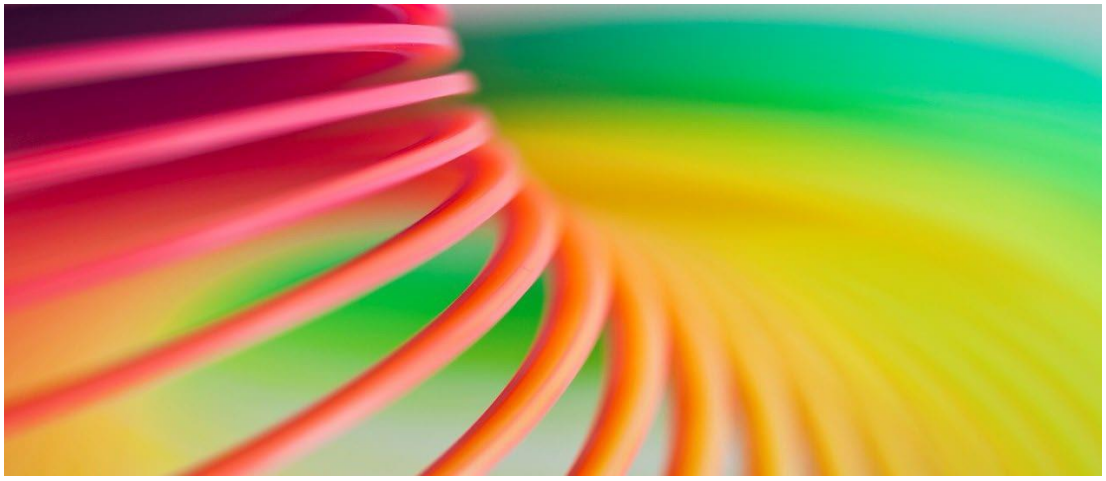
Integrated Sustainability Framework for SDG Governance and Reporting



FINAL PROJECT REPORT

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Table of Acronyms

CEO	Chief executive officer
CFO	Chief financial officer
CSR	Corporate social responsibility
CSO	Corporate sustainability officer
ESG	Environmental, social and governance
G250	The world's 250 largest companies by revenue based on the Fortune 500 ranking
GRI	Global Reporting Initiative
HR	Human resources
ICMA	Institute of Chartered Management Accountants
IR	Integrated Reporting
ISF-SDGGR	Integrated Sustainability Framework for SDG Governance and Reporting
MSA	*Modern Slavery Act 2018* (United Kingdom)
PwC	PricewaterhouseCoopers
SDGs	Sustainable Development Goals
TCFD	Taskforce on Climate-related Financial Disclosures
UN	United Nations
UNGC	United Nations Global Compact

EXECUTIVE SUMMARY

Corporate sustainability reporting is being reshaped. Businesses now face the added challenge of demonstrating accountability in regard to the Sustainable Development Goals (SDGs). The promulgation of the *2030 Agenda for Sustainable Development* by 193 member states of the United Nations (UN) in 2015 included 17 SDGs across environmental, social and economic areas. Collectively, these goals serve as a global framework for action towards sustainable development. Businesses are both major consumers of natural, physical and human resources, and suppliers of financial, technological and knowledge resources. They thus play a critical role in realising the SDGs, and stakeholder expectations in regard to more information and better sustainability performance by businesses have clearly grown.

However, there is substantial variability in the content and quality of SDG disclosures within corporate sustainability reports, bringing into question the management processes associated with SDG governance and reporting. How businesses prioritise, measure and report on their contributions to the SDGs remain largely opaque. Improving business reporting on the SDGs is by no means an easy task as corporate sustainability is highly complex in the face of many inter-related and at times conflicting issues in regard to environmental protection, social wellbeing and economic outcomes. Further, the lack of a standardised reporting framework for the SDGs is a major barrier to consistency and transparency of corporate disclosures. Although the International Sustainability Standards Board, established by the International Financial Reporting Standards Foundation in 2021, is tasked with developing globally comparable sustainability reporting standards, an integrated and reliable internal governance system is vital for operationalising such standards.

This Report

This report provides evidence regarding factors affecting the uptake, management and disclosure of SDGs from a multi-stakeholder perspective. Our study draws on the lived experiences of 30 participants who have knowledge and governance expertise on sustainability across the business, non-profit, accounting profession and management consultancy areas. In-depth participant interviews and two focal group discussions formed the basis for capturing the perceptions, attitudes and insights of expert governance stakeholders such as chief executive officers, corporate sustainability officers, chief financial officers/management accountants, professional consultancy experts and related knowledge experts on sustainability.

Data analysis is guided by integrated management systems thinking as set out in the 2015 UN Global Compact's *Integrated Sustainability Roadmap*, in which alignment across the strategic, operational and cultural dimensions within different functional units is seen as critical for effective corporate sustainability. The findings of this study highlight the importance of the role of information and knowledge management systems, and the under-tapped capacity of accounting systems for SDG integration. A more holistic framework,

titled, ‘Integrated Sustainability SDG Governance and Reporting Framework’, is proposed for guiding business support for the 2030 Agenda.

