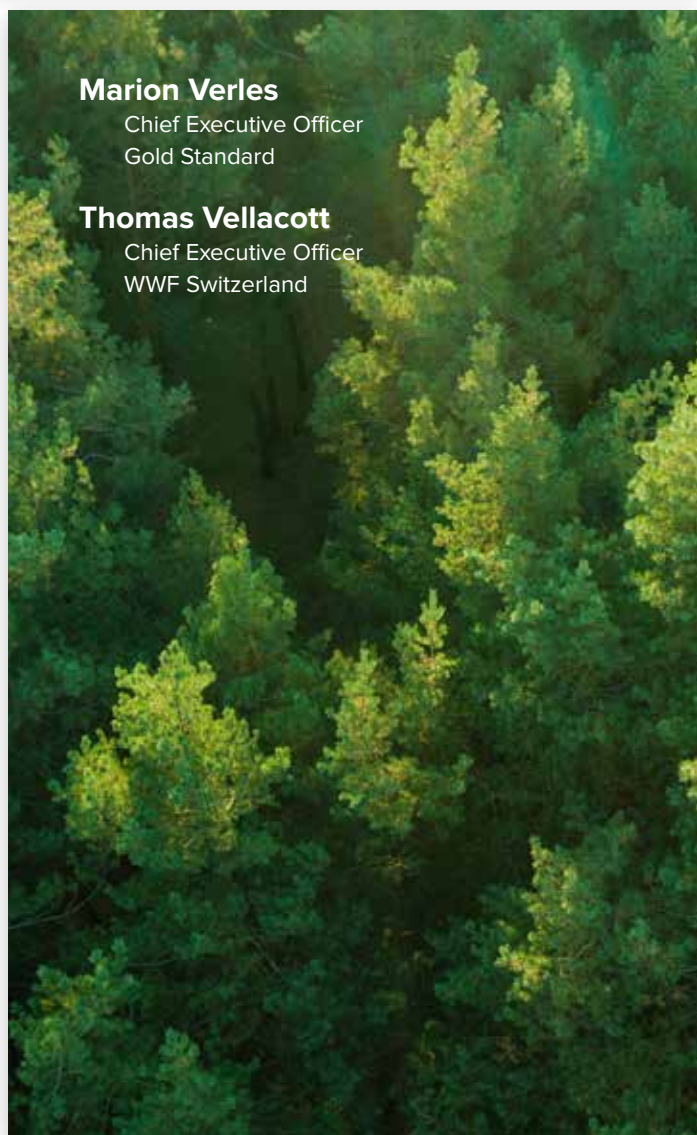


BUSINESS AND THE SUSTAINABLE DEVELOPMENT GOALS:

Best practices to seize opportunity and maximise credibility



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THE SDGs:

A global framework for transformative change

The Sustainable Development Goals (SDGs), also known as the ‘Global Goals’, lay out a roadmap to end poverty, reduce inequality, and tackle climate change, among other ambitions. The 17 goals and 169 specific targets of this [2030](#)

[Agenda for Sustainable Development](#)

set the world’s sights on addressing the most critical environmental, social and economic issues we face today.

The UN Department of Economic and Social Affairs (DESA), which leads on the delivery of the SDGs, is unequivocal that the action of governments, civil society and the private sector is crucial if these goals are to be achieved – with each playing their part to the best of their ability and responsibility. Beyond the moral responsibility, there is a powerful business case. The [Business for 2030](#) initiative highlights that the “scale and ambition of the 2030 Development Agenda creates a tremendous opportunity for the private sector to demonstrate the

central role it plays in sustainable development and human prosperity and to serve as an essential partner to bridging the gap in finance and technical capacity necessary to meet the challenge of achieving the SDGs.”

Business is indeed starting to step up. [A UN report](#) released in April 2017 found that 82 out of 100 blue chip companies demonstrated commitment to the SDGs in their 2016 annual reports, either through explicit statements about the goals or implicit actions that support them. SDG 13 (Climate Action), SDG 3 (Good Health) and SDG 10 (Reduced Inequalities) were top priorities, with the key focus varying by sector.



