

Sustainable Development Goals Disclosure (SDGD) Recommendations

by Carol A Adams
with Paul B Druckman and Russell C Picot
January 2020



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Feedback on the consultation responses

A response to the consultation feedback has been prepared. See: Adams, CA (2020) 'Sustainable Development Goals Disclosure (SDGD) Recommendations: Feedback on the consultation responses' published by ACCA, IIRC and WBA, available at <https://www.icas.com/professional-resources/sustainability/sustainable-development-goals/feedback-on-sdg-disclosure-recommendations/>. The Feedback document includes details of the Expert Advisory Group who reviewed drafts of Recommendations for SDG Disclosures: A consultation paper released in August 2019 and the organisations and individuals that responded to the consultation.

Conflict of interest statement

The authors, Carol Adams, Paul Druckman and Russell Picot are grateful to ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and the World Benchmarking Alliance in bringing the *SDGD Recommendations* to your attention. These organisations have not been involved in determining the content, other than through submission of responses to the consultation paper.

Carol Adams' work on this document is funded by her employers Durham University Business School and Swinburne Business School. No further funding has been received by any author for work on this document. The authors note the following current and former connections with the three key frameworks that the *SDGD Recommendations* align to: Carol Adams, Chair of the GRI Stakeholder Council in 2018 and 2019 and member 2013-2019 (unpaid role), member of the IIRC's Capitals Technical Collaboration Group 2012-2013 and author/co-author of two reports published by the IIRC (payments received for work on these reports); Paul Druckman was founding CEO of the IIRC from 2011 to 2016 (paid role); Russell Picot has been special advisor to the Taskforce on Climate-related Financial Disclosures, he is an IIRC Ambassador and served on the IIRC Council 2011-2016 (all unpaid roles).

FOREWORD

The 17 UN Sustainable Development Goals (SDGs) sit at the heart of the 2030 Agenda for Sustainable Development. Adopted by all United Nations Member States in 2015, the SDGs provide the blueprint for a more sustainable future by tackling some of the biggest and most urgent global challenges we face, such as poverty, inequality, climate change and environmental degradation.

The Association of Chartered Certified Accountants (ACCA), Chartered Accountants ANZ, the Institute of Chartered Accountants of Scotland (ICAS) the International Federation of Accountants (IFAC), the International Integrated Reporting Council (IIRC) and the World Benchmarking Alliance (WBA) are delighted to promote the *Sustainable Development Goal Disclosure (SDGD) Recommendations*.

As chief executives/leaders of global and national membership bodies, framework developers and standard setters, we recognise the relevance and importance of this issue to the accounting and finance profession and the communities they serve. We also recognise that in the true spirit of SDG 17, Partnerships for the Goals, achievement of the SDGs will only be possible through collaboration with other parties. That collaboration is demonstrated by our collective endorsement of the *SDGD Recommendations*.

We acknowledge that the role business has to play in achieving the SDGs is as critical as the role played by governments, non-governmental organizations and civil society. Globally, the private sector accounts for the vast majority of jobs, capital flows, and an average 60% of gross domestic product (GDP). The private sector needs to respond and engage by connecting business strategies with the SDGs, developing business-led solutions, and enhancing corporate sustainability.

Furthermore, it is widely recognized that it is insufficient to communicate how value is created only for investors. Communicating how value is being created and protected for all stakeholders and how an organization contributes to sustainable development has become the basis for public trust and social license to operate. Without enhanced reporting, the corporate world will increasingly be seen as out of step with the needs of society.

These recommendations are an opportunity to establish best practice for corporate reporting on the SDGs and enable more effective reporting and transparency on social impacts.

As such, we welcome the *SDGD Recommendations* to help reporting organisations:

- develop their SDG Disclosures 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 encourage you to adopt and implement the *SDGD Recommendations*.

Elizabeth Boggs-Davidsen, Director, UNDP

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PURPOSE OF THE SDGD RECOMMENDATIONS

About the SDGD Recommendations

The Sustainable Development Goal Disclosure (SDGD) Recommendations support:

- identification of material sustainable development risks and opportunities relevant to long term **value creation** for organisations and society;
- changing what an organisation does and how it does it in order to contribute to the achievement of the SDGs; and,
- the communication of **implications** for and **impact** on achievement of the SDGs.

