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The Sustainable Development Goals: a common language for corporate reporting on societal issues

SDG Challenge 2016

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THE GLOBAL GOALS
For Sustainable Development

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Contents

Foreword from PwC: The SDGs explicitly call on business to contribute to sustainable development

On the 25th of September 2015, the 193 UN member states gathered in New York for the United Nations Sustainable Development Summit. Here, they launched the 17 Sustainable Development Goals (SDGs) as part of the 2030 Sustainable Development Agenda. The SDGs build on the UN Rio+20 principles on sustainability, the UN Guiding Principles on Business and Human Rights and the foundation set in the Addis Ababa Action Agenda for financing sustainable development. They address the most pressing global issues, such as hunger, health and climate change. The SDGs are universal, applying to all countries and all people. Together, they constitute the UN's ambitious roadmap for inclusive sustainable development. Unlike their predecessors, the Millennium Development Goals, the SDGs go further than financial commitments among governments and explicitly call on business to contribute along with other stakeholders.

The requested private sector contribution goes beyond rhetoric and an occasional financial donation. Companies are asked to step up and engage with the core questions that lie at the heart of the SDGs. This means actively exploring new business models and innovative growth strategies. It implies that businesses become purpose-led and focused on long term value creation. Only by integrating the SDGs into the core of corporate strategies can companies truly contribute to meeting everyone's needs without depleting the planet's resources.

Moving from words to deeds will require companies to be creative, think outside the box and identify the best opportunities to mobilize financial and intellectual resources. The first step is to identify which areas of the SDGs they impact most. Companies will also need to change the way they report internally and externally, connecting sustainability to financial performance. Solid data, robust reporting and public accountability are the tools to optimise a business' impact, allow for sustainability contributions to be tracked, and form alliances with relevant stakeholders.

The UN's explicit call to business did not go unnoticed, and frontrunners in the business community are already redefining the focus of their strategy. In our 2015 Global CEO survey, 41% of CEOs stated that they would integrate the SDGs into their strategy within 5 years. Now, in 2016, the SDGs were explicitly mentioned in 44% of the reports we assessed.

When global companies join forces to achieve the SDGs, they achieve more than when they act alone. The same is true when businesses align with national SDG priorities in the countries in which they operate. This publication is a first step towards stimulating the debate around corporate engagement with the SDGs. We encourage discussion and further refinement of the criteria. At PwC we feel strongly that the SDG challenge is also addressed to us. Our purpose is to build trust in society and solve important problems. I can think of no topic more fitting to this purpose than the SDGs.

Hans Schoolderman
Partner Sustainability and Responsible Governance, PwC

Foreword from the jury

The Sustainable Development Goals are unique in the sense that they are about the future of all of us. They concern all aspects of everything that breathes on this planet, wherever they live. If we want to be successful in achieving these goals, we need the cooperation of everyone: governments, civil society, companies, investors etc.
As these goals are less than a year old, stakeholders are struggling with questions about what the SDGs mean to them. Where are the opportunities and threats? What will be regulated, what should be done together, and what should be done unilaterally? What are the ambition levels? What innovations can or should be made, and where can companies create value? How do we involve consumers, work with competitors, get support from investors, involve other stakeholders? Which Global Goals are most relevant to us and how do we report on them?
For companies that already have a sound sustainability policy it might be confusing to link the current, often practical company policy, to the SDGs that need to be realised by 2030.

The SDG Challenge tries to to move this discussion forward by looking at the annual reports of 25 companies to assess the current situation of reporting on the SDGs and identify some inspiring practices. As the SDGs were agreed in September 2015, annual reports over that year can only contain traces of thinking what they mean to a specific company. PwC made a bold move to quantify the extent to which these 25 companies already incorporated the 17 goals in their reports, knowing that both these reports and the way we measure progress will evolve in the coming years.

It is the role of the jury to follow this process critically and advise on the selection of the companies to be included in the SDG Challenge. The jury also advised on the measurement methodology and the way the results are communicated to the public. The jury was specifically instrumental in establishing the qualitative criteria which focus on leadership, long term commitments and innovation. In this early phase in which the SDGs are being established, we focused on the leadership of the C-suite. How vocal and outspoken are CEOs; how do they try to convince their peers and other stakeholders; to what extent are they active in changing their (business) environment?

Although the SDG Challenge is not meant to be a competition, the Jury also determined good practices and nominated seven "SDG Inspirators". These companies showed proactive adoption of the SDGs in their reports and can serve as inspiring examples for their peers.

The results, even though based on a small sample, show that some sectors move faster than others, with notably the financial sector lagging behind. This is worrying as the financial sector plays a facilitating role for other sectors. We encourage all companies to learn from their peers, set long term objectives and work together with international stakeholders to take a step closer to Sustainable development each year. Making this world a better, more equitale and peaceful place to live in.

I would like to thank PwC for taking this initiative and putting in long hours of setting up the process, measuring results and discussing these with the jury, and hope this is the start of an initiative that could be a long term objective in itself.

