The SDGs: Materially impacting the bottom line

2018 Annual Review of Progress on the Global Goals
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Are businesses missing a trick? We believe so.

Trade and commerce need robust economic platforms, healthy and prosperous communities, and a sustainable environment in which to thrive. Businesses that contribute to and help sustain the conditions for that to happen, demonstrate what some call ‘enlightened self-interest’. The SDGs remain an unprecedented opportunity for businesses to consider how they can support and benefit from sustaining those conditions.

As part of our 4th Annual Report into how businesses are engaging with the SDGs, we analysed 240 of the world’s largest companies across five markets, looking at their commitments and actions on the Global Goals. Many continue to simply conduct a ‘tick-box’ exercise, superficially mapping existing activity against the 17 Goals. Few have embraced the logic and business case behind the Goals, or embedded them into their strategy and operations as a way to support their own long-term growth.

For companies to do this, they need to ask, ‘How can the SDGs tangibly contribute to my business?’ This requires a comprehensive understanding of the business risks associated with current operating environments, as well as the commercial opportunities associated with creating the kind of future the Goals aspire to.

Robust materiality assessments are an ideal starting point to highlight a company’s strategic opportunities and risks, and analyse the SDG issues most relevant to a business and its stakeholders. Yet while 73% of the top 240 companies have conducted materiality assessments, only 16% have assessed the implication of Global Goals on material issues. The strategic link is missing.

At Corporate Citizenship we start with a simple premise: that just as individual citizens have rights, responsibilities and aspirations, so do companies. When we really think through what that means in practice for a company, it becomes clear that responsible and sustainable business practices aren’t a choice, but a commercial imperative. And beneath this premise sits a simple but fundamental question: What kind of corporate citizen do you want to be?

The SDGs represent a framework and an unprecedented opportunity for businesses to start answering that question, and turn those aspirations into practical action.

Neil Davy
CEO, Corporate Citizenship
Introduction

Are the Global Goals delivering results for the bottom line?

This is the question we explored during our fourth annual global research on the SDGs – looking at what the largest 240 companies across five markets are reporting.

In 2015, when 193 members of the United Nations General Assembly agreed to 17 global priorities to be achieved over the next 15 years, we viewed the Global Goals as ‘a unique opportunity for businesses to align their programmes and purpose to the needs of society – and in so doing, grow the business, reach new customers and markets, develop new products and boost the bottom line.’

Three years on, we’ve taken stock of how businesses have engaged with this opportunity and if it is indeed delivering results for the bottom line.

The good news is that the SDGs have gained traction as a sort of ethical compass, helping to focus private sector attention on the most critical challenges of our time. We have seen a steady rise in the number of companies using the SDGs as a framework to report their societal contributions. We have also observed increasing interest for the investment community to channel investment flows towards opportunities seen to deliver against the Global Goals.

However, our findings also raise concerns. With only 10% of the largest companies adapting or creating new products, services or business models to support the SDGs, the systemic change needed to tackle societal issues is yet to materialise; and the resultant boost to bottom line seems as distant as ever.

The Global Goals are undoubtedly ambitious, and achieving them was never going to be easy. Challenges highlighted in our research include the need for a business case at the operational level – setting out the relevance, opportunities and alignment with the broader business strategy. Establishing an evidence base for progress and impact is another sticking point. Engaging colleagues across various business functions on the SDGs is also proving difficult for many.

In this paper, we set out some key questions to help companies work through some of these challenges. If the private sector is going to fulfil its critical role in the collective effort towards 2030, companies will need to reset the lens through which strategy, risk, costs and market opportunities are viewed.

Nana Guar
Associate Director, Corporate Citizenship
Getting to the bottom line: Summary of key findings

1 **Companies are missing the strategic link to the SDGs.** The starting point should be an assessment of corporate strategy and how the SDGs align to material issues within it, and implications for stakeholders.
   - **73%** of companies have conducted a materiality assessment to prioritise the most important issues for the business and stakeholders.
   - However, only **16%** have explicitly assessed implication of Global Goals on material issues.