The SDGD Recommendations and the Fundamental Concepts and Principles that underpin them are aligned to, and draw on, the: recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD, 2017); the GRI Standards; and, the International <IR> Framework (IIRC, 2013). The International <IR> Framework, GRI Standards and the TCFD recommendations are principles based, seek to change reporting organisations' practices and globally recognised. These frameworks/standards are the most influential, either through direct take up or, such as in the case of the International <IR> Framework, through their influence on national regulations and stock exchange listing requirements. Organisations using any of these frameworks/standards will already have a firm basis for taking up the SDGD Recommendations.

However, any one of these frameworks/standards alone is insufficient to report on an organisation's approach to considering both risks and opportunities resulting from sustainable development issues, the implications for value creation (and value destruction) and the implications for and impact on achievement of the SDGs.

The SDGD Recommendations and the Fundamental Concepts and Principles that underpin them are drawn from all three of these frameworks/standards and are SDG specific. They can be used with the developing work of the Impact Management Project and the targets and indicators proposed by the GRI and UN Global Compact (2017).

The disclosures are grouped into four themes (depicted in Figure 2) which converge with terminology used by the IIRC, GRI and TCFD:

- **Governance** – the board's governance around sustainable development risks and opportunities and oversight of processes to integrate sustainable development considerations into the organisation's processes.
- **Strategy** – changing what business is done and how business is done to maximise long term value creation for the organisation and society and positive impact on the achievement of the SDGs.
- **Management approach** – management's approach to integrating consideration of sustainable development risks and opportunities into all aspects of the organisation.
- **Performance and targets** – qualitative and quantitative approaches to communicating performance and targets.

The SDGD Recommendations have been developed for:

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

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-ISAR⁷. Various organisations have developed tools to facilitate this shift with respect to climate change through the implementation of the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD, 2017). These include the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB). Further, the GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) have also developed tools and resources to facilitate organisational change to address a broad range of sustainable development issues (see, for example, GRI and UN Global Compact, 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 of an organisation and requiring Board engagement, it is hoped that the SDGD Recommendations will facilitate a shift in organisations' business models and investment decisions.

Why the shift must be achieved

There is increasing awareness in both the business and investment communities about the growing importance of sustainability and the 17 SDGs. The SDGs were adopted by all United Nations member states in 2015 after extensive and broad consultation. They are the blueprint to achieve a sustainable future – an urgent call for action, requiring input from all sectors of society. They address the global challenges we face, including those related to poverty, inequality and environmental degradation. Climate change will influence the achievement of most, if not all, of the SDGs.

The business and investment communities are increasingly recognising that the health of the planet and the wellbeing of humanity impact their long term prospects for success and that the SDGs offer a focus for collaborative efforts to address them. This document provides a framework – a systematic way – to address these issues.

Implementation

An **SDGD reporter** is any organisation that follows the **SDGD Recommendations** either fully or partially, with the inclusion of disclosure G3, and references the **SDGD Recommendations**. In complying with G3 (page 12), it is acceptable for organisations to note that partial compliance is due to being in an early stage of implementation.

The disclosure requirements are printed in **bold green** font. It is anticipated that it will take organisations approx. three years to fully implement relevant **SDGD Recommendations**, but that reporting will continue to improve beyond that period. The **SDGD Recommendations** offer flexibility during implementation in allowing for organisations to disclose why specific disclosures have not or will not be disclosed, and in allowing being in an early stage of implementation to be sufficient reason for partial compliance.

Within reporting organisations, it is expected that implementing the **SDGD Recommendations** will involve a multidisciplinary approach involving finance, accounting, strategy and sustainability expertise/professionals.

Target audience

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

¹ Includes state-owned and other public sector entities, publicly listed, public interest and private entities, non-governmental organisations (NGOs) and Small and Medium Enterprises (SMEs) that report on the SDGs (as distinct from governments who are signatories to the SDGs and prepare reports on progress).

