The disclosure of Sustainable Development Goals (SDGS) by the top 50 Australian companies: An exploratory study

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Introduction

■ Social and environmental issues

■ Companies, Sustainable development and Reporting
  
  - Proponents of the sustainable development concept highlight that economic development should be aligned with addressing social and environmental issues (Stern 2009; Gore 2016).

■ Companies and Sustainability reporting – GRI and IIRC

■ Companies largely focus on economic issues and primarily disclose social and environmental information in order to appear legitimate to their various stakeholders (Milne & Gray 2012; Cho et al. 2015; Bebbington & Unerman 2018).
Introduction

■ United Nation’s 2030 Agenda for Sustainable Development
  - a shared blueprint for peace and prosperity for people and the planet, now and into the future
  - 17 goals and 169 associated targets
  - Poverty, Hunger, Health, Education, Gender Equity, Climate Change, Life on Land, Life under Water, Responsible Consumption and Production and Partnerships

■ SDGS and Companies
  - an opportunity for companies to contribute to sustainable development
  - an opportunity for organizations to overcome the existing deficiencies of sustainability reporting and contribute to a sustainable world (Bebbington & Unerman 2018)
  - Companies have acknowledged that they have a role in addressing these goals (PWC 2015, 2018; Globescan & SustainAblity 2017; AICPA 2018).
Research aim

This study explores how the top 50 Australian companies are disclosing their commitment to addressing the Sustainable Development Goals (SDGs) formulated by the United Nations in 2015.
Bebbington and Unerman (2018, 18) outline a research agenda for future research in accounting that calls for exploring the relationship between technologies of accounting, measurement and reporting with SDGs.

To grapple with increasing complexity in social and environmental accounting, Schaltegger, Etxeberria, & Ortas (2017) provide a framework for understanding innovation in accounting and sustainability reporting.

Metternicht & Wiedmann (2018) advocate for scenario modelling that uses backcasting and quantitative targets for assessing investment and contributions to the SDGs.

Global Reporting Initiative (GRI) and United National; Global Compact (UNGC) (2017) specifically provide a list of possible disclosures per SDG for companies to potentially adopt in their reporting.

Price Waterhouse Coopers (PWC) Reporting Challenge (2018, 3) report examined “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”.

KPMG’s (2018, 6) assessment of SDG reporting - Germany, France and the UK
Conceptual framework and research approach

- Content analysis of sustainability disclosure of top 50 Australian companies with a research instrument based on the 17 SDGs.
- Two phase data collection:
  - First stage identified whether SDGs were used in the commonly used sustainability media; annual and sustainability reports
  - Second phase examined the nature and the extent of SDG reporting in these companies using content analysis
- Use of SDG disclosure framework developed by KPMG (2018).
# KPMG (2018) framework

## 1. Understanding criteria

<table>
<thead>
<tr>
<th>Key questions</th>
<th>Evaluation elements</th>
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| 1.1 Does the reporting demonstrate the **business case** for taking action on the SDGs? | - SDG activity is built on a rigorous assessment of business risks and opportunities arising from the SDGs  
| | - Should convince investors/stakeholders and provide confidence that SDG activity is well planned and aligned to business strategy and goals  |
| 1.2 Does the **CEO and/or Chair’s message** talk about the SDGs? | Demonstrate leadership commitment to SDGs and integration into long term strategy  
| | (Tone from the top set by CEO or Chair about addressing SDGs)  |
| 1.3 Does the reporting assess the **business impact** on the SDGs? | - Balanced communication of SDG performance (both negative and positive)  
| | - Transparency and consideration of how a company is “contributing to global problems, as well as helping to solve them”. |
## 2. Prioritization criteria