Corporate ambition around the Global Goals is only set to increase. Some companies are already recognising the need for business to operate in stable economies and that, conversely, growing inequality, poverty and climate and water risks are threats to almost any business model. The top five medium-term risks highlighted in the World Economic Forum's [Global Risks Report 2016](#) all align with the SDGs. If businesses are to protect their future supply chains and markets, it's vital these are addressed.

There are a growing number of tools available to help businesses assess and report their contributions toward the SDGs using shared indicators and metrics. Yet, it's still early days and some businesses are falling prey to common pitfalls. This paper looks at key opportunities and challenges businesses have faced, lessons learned, and recommendations on how companies can enhance current practices and mitigate risk to deliver credible, meaningful contributions toward the SDGs.

Percent of survey participants mentioning the risk to be of high concern in the next 10 years

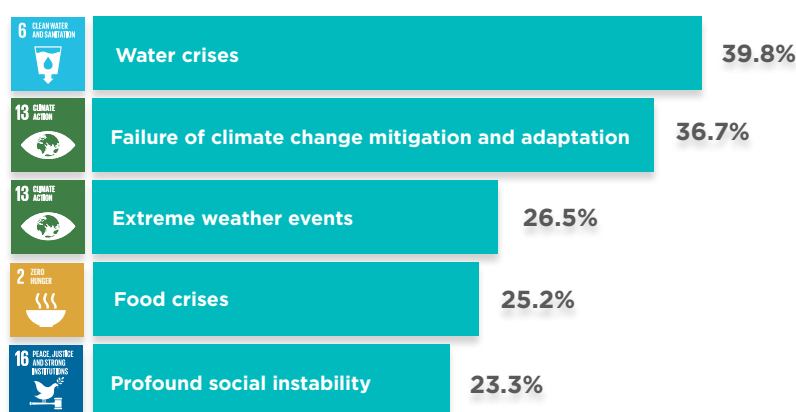


Figure 1: SDGs align with the top 5 global medium-term risks identified in the [WEF Global Risks Report 2016](#)



THE SDGs: *Key opportunities*

\$12 trillion market opportunity



The SDGs promise significant economic rewards for companies that invest in delivering innovative solutions and transformative change. According to a flagship [report from](#)

[the Business Commission](#), achieving the SDGs could create 380 million jobs and help unlock at least \$12 trillion in opportunities for business by 2030. This favours businesses taking action over those taking a back seat. A study of 12 companies – including Siemens, Toshiba, DuPont

and Philips – by public research organisation the [Conference Board](#) found that between 2010 and 2013, revenues from sustainable products grew at six times the rate of overall company revenues. Corporate giant Unilever has also seen brands that have integrated sustainability into both their purpose and products grow [30% faster](#) than the rest of their business. With growing evidence of accelerated growth for sustainable products, it is little surprise that companies such as L'Oréal and Philips are undergoing major sustainability drives, or that [Johnson and Johnson recently acquired two ecological cleaning brands](#), Method and Ecover.

“ Business really needs the Global Goals: they offer a compelling growth strategy for individual businesses, for business generally and for the world economy. ”

[Business Development Commission, 2017](#)



Customer trust and loyalty

There is growing evidence that consumers are increasingly mindful of companies' sustainability credentials and are prepared to vote with their wallets. In a 2015 [poll](#)

[of 30,000 consumers](#)

across 60 countries, 66% of respondents said they would be willing to pay more for sustainable goods, with factors such as environment, packaging,

price, marketing, and claims around organic or health and wellness credentials coming into consideration. With [81% of 'millennials'](#) (people born between the 1980s and 2000) believing that businesses have a key role to play in achieving the SDGs, companies must demonstrate a clear and credible commitment to sustainability if they are to maintain the loyalty of millennials as customers and employees.