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.gov.uk/government/organisations/green-investment-taskforce>

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

⁷ <https://isar.unctad.org/blog/2018/10/22/sustainability-reporting-and-sdgs/>

FUNDAMENTAL CONCEPTS AND PRINCIPLES OF SDG DISCLOSURE

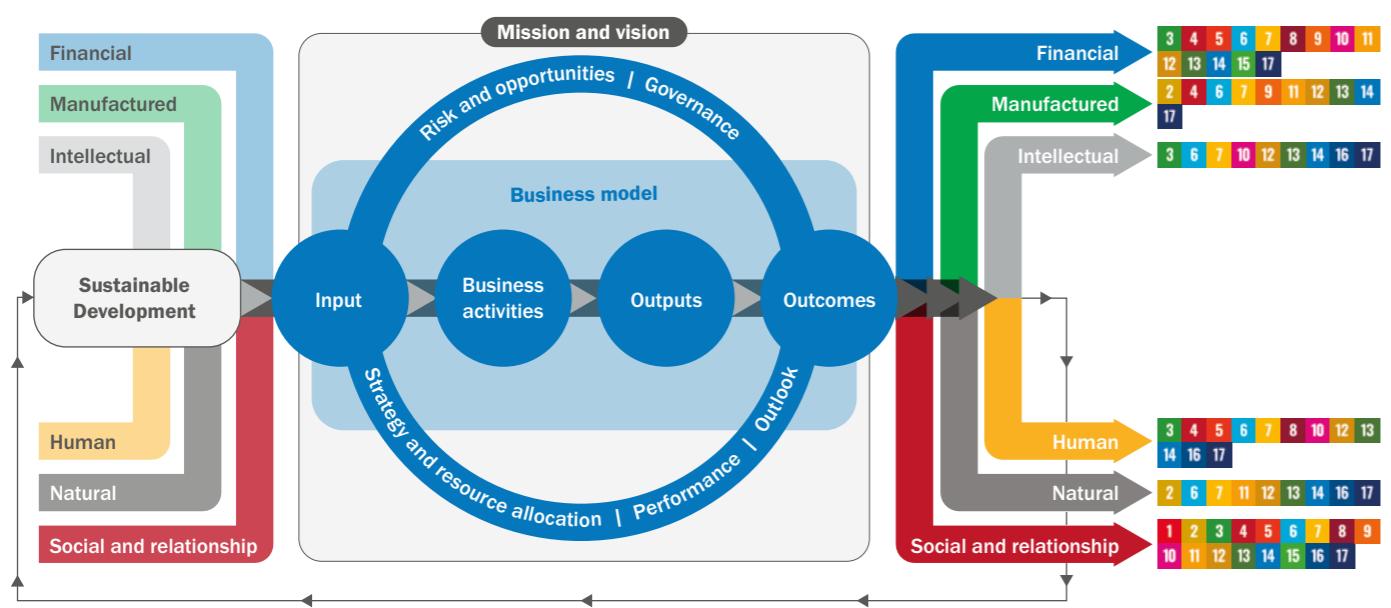
The Fundamental Concepts and Principles of SDG Disclosure draw on those of the International <IR> Framework, GRI Standards and the TCFD recommendations. An organisation reporting to any of these frameworks/standards, or to regulation or Stock Exchanges influenced by them, will find them largely familiar, but the Fundamental Concepts are specific to SDG Disclosures. An organisation reporting to all three of these frameworks/standards will find that the Fundamental Concepts and Principles of SDG Disclosure bring them together so that it can report on how it is responding to the relevant sustainable development

issues that affect all stakeholders, societies and long term value creation. No one of the frameworks/standards alone does that.

Fundamental Concepts

The Fundamental Concepts of SDG Disclosure underpin the way an organisation responds to sustainable development risk and opportunities and reports on its governance, management approach, strategy and performance and targets. The Fundamental Concepts should always be applied even where in conflict with the Principles of SDG Disclosure.

