



SDG Reporting Challenge 2018

From promise to reality:  
Does business really care  
about the SDGs?

And what needs to happen to turn words into action



[www.pwc.com/sdgreportingchallenge](http://www.pwc.com/sdgreportingchallenge)

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# About the authors



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Louise is a Director within PwC's Global Sustainability Network and is leading the network's work in relation to the Sustainable Development Goals. This work has included the development of the SDG Navigator diagnostic tool and its public online version the SDG Selector, together with guidance materials such as the SDG Guide for Business. Louise has recently co-authored the UNPRI SDG Investment Case, and has also worked with the team supporting the UNGC/GRI Action Platform on the SDGs and its publication of the Business Reporting on the SDGs: An Analysis of the Goals and Targets. Louise is a member of the UKSSD Steering Committee, the UNPRI SDG Advisory Committee, the ICAEW Sustainability Committee and the BVCA Impact Investment Advisory Committee.



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# Foreword

How can CEOs build on the many opportunities offered by the UN Sustainable Development Goals?

That objective should be at the heart of all executive agendas and with good reasons. These include the estimated \$12 trillion in potential growth linked to achieving the SDGs; and the millions of jobs that could be created or retained linked to the Goals<sup>1</sup>. The issues they address are central to governments, regulators, investors and millions of consumers and are at the heart of equitable and safe business and societal development in the coming years.

As with any new growth opportunity, much will depend on making the SDGs a central part of business strategy. Invariably that strategy is shaped at the very top of the organisation. So, for this year's PwC SDG Reporting Challenge, we sought to determine how many companies have moved beyond simply offering kind words and support for the SDGs and actually embedded the Goals into the core strategy of their entire business.

To do that we studied both the corporate reporting of more than 700 global companies, analysing their commitments to individual Goals and how their reporting reflected on integration into business strategy. What we discovered is that there remains plenty of work to be done if business is really to help meet the goals and benefit from them. While 72% of companies mention the Goals in their reporting, just 27% include them in their business strategy. As for top-level leadership – just 19% of CEO or Chair statements mention the SDGs in the context of their business strategy, performance or outlook.

CEOs need to lead engagement on SDGs, internally and externally to their organisation. By actively ensuring that the Goals are central to business strategy – demanding clear feedback from the business on how its performance helps reach those targets. Understanding and prioritisation are the first steps. Action is critical: integrating, challenging and innovating on what the targets and goals mean not just for business as usual but how they will grow and sustain an organisations' contribution to business and society in the future.

**Louise Scott**

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<sup>1</sup> Better Business, Better World (2017) Business Commission on Sustainable Development. <http://report.businesscommission.org/>





The private sector plays a vital role in achieving the Sustainable Development Goals (SDGs). In turn, the SDGs can be a useful tool for companies to measure and improve their performance. Working with PwC and the UN Global Compact, GRI has developed tools to help companies identify relevant SDG targets, incorporate them into their business models, set performance goals and report progress. The net result will help companies grow their business while also contributing to sustainable development.

Tim Mohin, Chief Executive, GRI



The SDGs represent an ambitious and transformative agenda. Businesses that take an active role in leading this transformation and position the SDGs as a strategic lens at the core of their operations will ultimately be better placed to unlock market opportunities, manage emerging risks, and consolidate an enduring license to operate on the road to 2030. It is time for us all to consider what we need to do to significantly accelerate the pace and scale of action – as individuals, institutions and across sectors – to help deliver the business solutions to realise this critical global roadmap.

Peter Bakker, President and CEO, World Business Council for Sustainable Development (WBCSD)



# Results at a glance

Every organisation is influenced by or has influence on meeting the Sustainable Development Goals (SDGs).



72%

of companies mention the SDGs in their annual corporate or sustainability report



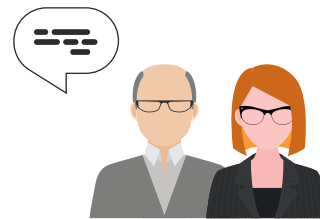
50%

of companies have identified priority SDGs



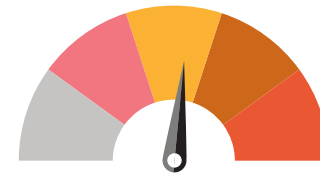
54%

of those that prioritised the Goals, mention them in their business strategy



19%

of CEO or Chair statements in annual reports mention the SDGs



2.71

Average score (out of 5) for reporting quality for those companies that had prioritised the SDGs



28%

of companies disclosed meaningful Key Performance Indicators related to the SDGs



# Overview



It is becoming increasingly clear just how important a role environmental and social responsibility will play in the future of all organisations. Acting responsibly is no longer a choice. It is a business imperative that will impact how you power your operations, source raw materials, innovate new products and protect your supply chain against extreme weather and natural disasters. Your decisions will affect the wellbeing of your employees and influence whether they want to work for you. Perhaps most important, your approach to how you run and build your business will be judged by a new generation of consumers who expect sustainable and ethical behaviour.

Those organisations that meet the challenges and grasp the opportunities presented by embracing responsible business will be the success stories of the coming decades. But how can organisations transform their strategy, culture and operations to embed sustainable practices into their organisations to meet new societal and consumer expectations?

The SDGs offer a framework to lead towards such transformation. Adopted in 2015, the 17 goals and associated targets and indicators for success provide a roadmap to help organisations navigate the major environmental, social and economic challenges our world faces. In terms of new business opportunities alone, the SDGs can potentially unlock trillions of dollars in revenue opportunities and cost savings and create hundreds of millions of new jobs<sup>2</sup>.

It would make sense then that every major organisation globally would be rushing to embrace the SDGs and sustainable business in general. But just how many are doing so? And how many understand that the SDGs need to be part of overall business strategy rather than simply a sustainability issue?

In PwC's latest SDG Reporting Challenge we seek to answer these questions. This year's research expands on our 2017 work to understand the SDG priorities of individual companies and analyse the quality of their SDG reporting. We have evolved the SDG Reporting Challenge to look at the largest listed companies from each participating country and territory and understand the trends in SDG reporting for the most influential companies in the world, including tracking performance on key indicators to allow benchmarking opportunities between sectors, countries and territories.

Our study included 729 companies from 21 countries and territories and six broad industry sectors. Central to the research is an analysis of whether companies are mentioning the SDGs in their reporting on business strategy, as we believe this is a key indicator of whether change is being made to the level and scale that will be necessary to achieve the Goals.





# Main findings

Our top level findings suggest that, despite the SDGs being part of global business conversations for more than three years, and a significant number of companies pledging a commitment to the Goals, there remains a gap between companies' good intentions and their ability to embed the SDGs into actual business strategy.

We found that:

- 72% of companies in our study mentioned the SDGs in their corporate and sustainability reporting
- 50% of companies have identified priority SDGs
- 28% disclosed meaningful Key Performance Indicators (KPIs) related to the Goals – suggesting the selection of priority SDGs isn't backed up by meaningful action or monitoring
- 27% of the total companies mentioned SDGs as part of their business strategy

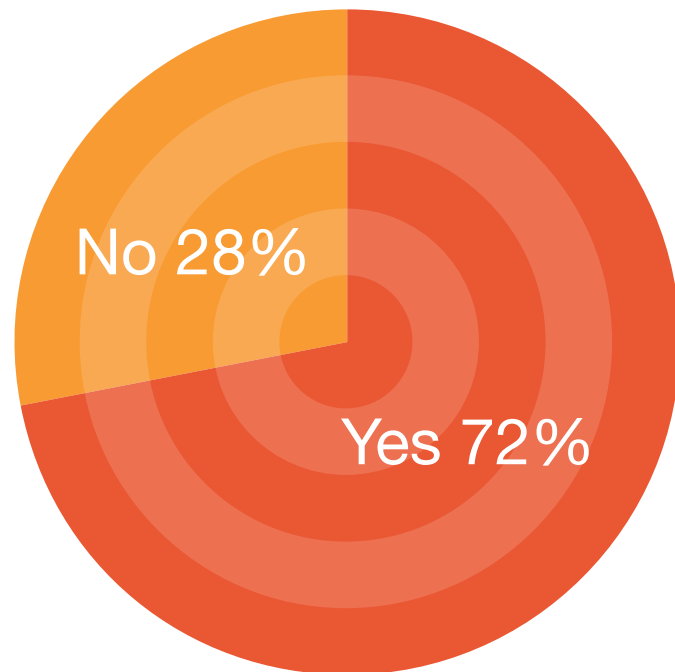
Viewing the results as a whole, it appears that while the majority of companies are keen to talk about the SDGs they have yet to get specific about how they're embedding them into strategies and actions. Why is this happening?

We believe that, while there is a clear appetite for embracing the SDGs, many organisations still lack the strategy, tools and culture needed to transform those commitments into tangible business actions. That has a knock-on effect in terms of measuring and reporting on their progress in meeting the Goals. As a result they are unable to demonstrate to investors, peers and their own employees how and why the SDGs are helping improve their overall business, both now and sustaining it for the long term.



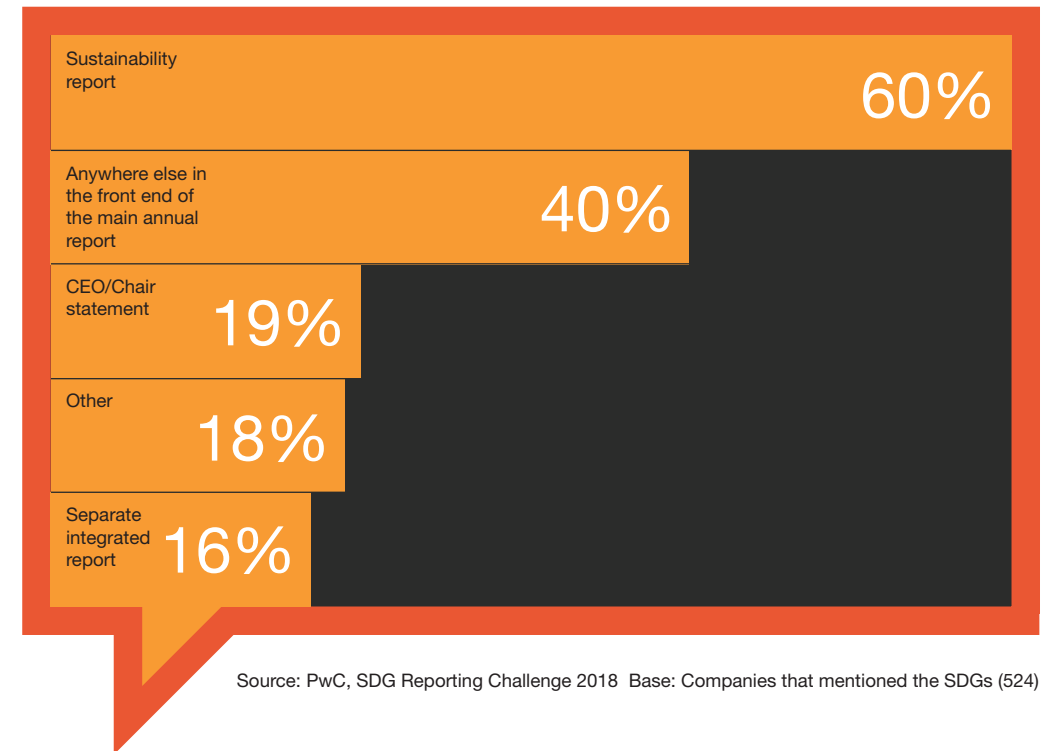
**Figure 1: Majority of companies are mentioning the SDGs in their reporting**

Q: Does the company mention the SDGs?