Giuseppe van der Helm
Chair of the Jury

Overview – Scoring corporate reporting on the SDGs

With the launch of the SDGs, business is explicitly called upon to make a contribution to the global sustainability agenda. The SDGs challenge business to align its goals with National Governments and the International Community. This alignment holds enormous potential for positive change. At the same time, it requires a fundamental shift in the way companies do business. Business needs to assess its impact on the SDGs and review its strategy accordingly, evolving its corporate reporting as a result.

The 17 SDGs are formulated on a global level. As a consequence, the global goals mainly set an ambition for country level performance and often cannot be used directly in a business context. Adequately translating the SDGs into a compact set of indicators on which business can report is therefore challenging. However, finding relevant business indicators is crucial to engage companies on the SDG agenda.

PwC was involved in the development of the SDG Compass[1] launched by GRI, UNGC and WBCSD. The SDG Compass provides guidance on the SDGs and an inventory of business specific SDG indicators. As a next step, we launched the SDG Challenge in the Netherlands to identify best practices in reporting and stimulate the debate around the role business can take in tackling the SDGs. Although global consensus on a final business-specific set of indicators has not yet been achieved, we took inspiration from the SDG Compass to select a focused set of indicators for the SDG Challenge criteria. We assessed the extent to which corporate reporting in the Netherlands reflects meaningful company contributions to and progress on the SDGs. This publication summarises our findings.

Our challenge to companies

To what extent are you making a positive contribution to the SDGs?
Note that a company's overall contribution to the SDGs consists of its positive and negative impacts. Achieving an overall positive contribution can be the result of increasing positive and/or decreasing negative impacts.

Assessment criteria

We scored the quality of SDG reporting on a 0-5 scale for 34 indicators- two per SDG. To promote comparability, we defined indicators that are applicable across sectors and relevant from a

1 http://sdgcompass.org/

reporting perspective. In addition, we formulated qualitative criteria to provide more insight into the story behind the numbers.

Capturing the global SDG agenda in a compact set of business indicators is difficult but important. As SDG reporting matures, more meaningful indicators will emerge. The indicators selected here are a first step in this direction and we encourage feedback and discussion. A detailed overview of the 34 selected indicators can be found in the appendix.

Independent jury

For the SDG Challenge PwC cooperated with an independent jury which brought together a range of experience and perspectives on the SDGs:

- Giuseppe van der Helm (Chair), former Chairperson of VBDO[2]
- Hugo von Meijenfeldt, Dutch Coordinator National Implementation Global Goals
- Pietro Bertazzi, Deputy Director for Policy and Global Affairs at GRI
- Talitha Muusse, Social Entrepreneur and initiator of the Dutch Young Sustainable Top 100

The jury gave input on the selection of the 25 companies, on the criteria, reviewed the quantitative assessments and performed the qualitative assessment.

Company selection

The jury selected 25 Dutch based companies across a range of sectors. Five companies were selected in four different industry sectors and five companies were selected in a miscellaneous category. The selection was based on a mix of listed and non-listed companies, government-owned and privately held. This selection was not intended as a statistically representative sample, nor did we strive for completeness. In our view this group of companies gives us sufficient insight into the relevance of SDGs reporting at this early stage. It is also for this reason that we present the overall picture, rather than individual company scores in subsequent chapters of this publication.

Category	Companies				
Financial services	delta lloyd	ING	PGGM	Rabobank	Triodos Bank
Retail & consumer	Ahold	Heineken	IKEA	PVH	Unilever
Energy & chemicals	AkzoNobel	alliander	DSM	Eneco	SBM Offshore
Transport & logistics	Port of Rotterdam	KLM	NS	postnl	Schiphol
Other	ASML	bam	kpn	Philips	randstad

2 The Dutch organisation for investors in sustainable companies

"Long term is more than 6- 24 months. The better you can envision the world in 2030, the easier it is to see what goals to set today to create positive impact, a better appreciation of stakeholders and a thriving business."

Giuseppe van der Helm

"Companies have a responsibility and this research shows that they are taking it up. But do they feel that Government also has a directive role with regard to the SDGs, in addition to a facilitatory one?"

Hugo von Meijenfeldt

"The SDGs represent an ambitious agenda which the thousands of individual projects and initiatives can only partially achieve. We need to facilitate systemic change. Corporate sustainability reporting is recognized as a means to engage and enable business action on the SDGs. Reporting on SDGs will help companies and governments to understand business contributions and impacts on the SDGs, take corrective action and integrate sustainability into their business models. The PwC SDG Challenge is a great initiative that contributes to a healthy debate with the ambition of highlighting best practices and innovative approaches by front running companies, that can serve as inspiration for many others."

Pietro Bertazzi

"The younger generation also deserves a sustainable society. The SDGs are an invitation to us, to make our world a great place to live for future generations."