Figure 1: Aligning the SDGs with the value creation process



Financial
Financial capital may be related to fourteen of the goals

Manufactured
Manufactured capital may be related to ten of the goals

Intellectual
Financial capital may be related to nine of the goals

Human
Financial capital may be related to twelve of the goals

Natural
Manufactured capital may be related to nine of the goals

Social and relationship
Financial capital may be related to seventeen of the goals



Source: Adapted from Adams (2017b) which is adapted from a diagram in International <IR> Framework (IIRC, 2013)

Table 1: The Fundamental Concepts of SDG Disclosure

Fundamental Concepts of SDG Disclosure	Application
Long term value creation for the organisation and society	<p>Organisations create (or destroy) value for their providers of finance through the value they create (or destroy) for the organisation and society. Through the process of creating (or destroying) value, organisations have an impact (positive or negative) on the achievement of the SDGs. The achievement of the SDGs is critical to creating long term value for providers of finance.</p> <p>The process of creating value involves identifying and responding to external environment factors including sustainable development risks and opportunities. Value creation (or destruction) involves the transformation of multiple capitals: social and relationship capital, natural capital, human capital, intellectual capital, financial capital and manufactured capital. The value creation process also involves trade-offs in impact on the achievement of the SDGs. The process of long term value creation for the organisation and society and its relationship to the SDGs is depicted in Figure 1.</p> <p>The Fundamental Concept of Long term value creation for the organisation and society is informed by the Fundamental Concepts underpinning the International <IR> Framework (IIRC, 2013): value creation for the organisation and for others; the capitals; and, the value creation process.</p>
Sustainable development context and relevance	<p>SDG Disclosures should reflect the sustainable development context of the organisation and its industry/sector and be relevant to that context. Information on targets should be placed in the context of the targets underpinning the SDGs¹. An organisation's presentation of sustainable development issues should include, but go beyond, their relationship to both positive and negative performance to consider their implications for what business is done – and how business is done.</p> <p>SDG Disclosures should reflect the organisation's approach to contributing to the achievement of the SDGs through its strategy and business model. SDG Disclosures concerning processes should be largely narrative. Disclosures concerning impacts may be qualitative, quantitative, financial or non-financial.</p> <p>The Fundamental Concept of Sustainable development context and relevance is informed by the definition of sustainability context in GRI 101, but goes beyond presentation of the organisation's performance in the sustainability context to also recognise that the sustainable development context has implications for strategy and the business model.</p>
Materiality	<p>Material sustainable development information is any information that is reasonably capable of making a difference to the conclusions drawn by:</p> <ul style="list-style-type: none"> • stakeholders concerning the positive and negative impacts of the organisation on global achievement of the SDGs, and; • providers of finance concerning the ability of the organisation to create long term value for the organisation and society. <p>The sustainable development issues that are relevant and material to an organisation's ability to create long term value and prevent value destruction present risks and/or opportunities for its providers of finance, stakeholders and society more broadly.</p> <p>The sustainable development issues that led to the development of the SDGs are interdependent in ways that are impossible to predict and over which an organisation has limited control. Organisations impact the achievement of sustainable development both outside and within their organisational boundaries.</p> <p>The organisation's approach to materiality for SDG Disclosures should commence with the approach set out in GRI 101 but be supplemented by management and Board consideration of those issues that are material to long term value creation for the organisation and society.</p> <p>The Fundamental Concept of Materiality is informed by the Principles of materiality in the International <IR> Framework and GRI 101².</p>

¹ The targets underpinning the SDGs can be found at <https://sustainabledevelopment.un.org>

² Definitions of materiality used in other reporting frameworks/standards can be found in the Corporate Reporting Dialogue's (2016) Statement of Common Principles of Materiality

Principles

The Principles of SDG Disclosure are set out in Table 2.

Table 2: The Principles of SDG Disclosure

Principles of SDG Disclosure	Application
Strategic focus and future orientation	SDG Disclosures should reflect the extent to which consideration of the SDGs, and the sustainable development issues that they address, are integrated into the organisation's processes. This includes processes for considering risk and opportunity that influence strategy and the organisation's business model to create long term value for the organisation and society.
Stakeholder inclusiveness	SDG Disclosures should reflect the outcome of the reporting organisation's process to identify its key stakeholder groups, including communities it impacts, and should explain how it has responded to their reasonable expectations and interests. (Adapted from GRI, 101)
Conciseness	SDG Disclosures should be concise so that relevant information is not obscured, but SDG Disclosures must nevertheless, satisfy the Principle of Completeness.
Connectivity of information	SDG Disclosures should 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 risks and opportunities in the external environment • strategy to create value and avoid harm • risk management, and • other key organisational processes. SDG Disclosures should convey the interrelatedness of the SDGs and the interdependencies between the sustainable development issues that affect the organisation's ability to create long term value for organisations and society.
Consistency and comparability	Changes that occur through the application of these Principles should be disclosed so that the SDG Disclosures are comparable over time and across organisations.
Completeness, balance, understandability	SDG Disclosures should be complete, balanced and understandable. They should report on the organisation's impact 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 Fundamental Concept of <i>Sustainable Development context and relevance</i> and the Fundamental Concept of <i>Materiality</i> , they may need to address issues and impact in the organisation's value chain but outside its boundary.
Reliability and verifiability	Quantified SDG Disclosures should be reliable and verifiable.
Timeliness	SDG Disclosures should be provided on a timely basis in order for users to make informed decisions.