2 **The logic of the business case has yet to land with corporate decision-makers.** Companies must rearticulate the business case to accelerate action.
   - Only **10%** of the largest companies are adapting or creating new products, services or models to support the SDGs.
   - Only **10%** of respondents stated that responsibility for leading or driving actions on the SDGs rests with senior-level executives.

3 **Aspiration must be underpinned by a clear intention, commitment and ability to measure impact,** if companies want robust and credible evidence of progress.
   - Over **60%** of respondents intend to apply the SDGs to impact monitoring and measurement in the future.
   - However, just one in five companies (**18%**) is currently measuring impact in relation to the SDGs.

4 **Limited internal engagement on the SDGs threatens mainstreaming of the Goals within the business.** This, in turn, acts as a challenge to linking to the bottom line.
   - Just **14%** of companies are engaging different business functions in actions that support the SDGs.
   - Only **22%** of companies are engaging in external collaborative programmes.

This report further explores what these findings mean for business, and how companies can effectively improve their bottom line through the Global Goals.
About our research

During 2018, we assessed a sample of the world’s largest companies, looking at their commitments and actions on the Global Goals.

Our research covered the top 240 companies across five markets, ranked by market cap. This includes the 50 largest companies in each of the following listings (See Fig. 1, left):

- The London Stock Exchange’s FTSE100 index – representing a net market cap of roughly £1.8 trillion
- The United States’ Fortune 500 ranking – representing revenues of US$6 trillion in 2018
- The Australian Securities Exchange (ASX) – representing a market cap of AUS$1.3 trillion
- The Singapore Exchange Limited (SGX) – representing a market cap of SGD $805 billion
- The Indice de Precios Selectivo de Acciones (IPSA)* – representing a market cap of CLP$12,494 trillion

This research builds on our annual survey of practitioners who are specifically responsible for aspects of corporate responsibility and sustainability within their organisation. The survey, which we have conducted since 2015, looks at internal perspectives and experiences of how companies are responding to the SDGs – including their levels of awareness, where they see opportunities for leadership, and potential barriers to implementation.

It engages practitioners from across a variety of sectors, and provides us with insights from different parts of the world (See Fig. 2, left). However, we recognise that our respondents were more likely to respond to the survey due to an awareness and professional interest in the SDGs, and that our relatively small sample size is not representative of all businesses.
Our approach to the Global Goals

We applied our TAME framework, first developed in 2015, to assess how companies Think, Act, Measure progress and Engage on the Global Goals. Our assessment was based on publicly available information found in sustainability reports, annual financial reports and accounts, and corporate websites. Below is the summary of the criteria we applied.

**THINK**

The company has identified specific SDGs that it contributes to through any of the following approaches: aligned business priorities, products or services, Corporate Social Responsibility (CSR), community investment programmes or philanthropy.

**ACT**

The company has developed strategies, programmes, products, services or new business models specifically to address the SDGs.

**MEASURE**

The company has defined KPIs or has set impact targets that support the SDGs. The company is communicating progress on targets.

**ENGAGE**

The company has described how it has engaged internal stakeholders across the business or in its supply chain, specifically on actions to support the SDGs. The company has engaged in external collaborations, initiatives and partnerships that address SDG objectives.
Three years since the launch of the Global Goals, the SDGs seem to be firmly rooted as the de facto point of reference for corporate responsibility and sustainability efforts. Research into 470 companies across 17 countries found that 62% of companies mention the SDGs in their reporting.1 A fair number of companies have taken steps to show how their existing activities link to the 17 Global Goals. Our research found that 41% of the 240 companies we assessed, have done some form of mapping or prioritisation of the Goals to which they most contribute. This is a good first step. Understanding the big issues where a company can make the greatest impact is the right starting point.

Investigating further, we looked at whether companies, in addition to mapping their activities to the Goals, were using the SDGs as a lens for assessing their most material issues. After all, materiality analysis is meant to bring focus to issues of strategic significance, and should inform strategy development. However, our findings confirmed that ‘the challenge of change’, which we flagged back in 2016, still remains. The challenge is the difficulty that some companies experience in moving beyond light-touch mapping, to asking the tough questions about what the Goals could mean for the business.