Talitha Muusse

Results at a glance

Strong leadership is needed to integrate the SDGs into corporate strategy

44%
Of the reports we assessed, 44% included at least one explicit statement about the SDGs. This indicates that the SDGs are already being picked up by front running companies

13%
Specific SDG related indicators and corresponding targets were only reported 13% of the time. Companies are still struggling to translate the SDGs into appropriate metrics

64%
A qualitative statement was reported on 64% of the indicators we assessed. This is greater than the percentage mentioning the SDGs. Companies report on SDG-related topics without necessarily making an explicit link to the SDGs

Inspiration can be taken from best practice examples in reporting

22
We found best practice examples in reporting (a score of 4 on a 5 point scale) for 22 of our 34 indicators

SDG reporting is most mature on familiar themes

Top 3 reported indicators[3]	Bottom 3 reported indicators[3]
SDG 13 - GHG emission reduction (Average score = 3,64/5)	SDG 14 - Revenue at risks from marine ecosystem services (Average score = 0,12/5)
SDG 7 - Energy efficiency (Average score = 3,24/5)	SDG 15 - Revenue at risks from terrestrial ecosystem services (Average score = 0,12/5)
SDG 5 - Women in management positions (Average score = 3,16/5)	SDG 5 - Ratio of salary remuneration of women to men (Average score = 0,4/5)

3 On a 5 point scale

Strong leadership is needed to integrate the SDGs into corporate strategy

Companies are quickly becoming aware that the SDGs are big. Even though the global goals were only finalised 4 months before the publication date of most annual reports we assessed, 44% explicitly mentioned the SDGs. This said, mentioning the SDGs is not enough. The SDGs aim to accomplish systemic change, which can only be achieved by actively challenging the status quo. Companies need strong leaders who take a long term view, move beyond rhetoric and actively integrate sustainable goals into their strategy. Only those who are daring to take concrete actions can increase positive and decrease negative impacts to achieve an overall positive contribution to the SDGs.

It's easy to agree with the SDGs. It's more difficult for CEOs to stick their necks out and really engage with the global goals by mobilising their organisations.

"The Sustainable Development Goals (SDGs) are the fundamental cornerstone to s^ecure future economic and business growth" (Paul Polman, CEO Unilever)

The success of corporate contribution to the SDGs depends on the ability of CEOs to integrate the SDGs in their strategy and day to day business. Making this work relies heavily on data. First movers who want to go beyond qualitative statements should start by generating relevant quantitative information and using it to manage their organisation.

"Nobody can be successful – or even dare to call themselves successful – in a world that fails." (Feike Sijbesma, CEO DSM)

Focus in SDG efforts is currently missing

Business should concentrate its SDG efforts in order to make them more effective. Relevant SDGs are those which are closely linked to company core activities, areas in which an organisation can make a large positive impact or reduce a large negative impact. In addition, business should take into account the national SDG priorities adopted by the governments of countries in which they are active.

Currently there is no clear pattern of reporting only on relevant SDGs- more on this in the following section.

"The moment you try to take a leading role, responsibility comes with that: you have to lead the change that you want to see, and stay ahead of the pack." (Ralph Hamers, CEO ING)

Quantitative information to improve performance

The SDGs were adopted in September 2015, giving companies only a short time to respond in their reporting. As such, this year can be seen as a baseline against which to measure progress. While 44% of the reports assessed explicitly mentioned the SDGs, KPIs and corresponding targets on our selected indicators were only reported 13% of the time.

"The U.N.'s Sustainable Development Goals provide additional input for 'Brewing a Better World', our approach to creating a sustainable business." (Jean- François van Boxmeer, CEO Heineken)

This outcome is similar to the outcome of the PwC Global SDG survey[4] in which 41% of businesses said that they would embed the SDGs into their strategy within 5 years, while only 13% stated that they had identified the tools needed to achieve this. There is clearly a difference between acknowledging the agenda outlined in the SDGs and setting a concrete (public) ambition.