Lower costs from more efficient resource use

It is anticipated that by 2030, as renewables displace fossil fuels, it is increasingly [cheaper to choose wind and solar](#) than coal or gas in countries like India, UK,

Denmark and will soon be the case for many more countries. With the inevitable transition away from fossil fuels, it makes long-term economic sense to begin

this transition now, hence the recent announcement by many car manufacturers around the world that they are phasing out petrol and diesel-fuelled cars. Under [RE100](#), 124 (at time of writing) leading global companies, including IKEA, H&M and Google, have committed to use 100% renewably-sourced electricity within the next few years. In addition to bolstering corporate reputation, investing in renewable energy now guards against fluctuating fossil fuel prices and ensures a stable supply of energy for decades to come. Companies are also investing in more efficient water management practices as well as innovating around circular design methods, which can reduce waste and even provide new source material and revenue.

Reduced risk

Business cannot succeed in a world of environmental, economic and social instability. Addressing critical issues, such as climate change, biodiversity loss, poverty and gender equality will help businesses secure resilient supply chains and stable markets for future growth.

A [study by CDP](#) found companies which actively manage and plan for climate change – one of the most urgent SDGs to address – have an 18% higher return on investment (ROI) than lower-scoring companies, indicating that a proactive approach to managing risk pays off.



Long-term value in new markets



Aside from securing a prosperous and stable future for our planet, the SDGs provide a framework against which businesses can secure their own future growth and prosperity. This

can be done by increasing investments in new markets with significant growth potential. With the new common language, targets and indicators that the SDGs provide, businesses can report progress to stakeholders and differentiate their performance from competing companies. This can even serve as a

way to foster long-term partnerships with governments in companies' markets or supply chains, enhancing access to and operational flexibility within these markets.

The SDGs will help to paint true picture of corporate sustainability; separating meaningful progress from so-called 'window dressing'. While not legally-binding, the SDGs reflect shifting stakeholder expectations and it is likely that [governments will increasingly introduce new policies](#) to catalyse progress. Companies that build SDGs into the core of their corporate strategies now will have an edge on competitors.





THE SDGs:

Common challenges and pitfalls

While certainly increasing in prominence under the SDGs, the concept of sustainability in business is nothing new. Many responsible companies have been incorporating it into their strategies for years. However, the SDGs are raising the bar of what is expected of companies, while

introducing a new framework for doing business and common criteria for reporting progress. As these targets are still new, creating, quantifying and reporting credible impacts can make businesses susceptible to some common pitfalls.



“Value is not created by or within an organization alone. It is:

- » Influenced by the external environment
- » Created through relationships with stakeholders
- » Dependent on various resources.”

[Integrated Reporting 2013](#)

PITFALL 1:**Reframing communications while maintaining business as usual**

With companies having [markedly improved sustainable development activities and reporting](#) over the last few years, it could be tempting for businesses to look at good work they're already doing and reframe communications to align their actions to the SDGs. While increased recognition of the SDGs is a good thing, aligning to and communicating about the SDGs is just one step towards the ultimate objective of using them to set an appropriate level of ambition and inform strategic business development choices, with a view to maximise positive impacts. The SDGs therefore call on business to take a fresh look at how they define best practice, set targets and measure impacts.

In their latest [review of members' sustainability reporting](#), the World Business Council for Sustainable Development (WBCSD) found that 79% of the 157 companies analysed acknowledge the SDGs in some way; 45% had started to align their sustainability strategies with goal-level SDG criteria; but only 6% have aligned their strategy and targets to specific target-level SDG criteria and measured their contributions to key SDGs.

