

The Sustainable Development Goals and the future of corporate reporting

The Sustainable Development Goals (SDGs) that were introduced in 2015 are being increasingly implemented in global society. Governments and the private sector have taken the SDGs as the global framework underlying the direction and actions towards 2030, which has been set by the United Nations as the year in which the SDGs should be achieved.

We, the participants of the Corporate Reporting Dialogue, fulfil a specific mandate within the societal system: to ensure transparency and accountability as the basis for better decision-making by companies, investors and other stakeholders; to ensure financial markets have the information needed to efficiently price assets and risk; and to promote financial stability. We have worked over the past years to better understand one another's frameworks and to look for opportunities for further harmonization. The ongoing recognition of the importance of wider value creation and the need for integration of financial and non-financial information are strong drivers of our work.

We are determined to contribute to forms of transparency that enable all relevant stakeholders to allocate our societal capitals appropriately, to understand the interconnections of multiple forms of capital that drive long-term value to stakeholders, to broaden and enrich the perspectives on value creation and to take better capital allocation decisions through better insights into the linkage between value creation and the SDGs.

The Sustainable Development Goals as the societal framework

The SDGs were introduced in 2015 by the United Nations as a resolution titled '*Transforming our world: the 2030 Agenda for Sustainable Development*'. They cover, as is widely known, 17 overall goals.

The UN member states have declared that they, "*are committed to achieving sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner.*" As was further declared, "*We resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities.*"

The objectives, in other words, cover both the economic conditions, including financial prosperity and stability, and the social and environmental aspects of today's and future society. The goals set by the United Nations and the integrated nature and interlinkages that are recognized by the United Nations in their declaration,¹ as well as the embracing of the SDGs by the private sector in reporting on their impact on society, mirror both the trends that the Dialogue observes in the private sector and the Dialogue's own objectives.

The focus on value creation and integration

The Dialogue consists of eight reporting framework organizations that address both financial and non-financial reporting². We entered into our dialogue in 2014, following a period starting before 2000 in which a number of reporting framework organizations individually released frameworks³ for specific topics, stakeholders or geographies. In 2010, the International Integrated Reporting Council (then named Committee) was established that focused on the integration of the available capitals of organizations in their reporting, and value creation for the long-term investor.

Since, the concept of integrated reporting and integrated thinking has gained further ground and there is increasing recognition that companies' value creation goes beyond financial value to include environmental and social value amongst others.

Further developments support the increasing focus on integration of financial and non-financial information to demonstrate how companies create value for stakeholders over the short and long-term. For example, the Non-Financial Information Directive in the European Union sets out the relationship between financial and non-financial risks and refers to integrated reporting. Stock exchanges such as the Johannesburg Stock Exchange address the same issues. The International Accounting Standards Board, one of the Dialogue participants,

¹ Resolution adopted by the General Assembly on 25 September 2015, Preamble.

² The participants of the Dialogue are CDP, Climate Disclosure Standards Board, Global Reporting Initiative, International Accounting Standards Board, International Integrated Reporting Council, International Organization for Standardization, Sustainability Accounting Standards Board. The US-based Financial Accounting Standards Board participates as an observer to the Corporate Reporting Dialogue.

³ Some of our participants' products are recognized as standards, others are named guidelines or frameworks. Collectively we call these frameworks for the purpose of this article.

has announced an update of its Management Commentary practice statement to strengthen the focus on value creation and the abovementioned integration.

The Dialogue has taken the integration of non-financial and financial information as one of the cornerstones of its work, by defining in its terms of reference ‘integrated reporting’ as the concept that binds the participants.

The Dialogue’s objectives in relation to the SDGs

The primary purpose of the Dialogue is to promote greater coherence, consistency and comparability between corporate reporting frameworks and to this end it looks for cooperation and alignment between key international standard setters and framework developers. As part of our activities, we endeavour to identify practical ways to better explain and align our frameworks to achieve the purpose. We also aim to more clearly explain the target audience and purpose of each framework, in order to enable companies to choose the frameworks and tools most suited to their specific reporting needs.