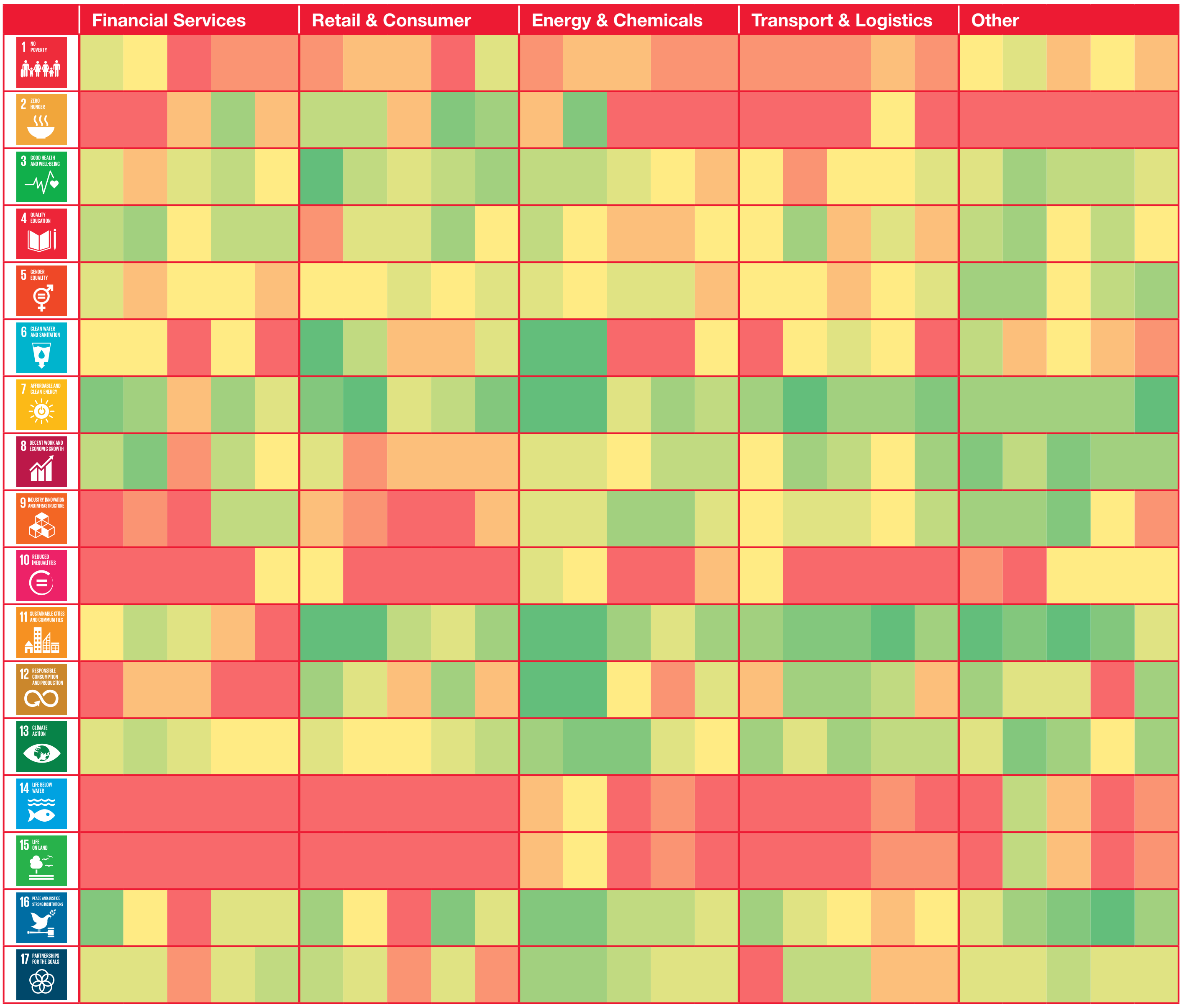
"The UN called for a 50% reduction in food waste over the next 15 years. In response, we've emphasized food waste reduction programs in all of our companies" (Frans Muller, CIO Ahold)

Recalibrating strategy, setting KPIs and targets and monitoring progress is vital to improve performance. In many cases companies will be generating new data and processes. True business leaders understand that this data is essential to optimise their efforts and achieve a positive return on their sustainable investments.

4 PwC; Make it your business: Engaging with the Sustainable Development Goals; 2015

Inspiration can be taken from best practice examples in reporting

It will not always be easy to formulate appropriate responses to the SDGs and report about them. That said, for two-thirds of the SDGs we were able to identify at least one company which included an indicator and corresponding target. This is encouraging, especially given the short time frame between the launch of the SDGs and the publication of the 2015 reports. By learning from each other, companies can further improve their SDG reporting.



The heat map on the previous page is a visual representation of the average score per company per SDG. Note that every colour block represents the average score for the two indicators per SDG. Scores range from 0 (red squares) to 5 (dark green squares). The heat map shows that there are large differences in the maturity of SDG reporting. Some SDGs are clearly better reported on than others. However for every SDG there are good or even best practice cases that can serve as inspiration. Below we summarise some of the most inspiring examples. For more suggestions on how business can take action, also refer to PwC's guide to navigating the SDGs[5].

Note on relevance

Mature SDG reporting does not mean companies report equally well on all SDGs. We would expect that companies identify which SDGs are most relevant to them and focus on these themes in their reporting. In the heat map this would be reflected in a sector pattern where similar companies would have a similar pattern of red and green. The fact that this is currently not the case is partly due to the fact that SDG reporting is relatively new, as well as a lack of consensus on how to determine which SDGs are most relevant. In addition, there is a relatively large diversity of companies within the categories as currently defined.

