess direction of travel, and whether the company is improving. "It's about understanding how companies have achieved certain things and how they've got there – that's the fundamental point," he says. ■

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IN IT TOGETHER: HOW MONDI IS WORKING WITH PARTNERS TO TACKLE ISSUES LIKE CLEAN WATER

Mondi is one of the world's leading paper and packaging companies, with well-publicised commitments to reporting on its SDG impacts. In the last 12 months the company has bolstered this commitment with the launch of a new SDG Index designed to improve reporting practices, while also signing up to a new forest sector roadmap that links directly to the SDGs.

The SDG Index is an online document that maps the SDGs and their respective targets against the company's latest sustainable development report. "Integrating the SDGs into our reporting brings better focus and perspective to our sustainability thinking and messaging, strengthening our social relevance as a business," explains Gladys Naylor, the group's head of sustainable development.

"The index communicates our efforts to our stakeholders and is a way to engage employees on sustainability issues. It also provides a valuable learning tool for sharing good practice across the business and beyond." →

Mondi works with a number of local and global NGOs, including WWF and the Ellen MacArthur Foundation, says Naylor. “SDGs have provided a great platform for us to demonstrate the value of these partnerships, and the progress we have made on the ground.”

This sense of multi-stakeholder collaboration is shown in Mondi’s involvement with the new forestry sector roadmap, developed by the World Business Council for Sustainable Development. Covering six specific SDGs, including responsible consumption and production (12) and climate action (13), it shows how the forestry sector can use the SDGs as a lens to respond to societal and environmental trends. The roadmap also flags up the work Mondi has carried out in South Africa through the WWF-Mondi Water

Stewardship Partnership, which since 2014 has been promoting a landscape approach to protecting the water in the uMhlathuze catchment area. The collaborative nature of the project has brought in other forestry growers, as well as the wider agricultural sector, and is helping to deliver a trio of SDGs, including clean water and sanitation (6).

> *Every activity that every major actor is doing should somehow contribute to improving the state of nature*

Another key goal for the business revolves round SDG 8: Decent work and economic growth. With around 26,000 employees across 33 countries, promoting good working conditions and high standards of employment and human rights are essential for our business, explains Naylor. “Increasingly, we are working on behavioural and social aspects of safety at work, to influence greater and more lasting change.”

In 2018, Mondi launched its “think twice” safety campaign, using employee stories of life-altering injuries to bring home the importance of safety. The videos and posters demonstrated the impact of workplace decisions and the severe consequences of unsafe behaviour.

“We are determined to go beyond ticking boxes to build a safe culture for our workforce,” says Naylor.

Mondi also works with One Young World, the global forum for young leaders supporting youth-led innovation that can contribute to the SDGs. Specifically, the company sponsors the SDG 12 challenge, part of its Lead2030 programme, supporting projects working towards a global waste future. Last year’s winner was Hope Wakio Mwanake, who developed Eco Tiles – roof tiles made from recycled plastics, which are now being widely used by local builders in Kenya – on the back of $50,000 of new investment and business coaching from Mondi.

“We believe that collaboration is key in achieving the SDGs, and Lead2030 is a great example of how large, global corporations can support youth-led startups in order to positively impact the SDGs,” adds Naylor.

Mark Hillsdon