SDG Compass consultation response

The Reporting Landscape and SDGs

Many businesses already engage in activity designed to promote the sustainability of their organisation and of society and the environment. There are multiple reasons for this including legal requirements (for example associated with human rights, environmental protection and transparency), pressure from stakeholders (such as investors), participation in indices (such as the DJSI), peer pressure and the so-called "tone-from-the-top". The indicators used to assess and communicate the extent to which the behavioural or compliance objective has been achieved are – or should be – directly linked to the objective.

Although the same types of information about which companies typically report – for example, their human rights and environmental policies, evidence of community involvement, supply chain relationships, environmental results (e.g. GHG emissions), risks and opportunities etc. – may serve to respond to all of the multiple demands and influences on them, the objectives and needs of the users are not the same. We believe that indicators used to report results and performance are most effective where they serve the needs of the user.

Generally, companies that already report sustainability information will determine what and why they report based on their strategy, compliance requirements, demands from stakeholders, materiality assessment and so on. Apart from information reported for compliance purposes, the assessment criteria for determining whether the reported information satisfies the goals or needs of the user are often linked to the targets that the company has set for itself based on its interactions with stakeholders. In other words, performance is determined based on whether the goals set by the company were stretching enough in the context of the audiences' perspective and whether they have been achieved.

The fundamental difference with SDGs is that behavioural objectives and reported information make most sense when (a) the objectives are clearly defined and (b) the information can be assessed in aggregate against SDGs, aligned with expectations (once they are defined) of business' contributions to SDGs.

Practices to define and report company determined objectives and assess progress against company reported information are fairly well developed. By contrast, the precise expectations of corporate contributions to SDGs have not been defined and neither have the criteria against which their contribution will be assessed. In the circumstances, it seems too soon to define the type of indicator that might be used to interpret corporate contributions to SDGs and hence the call for so-called "context-based" accounting. The consultation document reflects some of this tension when it refers to the business case for reporting, the business objective for reporting and the SDGs. The reality is that they might not match in all respects and if that is the case, neither will the required indicators.
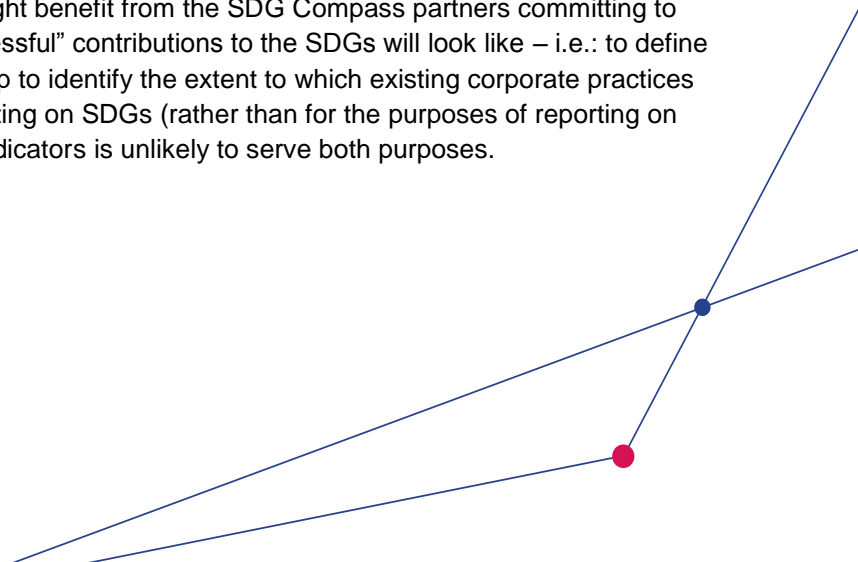
We therefore wonder if companies and others might benefit from the SDG Compass partners committing to work with relevant agencies to define what "successful" contributions to the SDGs will look like – i.e.: to define the "G" in SDG. We also suggest that it would help to identify the extent to which existing corporate practices are fit for the purpose of contributing to and reporting on SDGs (rather than for the purposes of reporting on goals set by the corporation). The same set of indicators is unlikely to serve both purposes.

The outcome of that work could be applied to existing corporate report regimes. For example, the Integrated Reporting Framework requires companies to report on the way in which they create value. In fact, the logic model described in Box 10 of the SDG consultation document is very similar to the IIRC's "value creation octopus" model. Value is as yet undefined for <IR> purposes but it could be understood in terms of value for the company, for its stakeholders and for the wider SDGs. Indicators used for each purpose might be different.