Table 3 demonstrates that Fundamental Concepts and Principles of SDG Disclosure align closely with those of major reporting frameworks and, as such, can be used in conjunction with them. The Fundamental Concepts of SDG Disclosure are SDG specific hence organisations should pay particular attention to them.
Sustainable Development Goals Disclosure (SDGD)

Recommendations: Feedback on the consultation responses (Adams, 2020) provides further information on the relevance of and differences between the international <IR> Framework, GRI Standards and TCFD Recommendations as applied to SDG Disclosures.

Table 3: Fundamental Concepts and Principles of SDG Disclosure compared with other key frameworks

Fundamental Concepts and Principles of SDG Disclosure	International <IR> Framework (Source IIRC 2013)	GRI Standards (Source GRI 101 Foundation Standard)	TCFD recommendations (Source TCFD 2017)
Key audience: Providers of finance and key stakeholder groups	Key audience: Providers of financial capital and other stakeholders ¹	Key audience: Stakeholders ²	Key audience: Investors, lenders, insurers, and other stakeholders
Long term value creation for the organisation and society	Value creation for the organisation and others The capitals The value creation process		
Sustainable development context and relevance	The capitals The value creation process	Sustainability context	Disclosures should present relevant information
Materiality	Materiality	Materiality	
Strategic focus and future orientation	Strategic focus and future orientation		
Stakeholder inclusiveness	Stakeholder relationships	Stakeholder inclusiveness	
Conciseness	Conciseness		
Connectivity of information	Connectivity of information		
Consistency and comparability	Consistency and comparability	Comparability	Disclosures should be consistent over time
			Disclosures should be comparable among companies within a sector, industry or portfolio
Completeness, balance, understandability	Reliability and completeness	Completeness Reliability	Disclosures should be specific and complete
		Accuracy	Disclosures should be clear, balanced and understandable
Reliability, verifiability and consistency		Balance Clarity	Disclosures should be reliable, verifiable and objective
Timeliness		Timeliness	Disclosures should be provided on a timely basis

¹ Defined in IIRC (2013, p 33) as: "Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time."

² Defined in GRI 101, p 28 as an: "entity or individual that can reasonably be expected to be significantly affected by the reporting organization's activities, products and services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategy and achieve its objectives."

SDGD RECOMMENDATIONS

Corporate reporting that requires board oversight has been found to change what organisations do and how they think (Adams, 2017a). A change in *what business is done and how business is done* is essential to the achievement of the SDGs.

The recommended SDG Disclosures should be included in summary form in the annual report, annual integrated report, strategic report or equivalent. Additional detailed disclosures can be referenced and provided elsewhere. All SDG Disclosures should be made with reference to the Fundamental Concepts and Principles of SDG Disclosures.

Figure 2: The SDG Disclosure themes



GOVERNANCE

G 1 Describe the Board's integration of sustainable development issues into overall governance processes including oversight of:

- G1-1.** Material sustainable development issues;
- G1-2.** The sustainable development context and relevant sustainable development issues;
- G1-3.** Material risks and opportunities associated with sustainable development issues;
- G1-4.** The process of stakeholder identification and engagement and the role played by stakeholder relationships in enhancing the organisation's impact on the achievement of the SDGs;
- G1-5.** The integration of sustainable development issues into strategy;
- G1-6.** The appropriateness of the organisation's culture for encouraging a focus on sustainable development issues and innovation to respond to them.

G 2 Include a statement from the Board Chair, that the Board accepts responsibility for the SDG Disclosures in the annual report (or equivalent).