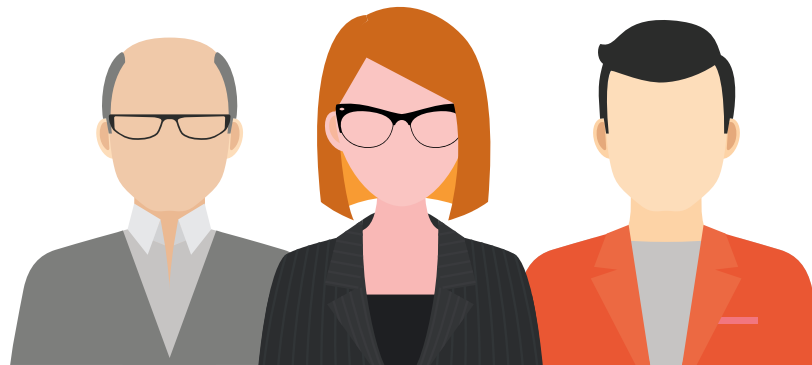


Source: PwC, SDG Reporting Challenge 2018 Base: All companies (729)

**Figure 2: Where are the SDGs mentioned?**



Source: PwC, SDG Reporting Challenge 2018 Base: Companies that mentioned the SDGs (524)





# How the SDGs reflect the world today

At first look, some of the SDGs might seem a little too broad to be relevant for organisations that are used to identifying far more specific business goals and targets. What exactly have goals like Climate Action (SDG13), Affordable and Clean Energy (SDG7), Life Below Water (SDG14) or Good Health and Wellbeing (SDG3) got to do with everyday business decision-making, many executives might ask.

However, most global executives will be aware of the latest Intergovernmental Panel on Climate Change (IPCC) report<sup>3</sup> that makes the Climate Action (SDG13) and Affordable and Clean Energy (SDG7) goals more urgent if we are to limit global warming to 1.5 degrees. The same is true with the now global movement to reduce consumer and business use of plastic in the wake of growing awareness about the issue epitomised by the high profile and global media events such as the Blue Planet television series. This wave of change speaks directly to both Life Below Water (SDG14) and Responsible Consumption and Production (SDG12). Meanwhile growing signs of the mental health strains posed by digital lifestyles has given Good Health and Wellbeing (SDG3) a fresh focus.

In short, for every one of the 17 SDGs there are pressing real world issues that directly impact the world of business. No organisation, at this point, can claim not to be influenced by, or have an influence on, the environmental and societal challenges that are the focus of each Goal.

<sup>3</sup> IPCC, Global Warming of 1.5 °C, <https://ipcc.ch/report/sr15/>



# The current state of SDG adoption by business

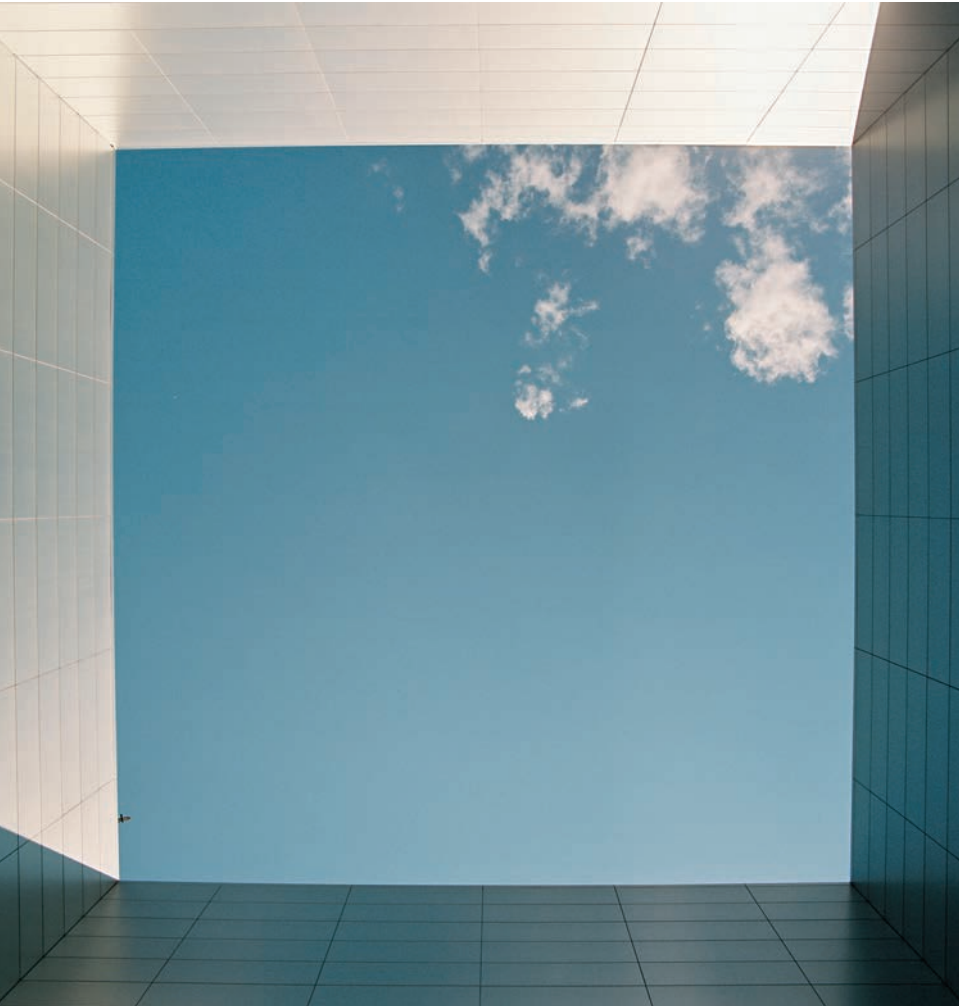
In this year's global study, 72% of organisations mention the SDGs in their annual corporate or sustainability reports – an impressive number, and a significant increase on the 62% of last year, that suggests the SDGs may now have broken into the business mainstream.

Technology, media & telecoms and Energy, utilities & mining are ahead of the industry sector pack when it comes to the number of companies in our sample mentioning the SDGs (See Figure 3: Majority of companies are mentioning the SDGs in their reporting). The majority of organisations talk about the SDGs in their sustainability reports (60%) but we also found that many (59%) mention them in the front part of their main annual reports, while some cite them in separate integrated reports (16%). We would hope to see a growing number of companies reporting on the SDGs in both of these places – at least the headlines in their main strategic summary report, with links to more detailed measurement and analysis in the sustainability report or online data set.

And, when it comes to CEO communication about the SDGs, it's clear that more work needs to be done – not least because support from executive boards helps propel real change throughout the organisation. Just 19% of CEO or Chair statements in annual reports mention the SDGs – suggesting that the Goals may still not resonate with executive boards even though a growing number of investors (including many of the world's biggest banks and pension funds) are pushing for business to act more responsibly and to be more transparent. The lack of SDGs included in CEO or Chair statements may also signal that the Goals are not as embedded in the conversation and definition of strategy as we would hope.

Despite this lack of CEO urgency around the SDGs, it is clear they care about sustainability issues. In the latest PwC Global CEO Survey<sup>4</sup>, climate change was identified as one of the top 10 risks for CEOs – 31% said they were extremely concerned about climate change and environmental damage. It is possible that CEOs still view the SDGs as an aspirational, optional or long-term agenda even though they are concerned about specific risks that align with them.

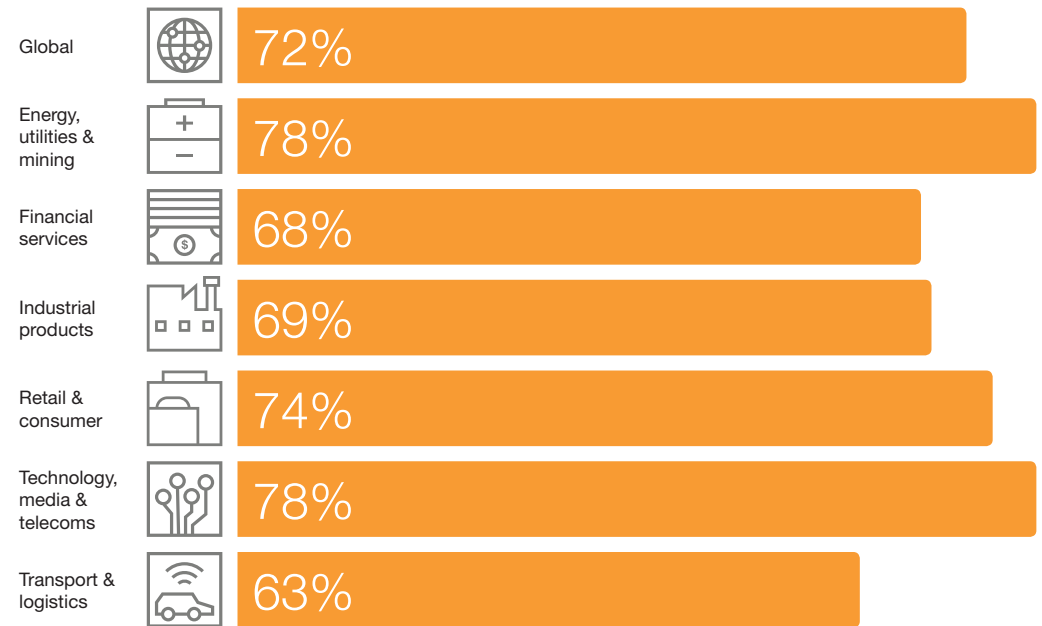




**Figure 3: Majority of companies are mentioning the SDGs in their reporting**

**Q. Does the company mention the SDGs?**

■ Yes



Source: PwC, SDG Reporting Challenge 2018 Base: All companies (729)



## A question of priorities

The SDGs undoubtedly are now part of corporate discourse both inside the organisation and with external stakeholders, but what does that mean in terms of adopting the most relevant Goals and implementing them into strategy and operations?