SDG 1 strikes many companies as too broad, too strongly connected to traditional aid policies and too difficult to translate into measurable actions linked to a company's strategy. Poverty reduction has long been the domain of governments, development agencies and NGOs, and it is still uncharted territory for most companies. Delta Lloyd's Annual Review provides an interesting example of how such a complex issue can be brought closer to a company's core business. By drawing a strong connection between debt and poverty, the report acknowledges that many households are pushed into poverty because they lack the skills to manage their finances. The report further outlines the work done by Delta Lloyd employees in areas such as financial literacy and budgeting skills, and introduces a clear ambition for the company: a set of targets on reducing poverty caused by long-term debt by 2020.

SDG 3 deals with health, a theme that most companies still perceive exclusively in terms of health & safety requirements and basic compliance. But there is more to health than reporting on absenteeism or on-the-job casualties, and companies are encouraged to look into questions of scope and relevance along the value chain. The holistic view of SDG3 takes into account the right to health of workers across supply chains, including past Tier 1, and the health and well-being of other stakeholder groups, including consumers. Heineken built a strong connection between its core activities and some of these important components of SDG 3. The Annual Report describes all the initiatives that could impact consumers' health and well-being, from responsible marketing to transparent labelling to specific initiatives such as the Heineken Enjoy Responsibly Day. Heineken also introduced targets on its ambition to grow in the market of non-alcoholic beverages. Heineken's transparency about both positive and (potentially) negative impacts makes this an inspiring example.

Combating climate change is considered one of the most relevant SDGs by CEOs from all sectors[6]. Not surprisingly, reporting was most mature on the indicator on GHG emission reduction. Even so, DSM stood out. Like many others DSM reported on GHG emission figures and reduction targets. DSM went further by making a clear link between its activities and the Paris COP21 agreements. DSM underlined the role it can play as a chemical company in achieving GHG emission reduction and set an internal carbon price to increase awareness throughout its business. While GHG reporting is relatively mature, few companies look at specific drivers of current climate threats. An interesting examples is provided in the way companies report on SDG 6- clean water

5 PwC; Navigating the SDGs: a business guide to engaging with the UN Global Goals; 2016
6 PwC; Make it your business: Engaging with the Sustainable Development Goals; 2015

and sanitation. Once again, DSM provides a good example. Access to safe water has become an issue of global concern as human populations grow, industrial and agricultural activities expand, and climate change threatens to cause major alterations to the hydrological cycle. Companies are increasingly aware of this issue, but very few in our sample have set concrete targets to reduce their fresh water consumption and improve their systems to safely treat waste water. DSM's approach to addressing water challenges involves quantifying and tracking performance against a base year and towards a clear, measurable objective. A concrete example is its target of "90% of water risk assessments to be completed by 2020".

Many companies struggled with their reporting on SDGs 14 (life below water) & 15 (life on land). One of the best practice cases we noted was Philips, which reported on its participation in the newly launched Natural Capital Protocol. Philips explains that it was a pilot company in the protocol's development process and was able to identify natural capital hot spots in its supply chain. Thanks to this, Philips understands in which parts of the supply chain it has a big impact, or is particularly dependent on natural capital. Although quantification of natural capital risks remains challenging, Philips clearly shows that it is aware of the interdependencies between its operations and natural capital.

SDG 16 on peace, justice and strong institutions was difficult to translate to indicators relevant for corporate reporting. The indicators we selected challenge companies into disclose their complaints, whistle-blower and anti-corruption policies. Ahold reported on received complaints, categorising the complaints by nature and priority. In addition, Ahold reported that 94% of reported cases were now resolved. Ahold's transparency on a topic that many companies would not want to showcase shows that it is willing to take leadership. The way in which complaints are reported also helps to understand the scale and severity of complaints received.

Setting up partnerships and contributing to the overall purpose of the SDGs lies at the heart of SDG 17. To translate this into relevant indicators, we looked at total tax contribution and investments in multi-stakeholder partnerships. ASML reports qualitatively about its activities as a member of the EICC- the Electronics Industry Citizenship Coalition. The EICC mobilizes its members to address social and environmental issues affecting a range of stakeholders across the global electronics supply chain. Akzo Nobel is one of the few companies which gives insight into the amount invested in community initiatives.

SDG reporting is most mature on familiar themes

While some of the SDGs cover topics familiar to corporate reporters, others are more challenging. This is clearly reflected in the maturity of the reporting. Below we outline some of the mature themes and also highlight the shared struggles.

Top 3 reported indicators

- GHG emission reduction (Average score = 3,64/5)
- Energy efficiency (Average score = 3,24/5)
- Women in management positions (Average score = 3,16/5)

Bottom 3 reported indicators

- Revenue at risks from marine ecosystem services (Average score = 0,12/5)
- Revenue at risks from terrestrial ecosystem services (Average score = 0,12/5)
- Ratio of salary remuneration of women to men (Average score = 0,4/5)

In the chart on the previous page, we show the average score of all 25 companies on each selected indicator. Climate change and energy are clearly interlinked and have taken central stage in the sustainability debate for some time. Other themes such as energy efficiency, employee health and to a certain extent diversity (eg. % of women in management positions) are also familiar, and belong to a first wave of sustainability metrics that are now well embedded in corporate reporting.