While 73% of the top 240 have conducted a materiality analysis, only 16% of companies have assessed the implications of the Global Goals on their material issues. Consequently, the strategic link between the SDGs and business priorities is not clearly articulated.

While the Global Goals have been well received and thought to be important, the ‘thinking’ is not making its way up the corporate agenda, and therefore not translating into action. Stopping at retrospective mapping misses out on the strategic relevance of the Global Goals to business. More critically, it limits the forward-looking thinking needed to spark meaningful change.

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A global view
Materiality assessment has become mainstream practice in sustainability reporting. However, findings across all five regions consistently reflect the challenge of change. Only a small proportion of the largest companies are analysing the strategic importance of the world’s most pressing issues.

The Bottom Line
The SDG framework can be used as a much more powerful tool – a magnifier of imminent issues that may affect a business, and a lens for longer-term strategic planning. This thinking, done holistically, should reveal ways in which business may need to adjust, either in response to market trends, public policy stimulus, or to increase the intended sustainability impact through products, services, or doing business differently.
Since the inception of the SDGs, there has been a strong and consistent call to action for business to play an active role in helping to achieve the 17 Goals.

The private sector has been challenged to align its programmes and purpose to the needs of society – to be rewarded not only with a healthier society in which to do business, but also with new market opportunities. However, despite the US$12 trillion of market opportunities set out in the Better Business, Better World report by the Business & Sustainable Development Commission, many companies are still struggling to define their individual role.

The missing business case

Our survey revealed that 46% of respondents find the absence of a clear business rationale to be the biggest barrier to action within their organisations. Conversations about the SDGs seem contained within the usual circle of sustainability practitioners, with only 10% indicating their CEO or executive leadership has accountability for driving corporate action on the SDGs.

A look at corporate action globally, to support delivery of the Goals, revealed that about a third of the largest 240 companies (35%) are focusing on aligning CSR activities with the SDGs, while 24% seek to demonstrate alignment of core business activities with the SDGs.

Are we asking the right questions?

Describing how existing CSR and business activities align to the Goals, may help a company to articulate how the business is already contributing to the SDGs. However, equally important is the question, How can the SDGs contribute to our business? This question is arguably the cornerstone for building a business case for the SDGs. In order to broaden and elevate the conversation outside sustainability teams and practitioner circles, this question needs to be discussed at a cross-functional level and among the C-suite.

The US$12 trillion opportunity will be realised by those companies that see the SDGs not only as a framework for sustainability reporting and community programmes, but also as a compelling business growth proposition. Currently these companies are remarkably few. An average of only 10% of the 240 companies we assessed have adapted or created new products, services or business models that are generating new business opportunities that simultaneously help to deliver the Global Goals.

Practitioner survey

46% of respondents find the absence of a clear business rationale to be the biggest barrier to action within their organisations.

Top 240 Performance

10% Only 10% are adapting or creating new products, services or models to support the SDGs.

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2 Corporate Citizenship contributed to the research.
A global view
Companies in the UK lead the way in advancing action on the SDGs through new or improved business activities, with just over 40% doing so. The picture is less rosy from companies in Australia, with only 4% of the largest companies reporting on any new action. And in Singapore, none of the largest companies are embracing new or different actions in support of the Goals.

The Bottom Line
It is critical for business to take a more substantive look at the potential of the SDGs to impact the bottom line. The macro business case set out in the Business & Sustainable Development Commission report identifies 60 sustainable and inclusive market ‘Global Goals hot spots’ across four key economic areas – Energy, Cities, Food & Agriculture, and Health & Well-being. These hotspots have the potential to grow two to three times faster than average GDP over the next 10-15 years. Further analysis in the report shows potential for an additional US$8 trillion of value creation across the wider economy, if companies embed the Global Goals in their strategies.

The Global Goals also provide a framework of what society expects of business, resulting in a social licence to operate. They also signal where policy interventions will be developed to help achieve the Goals. Companies that take the time to explore the business case and explore the opportunities, will be better positioned to build resilience and sustained growth.
Key Finding

Aspiration to measure impact is not matched by action. Both must be underpinned by a clear intention, commitment and ability to measure impact, if companies want robust and credible evidence of progress.