We welcome and support the SDG partners' efforts to provide a framework that can be used to help companies respond and contribute to the SDGs. However, before getting into the details of what indicators might be used to determine and report on that contribution, we think it is first necessary to define and quantify "G" and to define and quantify the contribution that business is expected to make to "G". These issues are raised in Box 12 & 15 and we would recommend and welcome further consideration and discussion both within the SDG Compass and as part of a wider process.

Structured comments

2. Assessing SDG impacts and defining priorities

- Box 5: Engaging stakeholders to assess impact and define priorities explains that as a company assesses impacts and determines priorities, it must prioritise stakeholders according to the effect the company has on a particular stakeholder and the potential influence the stakeholder has over the company, but also make a special effort to understand the interests and concerns of stakeholders who are unable to articulate their views. To the reader there appears to be a tension here and further clarification maybe needed and thought given to how the influence of shareholders and prioritisation of stakeholders, who are unable to articulate views, are both considered in engagement.
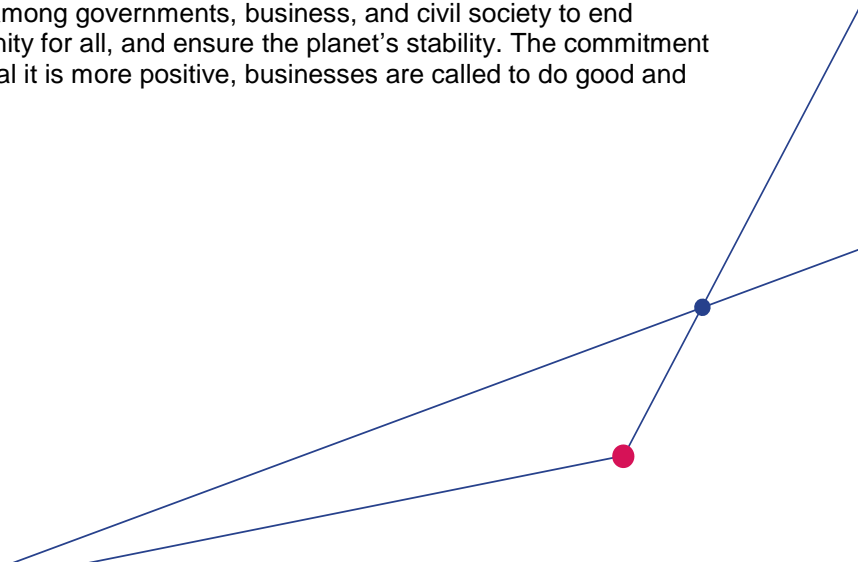
2.1 Map value chain hotspots

- The terminology introduced here may cause confusion through the use of value chain segment, competencies, product portfolio and technologies. This is similar to the variety of terms used in the early draft of the NCP with aspect, segment, organizational focus and value chain categories. The terms used here must allow the reader to understand the what (activities and outputs).

- Potential impact speaks to the requirements and principles of <IR> in forward looking and outlook.

- As the role of internal assessment is introduced in mapping hotspots the reader is presented with the view that internal management and activities are the final step after all attempts to understand stakeholder perspectives. We would suggest a more equal balance of internal and external perspectives. As a company for example looks to understand it's contribution towards Goal 6 - Ensure availability and sustainable management of water and sanitation for all – they will have information relating to their facilities adhering to relevant water quality standards – and the hotspot in the value chain maybe first identified internally.

- As the guidance is presented relating to low performance and the SGDs the reader is left with the impression that there is a priority and perspective here of the SGDs through a risk lens – the goals are of course a worldwide call for action among governments, business, and civil society to end poverty, create life of dignity and opportunity for all, and ensure the planet's stability. The commitment isn't really just to protect business as usual it is more positive, businesses are called to do good and do well understanding value for all.

2.2 Select KPIs

- As we have outlined in the first part of our response on the reporting landscape and SDGs we have a number of concerns with the suitability and role of reporting in this context. Here however it would be appropriate to give some thought to indicating and communicating the difficulties and complexity linking indicators – performance – targets – goals.

2.3 Collect and aggregate data

- The terminology here of outcomes, output and impacts may need clarification and to consider the alignment with NCP and SCP – impact drivers are used in the NCP. It could also draw on the <IR> definitions.

- Box 10 logic model is very important in helping the reader understand the practical application of the steps and definitions outlined. The current example is however confusing and difficult to follow, this would be an ideal place for one of the proposed business case studies to be included from a WBCSD member.

2.4 Define priorities

- The criteria outlined to consider the significance of impacts touch on definitions of relevance and materiality without identifying the relationship or context. It may not be appropriate however to frame these concepts within this context, there is a distinction between framing sustainability goals and associated business processes inside out rather than outside in, at described by Box 15.