SDG 5 on Gender Equality provides an interesting mix of traditional and new ways to measure and report on a given theme. The high average score for reporting on women in management positions can be explained by the fact that this is a well- established way to measure women's participation, as well as by an active campaign of the Dutch government to push for a minimum of 30% women in management positions. On the other hand, the ratio of salary remuneration of women to men is a newer, less-established way to measure diversity. The low score is also related to the fact that companies are not generally open about their salary policies.

There are also several indicators on which reporting was less mature across the board. Within these "shared struggles", we identified three overarching issues:

Understanding interdependencies

Reporting on natural capital risks to the business was rather immature. Interestingly, despite the fact that our GHG emission reduction indicator scored best, reporting on risks resulting from climate change also scored poorly (average score 1,04/5). This shows that companies struggle to understand and disclose the ways in which their business is dependent on an overarching global sustainability theme. Increasing this understanding and measuring dependencies is key to move sustainability themes up the corporate agenda.

Investigating supply chains and reporting beyond Tier 1

Almost all companies in our sample report on sustainability issues at headquarter level. The challenge that lies ahead is to look deeper into the supply chain to identify areas of tension, potential risks and potential negative impacts. For example, SDGs 8 and 10 call on business to look at labour challenges and address inequality across their value chains by promoting transparency and best practices in all countries of operation.

Leveraging on multi-stakeholder partnerships

The future of business is shaping up to be a collaborative, two-way dialogue between the private sector and a variety of stakeholders. Multi-stakeholder partnerships across the value chain—including with competitors—will be crucial for adopting solutions that will positively impact on the SDGs. However, most companies do not seem to handle their multi-stakeholder partnerships strategically. Most report on the initiatives they are committed to, but struggle to disclose details on why they are committed to these initiatives, and say little about the actual investment made in terms of resources (financial, intellectual) and the achieved results.

Our recommendations for next steps

Discussion is needed to further strengthen the role business can take in achieving the SDGs. This publication showcases good practices and shared struggles in SDG reporting. We chose to focus on reporting not only for the sake of transparency, but more importantly because reporting on the SDGs helps to strengthen the discussion on how the ambitious SDG agenda can be achieved. Progress will come from understanding and reducing negative impacts as well as taking advantage of synergies and increasing positive impacts. Strong leadership is needed to be transparent about (potential) negative impacts, and to take action to achieve positive impacts.

In our view, there are three main areas in which companies should take action:

1. Tackling the materiality challenge and determining which SDGs are most relevant at company level

Relevance of SDGs differs greatly per country, sector and company. We would expect companies to report only on relevant SDGs, as they focus their efforts on contributing to the SDGs closest to their core business and value chain. This approach requires a robust SDG relevance filter to identify the key impacts and dependencies between a business and the SDGs. This could be done through a materiality analysis or—better yet—redefining materiality in SDG terms. Helpful tools for this are the SDG Compass[7] (which offers guidance on prioritisation for businesses) and PwC's SDG Navigator[8] (which uses metadata analysis to determine the most important SDGs per country in which the company operates).

2. Integrating the SDGs into corporate strategy and generating appropriate management information

The SDGs outline the sustainability agenda towards 2030. In the coming years the degree of progress towards the goals will influence government policies, shape the development of megatrends and impact on the overall resilience of society. The goals belong at the heart of corporate strategy. They offer an opportunity for business to identify future business opportunities, enhance the value of corporate reporting and strengthen stakeholder relationships. This implies that companies should identify and manage concrete business risks and opportunities linked to relevant aspects of the SDGs. Managing these risks and harnessing these opportunities requires the right management information. Individual companies will need to integrate their financial and non-financial information. They should refine the set of SDG indicators so that it is relevant to them, and include these indicators in their management reports.

3. Setting boundaries as to where corporate responsibilities begin and end

Determining which SDGs are relevant, and managing accordingly, will require taking a stance on where private sector responsibilities start and end. Achieving the SDGs is a multi-stakeholder challenge that can never be achieved by one party alone. Aligning corporate, national and global efforts will be key. As such, companies should proactively discuss and seek guidance on what different stakeholders expect from them so they can focus on contributing where and how it is most needed. Leading companies are already showing that they are willing to invest, innovate and collaborate, but there is still a lot of unrealised potential.

The SDGs: the new lens for corporate reporting

Apart from the actions for individual companies, there is also a need for the development of a common SDG business language. Specifically: consensus on the indicators companies should measure and report around the SDGs. Having a shared indicator set around the SDGs is crucial to align corporate efforts and promote comparability amongst companies. In this publication we propose a set of 34 indicators to monitor corporate reporting on the SDGs. This indicator set is by no means final. With this publication, we aim to stimulate a debate that works towards a common understanding on the indicators companies should use to manage progress on the SDGs. We call upon standard-setters to develop solid guidance on how to measure and report on these indicators to ensure comparability of data.