Of the 729 companies, 50% have prioritised the SDGs they believe are most important to their business. The most popular priorities remain unchanged from last year's research, with the majority of organisations still focused on three main SDGs – Decent Work and Economic Growth (SDG8), Climate Action (SDG13) and Responsible Consumption and Production (SDG12) (See Figure 4: Company prioritisation of the SDGs). We believe that the reasons for prioritising these three goals are varied but contributing factors could include the fact that, if you haven't taken the time to explore the SDGs in great depth these three might appear the obvious ones where business has a role to play. In short, it's what should be business as usual. Take Climate Action (SDG13) for example. There are already mature mechanisms and frameworks in place to measure and report greenhouse gas (GHG) emissions while new measures like the Task Force on Climate-related Financial Disclosures (TCFD), the EU Non-Financial Reporting Directive and growing individual stock exchange requirements to disclose GHG emissions mean that prioritising Climate Action is essential.

Yet again, Life Below Water (SDG14) ranks last in corporate priorities. Zero Hunger (SDG2) and No Poverty (SDG1) also barely register with companies as SDG priorities. This may be because, aside from major food producers, most company management teams view these Goals as priorities for government, and they struggle to see how they can make a positive difference, or are unsure how to measure or capture their impact on these SDGs.

As companies tend to review the SDGs at a goal instead of a target level, this broad thinking may be common if misguided. It may also explain that the average company prioritised 7.3 of the 17 goals – a high number of goals that could reflect the fact that key individual goals for the business are not receiving enough attention.

## Case study

### Priority SDGs



## SSE - UK

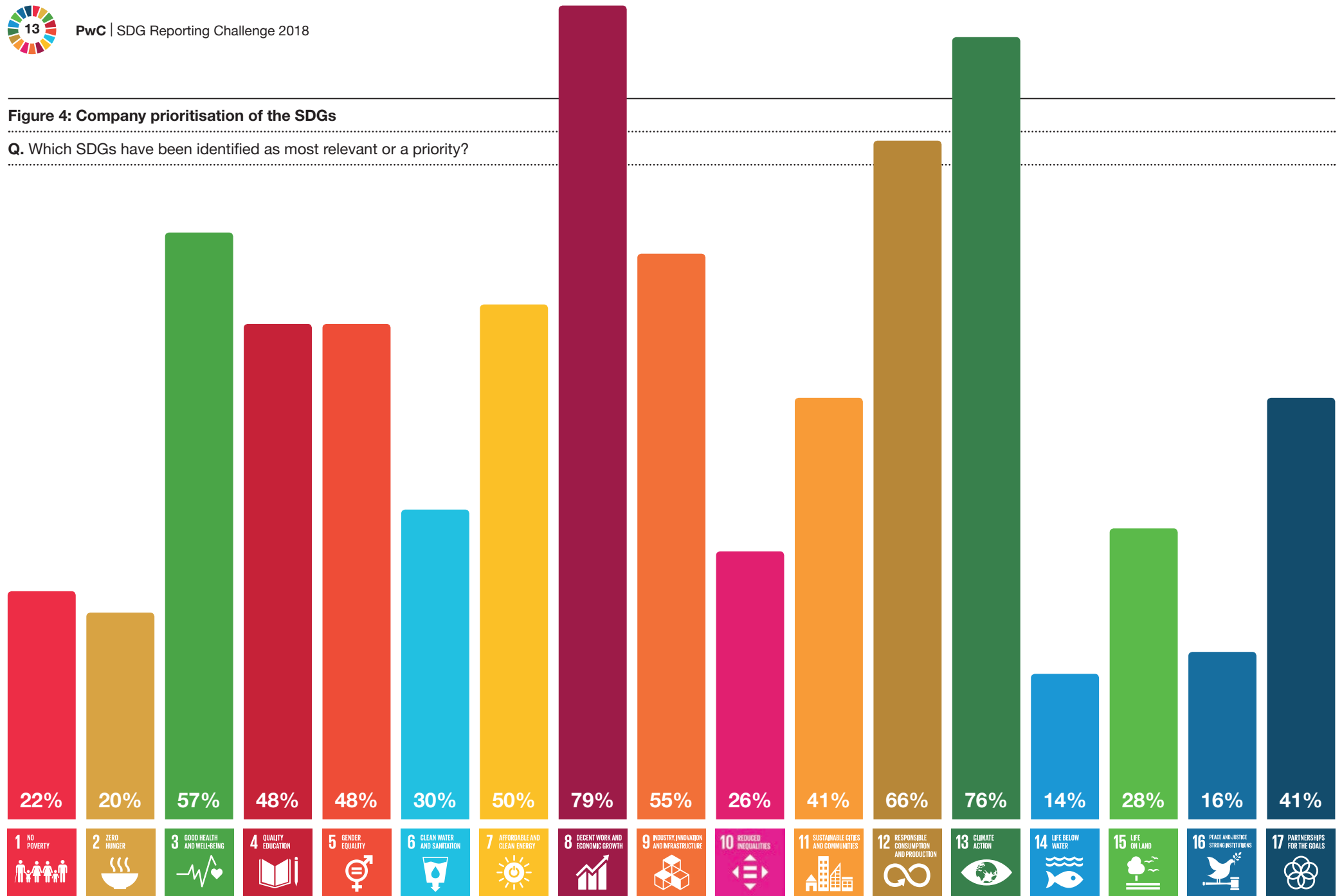
SSE demonstrate good reporting practices throughout their sustainability report. SSE discloses a RAG (red, amber, green) rating to represent the status of progress made against their business targets and SDGs, emphasising the priority areas for the business.

The company conducted a materiality assessment of all 169 SDG targets to identify priority areas. Based on their research, SSE prioritised 8 SDGs with the top 3 priorities being Climate Action (SDG13), Industry, Innovation and Infrastructure (SDG9) and Affordable and Clean Energy (SDG7). For each Goal, they've prioritised specific SDG targets which are most relevant to their business. Overall, 15 targets were identified to be highly material, including two of the targets for their most important SDG, Climate Action (SDG13): 13.1 (Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries) and 13.2 (Integrate climate change measures into national policies, strategies and planning).

Source: <http://sse.com/media/522476/SSE-plc-Sustainability-Report-2018.pdf>





**Figure 4: Company prioritisation of the SDGs****Q. Which SDGs have been identified as most relevant or a priority?**

## The Top Five Priorities for Business

### 1. Decent Work and Economic Growth (SDG8)

79% identified SDG8 as a priority. It would be, after all, a core issue for companies even if it wasn't one of the Global Goals, demonstrating the strong alignment and relevance of this Goal to business as usual as well as to business of the future. With targets that include achieving higher levels of economic productivity through diversification, safe working conditions, technological upgrading and innovation and substantially reducing the proportion of youth not in employment, education or training, it is a Goal that most major companies feel they are compelled to act on and confident they can deliver on.

### 2. Climate Action (SDG13)

67% prioritised SDG13. Because of the need to work towards global and regional greenhouse gas regulations many companies no doubt feel this is a Goal they can approach with confidence. From a target point of view, however, the Climate Action SDG is more about mobilising financial resources, increasing education and promoting mechanisms to help effective climate change-related planning and management in least developed countries than it is about reducing emissions. Contrast companies' commitment to SDG13 with their lesser enthusiasm for Affordable and Clean Energy (SDG7) even though the Goal is closely tied to Climate Action and many companies already have energy efficiency programmes in place.

### 3. Responsible Consumption and Production (SDG12)

66% cite SDG12 as a priority. With this Goal the targets offer companies clear direction in the form of substantially reducing waste generation through prevention, reduction, recycling and reuse. It also encourages large companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle and to ensure that people have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

### 4. Good Health and Wellbeing (SDG3)

57% make SDG3 a priority. Some of the key targets for this SDG may only be a priority for healthcare or pharmaceutical companies, such as ending the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. Meanwhile, automobile, insurance and technology companies can play a part in halving the number of global deaths and injuries from road traffic accidents. Other targets, however, should command the focus of all companies. These include reducing premature mortality from non-communicable diseases through prevention and treatment and promoting mental health and wellbeing and achieving universal health coverage, including financial risk protection and access to quality essential healthcare services.

### 5. Industry, Innovation and Infrastructure (SDG9)

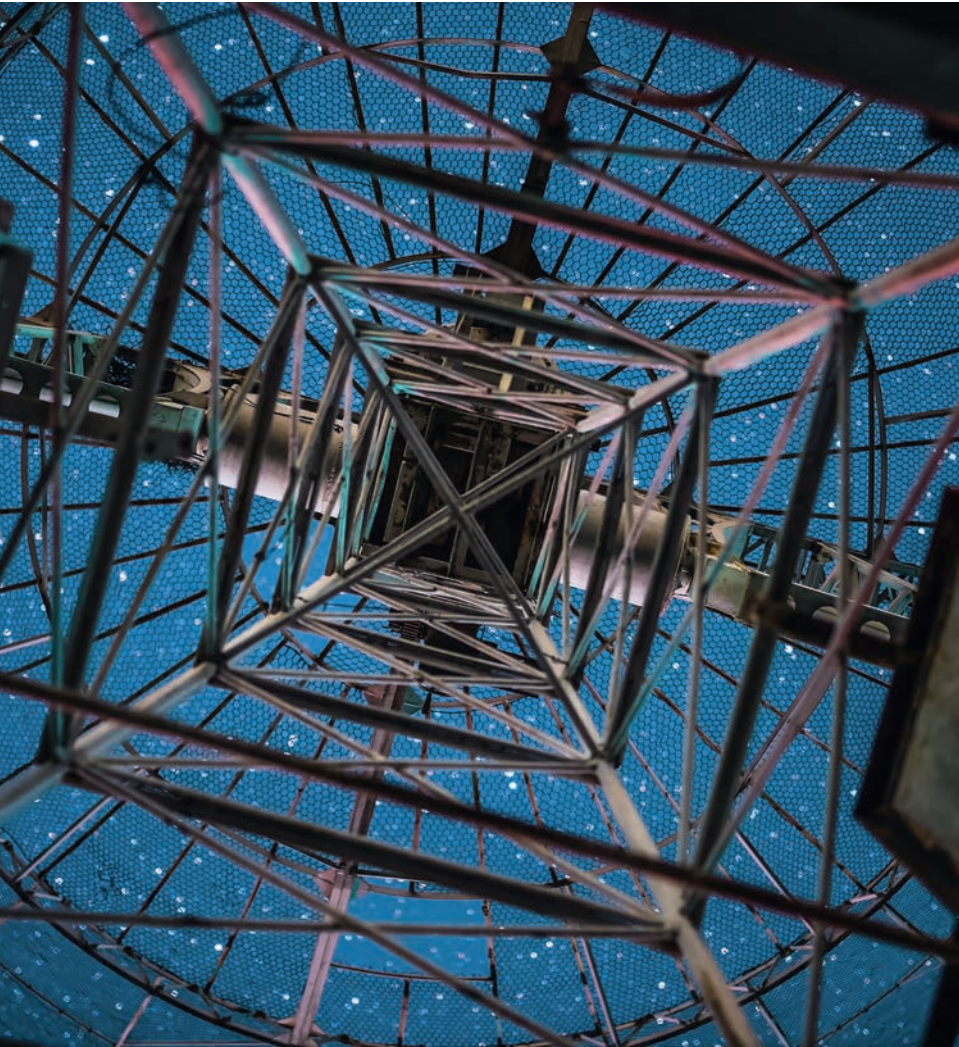
55% say SDG9 is a priority. One main target is to develop quality, reliable, sustainable and resilient infrastructure to support economic development and human wellbeing – an obvious opportunity for the industrial and construction sectors. However other targets offer opportunities for many different types of business to play a role. They offer an incentive to financial services to support small-scale industrial and other enterprises, in particular in developing countries, by extending affordable credit. And they call on technology and telecoms companies to significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.