PITFALL 2:**Internally-driven target setting**

For those companies that have taken the step to establish internal targets for their SDG contributions, it is common to set levels of ambition internally. Internal targets are often influenced by factors such as available resources and what seems most achievable rather than being driven by what is needed to fulfil the 2030 Agenda. Take SDG 13, climate change. The global goal of keeping global warming below 2°C can be broken down in company level, country level and individual level targets also called 'carbon budgets'. To meet the scale of ambition required to secure a safe operating place for the planet, company carbon budgets should be set such that they align with the global 2° goal. That is the objective of the [Science Based Targets](#) initiative which sets guidance for companies in addressing climate change. New initiatives are emerging to help business determine their 'fair share' in delivering against additional SDGs by 2030, and the 2° goal. As this deadline draws closer, stakeholders will want to know how the companies they support have contributed.



PITFALL 3:

Leaving negatives and trade-offs out of the picture

It's natural to want to celebrate success, which is why most sustainability or SDG-related communications focus on positive impacts, leaving the negative impacts or trade-offs out. Or, to compensate for the negative, companies might use a dollar value to tip the balance toward a 'net positive' status, implying that negative impacts can be 'offset'. While this is a viable approach with a universal impact like greenhouse gas emissions, applying the same concept to other localised or humanitarian concerns like health or access to clean water is problematic, misleading, and can undermine public trust and increase the reputational risk for companies.

To add further nuance, sustainable development interventions often involve interconnected social, environmental and economic factors. This is why trade-offs need to be fully understood and closely managed. For example, a company that enlarges a factory and creates new jobs in a less economically developed region would benefit SDG 8 - Decent Work and Economic Growth, but the resulting increase in water consumption in an area of water scarcity could increase pressure on water systems – a negative impact on SDG 6 - Clean Water Access. Even reforestation projects, which can seem a panacea to SDG 13 - Climate Action and SDG 15 - Life on Land, in some circumstances can compromise the livelihoods of communities who could earn more by clearing forests for agriculture or have adverse impacts on biodiversity if not planned properly. It is therefore crucial that all risks are carefully accounted for and mitigated to ensure the benefit of an initiative far outweighs potential downsides.

Painting the full picture of a company's impact – the highs and the lows – will not only help to build trust among stakeholders; it will help companies identify where they can maximise the positive, reduce the negative, mitigate risks and leverage opportunities.

PITFALL 4:

Assessment of inputs/outputs rather than outcomes/impact

With the best of intentions, sustainability dollars are often channelled to worthy projects with subsequent reporting on the amount of money spent on an initiative, how many outputs were funded, or how many people served. But these metrics are hardly reliable indicators for lasting, sustainable results. Take a hypothetical education programme for girls. In this case, input (money) from the sponsor would fuel the activity (an education programme), which would lead to the output (e.g. that 100 girls have received secondary education). However, it's long-term outcomes that matter; in this case, the knowledge and skills to find improved employment opportunities.

If a company only measures and reports inputs, activity progress and outputs (e.g. trees planted, boreholes dug, solar lamps distributed), they are missing the ultimate impact of these efforts. Careful planning and design requires a stakeholder-driven approach to ensure risks, opportunities and barriers have been addressed, and the right indicators are selected to measure success. This will help ensure that efforts are working toward creating meaningful change, and that these positive impacts are reflected in reporting.

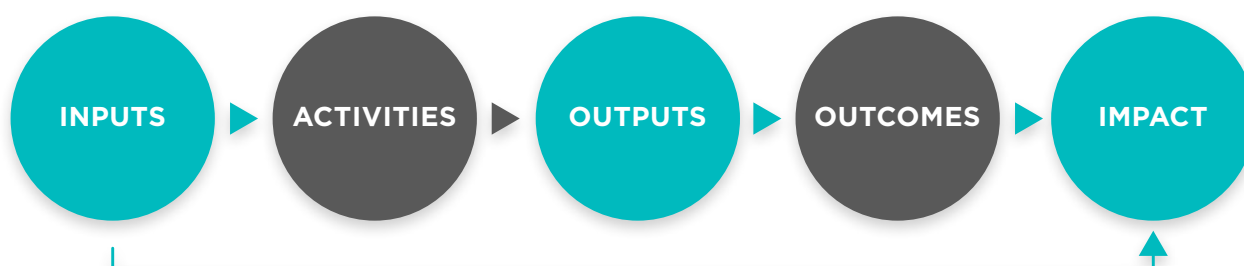


Figure 2: Moving toward assessing outcomes and impact is needed for credible SDG reporting.