3.1 Define the scope and focus of goals

- The section outlining scope and focus seems to include a lot of overlap with the 2.4 Define priorities. Especially as the recommendation includes remedy negative impacts; where it has the opportunity to make a significant positive contribution; and/or where there is a strong link to the business. The connection and link could be explained in greater detail than 'guided by the strategic priorities it has defined (see Chapter 2)'.

- Box 13 makes a very important point and could link to the SCP again outlining the focus and importance.

3.4 Define the timeframe and level of ambition

- Box 14: Managing the risk of failure seems out of place and at odds with the message of the SDG Compass especially as a WBCSD publication thinking of the commitment and leadership of members.

- Box 15: Towards an 'outside-in' framing of sustainability goals is very important and as outlined in the first part of our response must be part of the core message and established understanding. Here WBCSD leadership through Action2020 and Vision2050 could also be outlined and introduced. Practically if some of the narrative here could be included in earlier sections on business case, value chain and priorities the reader would understand the importance of the SDGs to business and see the potential positive message and contribution.

3.5. Anchor sustainable development goals within the organization
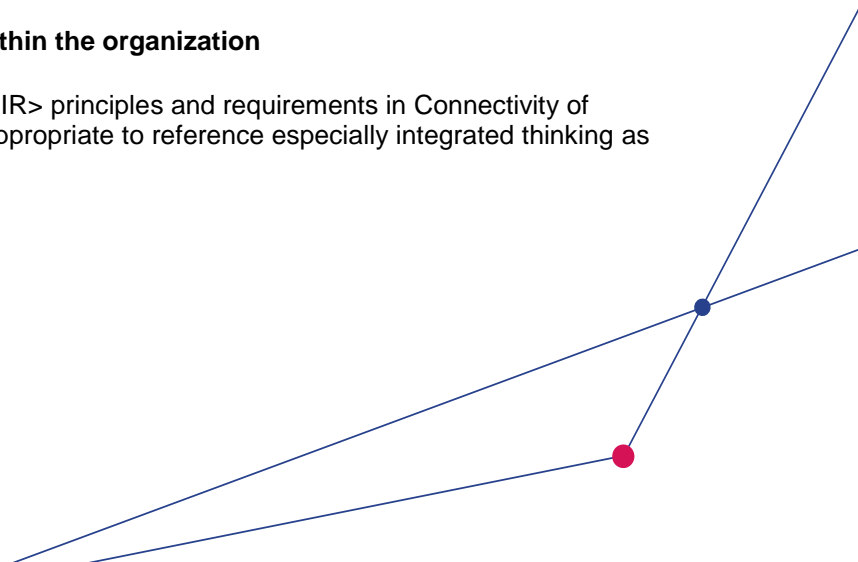
- This section is very closely linked to the <IR> principles and requirements in Connectivity of information and Governance. It may be appropriate to reference especially integrated thinking as

combination, interrelatedness and dependencies are so important to ensuring that SGDs do not stand distinct from the rest of the company's strategic goals and its use and effects on the capitals.

4.2 Embed sustainable development into all functions within the company

- This section is very similar to 3.5 Anchor within the organisation - it may be possible to reduce content and move around. Both talk about board and management and integration, connectivity, strategy, governance etc.

5.1 Ensure meaningful, trustworthy, and effective reporting and communication on the SDGs

- Consistent with the first section of our response we think it is perhaps an over simplification of the Reporting Landscape to state that the SDGs provide a common language for reporting or that companies can use existing formats and communications to outline their contributions to the SDGs. There are multiple requirements, objectives and user needs associated with different forms of reporting.

- As reader understands that companies are expected to report and communicate their contribution to the SDGs in a meaningful and trustworthy way by using comprehensive internationally-recognized standards, we would ask that the CDSB Framework is referenced alongside other suitable established standards such as <IR>. The CDSB Framework helps companies to provide clear, concise and consistent information that connects an organisation's environmental performance with its overall strategy, performance and prospects.

- As a company considers both the positive and negative aspects of their performance against priorities and how the company utilizes its core competencies, technologies and solutions to further contribute to the realization of the SDGs, it is considering value creation and responsibility from a number of perspectives. It may be beneficial to note the complexity here and be more explicit in the cross references to scope and boundaries and defining priorities.

5.2 Align reporting and communication with the SDGs

- Box 18: Ensuring no one is left behind doesn't fit here but it is important in framing the context and purpose of the SDGs.

- Identifying the integration of economic, social and environmental aspects and recognising interlinkages again speaks to the <IR> principles and requirements in connectivity of information. It may be appropriate highlight combination, interrelatedness, dependencies and use and effects on the capitals.

- We do not think that the guidance on design, presentation and formatting is needed.

Please do not hesitate to contact us to discuss any of these points further.

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