Figure 5: Top prioritised SDGs by industry

	Global	Energy, utilities & mining	Financial services	Industrial products	Retail & consumer	Technology, media & telecoms	Transport & logistics
1	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	13 CLIMATE ACTION
2	13 CLIMATE ACTION	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	8 DECENT WORK AND ECONOMIC GROWTH	8 DECENT WORK AND ECONOMIC GROWTH
3	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	8 DECENT WORK AND ECONOMIC GROWTH	4 QUALITY EDUCATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	3 GOOD HEALTH AND WELL-BEING	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
4	3 GOOD HEALTH AND WELL-BEING	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH AND WELL-BEING	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION	4 QUALITY EDUCATION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
5	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5 GENDER EQUALITY	3 GOOD HEALTH AND WELL-BEING	2 ZERO HUNGER	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH AND WELL-BEING

Source: PwC, SDG Reporting Challenge 2018 Base: Companies with priority SDGs (362); EUM (56), FS (58), IP (92), R&C (66), TMT (64), T&L (26)



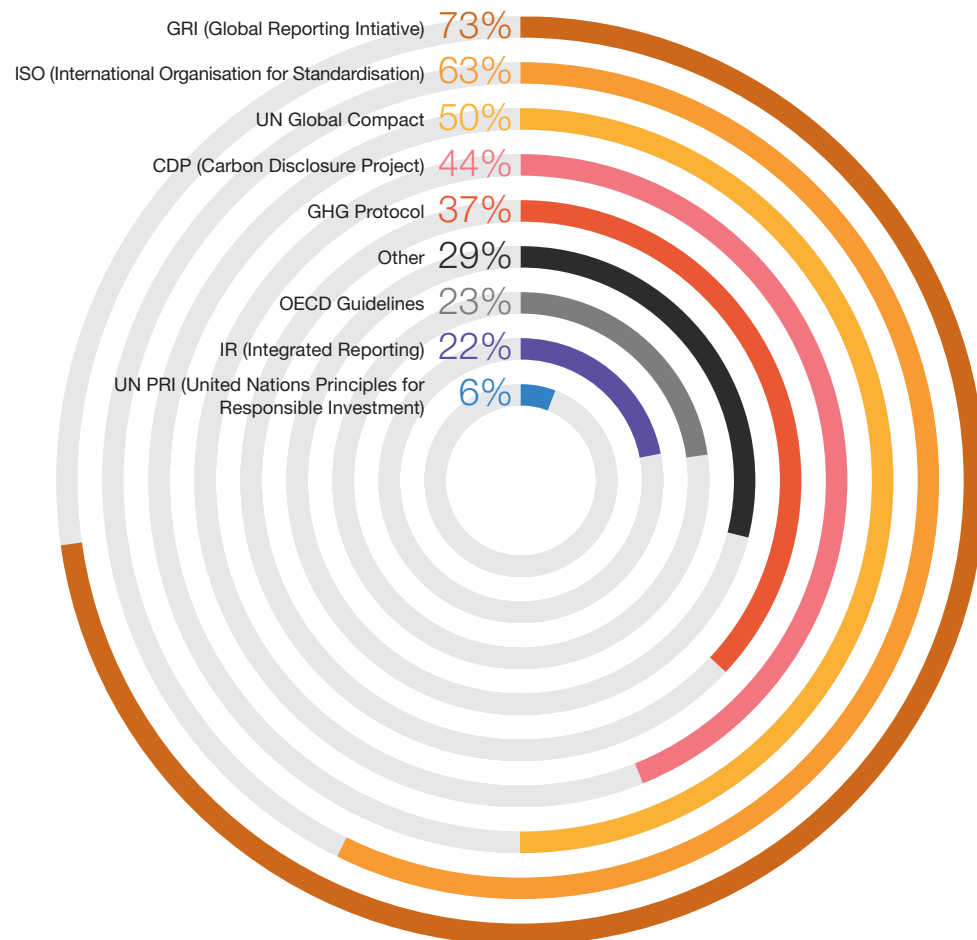


In some cases it appears that companies simply are selecting SDGs that correspond to existing activities and metrics they are already capturing. As a first step this makes sense but it also suggests that the organisations are viewing the SDGs as another reporting lens rather than an opportunity and responsibility for the entire business. While it is important to disclose existing efforts that are demonstrably driving positive change, more needs to be done in terms of identifying new actions that could contribute to the SDGs, what that means in terms of opportunities within the business and any instances where negative impacts need to be addressed. Simply relabeling existing efforts in SDG terms will be insufficient to create the scale of change that is necessary to achieve the SDGs. And it is imperative that companies account for operations that may cause negative impacts on the SDGs, so they can then strategise how to halt those activities.

One other flaw that we have noticed is that, while many companies are referring to having priority SDGs, they fail to look more deeply at each Goal and investigate the underlying targets. Very few go into more detail in terms of concrete KPIs to measure their performance over time. (See Case study: Danone on page 17).

There may be several reasons for this superficial engagement:

- 1. Measurement.** Companies need more guidance on how to measure positive and negative impacts in key areas, and how these link to the SDGs and their underlying targets. Even before companies can get to measurement, they have to establish those issues that are more or less material for the future of the business, in terms of significant risks and opportunities. These can then be used to identify which SDGs need to be the focus of attention. The importance of this is often well understood, but it can be challenging to achieve in practice.
- 2. Reporting frameworks.** Companies also need more clarity on how to make the link between SDGs and established reporting frameworks and standards. This would also help to drive comparability of data between companies. Extensive work has already been undertaken by the United Nations Global Compact (UNGC) and the Global Reporting Initiative (GRI) to identify the key actions and relevant business disclosures for each of the 169 SDG targets, which provides a foundation for this approach. (See Business Reporting on the SDGs: An Analysis of the Goals and Targets on page 17).

**Figure 6: International frameworks and standards****Q. Which frameworks and/or standards does the company refer to?**

The three sustainability frameworks that are most referred to by our sample of companies were GRI, International Organisation for Standardization (ISO) and UNGC (See Figure 6: International frameworks and standards) – all of which offer different ways of approaching sustainability disclosures but none of which include specific or detailed guidance on disclosures for the SDGs. As measurement linked to relevant targets and internationally accepted standards matures, so company reporting will become more meaningful, comparable and focused on real contribution to achieving the SDGs.

3. **Sector collaboration.** Action at the sector level is important but for some has been slow to take off. One way of developing sectoral best practices is for the CEOs of the leading companies to work together to drive action by creating sector roadmaps. The World Business Council for Sustainable Development (WBCSD) has created guidance for leading CEOs on this area specifically, and there are best practices available for how organisations are already working together, for example in the Chemicals sector (See Case Study: European Chemical Industry Council (Cefic) on page 18).
4. **Government.** There is varied level of uptake and uneven policy-making from governments. Many companies are still waiting for guidance from government – and they need certainty over government policy that could impact their investment decisions before taking action or altering their course. However, many governments are pre-occupied by other priorities and lack resources and expertise to engage the business community. Also there are quite wide variations in how engaged governments have been up until this point. Three years into the agenda just 111 of the 193 UN member states have produced reviews of their own national progress. And while 12 G20 countries have mapped the alignment of existing national strategies to the SDGs, only 7 of them (or 35%) have identified official key national statistics to monitor the implementation of the SDGs.<sup>5</sup>





## An Analysis of the Goals and Targets

The Analysis of the Goals and Targets is the first target-level tool for business to comprehensively understand their possible contribution and impacts on each SDG target. It contains a list of established business disclosures, including qualitative and quantitative indicators from existing reporting frameworks to help identify the most material SDG issues to one's business and improve corporate reporting by using the available indicators under the relevant targets.



## Integrating the SDGs into Corporate Reporting: A Practical Guide

UNGC and GRI (with technical support from PwC) have published a practical guide to support corporate reporting on the SDGs. This guide is an important contribution to helping business embed the SDGs in their existing reporting processes in alignment with the Ten Principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the GRI Standards. It completes a toolkit developed by the Action Platform to promote and facilitate effective corporate reporting on the SDGs.<sup>6</sup>

<sup>6</sup> PwC, Taking Action on SDG Reporting, <https://www.pwc.com/gx/en/services/sustainability/sustainable-development-goals/business-reporting-on-the-sdgs.html>

## Case study

### Major focuses



## Danone - France

Danone reports on its contribution to the SDGs in its Integrated Annual Report. The SDGs have been divided into three categories: major focus (corresponding to subjects that embody the strategic mission of Danone), commitments and contribution. Danone has identified 7 “major focuses” (SDGs 2, 3, 6, 12, 8, 13 and 17) and 6 “commitments” (SDGs 1, 14, 15, 16, 5 and 7). For each of these, Danone describes the relevant targets and related business themes important for the Group. For example, for No Poverty (SDG1), Danone notably mentions the “availability of products and services for those on low income”. The Group then explains its commitment on each SDG, provides examples of relevant initiatives and discloses KPIs.

Source: <http://iar2017.danone.com/vision-and-ambition/contribution-to-the-uns-sdgs/?L=>





## Case study

### European Chemical Industry Council (Cefic) – A pragmatic approach to align sectors behind a shared SDG roadmap

Common challenge: Finding a pragmatic approach to align the industry practically behind a joint roadmap towards the achievement of the SDGs.