Photo Credit: © Copyright 2018 ClimateCare

PITFALL 5:

Inconsistent reporting methods and indicators

With so many factors involved in sustainability initiatives, it can be a challenge to measure and report impacts in a meaningful and credible way. However, with expectations for best practice increasing, and sustainability leaders setting the bar higher, self-measured, self-reported impacts will only remain credible if methods of quantification and reporting are transparent, accurate and consistent over time. Data needs to be quantitative so that progress toward the SDGs can be properly measured and compared, year-on-year. Case studies, quotes and photos can then be used to supplement reporting and communicate the 'human story' behind an initiative.

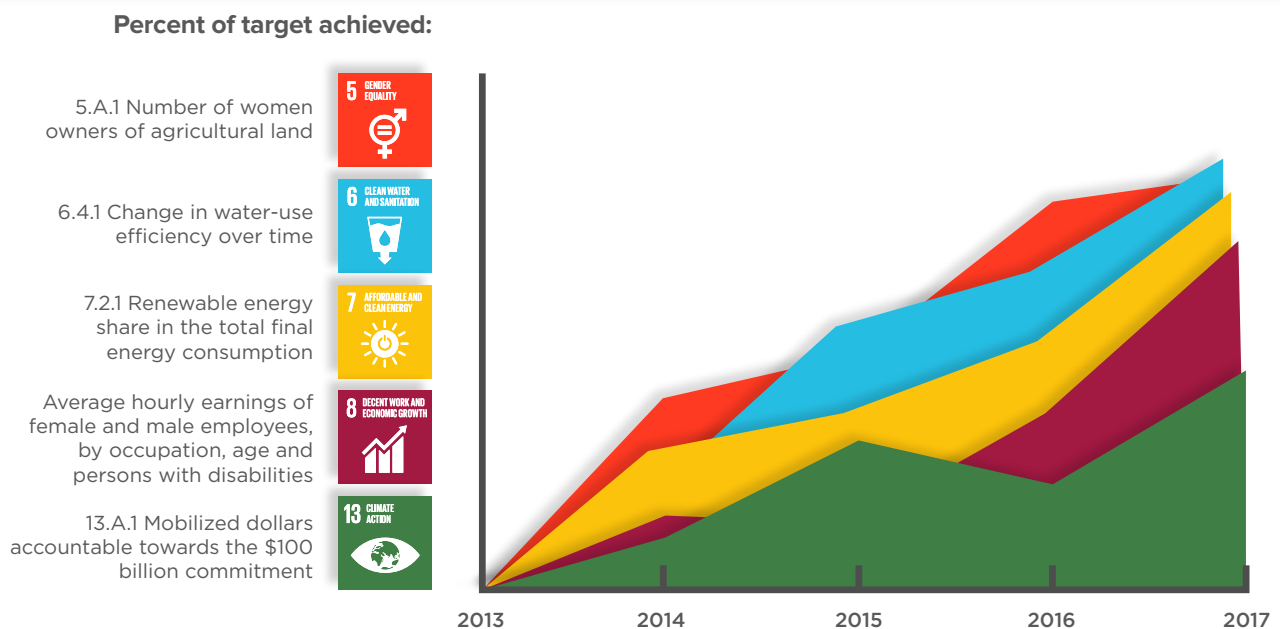


Figure 3: Transparent, accurate and consistent reporting toward SDG targets and indicators allows for credible tracking of progress.