The SDGs are set to be achieved by 2030, which is only 12 years from now. In order to assess whether the United Nations member states have achieved the goals, structured and harmonized information will be required to monitor progress and to enable further decisions about capital allocation by governments, companies and investors, based on gaps identified in such progress.

As explained above, the private sector has a role to play in relation to the SDGs given their significant role in the economy. This role suggests that companies need to be mindful of the stakeholders of current and future economies, as part of good societal governance. Corporate reporting can illustrate which SDGs are relevant to a company’s business model, enabling both companies and investors to focus on those SDGs most likely to impact financial performance of specific entities.

Several of the Dialogue’s frameworks are at the heart of the transparency needed to assess progress against the SDGs in a meaningful way: the essence of those frameworks’ work is to drive such transparency and related accountability to the relevant stakeholder groups.

In addition, it is our view that the Dialogue can play a critical role in the much-needed harmonization and alignment of reported information and clarity of the purpose of reported information, both financial and non-financial.

The Dialogue frameworks in relation to the SDGs

The Dialogue participants’ frameworks can essentially be divided into two types: those that support efficient financial markets and a financially stable economic system and those that drive sustainable development. The Dialogue participants’ frameworks include frameworks that focus on a company’s impact on society, along with frameworks that focus on how societal factors impact a company’s financial performance. We recognize within the Dialogue these are not completely separated objectives, as company actions can influence macro-economic performance and vice versa.

In our view, sustainable development and financial stability are mutually dependent dimensions of a sustainable, inclusive economy: a stable financial system forms the basis for sound economic development and is a prerequisite for sustainable environmental and social

outcomes. In other words, society will not allocate financial capital to achieve environmental and social outcomes when the basic condition of a stable economy is not met.

Equally it has become increasingly apparent in recent years that sustainable development is of critical importance for a stable financial system, i.e. if social thresholds or planetary boundaries are not taken into account, these can have serious consequences for both the economic performance of companies and the financial stability of economies. The work of the Task force on Climate-related Financial Disclosures demonstrates the recognition of such risks.

The Dialogue participants collectively play a critical role in addressing both dimensions in conjunction with each other. Each of our frameworks are important internationally in the field of transparency and accountability. Also, we cover both the key financial frameworks and the major non-financial frameworks.

That puts the Dialogue in a position to provide tools to monitor achievement of the SDGs by executing its terms of reference, which include *"to strengthen cooperation, coordination and alignment between key standard setters and framework developers that have a significant international influence on the corporate reporting landscape."*

Addressing the Sustainable Development Goals, now and in future

The participants of the Dialogue have already been addressing the SDGs on an individual basis. Such efforts have consisted for example of the SDG Compass⁴, a guide to support companies in aligning their strategies with the SDGs and in measuring and managing their contribution, launched in 2015 by the Global Reporting Initiative (GRI) together with the UN Global Compact and the World Business Council for Sustainable Development. Equally the International Integrated Reporting Council (IIRC) has issued a report on the implementation of integrated reporting whilst taking account of the SDGs.

More recently GRI and the UN Global Compact have developed a 'Reporting on SDGs Action Platform'⁵, an initiative that intends to accelerate corporate reporting on the Global Goals. The Analysis of Goals and Targets⁶ offers a menu of illustrative actions businesses can take to contribute to each SDG target and maps possible disclosures (including indicators) that business can use to report against the SDG targets. The disclosures and indicators – both qualitative and quantitative – are taken from globally accepted disclosure frameworks for businesses, such as GRI Standards or CDP. Also, other frameworks (CDP, Climate Disclosure Standards Board, International Organization for Standardization) have outlined the SDGs that are covered by their respective frameworks and how the framework elements are connected to specific SDGs. The IIRC has released a report that explains how integrated thinking and integrated reporting can be applied in the context of the SDGs. Several organizations have mapped the Sustainability Accounting Standards Board (SASB) standards to the SDGs, using the SASB standards to help identify which SDGs are most relevant to financial performance in specific industries.