Top 240 Performance

20% of companies are measuring impact in relation to the SDGs

**MEASURE**

**Over the past three years, Corporate Citizenship has observed a steady rise in companies planning to apply the SDGs to impact monitoring and measurement, from 35% in 2015 to a striking 63% in 2018.**

There is clearly a desire for evidence of progress and impact. Yet the reality is that just 28% of respondents to our survey say they are currently monitoring and measuring the impact of their actions that contribute to the Goals – a figure that has fallen sharply from 41% last year.

Across the largest 240 companies in our review, just one in five (20%) has set quantitative performance measurement targets that are aligned with the Global Goals.

While the 17 Global Goals are underpinned by 169 targets and 232 indicators that measure progress against the targets, a large proportion of the performance indicators were designed for policymakers at the national level. Businesses need to be pragmatic and differentiate those Goals that are relevant to their operating context, from those that sit firmly in the domain of policymakers. Goal 3, for example, to ensure healthy lives and promote well-being for all at all ages, has a target that by 2030, we will reduce the global maternal mortality ratio to less than 70 per 100,000 live births. Business should be pragmatic about what it can and can’t achieve as a private entity.

Recognising this challenge, the United Nations Global Compact (UNGC) and Global Reporting Initiative (GRI) have published an *Analysis of the Goals and Targets*, a harmonised indicator set and methodology that enable companies to report on their contributions to the SDGs. While the stated objective is ‘to pave the way for the aggregation of relevant data across companies and enable comparison’, the paper recognises that ‘for some targets there is significant additional work needed to address the lack of business disclosures or sector-specific guidance’.3

Where there are gaps in this space, companies will most likely have to define KPIs that are relevant to their operating context. Ideally this will promote collaboration at an industry level, which will aid in comparability over time.

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A global view

The largest companies in the UK and US lead the way in impact measurement, with companies in Singapore, Australia and Chile lagging significantly.

The Bottom Line

As expectation builds for companies to be forthcoming about their contribution to global priorities, so will the demand for evidence of impact. A number of performance measurement and benchmarking frameworks have begun to emerge, as demand for more detailed corporate disclosure on SDG performance increases. Erik Solheim, UN Environment Executive Director and Under-Secretary-General of the UN, is amongst those advocating for the ‘naming and faming’ of companies that are doing well, and the ‘naming and shaming’ of those who are not playing a role.

The World Benchmarking Alliance is another high-profile initiative, working on producing a series of public league tables that rank companies on how they impact the SDGs.

In addition to the reputational impetus to demonstrate impact, management teams will seek evidence of return on investment, and a growing body of investors will require this information to validate the business or investment case. Furthermore, those who establish baselines and credible approaches early on, will be able to leverage their data to enrich engagement and communication with stakeholders, including NGOs, media, key opinion formers and local communities.

However, setting targets and impact indicators should not be a tick-box exercise for the primary purpose of reporting or rankings. Impact targets and measures should be considered in line with business unit goals, functional goals, geographic goals, working group goals and personal goals where applicable.

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4 WBCSD. Key Takeaways from the 2018 High-level Political Forum on Sustainable Development. 2018 https://docs.wbcsd.org/2018/07/Key_Takeaways_from_the_2018_HLPF_Sustainable_Development.pdf
Internal engagement and leadership
Our research found that corporate action on the Global Goals is largely led by sustainability departments within companies. In our practitioner survey, 45% said the corporate responsibility and/or citizenship and sustainability departments were responsible for leading their organisation’s response to the SDGs. Another 15% said that responsibility for SDG-related actions was held by cross-functional teams. Only 10% said the CEO or Executive Leadership function was responsible for driving action within their organisation.

Practitioner responses correlate closely with findings from our assessment of the big 240 – just 14% of companies are engaging different business functions in actions that support the SDGs.