Response: Cefic and representatives from the chemical industry have contributed to a project led by the World Business Council for Sustainable Development (WBCSD) to pilot a framework that guides sector organisations on their SDG road-mapping. The Framework provides a pragmatic approach to align corporate action through a SDG roadmap that aligns corporate initiatives, supports in setting a sectoral vision and can facilitate in telling a coherent story to stakeholders on how an industry impacts and contributes to the SDGs. The Framework provides clear guidance for organisations that wish to align initiatives on SDGs into a strategic roadmap. The Framework guides organisations to 1) understand the sector's impact on the SDGs, to 2) prioritise where the sector can make the most significant contribution to the SDGs and 3) investigate how the sector and others can be inspired to define joint action. The Framework can provide guidance to companies and sector organisations of all industries that wish to define a robust SDG roadmap. With the support of Cefic, the Framework has been piloted by the chemicals industry and key companies from the industry to explore and refine the Framework through practically applying it. To access the SDG Framework, please refer to: <https://www.wbcd.org/Programs/People/SustainableDevelopment-Goals/SDG-Sector-Roadmaps/Resources/SDG-Sector-Roadmaps>

Source: <https://www.csreurope.org/sites/default/files/uploads/CSR-Europe-White%20Paper-2018.pdf>



### The French approach to SDG reporting

In a context where legislation on the disclosure of CSR information has been in force for the past 15 years, French companies easily track and report on a range of KPIs. These KPIs, which cover subjects such as GHG emissions, gender balance, business ethics, human rights and supply chain, are relevant to an assessment of companies' contribution to the achievement of the SDGs and make this measurement and reporting exercise easier for them.

The vast majority of French companies listed on the CAC40 index communicate about their engagement with the SDGs. Among those, two thirds have selected priorities. Where globally the SDGs are usually addressed through the sustainability report, in France, nearly 75% of CAC40 companies address them in their Registration Document, a financial communication document addressed to the community of investors.

The French government has also actively engaged with the private sector and has included the SDGs in its 2020-2030 Strategy for Sustainable Development. A High Level Steering Committee for the SDGs was launched in April 2018 sponsored by two Ministries (Ministry for the Ecological and Inclusive Transition and Ministry for Europe and Foreign Affairs), inviting business participation and contribution to France's roadmap for the implementation of the SDGs.

In order to move beyond the current superficial engagement we believe that companies should aim to prioritise those Goals where they can have the greatest impact. To do this properly, they must look at the targets that sit underneath the Goals, as it is only when you look at this level of detail that you can really identify where best to take action.

Take Clean Water and Sanitation (SDG6) for example. Rather than simply prioritising the Goal companies should consider the underlying targets tied to the Goal. Take target 6.3 “minimising release of hazardous chemicals” or target 6.4 “increase water use efficiency”. These are the type of tangible issues that CEOs and business managers understand and so therefore can set concrete action plans and targets to drive change.

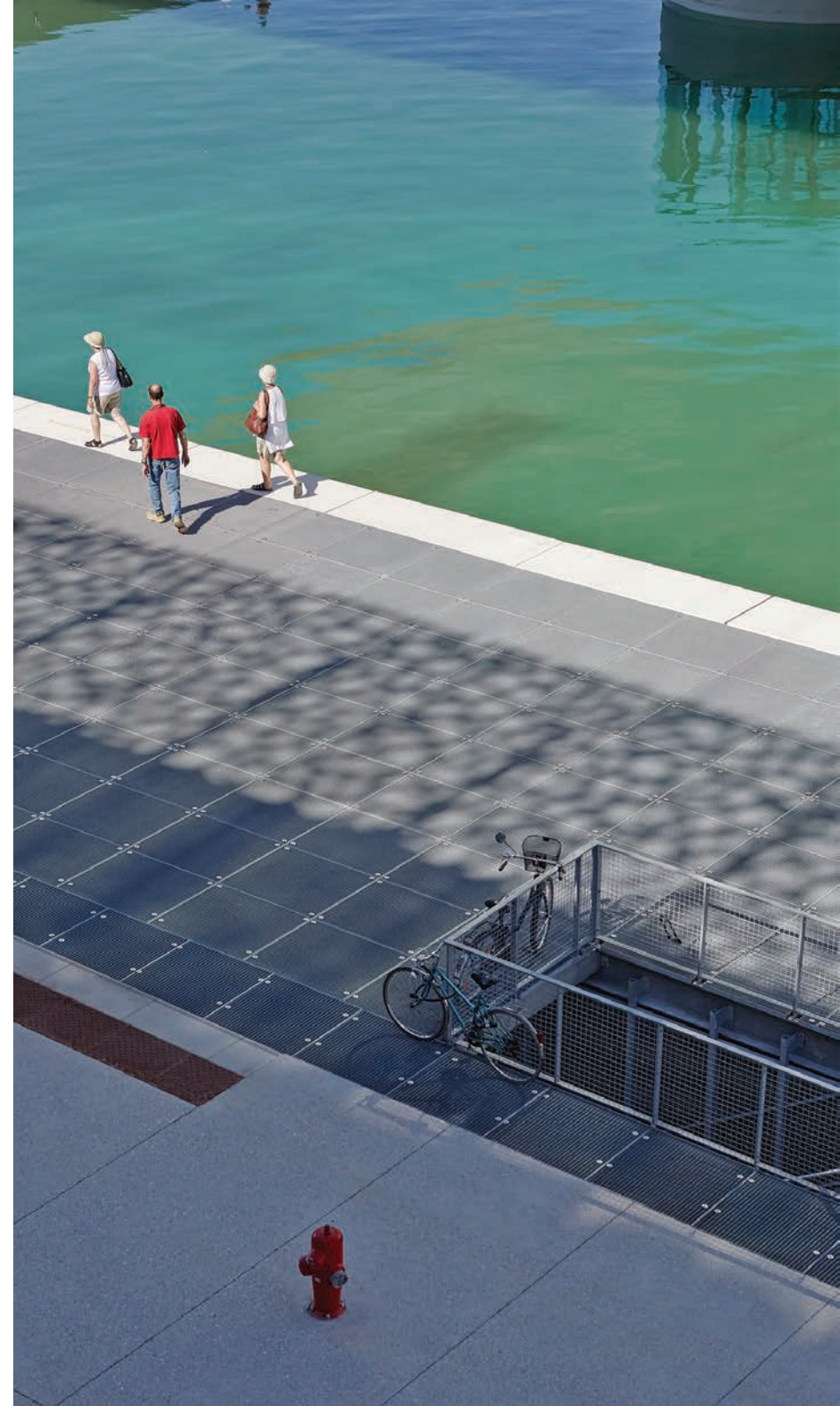
That action can take two forms. It may involve doing something positive to meet the Goal, or it could involve identifying where the business is currently having a negative impact and putting in place ways to halt or reduce that impact.

### Turning priorities into business strategy

For those forward-thinking businesses that embrace the SDGs at a corporate level, they will be instrumental in delivering business success and growth over the next decades – opening new market opportunities. They should help determine where organisations make investment decisions, direct their research and development resources and shape new product offerings. When seen through this lens it becomes clear that prioritising the most relevant SDGs is an essential first step for an organisation in order to determine where to focus their strategic attention.

Focusing business strategy on those new market opportunities offered by the SDGs will in turn impact the financial results, and so it should be in the interest of every Chief Financial Officer. By embedding SDGs into business strategy, the language shifts from ‘sustainability talk’ to business opportunities and hence makes it a business priority for more than just the sustainability team.

Of those companies that had prioritised the SDGs (362 companies), we found that 54% included this work in their reporting on business strategy. However, when you include those companies who haven’t prioritised SDGs it becomes clear just how much work still needs to be done in making the Goals part of business strategy. Taken as whole, just 27% of companies have both identified priority SDGs and integrated them into business strategy. Even then it’s difficult to ascertain just how thorough the integration into business strategy has been.





“



With just 12 years left to the 2030 deadline, we must inject a sense of urgency. Achieving the 2030 Agenda requires immediate and accelerated actions by countries along with collaborative partnerships among governments and stakeholders at all levels. This ambitious Agenda necessitates profound change that goes beyond business as usual.

UN Secretary General Antonio Guterres<sup>7</sup>

“



To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

Larry Fink, Chairman and CEO, Blackrock Inc.<sup>8</sup>

<sup>7</sup> <https://unstats.un.org/sdgs/report/2018>

<sup>8</sup> <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>





## The importance of KPIs

Using SDG relevant KPIs provides the all-important bridge between prioritising the Goals, embedding them into business strategy and action planning, and, in turn, producing better reporting. By setting targets and KPIs and making the link to the value created or destroyed for society as a whole, companies can demonstrate in their reporting how they are taking action towards the SDGs rather than just talking about them in a non specific way.

Consider Gender Equality (SDG5). To evaluate business strategy and performance we looked at three KPIs for each company around this Goal – the percentage of female employees within the total workforce, the percentage of female managers (excluding those at board level) and the percentage of female board members.

Across all 729 companies female employees make up 37% of the workforce but only 28% of managers. The number of female board members was fewer still – just 22%.

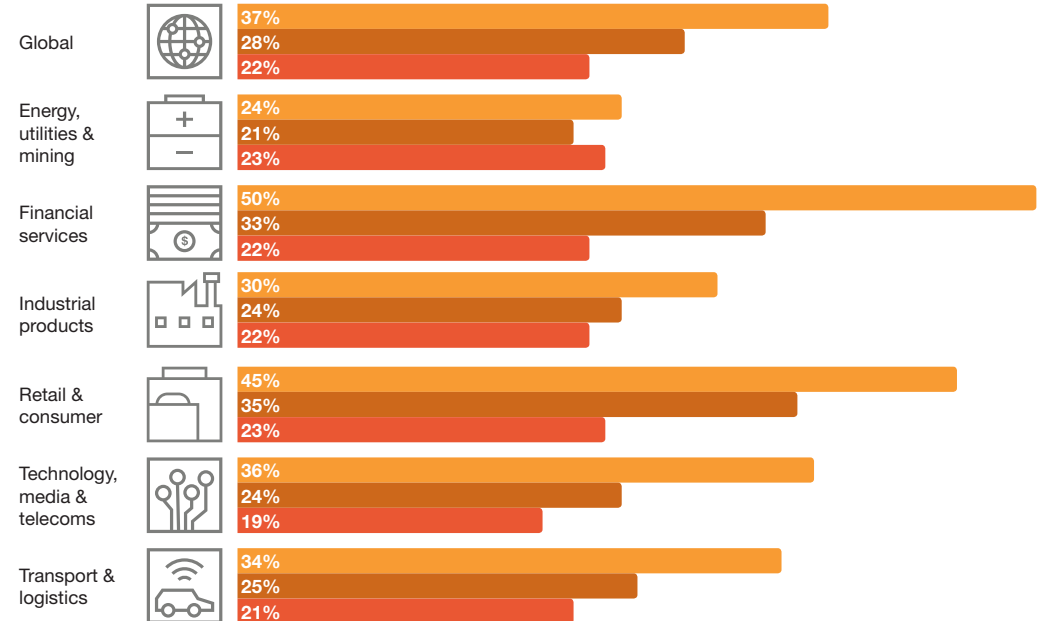
While the collective percentages tell a story about business as a whole, these Gender Equality KPIs become more useful when applied to a sector and then to an individual company (See Figure 7: Business performance for Gender Equality (SDG5)). That's because most companies will be able to record their progress year-on-year in regard to specific data such as gender representation percentages at different levels of management. This way they can chart their progress in meeting or failing to meet the SDG-related KPIs and can reflect more accurately on the work in their corporate reporting.