Ambition and credibility in SDG contributions

Fully accounting for and managing the challenges discussed above is essential to set a strategy that positions a company for compliance with ‘the world we want’ by 2030 and to take advantage of the opportunities the SDGs offer. Not doing so puts companies at risk being accused

of ‘green-washing’ or – to introduce a new buzzword – ‘SDG-washing’. While there is no easy solution to this problem, it is important that companies start to align their core business and strategies – not just corporate social responsibility campaigns – to the SDGs, put effective actions in place, embrace clear, transparent reporting and commit to continuous improvements.





Photo Credit: © Copyright 2018 First Climate

THE SDGs:

Best practices for high quality impact quantification and reporting

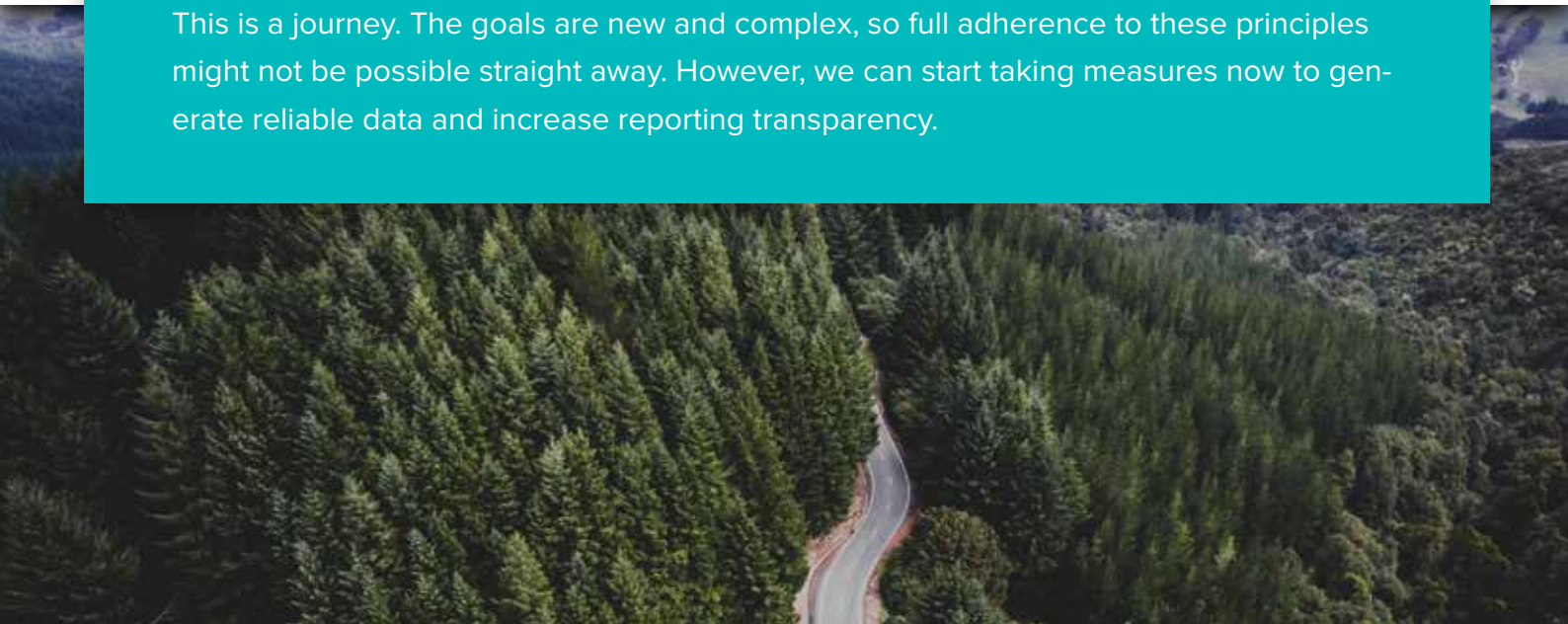
Bringing together lessons to date, WWF Switzerland and Gold Standard have developed recommendations for companies wanting to gain stakeholder support and market advantage by setting appropriate goals and demonstrating meaningful, tangible impacts.