Almost half of respondents (46%) cited the absence of a business case or identifying the direct relevance of the Goals to the business was the biggest challenge to engaging colleagues on the SDGs. Another 18% cited that education and awareness were the biggest challenges, while 8% said that difficulties associated with the measurement of impact were the biggest challenge to engagement.

This suggests that despite high levels of awareness about the Goals, an understanding of the corporate relevance and business opportunities related to the SDGs is not well understood or effectively communicated.

Furthermore, conversations about the Global Goals do not seem to extend far beyond practitioner circles, to tap into new ideas and potential opportunities that may exist in other business functions.

External engagement and collaboration
Across the 240 companies we assessed, an average of 22% of companies are engaging in external collaborative programmes related to the Global Goals. Despite widely acknowledged recognition that the Global Goals cannot be achieved without collaboration and innovative partnerships, this suggests sluggish enthusiasm for collaborative action, and slow progress on SDG 17 in particular. Goal 17 ‘seeks to strengthen global partnerships to support and achieve the ambitious targets of the 2030 Agenda, bringing together national governments, the international community, civil society, the private sector and other actors.’

From our practitioner survey, industry collaboration was the most frequently cited form of collaboration by respondents (71%). Collaboration with charities was also high at 60%, while only 31% of respondents said their organisations collaborated with government or inter-governmental agencies (i.e. policymakers and regulators). While this shows an industry-led approach as the favoured approach to partnering on the SDGs, it raises questions about governments’ leadership role in setting the agenda and developing enabling policies to accelerate progress on the SDGs.

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A global view
External initiatives seem to be the preferred approach for engaging with the Global Goals. However, collaborative efforts both internally and externally are slow to take off globally.

The Bottom Line
Understanding and broader awareness of the Global Goals are stumbling blocks to both internal and external engagement on the SDGs. However, they provide a universal language for corporate responsibility and aspirations that translate across geographies and sectors.

Companies should plan and undertake meaningful engagement on the relevance of the Goals to the business, internally (across business functions) and externally (with key stakeholders and investors). This is critical to improving understanding of SDG priorities amongst stakeholders.

Those that wish to position themselves to maximise the opportunities presented by the Global Goals, should seek to build capacity within and encourage courageous collaboration from the top down. We encourage companies to build on work that’s already been done – using existing scenarios and tools to engage colleagues. The role of senior leadership in setting the tone and aspiration for engaging with the SDGs, is also critical to driving the intellectual and cultural buy-in.
Plan for action

In order to accelerate progress on the Global Goals, we believe that business action must be rooted in a clear business case, that recognises the material risks and opportunities for a company’s short and long-term value. Below, we set out some of the key questions that can help guide that journey:

**THINK**

- Which Goals have the greatest impact - positive or negative - on our business strategy and material issues?
- Which Goals directly influence our relationship with key stakeholders?
- What commercial or innovation opportunities do each of the Goals present for our business?

**MEASURE**

- What evidence do our priority audiences need to assess our performance in relation to the SDGs?
- How will we measure and communicate progress on our commitments to the Goals?
- How can we integrate these performance measures within our wider business metrics?

**ACT**

- What can we do across our supply chain, products or services, that delivers our business growth and to support the ambition of the goals?
- What new commitments or initiatives could we introduce to capitalise on opportunities presented by the Goals?
- As government guidelines and regulations are developed to support the SDGs, how will they affect our existing operations or stakeholder expectations?

**ENGAGE**

- How can we engage all the business functions that sit at C-suite?
- How do we create programmes and actions that engage colleagues, customers and external stakeholders in a meaningful way?
- What new partnerships with companies, non-profits and governments could we embark on to deliver our business objectives?

We have published additional resources on the Global Goals, which can be found on our website, www.corporate-citizenship.com/sdgs
About Corporate Citizenship

Corporate Citizenship is a global consultancy, working with companies on their sustainability and corporate responsibility (CR) strategies since the late 1990s. Our approach starts with a very simple premise – that just as individual citizens have rights, responsibilities and aspirations, so do companies. Working as critical friends, we ask the sometimes difficult questions that challenge our clients to fulfil their responsibilities and ambitions through practical action.

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