G 3 Disclose the time period over which the organisation intends to implement the *SDGD Recommendations* and where any SDGD Recommendation is not, or will not, be disclosed explain why not.¹

G 4 Describe the Board's competencies concerning sustainable development issues and the mechanisms (such as internal audit, performance incentives) used by the Board to effect oversight of processes to drive progress.

¹ In complying with G3, it is acceptable for organisations to note that partial compliance is due to being in an early stage of implementation.

STRATEGY

S 1 Describe how consideration of sustainable development issues has influenced strategy and its impact on the achievement of the SDGs and should disclose:

- S1-1.** The impact of risks and opportunities on the organisation's business model, strategy and financial planning (where such information is material);
- S1-2.** The nature and extent of scenario analysis to test the resilience of the organisation's strategy, considering the likelihood and magnitude of material sustainable development risks and opportunities;
- S1-3.** Value created for the organisation and its stakeholders through the organisation's approach to sustainable development issues and its impact on achieving the SDGs.

S 2 Disclose investments in and benefits generated from opportunities arising from sustainable development issues.²

MANAGEMENT APPROACH

MA 1 Disclose how it has integrated consideration of sustainable development issues and the SDGs into the organisation's processes for:

- MA1-1.** Ensuring stakeholder inclusivity;
- MA1-2.** Determining relevant and material sustainable development issues;
- MA1-3.** Identifying SDGs on which the organisation has the greatest positive and/or negative impact on achievement;
- MA1-4.** Assessing, prioritising and managing risks posed by sustainable development issues;
- MA1-5.** Assessing, prioritising and maximising opportunities created by sustainable development issues;
- MA1-6.** Selecting SMART targets;
- MA1-7.** Ensuring that the accounting, finance, strategy and sustainability functions collaborate to develop the organisation's approach and response to sustainable development issues; and
- MA1-8.** Changing the organisation's business model to take advantages of opportunities for creating long term value through impacting on the achievement of the SDGs either by increasing positive contribution or decreasing negative contribution.

MA 2 Describe how a scenario analysis has been undertaken for the SDGs identified through application of the Fundamental Concepts.

PERFORMANCE AND TARGETS

PT 1 Describe the connection between the organisation's approach to sustainable development and its vision and mission.

PT 2 Describe the organisation's approach to setting targets including how it is influenced by the organisation's consideration of the risks, opportunities and scenarios related to sustainable development and the SDGs.

PT 3 Disclose the organisation's material positive and negative financial and non-financial impacts on the achievement of the SDGs³.

PT 4 Report performance against short, medium and long term SMART targets.

PT 5 Describe how the organisation's approach to sustainable development has contributed to value creation (or destruction) for the organisation and its stakeholders.

PT 6 Disclose any material (positive and negative) impact of the organisation's lobbying activities and taxation practices on the achievement of the SDGs.

PT 7 Disclose assumptions concerning material sustainable development risks and opportunities in future cash flows, asset valuations, useful lives, contingent liabilities.

PT 8 Disclose where additional detailed information on the organisation's impacts can be found.

² Benefits might include revenue streams, market share growth, cost savings, staff and customer satisfaction.

³ The measurement of impacts is developing. Organisations might draw on the following sources: GRI and UN Global Compact (2017) *An Analysis of the Goals and Targets*; the GRI Standards for appropriate metrics; and the *Impact Management Project*.

STEPS TO GUIDE SDG IMPLEMENTATION

The SDGD Recommendations build on a suggested approach to contributing to the SDGs aligned with long term value creation in Adams' (2017b) report. The report set out a five-step process to align an organisation's approach to the SDGs with integrated thinking and long term value creation for organisations and society as set out in the International <IR> Framework (IIRC, 2013).

The steps do not have to happen in sequence – organisations might start at different points. Key extracts from the five steps and their practical implications are set out in Table 4 below. Figure 3 shows the connection between the implementation steps and the four themes of the *SDGD Recommendations*.