7 http://sdgcompass.org/
8 PwC; Creating Insight – Global Goals Business Navigator; 2016

Conclusion: The SDGs will be the new language for corporate reporting on societal issues

We are entering a pivotal time in human history in which the tide could turn on the world's most pressing social, economic and environmental issues. We believe the SDGs can be a game changer for the planet and for business, but only if the business community seizes the opportunity and engages. Governments, NGOs and society can only do so much—real change requires a united effort. We are convinced that business action will determine the success of the ambitious 2030 Sustainable Development Agenda and the achievement of the SDGs.

The business landscape has changed a great deal over the last 15 years, shaped and disrupted by globalisation, intense competition for raw materials and natural resources, a growing consensus about climate change, increasing urbanisation and a revolution in technology. These trends are challenging traditional business models across sectors, bringing with them a new demand for assessment and accountability to stakeholders. This said, the SDGs should not merely be seen as a concern for risk and reputation but rather as a core driver of how smart, modern companies must develop. The SDGs offer opportunities to businesses to be product, service and market leaders.

Our PwC SDG Challenge - with the results of SDG reporting by 25 Dutch headquartered companies - shows that we are entering a new era of reporting against global goals. Companies are picking the SDGs up rapidly and we strongly believe the SDGs will be the new language for reporting on the role business plays in resolving issues in society. The next big challenge will be facilitating SDG reporting by small and medium-size enterprises, as they represent a substantial percentage of global economic activity.

There could not be a better moment to launch the partnership between the Global Reporting Initiative and the United Nations Global Compact to shape the future of SDG reporting. On September 19th 2016 both organisations announced a new initiative to promote and advance corporate reporting on the SDGs. GRI and UNGC will work together to develop a list of disclosures for tracking business contributions to the SDGs and they will release a publication on SDG reporting. Both GRI and UNGC will tap into their respective networks to create multi-stakeholder working groups including leading businesses, reporting experts and data users, who will work to shape corporate reporting on the SDGs.

The PwC SDG Challenge gives insight in how companies are progressing with SDG reporting. While reporting is sometimes seen as "after the fact", public reporting of a commitment generates pressure to ensure that action follows. The SDG Challenge aims to accelerate progress on the SDGs by sharing best practices and recommendations. As the SDGs become mainstream in corporate reporting we will refine the criteria and extend the number of companies. Now it is up to business- to rise to the challenge.

Appendices

A.1. Selected Indicators

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

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

The indicators selected here are a first step in the direction of SDG reporting. We encourage feedback and discussion.

A.1.1. Quantitative indicators

SDG	Indicator 1	Indicator 2
1. End poverty in all its forms everywhere	1.1 % of workers that earn an amount equal or above living wage	1.2 Report on the company's programs to end poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2. 1 % of products sourced from sustainable agriculture	2.2 Report on the company's programs to end hunger everywhere
3. Ensure healthy lives and promote well-being for all at all ages	3.1 Report on the company's policy to promote health and well-being of workers along the value chain	3.2 Report on the company's programs to promote healthy lives and well-being for all
4. Ensure inclusive and equitable quality education promote lifelong learning opportunities for all	4.1 Report on the company's policy to promote lifelong learning opportunities for workers along the value chain	4.2 Report on the company's programs to promote inclusive and equitable education for all
5. Achieve gender equality and empower all women and girls	5.1 Ratio of basic salary and remuneration of women to men	5.2 Representation of women in management positions
6. Ensure availability and sustainable management of water and sanitation for all	6.1 Fresh water consumption reduction	6.2 Proportion of waste water safely treated
7. Ensure access to affordable, reliable, sustainable and modern energy for all	7.1 Energy efficiency	7.2 % of energy from renewable sources
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.1 Proportion of workers along the value chain with permanent employment contracts	8.2 Report on the company's vision on long term value creation
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 R&D investments per country / € of revenue per country	9.2 Report on the company's program to promote resilient infrastructure and inclusive industrialization to support economic development and human well-being.
10. Reduce inequality within and among countries	10.1 Average difference between highest scoring and other countries for: # of local managers / # of local workers	10.2 top earner per country to the median compensation for all employees in the same country (G4 54)
11. Make cities and human settlements inclusive, safe, resilient and sustainable	11.1 Waste reduction	11.2 LTA rate reduction
12. Ensure sustainable consumption and production patterns	12.1 Upstream value leakage mitigation	12.2 Downstream value leakage mitigation