<table>
<thead>
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<th>Key questions</th>
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| **2.1 Does the reporting identify priority SDGs for the company?**           | - Identify specific SDGs that are most relevant to the company and its stakeholders
                                                                                   (Companies should focus their attention on SDGs that are of ‘greatest actual and potential impact’) |
| **2.2 Does the reporting explain the methodology the company used to prioritize the SDGs?** | - Outline method the company adopted to identify and prioritize the most relevant SDGs
                                                                                   (This provides confidence about the rigour of the process followed and that SDGs were not cherry picked) |
| **2.3 Does the reporting identify specific SDG targets that are relevant to the business?** | - Disclose which of the 169 UN targets that underpin the SDGs are relevant to the company
                                                                                   (This more clearly defines the effective action taken towards the SDGs) |
## KPMG (2018) framework

### 3. Measurement criteria

<table>
<thead>
<tr>
<th>Key questions</th>
<th>Evaluation elements</th>
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<tbody>
<tr>
<td>3.1 Does the reporting disclose <strong>SDG performance goals</strong> for the company?</td>
<td>- Set specific performance targets for each of the relevant SDGs</td>
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<td>3.2 Does the reporting set <strong>SDG performance goals</strong> that are <strong>SMART</strong>?</td>
<td>- Performance targets are SMART</td>
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</table>
| 3.3 Does the reporting detail the **indicators** the company is using to measure the progress of its SDG activities? | - Define indicators used to collect data and report on performance  
- (This provides for continuous improvement and integration into decision-making) |
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Findings – What is disclosed?

- 50% of the companies disclosed information related to their commitment and performance against the SDGs in their sustainability reports.

- Top 5 most critical SDGs in Australian context are:
  - Climate action (SDG 13) – 80%
  - Gender equality (SDG 5) – 76%
  - Decent work and economic growth (SDG 8) – 72%
  - Responsible consumption and production (SDG 12) – 68%
  - Industry, innovation and infrastructure (SDG 9) – 64%

- The SDGs that are perceived to be least important by the ASX listed companies are Zero Hunger (SDG 2), Life below water (SDG 14) and No poverty (SDG 1).
### Findings – KPMG (2018) framework
Understanding the SDGs

<table>
<thead>
<tr>
<th>Elements disclosed</th>
<th>No. of companies</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>None of the three elements disclosed</td>
<td>5</td>
<td>20%</td>
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<tr>
<td>No of companies disclosed 1 element</td>
<td>13</td>
<td>52%</td>
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<tr>
<td>No of companies disclosed 2 elements</td>
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<td>24%</td>
</tr>
<tr>
<td>No of companies disclosed 3 elements</td>
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<td>4%</td>
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</table>
Findings – KPMG (2018) framework
Understanding the SDGs

Does the reporting demonstrate the business case for taking action on the SDGs?

- Only 8% of the companies demonstrated the business case for taking action on the SDGs by disclosing how the SDGs can influence their investment strategies and risk management, reduce operational cost, enhance efficiency and generate returns to the bottom line.

- For example,

  > We have also condensed the information on our milk labels so there is only one label per bottle, rather than one on the front and back, reducing about 50 tonnes of material weight a year. This saves approximately 7,500km of labels (and an additional 7,500km of backing paper), plus the production and transport of the labels.

  (Woolworths Sustainability Report 2018, 28)
Does the CEO and/or Chair’s message talk about the SDGs?

- Only 24% of the CEO and/or Chair’s messages signalled their companies’ commitment and achievements towards the SDGs.
- For example, the Chairman and the CEO of Telstra Corporation Ltd reinforced their commitment to the SDGs in their joint message.

> While T22 represents a bold new strategy for Telstra, we remain committed to the core values that drive our business. To underscore that we remain a proud supporter of the United Nations Sustainable Development Goals (SDG’s) and have continued to make progress against our SDG commitments this year.

(Telstra Corporation Ltd Sustainability Report 2018, 2)

- The lack of presence of the CEO and Chair’s messages questions the commitment of the very top leadership team in embedding the SDGs into the long-term strategy and actions of the companies.
Findings – KPMG (2018) framework
Understanding the SDGs

Does the reporting assess the businesses impact on the SDGs?

- This element observed whether the companies communicate their positive as well as negative impacts on the SDGs.