The KPIs for Gender Equality (SDG5) are just one example of how businesses are measuring and tracking progress towards the SDGs. We've collected performance data on 20 commonly reported KPIs for each of the 729 companies analysed (See Benchmark your performance on page 33).

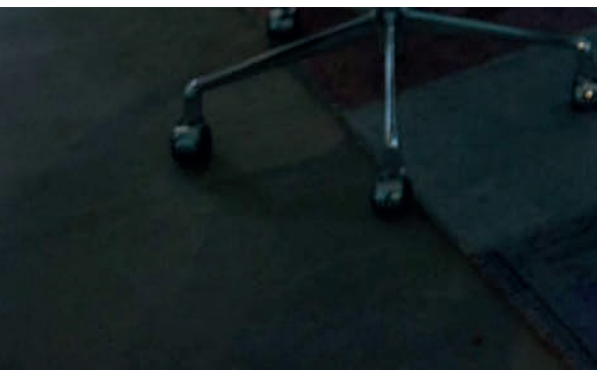
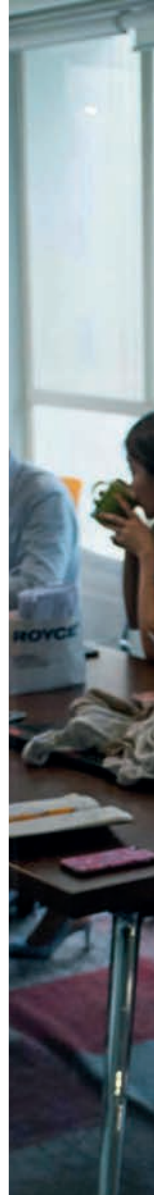


**Figure 7: Business performance for Gender Equality (SDG5)**

■ Female employees ■ Female managers ■ Female board members



Source: PwC, SDG Reporting Challenge 2018 Base: Female employees: 619; 87; 128; 153; 99; 103; 49  
Female managers: 494; 63; 109; 127; 79; 85; 31 Female board members: 631; 79; 128; 156; 105; 111; 52



# Reporting on SDG success

Transparent and relevant reporting on the SDGs is important both for providing feedback internally and also for communicating to investors and regulators on how companies are delivering on their business targets.

To determine the depth to which companies were reporting on their SDG commitments, we looked at the corporate and non-financial reporting of the companies and assessed the quality of the disclosures made on two business indicators for each of the stated SDGs they had prioritised (See Selected business reporting indicators on page 31 for full explanation).

## Reporting quality scoring method

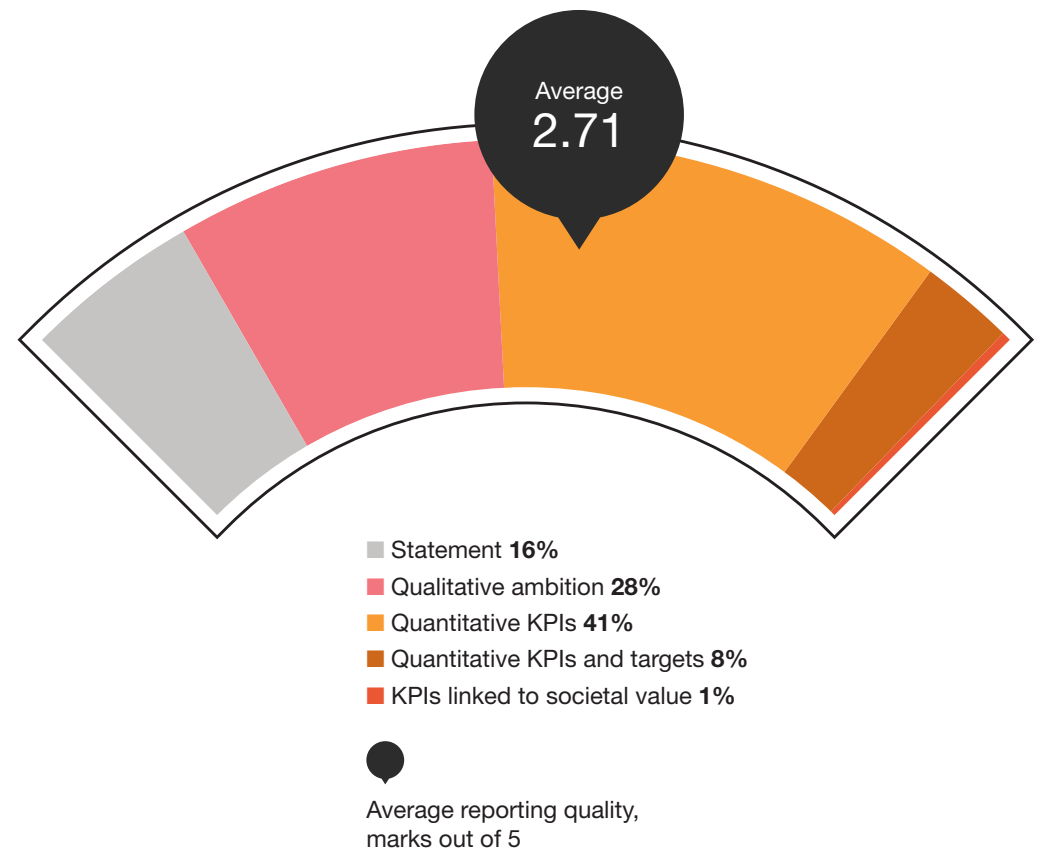
- 1 The company makes a statement about the SDGs and its importance but does not include any specific aspirations or ambitions.
- 2 The company makes a statement about the SDGs and includes a qualitative ambition or aspiration on achieving the SDGs that it has selected to be relevant to the business.
- 3 The company has clearly identified quantitative KPI for its relevant SDGs e.g. for the poverty SDG a quantitative KPI could be “% of workers that earn an amount equal or above living wage”
- 4 The company has clearly identified quantitative KPI, target for its relevant SDGs e.g. for the poverty SDG a quantitative KPI could be “30% of workers that earn an amount equal or above living wage by 2020”
- 5 The company links its SDG KPI to the societal impact e.g. fair/living wage level remuneration to societal such as improving livelihoods etc.

Overall the average score for reporting quality for those companies that had prioritised SDGs was 2.71 (out of 5) showing that companies are reporting on SDG topics somewhere between a qualitative and quantitative approach – an improvement on the 2.29 rating from 2017.

We think this improvement in performance could be due to a combination of two factors. First, we are one year further on since ratification of the SDGs in 2015 so companies have had more time to incorporate relevant measures on the Goals into their reporting. Second, the companies we selected this year are the largest companies from the participating territory listed indexes and so are more likely to have a higher quality of reporting in general.

The majority (41%) of companies who prioritised the SDGs have set qualitative ambitions/aspirations (i.e. a descriptive ambition) on achieving a specific SDG deemed relevant to the business. Just 28%, however identified quantitative KPIs for their relevant SDGs, and only 7% of companies linked those KPIs to societal impact (See Figure 8: Overall quality of SDG reporting). In short, despite many companies claiming to prioritise the SDGs, only a few are putting concrete measures in place to hold themselves to account and work out the impact of what they are doing.

**Figure 8: Overall quality of SDG reporting**







### The top three SDGs in terms of reporting quality

The top three SDGs based on reporting quality were Climate Action (SDG13) with an average score of 3.10, Affordable and Clean Energy (SDG7) with 2.93 and Quality Education (SDG4) scoring 2.65 (See Figure 9: Reporting quality scores for each SDG). Reporting on each of these topics is relatively more mature than some other environmental or social issues, and this is reflected in the higher scores for those metrics. This is driven both by the dominant reporting raters and rankers (such as the Dow Jones Sustainability Index or MSCI) demanding this information, as well as the reporting frameworks providing guidance on how to report meaningfully on human, social and environmental areas, as well as financial.

Figure 9: Reporting quality scores for each SDG





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# 28%

of companies  
had established  
quantitative KPIs

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# 40%

had also identified  
targets for those KPIs

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# 19%

had linked the KPIs  
and targets to societal  
value

In the case of GHG emissions reduction – one of our reporting performance indicators for Climate Action (SDG13) – 28% of companies had established quantitative KPIs, 40% had also identified targets for those KPIs and a further 19% had linked the KPIs and targets to societal value.

Part of the reason why the reporting quality for Climate Action (SDG13) performance indicators is so strong could be that the relevant reporting frameworks are very familiar – the Carbon Disclosure Project (“CDP”) has been used by companies for 15 years for example. The companies prioritising Clean and Affordable Energy (SDG7) were also able to demonstrate strong reporting quality, perhaps because there is likely to be a wealth of existing data that can be easily extracted from the business. For example, when we considered our indicator for “energy efficiency” 35% had established quantitative KPIs, 29% had identified targets for those KPIs and 15% had linked them to societal value.

### **The reporting gap**

Even among companies that have set clear SDG priorities, there remains a gap between their commitment to the Goals and their success in reporting on progress. Decent Work and Economic Growth (SDG8) and Responsible Consumption and Production (SDG12) were in the top three SDGs prioritised by business yet the reporting quality on these Goals requires improvement. Just one percent of companies had linked their quantitative KPIs and targets to societal value in regard to SDG8 while not one company had achieved this level of reporting in relation to SDG12.





# A blueprint for using the SDGs to develop sustainable business

The SDGs can be a driving force to help all organisations identify significant risks and opportunities, build resilient business models and implement effective strategies to achieve responsible growth, but they will only do so if every part of the organisation works towards meeting the Goals. At present, too many companies appear to be treating the SDGs as a sustainability issue rather than using them across their business to shape business strategy and embed them into operations.

CEOs and other senior executives have an important role to play because leadership is key. Once the board has embraced the importance of the Goals to the business as a whole, the rest of the organisation will follow their lead. They need direction however and that's where establishing meaningful KPIs for the entire business is important – ones that take into account economic, environmental and social factors and measure the impacts in terms of costs and benefits for the organisation and society. That way business can understand its current impact and work out what needs to be improved as well as identify new opportunities for growth.