Figure 3: Five steps to aligning the SDGs with long term value creation for the organisation and society

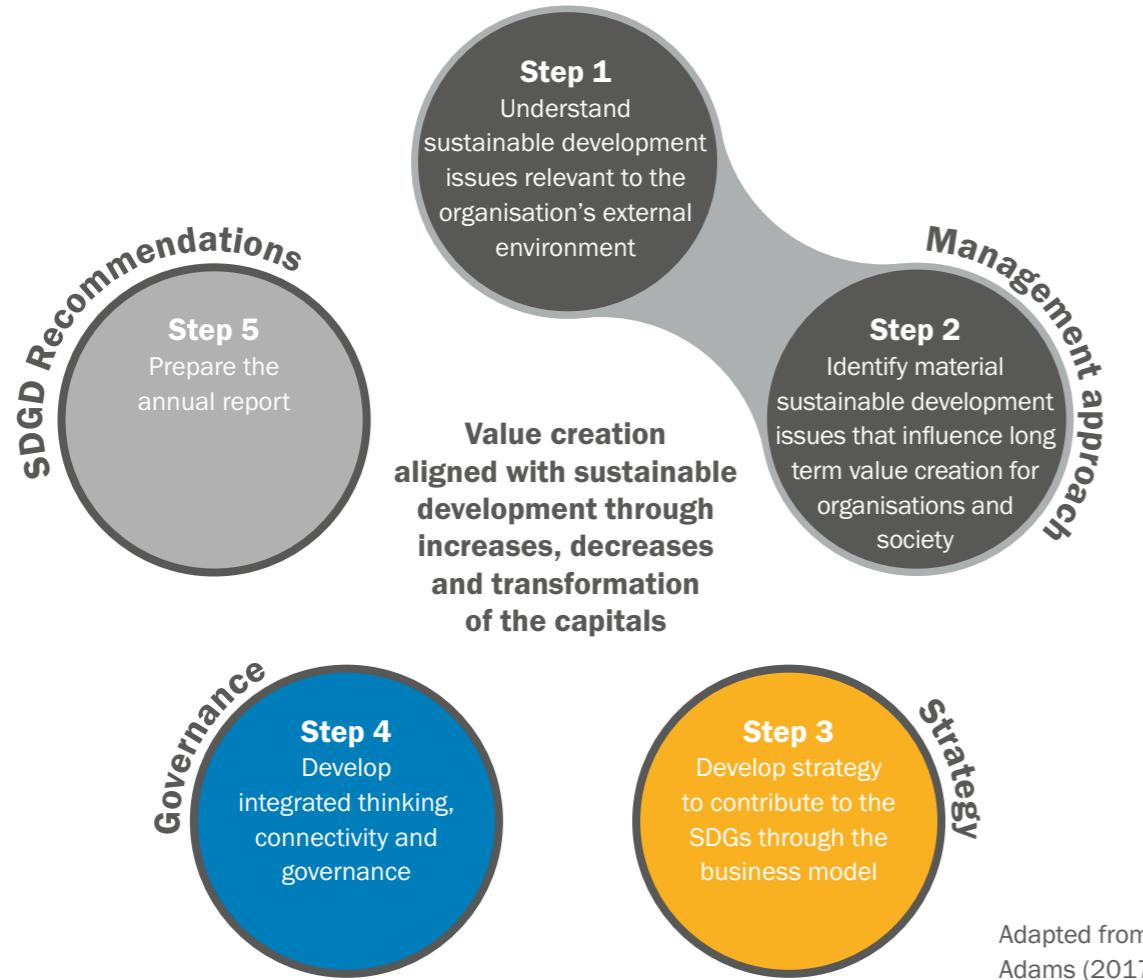


Table 4: The five steps to aligning the SDGs with long term value creation for the organisation and society
(Source: Adams, 2017b)

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 This step requires the identification of key stakeholder groups. "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."* Organisations should also consider how they impact achievement of the SDGs through the products and services they sell.

2	Identify material sustainable development issues that influence long term value creation for organisations and society "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 This step requires evaluation of where the organisation has the most significant positive or negative impact on the achievement of the SDGs and the availability of multiple capitals. "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)."* Organisations should develop a record of and monitor sustainable development issues that have a material impact on value creation or destruction. Organisations should keep a record of and monitor their material impacts on achievement of the SDGs through operations, products or services.
3	Develop strategy to contribute to the SDGs through the business model "Organisations should set out their strategic objectives and strategies to support relevant... 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."*
4	Develop integrated thinking, connectivity and governance "Those charged with an organisation's governance should satisfy themselves that: <ul style="list-style-type: none">• 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... 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."*
5	Prepare the annual report "Organisations should report on key sustainable development issues which impact 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 This step involves following the SDGD Recommendations in the previous section. An organisation's SDG Disclosures should inform further development of strategy. *(Source: Adams, 2017b)

Further information on the application of these steps is available in Adams (2017b).