SDG	Indicator 1	Indicator 2
13. Take urgent action to combat climate change and its impacts	13.1 GHG emissions reduction	13.2 € revenue at risk from climate change / € of revenue
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	14.1 # of IUCN red list species affected by company operations / € of revenue	14.2 € of revenue at risk from marine ecosystem resource depletion / € of revenue
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	15.1 # of IUCN red list species affected by company operations / € of revenue	15.2 € of revenue at risk from terrestrial ecosystem resource depletion / € of revenue
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	16.1 Report on the company's complaints/whistleblower policy, the issues that arose through this and the actions taken in response	16.2 Report on the company's policy to mitigate the risk corruption, corruption incidents that occurred and actions taken in response
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	17.1 Total tax contribution / € of revenue	17.2 € invested in multi-stakeholder partnerships

Qualitative questions

We included 6 qualitative questions in our assessment to support our scoring:

- How innovative is the approach to tackle the problems identified?
- Did the organisation translate the SDGs into concrete actions?
- Do the actions contribute to systemic change?
- Does the organisation take leadership through external communications?
- Is the organisation's C-suite involved in the SDG agenda?
- Does the company's approach towards the SDGs show long term vision?

Scoring

To score companies on the 34 criteria, we used a 0-5 scale. Scores were awarded based on the following observations:

- 0 – Nothing reported
- 1 – Mentioned in the report
- 2 – Qualitative ambition
- 3 – KPI or quantitative target
- 4 – KPI and quantitative target
- 5 – KPI, target and link to megatrends and/or company impact

A.2. Case study: PwC The Netherlands

When discussing business responsibilities in dealing with the SDGs, we recognize our own responsibility. To explicitly include ourselves in the corporate discussion on the SDGs and to illustrate the methodology used in this publication, we include the assessment results based on PwC the Netherlands' 2015 Annual Report.

Like most organizations in the assessment, PwC the Netherlands (PwC NL) earned scores between 0 and 4. Below are examples of PwC NL's reporting that earned a certain score:

- 0 for 1.2 because there was nothing reported on a program to end global poverty
- 1 on 12.1 because on p118, it is stated that *"environment is a standard component in our requests for proposal"*
- 2 on 16.1 because on p112, it is stated that *"we have a global code of conduct that outlines our business principles"* and *"in practice, this means that we expect every PwC employee to behave with respect, dignity, honesty and courtesy"*.
- 3 on 4.1 because on p38, it is reported that the average PwC employee was provided with 102 hours of training in the previous year.
- 4 on 5.1 because on p40, it is reported that *"an important indicator for an 'inclusive culture' is the equal remuneration of men and women"* and *"the weighted average salary of men and women is almost equal on all levels"*.
- No score of 5 because there were no links made between performance and global trends or SDGs

At PwC NL, we want to make an overall positive contribution to the SDGs. In this, we aim to align with focus areas that will be selected by the Dutch government. As a professional service organization, we have the biggest impact through our service offerings. Understanding and measuring this impact in the context of the SDGs is, however, extremely difficult and something we need to refine. In the coming year we will make a gap analysis between our current work and the Dutch priorities on the SDG. Based on this analysis, we will define actions to accelerate our performance on the SDGs and to integrate the SDGs in our service delivery across competencies.

A.1. List of company resources used for this publication

Company	Report Title	Year
Delta Lloyd	Delta Lloyd Annual Report Delta Lloyd Annual Review	2015 2015
ING	ING Group Annual Report	2015
Rabobank	Annual Report Rabobank Group	2015
Triodos	Triodos Bank Annual Report	2015
PGGM	Jaarverslag PGGM N.V.	2015
Ahold-Delhaize[9]	Responsible Retailing Report Ahold'	2015
IKEA	IKEA Group Sustainability Report	2015
PVH	Corporate Social Responsibility Report PVH	2014
Unilever	Annual Report and Accounts 2015 Strategic Report Human Rights Report Unilever Sustainable Living Plan Summary of Progress	2015 2015 2015
Heineken	Heineken Sustainability Report	2015
AkzoNobel	AkzoNobel Report	2015
DSM	Royal DSM Integrated Annual Report	2015
Alliander	Alliander Annual Report	2015
Eneco	Eneco, connection and innovation – Annual report 2015	2015
SBM	SBM Offshore Annual Report	2015
PostNL	Annual Report'	2015
NS	NS Annual Report	2015
Schiphol	Schiphol Group Annual Report	2015
Port of Rotterdam	Havenbedrijf Rotterdam Jaarverslag	2015
KLM	Corporate Social Responsibility Report Air France – KLM	2015
BAM	Integrated Report Royal BAM Group N.V.	2015
Randstad	Annual Report Randstad	2015
Philips	Philips Annual Report	2015
KPN	Integrated Annual Report	2015
ASML	ASML Corporate Social Responsibility Report	2015

9 We used the 2015 Ahold Report as the companies had not yet merged

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Further reading
www.pwc.com/globalgoals
PwC SDG Survey: Make it your business: Engaging with the Sustainable Development Goals
PwC SDG Navigator: Creating Insight – Global Goals Business Navigator
PwC SDG Guide: Navigating the SDGs: a business guide to engaging with the UN Global Goals

www.sdgcompass.org
GRI SDG Compass