BEST PRACTICE 1:

Commit to comprehensive quantification of impacts and target setting

The Global Goals are ambitious for a reason. They reflect the scale of progress that is required to ensure we live in an environmentally secure, prosperous and sustainable world. With these goals cutting across multiple sections of society, robust quantification of impacts, including the negatives, is the only way to capture reliable, trusted, credible information that will allow the international community to monitor progress against SDG indicators.

This is a journey. The goals are new and complex, so full adherence to these principles might not be possible straight away. However, we can start taking measures now to generate reliable data and increase reporting transparency.



Recommended steps:

- » **Set ambition in line with best practice.** Use the materiality concept to identify and prioritise SDG targets according to the company's environmental, social and economic impact on the SDGs, and the potential risks and opportunities the SDGs pose for your organisation and its stakeholders. Take guidance from initiatives like the **GRI materiality principle**, **Science Based Targets** and other similar emerging programmes where possible. This should be accompanied by ongoing monitoring, validation and review of progress.
- » **Make sure negatives are part of the equation.** To understand your companies full impact, it is important to look at your organisation's direct and indirect impacts on creating, preserving or eroding progress toward the SDGs. In an era of 'false news', being transparent about reporting company weaknesses will make people more receptive to believing the positives, and transparent reporting will also help you identify and address opportunities for improvement. Still, the net value of your positive impact should far exceed that of the negatives – if not, your business model may not survive in the long term.

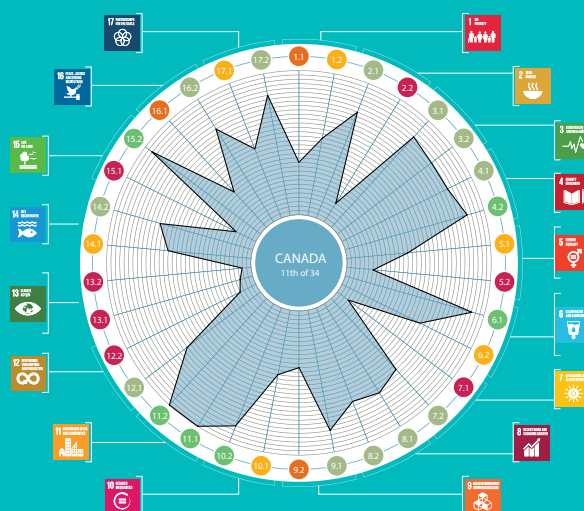


Figure 3: A report on high-income countries' performance toward SDG targets shows a comprehensive view
Adapted from: **Sustainable Development Goals: Are the rich countries ready?**

- » **Include value chain impacts in your reporting.** Sustainability reports should no longer be limited to an assessment of 'CSR programmes'. They should involve a company-wide assessment, looking at the corporation itself, all the goods and services it provides and the investments it makes along the full value chain.
- » **Involve relevant stakeholders in the process.** The people most affected by an initiative can play an invaluable role in identifying strengths, weaknesses, opportunities and threats to meeting your objectives. This can even include competitors with whom pre-competitive collective action may be mutually beneficial. Bringing these stakeholders on board early will also help to secure ongoing collaboration and support.



BEST PRACTICE 2:

Make good use of third party verification and certification

Using third-party auditors to verify the implementation and impact of your sustainability strategy adds to the cost and complexity of your sustainability performance and reporting. However, the **WBCSD** has seen the trend for externally assured data gradually increase among its members, with 73% seeking some form of external assurance on their sustainability disclosures, but only 6% seeking what they call “reasonable assurance.” In **recent market research by Gold Standard**, 63% of companies surveyed said they would be willing to bear a premium for quantified and verified impacts toward specific SDG targets and indicators rather than using qualitative or self-reported data, indicating a growing desire for third-party verified results.