ENHANCING THE CREDIBILITY OF DISCLOSURES

There is concern about the credibility of organisations' accountability and governance oversight of SDG Disclosures. Reporting often focusses more on value creation and positive impacts rather than value destruction and negative impacts. The information disclosed is consequently of limited use to the organisation, its providers of finance and other key stakeholders.

Lack of assurance and the limited scope (often limited to quantitative indicators) of many current assurance engagements is a further barrier to the information being used by investors in their capital allocation decisions. Maintaining documentary evidence adds credibility and robustness to the organisation's approach to SDG Disclosures. Table 5 provides examples of evidence to give the Board confidence that the organisation's:

- approach to the SDGs is fully integrated into processes, policies and practices.
- SDG Disclosures follow the Fundamental Concepts and Principles set out in this document.

The examples of evidence in Table 5 may also be used by assurance providers in extending the scope of engagements to include narrative reporting on governance, strategy and management approach.

In addition to internal controls, internal audit and external assurance, an organisation might appoint a panel of independent experts and representatives of key stakeholders to provide comment on the narrative SDG Disclosures in the first column. Such panels may provide helpful input in: reviewing judgements; ensuring that the organisation is transparent about value destruction and negative impacts; and, benchmarking an organisation's approach. The organisation would need to disclose: how membership of the panel was determined; the terms of reference of the panel; and, any limitations to the independence of its members.

Table 5: Examples of evidence supporting the SDG Recommendations

SDG Recommendations	Examples of evidence
Governance	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 skills matrix Remuneration policy
Strategy	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 and meetings with stakeholders to identify risks and opportunities Documented process of stakeholder engagement
Management approach	Terms of reference for Executive Team meetings Papers provided to senior management team meetings and minutes of those meetings Terms of reference of Audit and Risk Committee Internal documents concerned with monitoring risk and opportunity including relevant policies Interviews with the internal auditors Documented internal controls procedures and processes including internal audit reports Documented process of stakeholder engagement and meetings with stakeholders to identify risks and opportunities Documented materiality process Documentation supporting the organisation's approach to identifying the SDGs on which it has the greatest impact Interviews with management Interviews with key stakeholders including employees
Performance and targets	Presentations to investors Board papers and management meeting papers Data sources, data protocols and documents justifying choice of indicators Integration of KPIs and targets into core accounting and internal reporting systems Documented internal controls procedures and processes including internal audit reports Interviews with internal auditors Documented approach to developing the targets including basis for target determination Interviews with responsible managers, investors and key stakeholders



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GLOSSARY

Business model

"An organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term." (IIRC, 2013, p33)

Capitals

"Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in this Framework as financial, manufactured, intellectual, human, social and relationship, and natural." (IIRC, 2013, p33)

Impact

"Impact is a change in positive or negative outcome for people or the planet" (Impact Management Project, further details)

Integrated thinking

"The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term." (IIRC, 2013, p33)

Outcomes

"The internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs." (IIRC, 2013, p33)

SDG targets

The 169 targets that support the 17 Sustainable Development Goals. The targets supporting each goal are [here](#).

SMART targets

Targets that are Specific, Measurable, Achievable, Relevant and Time-bound.

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The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting. The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors. The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking. More information is here www.integratedreporting.org

About the WBA

The World Benchmarking Alliance (WBA) seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all. In 2015, the United Nations developed 17 Sustainable Development Goals (SDGs) to help guide us. The WBA is now working to incentivise and accelerate companies' efforts towards achieving these goals.

The private sector has a crucial role to play in advancing the SDGs, but to boost companies' motivation, there needs to be real change in the way that their impact is measured. That's why WBA has set out to develop transformative benchmarks that will compare companies' performance on the SDGs. The benchmarks will be backed by the best available science, while leveraging existing international norms and standards. More information is here: <https://www.worldbenchmarkingalliance.org/>