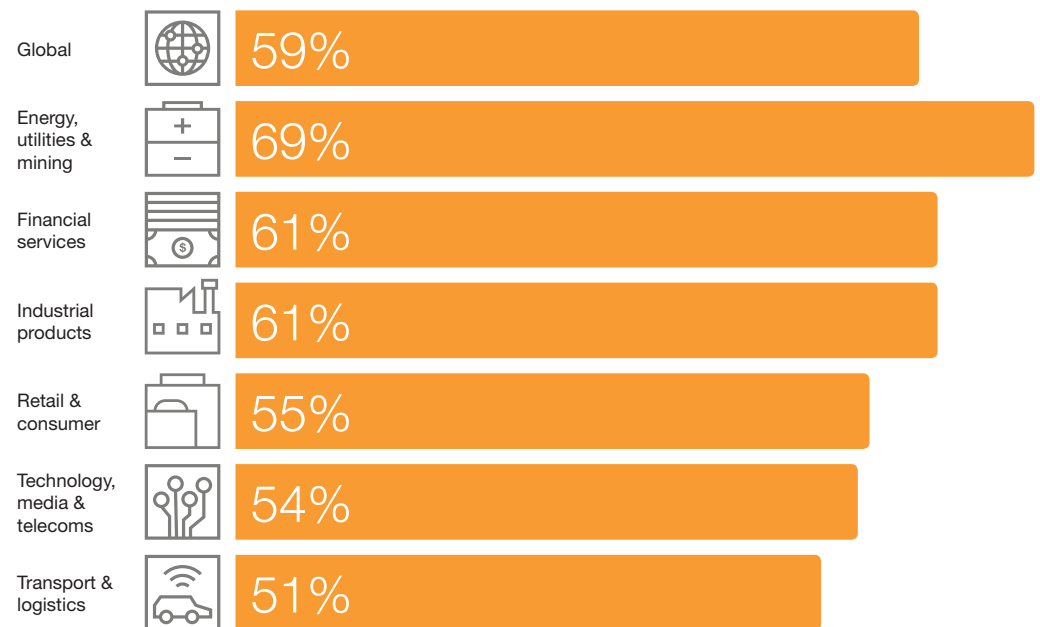
To do that most effectively, those KPIs should be rated, explained, quantitatively measured, and ideally put in monetary terms, so that the whole business and its stakeholders can understand the significance (through a consistent measure such as the monetary cost/benefit) of each goal and target and its relevance to the short and longer-term viability of the business.

Currently, many of the key leading bodies globally, such as standard setters, benchmarking organisations and industry bodies are working together to try to create a consistent set of indicators for business to measure their performance on the SDGs. This would be a transformative step, particularly if those KPIs could be disclosed in monetary terms, which would enable true comparison and understanding of a business' contribution to achieving the SDGs. Global trends show that the credibility of reporting can also be enhanced by external third party assurance. This gives stakeholders confidence in the data and the integrity of companies' reporting<sup>9</sup>.

Ultimately, as businesses improve the quality of their non-financial information to be on a par with the financials, so SDG performance reporting will be increasingly useful and better drive sustainable business strategy and success. That will help all parts of the business buy into the SDGs and, in turn, help make the current promise of the Goals a reality.

**Figure 10: Business is assuring its non-financial information**

**Q. % of companies who reported that the non-financial information is assured by a third party**



Source: PwC, SDG Reporting Challenge 2018 Base: All companies (729); EUM (97), FS (140), IP (183), R&C (125), TMT (125), T&L (59)

<sup>9</sup> WBCSD and PwC, Enhancing the credibility of non-financial information: the investor perspective, <https://www.wbcd.org/Programs/Redefining-Value/External-Disclosure/Assurance-Internal-Controls/Resources/Enhancing-the-credibility-of-non-financial-information-the-investor-perspective>



Figure 11: A blueprint for SDG success



# Research methodology

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## 729

companies analysed

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## 21

territories

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Representing

## \$12.4 trn

in revenue

### Overview and company selection

We analysed the published information of 729 companies from 21 territories across 6 broad industries. Each territory's sustainability team selected companies listed on an appropriate local public company index to analyse so our research would include the largest and most influential companies across our surveyed regions. This approach changed from the 2017 SDG Reporting Challenge. Because of this new approach, a direct comparison to the 2017 research is not always applicable. Going forward, we hope to continue our 2018 approach to company selection and thus can better review the year on year trends.

As part of our review of publicly available information, we focused on integrated reports, annual reports and sustainability reports using data from the fiscal year 2017 reports. We did not include one-off website data or stories from company websites. On the basis of this information, we identified what each company was disclosing in relation to the prioritisation of different SDGs and assessed how companies report on the SDGs that they have identified as a priority, as well as assessed their disclosures on a number of key sustainability indicators. This has enabled us to benchmark performance against that of their peers.

### SDG prioritisation

Many companies have chosen priority SDGs which they identify as most relevant to their operations, strategy and/or stakeholders. We identified which SDGs had been prioritised by the companies in our sample. Those priority SDGs were then evaluated for their reporting quality; if a company did not select priority SDGs then they were not reviewed on reporting quality.

### Reporting quality

To determine the quality of SDG reporting, we studied the 729 companies' corporate reports (annual report, integrated report and/or sustainability report). We looked at whether they prioritised one or more SDGs and, for those that did, we assessed their reporting quality based on two business indicators for each SDG – 34 in total. For each of the priority SDGs, the company was assessed on 2 indicators. The full set of 34 indicators are set out in Selected business reporting indicators on page 31.

#### Notes:

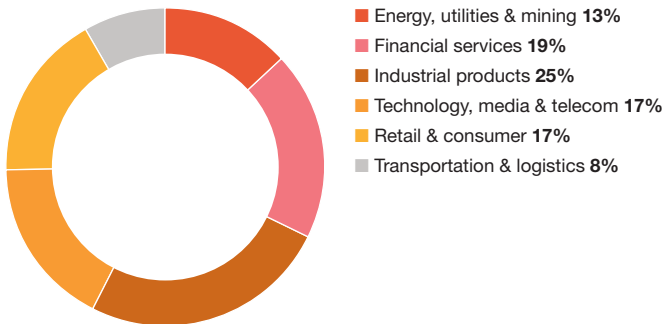
- Not all figures add up to 100%, due to rounding of percentages and exclusion of 'not reported' figures.
- The base for figures is 729 (all companies) unless otherwise stated.



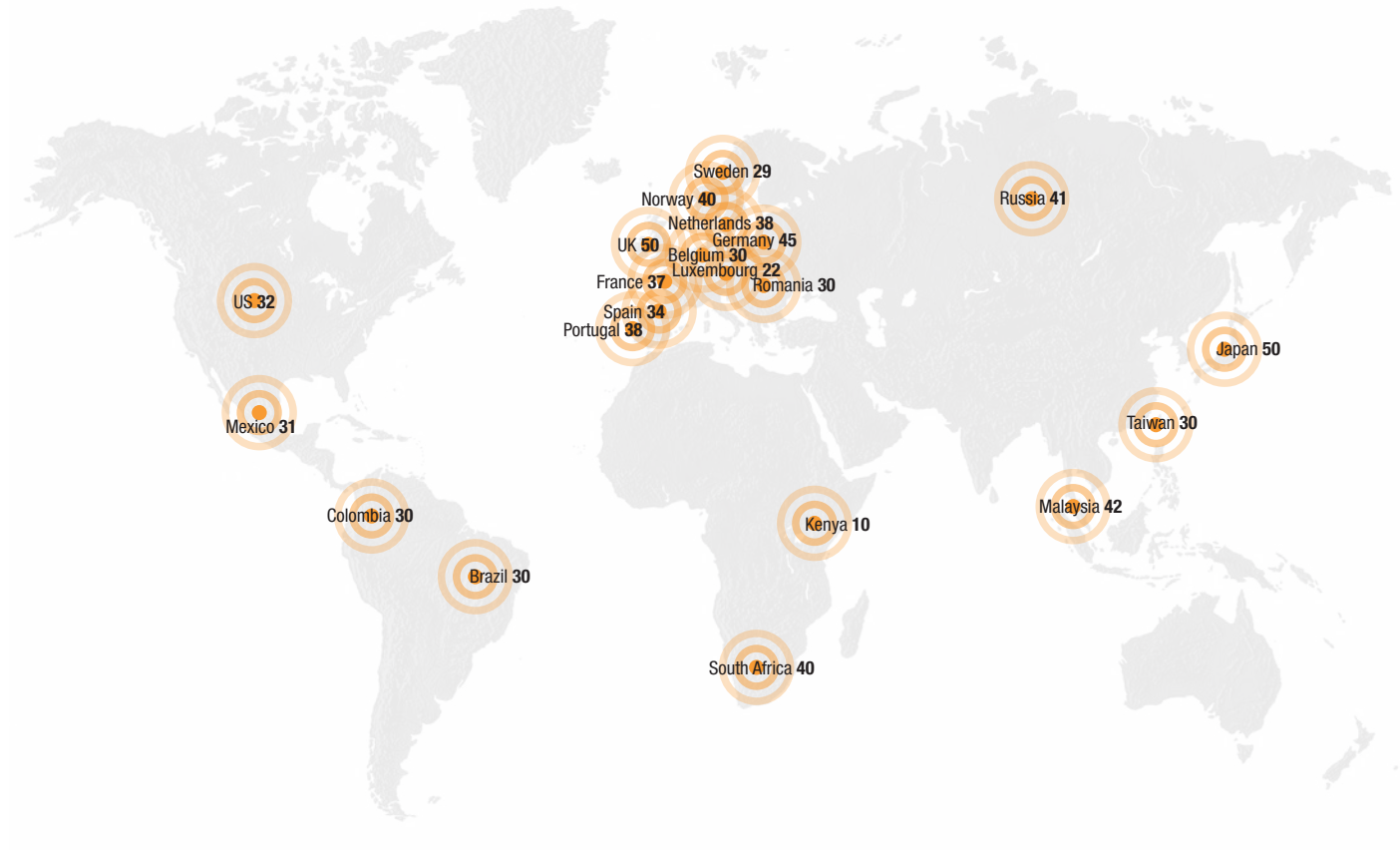
To score companies on the 34 indicators, we used a 1-5 scale. Scores were awarded based on the following ascending scale of SDG reporting success:

1. The company makes a statement about the SDGs and their importance but does not include any specific aspirations or ambitions
2. The company makes a statement about the SDGs and includes a qualitative ambition or aspiration on achieving them
3. The company identifies quantitative KPIs for its relevant SDGs
4. The company identifies quantitative KPIs and targets for its relevant SDGs
5. The company links its SDG KPIs to its societal impact