However, verification is only as strong as the standards or methodologies the data are verified against. Using rigorous and transparent standards with globally-accepted methodologies and processes for continuous improvement ensure that companies are following best practices that reflect the latest scientific evidence. Quality standards also feature stakeholder consultation requirements and processes for grievance resolution, which can both lower reputational risk and increase positive impacts.

How quality standards help companies position for leadership:

- » **Credibility.** Independently verified data from a trusted third-party assessor provides assurance that the results presented are objective and unbiased. This gives credibility to claims made in reporting and communication.
- » **Accuracy and comparability.** Respected standard and certification bodies use globally accepted, peer-reviewed methodologies to capture accurate, quantified results which are comparable over time, enabling you to monitor progress.
- » **Avoidance of 'green-' or 'SDG-washing'.** Certification of impacts by a credible third-party provides assurance that SDG initiatives have met rigorous criteria and deliver sustainable positive outcomes.
- » **Civil society recognition.** Reporting credible, quantified impacts toward the Global Goals will enable corporates to report on the actual SDG impacts of their strategies and their contributions to local development priorities, therefore earning recognition from civil society organisations and local authorities.
- » **New revenue streams.** By demonstrating that an initiative has potential to deliver verified impacts across multiple SDGs, organisations can access new sources of funding or revenue. **Gold Standard for the Global Goals**, for example, is helping to unlock new avenues of funding for initiatives that reduce greenhouse gas emissions by quantifying and verifying impacts toward additional SDGs. Results-based finance models for climate and development impacts are also increasing in popularity, allowing funders to make up-front commitments to fund outcomes upon their delivery.



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**BEST PRACTICE 3:****Embed SDG quantification and reporting into your internal decision-making processes**

For businesses to leverage the full market potential offered by the SDGs, they need to be integrated into core business strategy rather than stand-alone projects. Embedding SDG quantification and reporting into the internal decision-making processes will help you understand the holistic impact of initiatives, trade-offs that occur and new business opportunities. It can help to break down silos within your organisation, highlight synergies and help identify opportunities for collaboration so as to achieve greater impact with higher efficiency.

Ways to embed SDG quantification and reporting into decision-making:

- » Leverage new tools, such as the **SDG Compass**, which provides guidance on incorporating the SDGs into the heart of business strategies and hosts a comprehensive **inventory of tools** to help companies assess and report their impact. **PWC's Global Business Navigator** is a systems driven database mapping tool to help businesses identify which of the Global Goals are most relevant across their core operations and supply chain, given the countries and sectors they operate in.
- » The **Natural Capital Protocol** and **Social Capital Protocol** are two frameworks designed to help businesses create better value and make better decisions in their interactions with nature, people and society. By incorporating both approaches into decision-making, these can help businesses consider inter-related social, environmental and financial risks and opportunities side-by-side.
- » Consider new products and services designed to contribute to specific SDGs or to reduce negative externalities in your supply chain, such as carbon emissions, water consumption or deforestation. Examples include more energy efficient appliances; carbon-free transportation modes such as e-bikes and e-cars; or new agricultural practices that enhance carbon sequestration, reduce the need for fertilizer, and contribute positively to livelihoods of farmers.
- » Embed sustainability targets into employee objectives and performance indicators with clear linkages to remuneration and promotion decisions.



With the SDGs, expectations of sustainable corporate practice are shifting: from the responsibility of CSR departments to that of the CEO; from stand-alone projects to core business strategy; from self-reported impacts to third-party verified results; from corporate philanthropy to consumer and investor expectation; from risk mitigation to major opportunity.

All this calls for a transition away from business as usual. It will take time to get right, but the scale of ambition required

means businesses need to move forward now as rapidly as possible.

As Winston Churchill said, “Perfection is the enemy of progress.” Now is the time for businesses to show leadership by pioneering ways forward in measuring, maximising and reporting progress toward the SDGs. Those that do will be the first to benefit from new opportunities, increased customer loyalty and secure markets in what will be a more climate-secure, prosperous and equitable society.