- 80% of the companies communicated their impact on the SDGs.

- However, these disclosures were highly unbalanced as the majority of the companies communicated their positive impacts on the SDGs.

- The companies largely provided a generic description of negative impacts on the SDGs and specific impacts were not acknowledged.
Overall 92% of the companies communicated how they prioritize the SDGs. However, only 4% of the companies reported all the three elements of “Prioritizing the SDGs” suggested by KPMG (2018).

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<tr>
<th>Elements disclosed</th>
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<td>No of companies disclosed 3 elements</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>
Findings – KPMG (2018) framework

Does the reporting identify priority SDGs for the company?

- The majority of the companies communicated their support for the SDGs and identified the areas where they can make material impact.
- The findings of the study revealed that the companies carefully assessed their business capabilities while prioritising the SDGs.
- For example, Woodside Petroleum provided a narrative description of how as an energy sector company, it can contribute to SDGs:

  SDG 7: Woodside is well positioned to assist in reducing climate change impacts while also providing a reliable and long-term energy supply to new markets. Access to reliable, sustainable, and affordable sources of energy provides the foundation for economic growth and reduced poverty. We are working to understand and minimise our direct emissions and promote the use of LNG to reduce our customers’ emissions, which align with the targets under this goal.

  (Woodside Petroleum Sustainable Development Report 2017, 13)
Does the reporting explain the methodology the company used to prioritize the SDGs?

- 72% of the companies explained the method or process that they used to identify the most relevant SDGs for their business and stakeholders.

- The prioritization process primarily included: material assessment through stakeholder engagement, risk and opportunity analysis, strategic prioritization to reflect business context and strategy, establishing data measurement techniques and approval by the sustainability committee.

- The findings of the study indicate that the prioritization of sustainability issues is largely driven by the Global Reporting Initiative (GRI) as the companies mainly used the GRI materiality principles to evaluate material issues and then screened them through the 17 SDGs.
Findings – KPMG (2018) framework

Does the reporting identify specific SDG targets that are relevant to the business?

- This element was least reported by the companies, with only 2 companies out of 25 disclosing very limited information about the UN’s 169 targets.
  - These 2 companies disclosed only two or less UN targets that underline the SDGs relevant to their business.

- This finding questions the commitment of the companies towards the SDGs in absence of specific UN targets.

- It is possible that the companies are in the early stage of adopting the SDGs and have not yet identify the specific UN’s 169 targets, as Woodside indicated in its 2017 Sustainable Development Report:
  - The next step is identifying the ways in which we will contribute to the SDGs, including the specific targets that we will focus on. By focusing on targets, there is an opportunity to understand the contribution that we are making, and communicate the impact of what we have achieved (13).
Findings – KPMG (2018) framework
Measuring the SDGs

68% of the companies identified in the phase 1 disclosed how they measure their SDG performance

<table>
<thead>
<tr>
<th>Elements disclosed</th>
<th>No. of companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None of the three elements disclosed</td>
<td>8</td>
<td>32%</td>
</tr>
<tr>
<td>No of companies disclosed 1 element</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>No of companies disclosed 2 elements</td>
<td>10</td>
<td>40%</td>
</tr>
<tr>
<td>No of companies disclosed 3 elements</td>
<td>4</td>
<td>16%</td>
</tr>
</tbody>
</table>
Findings – KPMG (2018) framework
Measuring the SDGs

Does the reporting disclose SDG performance goals for the company?

■ In regard to the measurement of SDGs, 68% of the companies disclosed their specific SDG performance goals.

■ For example,

The water stewardship priority supports our longer-term goal for water: ‘in line with SDG 6, BHP will collaborate to enable integrated water resource management in all catchments where we operate by FY2030.’ We also have a five-year target to reduce FY2022 fresh water withdrawal by 15 per cent from FY2017 levels.

(BHP Billiton Ltd Sustainability Report 2018, 62)
Does the reporting set SDG performance goals that are SMART?