⁴ <https://sdgcompass.org/>

⁵ <https://www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx>

⁶ <https://www.unglobalcompact.org/library/5361>

We have assessed that, collectively, we are able to address all SDGs. The table below shows which SDGs are addressed by each of the Dialogue participants' frameworks at the level of topics and/or indicators.

Sustainable Development Goal	CDP	CDSB	GRI	ISO	SASB*	IIRC*
1. No poverty			✓	✓		
2. No hunger			✓	✓		
3. Good health and well-being			✓	✓		
4. Quality education			✓	✓		
5. Gender equality			✓	✓		
6. Clean water and sanitation	✓	✓	✓	✓		
7. Affordable and clean energy	✓	✓	✓	✓		
8. Decent work and economic growth			✓	✓		
9. Industry innovation and infrastructure			✓	✓		
10. Reduced inequalities			✓	✓		
11. Sustainable cities and communities	✓	✓	✓	✓		
12. Responsible consumption and production	✓	✓	✓	✓		
13. Climate action	✓	✓	✓	✓		
14. Life under water		✓	✓	✓		
15. Life on land	✓	✓	✓	✓		
16. Peace, justice and strong institutions			✓	✓		
17. Partnerships for the goals		✓	✓			

* SASB metrics would be relevant for specific SDGs for selected industries

** The International <IR> Framework follows a principles-based approach and, therefore, does not prescribe the disclosure of specific individual matters. Although its guidance identifies several of the above themes (including innovation and infrastructure, responsible use of resources, and climate change), it recognizes that their influence on broader value creation is entity-specific. On this basis, the <IR> Framework indirectly supports all 17 SDGs, to the extent that organizations deem them material to value creation over the short, medium or long term.

This does not imply however that the work is done for the Dialogue. The table shows overlaps between the frameworks but, more importantly, we have identified a number of gaps at the level of the underlying 169 targets where our frameworks collectively or individually do not yet provide guidance.

We do see opportunities therefore to further develop certain of our frameworks in relation to the SDGs so that there is meaningful information and indicators at the level of the 169 targets. Furthermore, we will look for further alignment and harmonization as feasible between us, acknowledging that it is not possible to fully harmonize all of the Dialogue frameworks because of their different target audiences and objectives.

The Dialogue can assist global society by supporting the monitoring and achievement of a truly sustainable economy by providing standardized information that is tailored to the needs of various stakeholders. We will strive with our further co-operation to enable effective and efficient capital allocation for the benefit of companies, investors, and society. This includes providing frameworks that measure progress toward achieving the SDGs, and providing frameworks that enable a better understanding of the link between the SDGs and company financial performance and risk.

The Dialogue's points of agreement

This paper has laid out the way in which the Dialogue participants relate to and contribute to the SDGs that are defined as the 17 global goals the world needs to be achieved by 2030.

We are determined together to contribute to forms of transparency that enable all relevant stakeholders to take better funding decisions in whatever respect through better insights into the gaps in progress against the SDGs.

We collectively believe that we are at the heart of the transparency needed to assess progress against the SDGs in a meaningful way: the essence of our work is to drive such transparency and related accountability to the relevant stakeholder groups. As we have demonstrated in this paper the Dialogue participants cover all aspects of the SDGs.

In addition, it is our collective view that the Dialogue can play a critical role in the much-needed harmonization and alignment of reported information, both financial and non-financial.

That puts the Dialogue in a position to address the monitoring of the SDGs through the cooperation, coordination and alignment between key standard setters and framework developers that have a significant international influence on the corporate reporting landscape.

This is not to say that we are there: there are a number of information gaps to be filled and the Dialogue participants will work both individually and collectively to further develop a comprehensive suite of frameworks that will result in effective reporting of progress toward achieving the SDGs, building on what our participants have in place already.

This paper was prepared by:

- CDP
- Climate Disclosure Standards Board
- Global Reporting Initiative
- International Integrated Reporting Council
- International Organization for Standardization
- Sustainability Accounting Standards Board.