#### Industry breakdown











#### Number of companies analysed per territory



## Selected business reporting indicators

SDG	Reporting indicators		
	1. End poverty in all its forms everywhere	1.a % of workers that earn an amount equal or above living wage	1.b Report on the company's programmes to support poor communities around its facilities
	2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.a Report on the company's efforts to end hunger, including reducing food waste or sector specific activities (not considering the supply chain – supply chain focus is 2.2) (new in 2018)	2.b Report on the company's supplier diversity programmes. Please report on the company's efforts to end hunger, including reducing food waste or sector specific activities in the supply chain, through supplier programmes. (new in 2018)
	3. Ensure healthy lives and promote wellbeing for all at all ages	3.a Report on the company's policy to promote health and wellbeing of workers along the value chain	3.b Report on the company's programmes to promote healthy lives and wellbeing for all
	4. Ensure inclusive and equitable quality education promote lifelong learning opportunities for all	4.a Report on the company's policy to promote lifelong learning opportunities for workers along the value chain	4.b Report on the company's programmes to promote education on the skills that will support future business needs
	5. Achieve gender equality and empower all women and girls	5.a Report on company's programmes to ensure equal pay for equal work between women and men. (new in 2018)	5.b Representation of women in management positions
	6. Ensure availability and sustainable management of water and sanitation for all	6.a Fresh water consumption reduction	6.b Proportion (%) of waste water safely treated
	7. Ensure access to affordable, reliable, sustainable and modern energy for all	7.a Increase in energy efficiency	7.b % of energy from renewable sources
	8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.a Proportion (%) of workers along the value chain with permanent employment contracts and agreements around fair labour practices	8.b LTA rate reduction. (lost-time accident rate reduction)
	9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	9.a R&D investments per territory/ \$ of revenue per territory	9.b Report on the company's programme to support the inclusion of small businesses in the supply chain



SDG	Reporting indicators		
	10. Reduce inequality within and among countries	10.a Equal opportunities for employees, including employees that are employed by company that have diverse backgrounds or disabilities. (new in 2018)	10.b Top earner income relative to the median compensation for all employees per territory (G4 54)
	11. Make cities and human settlements inclusive, safe, resilient and sustainable	11.a Investment in water, sanitation, energy or telecoms with private participation (new in 2018)	11.b Employee commuting programmes (especially as it relates to providing safe and sustainable means of transportation) (new in 2018)
	12. Ensure sustainable consumption and production patterns	12.a Material footprint / \$ of revenue*	12.b % of recycled waste
	13. Take urgent action to combat climate change and its impacts	13.a GHG emissions reduction	13.b Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets (new in 2018)
	14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	14.a Impact of the business on aquatic ecosystems	14.b Report on the company's programme to address future risks from aquatic ecosystem resource depletion
	15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	15.a Impact of the business on terrestrial ecosystems	15.b Report on the company's programme to address future risks from terrestrial ecosystem resource depletion
	16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.a Report on the company's inclusion of environmental, social and governance issues into the corporate governance system	16.b Report on the company's policy to promote fair business (like corruption prevention and whistleblowing policy)
	17. Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	17.a Total tax contribution / \$ of revenue	17.b \$ invested in multi-stakeholder partnerships

\*Note: Material Footprint (MF) is the attribution of global material extraction to domestic final demand of a territory. The total material footprint is the sum of the material footprint for biomass, fossil fuels, metal ores and non-metal ores.









Material footprint of consumption reports the amount of primary materials required to serve final demand of a territory and can be interpreted as an indicator for the material standard of living/level of capitalization of an economy. Per-capita MF describes the average material use for final demand. (according to <https://unstats.un.org/sdgs/metadata>)

## Benchmark your performance

To understand the progress companies are making towards the SDGs, we collected data on 20 commonly reported KPIs and company information on revenue and employees.





To define our criteria, we took the following into account:

- To promote comparability across different companies, we selected indicators that are relevant for all sectors.
- With our indicator set, we aimed to represent a broad selection of the globally determined 169 targets that underpin the 17 SDGs.
- We included indicators that focus on the direct impact of companies, more indirect impacts through the supply chain and the overall global responsibility of business.

SDG	Performance indicators
	<b>Employee health and safety</b> Expenditure on employee health and safety (total company's cost of occupational safety and health related programmes, direct costs of enterprise healthcare activities, costs on related working environment issues)
	<b>Employee training hours</b> Average hours of training that the organisation's employees have undertaken (split by gender and employee category)
	<b>% of female employees</b> The % of female employees within the total workforce
	<b>% of female managers</b> The % of female employees within the manager layer
	<b>% of female board members</b> The % of female board members (both executive board and supervisory board)
	<b>Total water consumption</b> The total consumption of fresh water in litres, for the reporting periods 2017 and 2016
	<b>Energy consumption</b> The total consumption of energy. If the company splits energy consumption into gas consumption and electricity consumption, please calculate the total energy consumption, for the reporting periods 2017 and 2016
	<b>% Renewable energy</b> % of energy from renewable sources



SDG	Performance indicators
	<b>Safe working conditions</b> Incident rates of occupational injuries
	<b>Research and development</b> Expenditure on research and development (IAS 38)
	<b>Total employee salary</b> The total amount spent on employee salaries
	<b>CEO salary</b> The amount spent on CEO salary
	<b>Employee wages</b> Employee wages and benefits, broken down by employment type and gender
	<b>Kg waste</b> The total amount of produced waste for the reporting periods 2017 and 2016
	<b>% Recycled waste</b> The amount of recycled waste as a % of total waste for the reporting periods 2017 and 2016
	<b>Scope 1 CO<sub>2</sub> emissions</b> Direct, Scope 1 CO <sub>2</sub> emissions conform GHG protocol (emissions from burning gas, diesel, coal, etc.)

SDG	Performance indicators
	<b>Scope 2 CO<sub>2</sub> emissions</b> Indirect, Scope 2 CO <sub>2</sub> emissions conform GHG protocol (emissions from electricity, purchased heat, steam, etc.)
	<b>Scope 3 CO<sub>2</sub> emissions (total)</b> Purchased goods and services Capital goods Fuel-and-energy-related activities (not included in Scope 1 or 2) Upstream transportation and distribution Waste generated in operations Business travel Employee commuting Upstream leased assets Downstream transportation and distribution Processing of sold products Use of sold products End of life treatment of sold products Downstream leased assets Franchises Investments Other (upstream) Other (downstream)
	<b>Science based targets</b> Has the company adopted science based emissions reductions targets?
	<b>Tax Payments</b> The total amount of tax payments for the reporting periods 2017 and 2016

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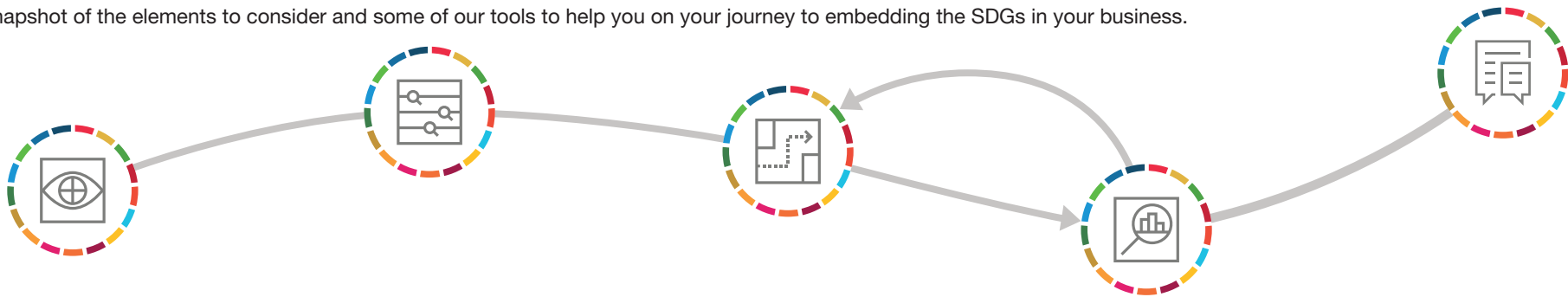
Jonathan Grant, UK  
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 Geoff Lane, UK  
 Sarah Grey, UK  
 Linda Midgley, Netherlands



# How we can help

We can help you consider how the SDGs are relevant and can add value to your business – from strategy and impact assessment through to measurement and reporting. Engaging with them effectively is a gamechanger that will help you identify medium and longer term opportunities for optimising value both for your business and for society. We can guide you on the best approach for your business and put you in touch with the most relevant specialists in your sector and territory.

Here is a snapshot of the elements to consider and some of our tools to help you on your journey to embedding the SDGs in your business.



Awareness raising	Prioritisation	Strategy and implementation	Measurement (SDG Strategy Analytics)	Reporting
<b>Build the business case to engage with the SDGs</b> <ul style="list-style-type: none"> <li>Introduce concepts</li> <li>Explore background research</li> <li>Read our comprehensive guidance about what the SDGs are and how they are relevant for business and investors</li> <li>Understand worst performing SDGs per country, and those with most potential opportunity and impact by industry using the SDG Selector</li> </ul>	<b>Use the Global Goals Business Navigator to understand which SDGs are relevant to your business</b> <ul style="list-style-type: none"> <li>Identify the SDGs that are most relevant to your business given your countries, territories and sectors of operation</li> <li>Evaluate which SDGs your business can best contribute to</li> <li>Identify the significant risks and potential opportunities</li> </ul>	<b>Define the approach and engage internally to align business activity and practice to the SDGs</b> <ul style="list-style-type: none"> <li>Identify new opportunities for revenue growth</li> <li>Consider altering existing systems. eg cost reductions or system efficiencies</li> <li>Analyse which options give the highest shared value - i.e. the greatest value for the business and the greatest value for society</li> <li>Set and communicate performance indicators and targets</li> <li>Monitor and track progress</li> </ul>	<b>Measure impact and performance against the SDGs using our Total Impact Measurement and Management framework<sup>1</sup></b> <ul style="list-style-type: none"> <li>Quantify SDG-related impacts by monetising them in terms of the societal value created (or destroyed).</li> <li>Compare your contribution across different types of Goals e.g. Education vs. Health.</li> <li>Contribute to improved decision making</li> </ul>	<b>Align reporting to the SDGs and share progress with stakeholders</b> <ul style="list-style-type: none"> <li>Make it easier for stakeholders to understand your business contribution to the SDGs</li> <li>Use established standards, frameworks and business disclosures to improve your corporate reporting for the most material SDG issues to your business</li> <li>Get third party assurance on your non-financial information</li> </ul>

# Further reading



## Business Reporting on the SDGs: An Analysis of the Goals and Targets

<https://www.pwc.com/gx/en/sustainability/publications/assets/sdgs-business-reportinganalysis.pdf>



## Integrating the SDGs into Corporate Reporting: A Practical Guide

<https://www.unglobalcompact.org/library/5628>



## Collaboration for Impact: Maturity and integration of sustainability in European sector associations

<https://www.csreurope.org/sector-associations-have-potential-raise-sustainability-impact-through-increased-collaboration#.W2rKn9JKg2y>



## The SDG Investment Case

<https://www.unpri.org/about/sustainabledevelopment-goals>



## Navigating the SDGs: a business guide to engaging with the UN Global Goals

<https://www.pwc.com/gx/en/sustainability/publications/PwC-sdgguide.pdf>





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