- 52% of companies reported set of SDG performance goals that are SMART. For instance, Telstra Corporation Ltd and Brambles Ltd both disclosed the goals that are specific, measurable, achievable, relevant and time-bound:

  
  \[
  \text{SDG9: Reuse or recycle 60 tonnes of mobile phones and accessories over the next three years.}
  \]

- Nevertheless, the goals reported by some companies appeared highly ambitious due to lack of specific metrics. Moreover, in many cases disclosures were limited to the identification of material issues and these were not translated into a specific goal and target. For example,

  \[
  \text{Promoting and enabling access to safe and affordable products and services, particularly for lower-income and vulnerable consumers. Investment with cross-sector partners in the building of financial skills, confidence and wellbeing for vulnerable groups in the communities in which we operate.}
  \]

  (ANZ Bank Corporate Sustainability Report 2017, 13)
Findings – KPMG (2018) framework
Measuring the SDGs

Does the reporting detail the indicators the company is using to measure the progress of its SDG activities?

- Only **28%** of the companies reported the details of the indicators they are using to measure the progress of their SDG activities.
- The findings highlights that the setting of indicators are driven primarily by the GRI Reporting framework.
- Although the majority of the companies reported the SDGs relevant to them, no specific SDG indicators were developed and they relied on the existing GRI sustainability reporting indicators.
Discussion and conclusion

- This study has highlighted that SDG disclosure is at an early stage within Australian companies.

- There is a moderate level of SDG disclosure among Australian companies.

- In line with prior studies (KPMG 2018; PWC 2018), ‘climate action’, ‘decent work and economic growth’ and ‘responsible consumption and production’ were found to be commonly disclosed SDGs.

- However, ‘gender equality’ and ‘Industry innovation and infrastructure’ also emerged as critical SDGs within the Australian context. In accordance with Salvia et al. (2019), regional characteristics impact the consideration of SDGs with issues such as hunger and poverty being not that critical in a developed nation such as Australia.
Discussion and conclusion

■ In relation to the KPMG (2018) framework, the findings showed that ‘an understanding’ and ‘prioritising SDGs’ was more prominent than measuring these goals. These findings are similar to the KPMG (2018) results.

■ In “understanding these goals”, the lack of identification of a business case for SDGs and its disclosure in the CEO/Chair’s message suggests that executive management need to be more closely involved with addressing the SDGs.

■ Whilst measuring SDGs was not as extensive as the other themes, there are encouraging signs in the data analysis of the top 50 companies to suggest that companies are placing an increasing emphasis on developing SDG performance goals which are SMART.
Discussion and conclusion

- There are some concerns about the sustainability indicators with a reliance on existing frameworks such as the GRI. There is therefore a need for more specific guidance on SDGs such as those provided by the SDG Compass to be utilised.
  
  - The work of the GRI and UNGC in aligning the SDGs to existing frameworks also needs to be considered when disclosing SDGs, rather than merely relying on the general GRI.
Contributions

- The proposed study responds to calls by authors such as Adams & Larinaga-Gonzalez’ (2007), Burritt & Schaltegger (2010) and Bebbington & Unerman (2018) for increasing research in sustainability accounting which could engage with organizations in the pursuit of improved sustainability performance.

- From a theoretical viewpoint, the study contributes to academia by adding to the limited literature on corporate responses to SDGs and applying a conceptual tool for analysing the comprehensiveness of SDG disclosure.

- Policy implications could arise in relation to possible approaches for disclosing social and environmental information and a potential need for regulation of non-financial reporting.
Future research directions

■ There is scope for further research that could expand the exploratory evidence presented in this paper.

■ Interviews can complement the content analysis approach used in this study and seek the perceptions of company decision makers and operational staff in relation to key issues such as SDG measurement, management and disclosure, motivations for doing this and the challenges and key success factors in the transition to the SDGs.

■ Future studies could also explore other organizational contexts such as the public sector and establish the commonalities and differences in SDG practices.