Highlights of Findings

Perceived Importance of SDGs and Corporate Values

- SDGs provide a more comprehensive perspective of the link between corporate sustainability and the global sustainable development agenda.
- Views on the importance of SDG integration into business models tend to vary; it is commonly seen as a risk management strategy, public relations exercise, a way to meet social license expectations, or an extension of corporate social responsibility.
- Level of knowledge and expertise of the SDGs among managers and other governance stakeholders within organisations is generally perceived as low.

Strategic and Operational Governance Issues

- Integration of SDGs within business materiality analysis is minimal, limiting alignment and prioritisation of key SDGs with business imperatives.
- The translation of global goals to business settings can be difficult, with industry sectoral idiosyncrasies.
- The process of selecting and committing to SDG targets and indicators remains difficult and unclear. This is linked to lack of data pertaining to sustainability, as well as the absence of integrated data and information systems for determining sustainability impact outcomes in relation to the set SDGs.
- The accountant role as well as financial information related to costs and benefits of business investments in sustainability activities remains limited.
- Project management requires multidisciplinary teams with requisite knowledge and expertise in SDGs and corporate sustainability.

Reporting Challenges

- The lack of a standardised reporting framework makes it difficult to compare company approaches, actions and performance on the SDGs.
- The real impacts of sustainability initiatives on the environment and communities are difficult to ascertain because of limited availability and rigour of data, making performance reporting challenging.
- Implementing assurance processes for determining the rigour of sustainability data and processes will help enhance the content and reliability of SDG disclosures.

1.0 INTRODUCTION

The expectation for businesses to be responsible and transparent regarding their contributions and impacts on sustainable development has notably heightened in recent years. The 17 Sustainable Development Goals (SDGs) as agreed to by all 193 United Nations (UN) member states in 2015 represent a blueprint to end poverty, protect the planet, and achieve peace and prosperity through effective partnerships (see Figure 1). Each member state has committed to country-specific goals and targets and is expected to regularly report on progress. Business organisations, however, are expected to voluntarily embed the SDGs within their business strategies, and to set, monitor and report progress on their targets and indicators as part of their corporate sustainability plan. The business case for SDG integration is largely premised on the opportunities offered by technological innovations and new markets, as well as stabilising present markets and resources through enhanced sustainable development. SDGs can thus be seen as critical guideposts for business planning and management of sustainability goals and activities to be aligned with the broader agenda on sustainable development.

Investors, customers, suppliers, employees and other organisational stakeholders are increasingly vigilant about making investments in companies that are responsible and committed to sustainable development, and are calling for greater clarity on business environmental, social and governance (ESG) performance. The notable growth in corporate sustainability reports in the last two decades clearly signals the increasing demand for such information (KPMG 2021; PricewaterhouseCoopers [PwC] 2018; Rosati & Faria 2019). However, corporate sustainability also attracts much scrutiny and criticism (Curtó-Pagès et al. 2021; Martínez-Ferrero & García-Meca 2020).

Recent studies reveal substantial variance in the quality and content of SDG disclosures in corporate sustainability reports, raising concerns about the popularly termed process of ‘SDG washing’ or ‘rainbow washing’ where businesses fail to fully account for, or even misrepresent their impacts in relation to the SDGs (Subramaniam et al. 2020). Reports that merely mention the SDGs without providing more detailed information can potentially mislead report users and undermine investment decision making in sustainability. It is also asserted that the lack of knowledge and experience in the SDGs among managers themselves may serve as a barrier to SDG disclosure quality. For example, a KPMG (2020) study of sustainability reporting by 5,200 companies and the G250 (the world’s largest companies by revenue as defined in the Fortune ranking 500) concludes that, ‘SDG reporting is mostly unbalanced and often disconnected from business goals’ and ‘corporate reporting on the SDGs focuses almost exclusively on the positive contributions companies make towards achieving the goals, and lacks transparency of their negative impacts’ (p. 49).

Given that sustainability issues are highly complex, inter-related, multidisciplinary and long-term oriented, identifying and prioritising sustainability goals through business materiality analysis, and achieving agreement on targets and indicators can be highly challenging. While information technologies can be potentially leveraged for enhancing current processes around SDG governance and reporting, there is limited empirical evidence on how such integration can be achieved. The UN Global Compact (UNGC),

Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD) in 2015 called for functional integration of sustainability policies and processes across the strategic, operational and cultural dimensions of a range of functional areas; for example, marketing, production and human resources (HR). However, the role of technology and knowledge management support mechanisms in coordination and integration is less explicit. Activities in different functional areas of an organisation can each independently and collectively impact sustainability goals. Traditional internal governance mechanisms such as accounting information and control systems can potentially lead to better integration, and strengthen sustainability outcomes. A deeper understanding of factors that can shape and support integrated SDG governance frameworks is thus much needed.

Based on the preceding discussion, the overarching objective of this study is to identify and understand key external environmental and internal organisational factors including strategic, operational and cultural features that affect SDG integration and reporting by business. In doing so, we also aim to examine the role of technology and accounting information and control systems in promoting a more integrated SDG governance and disclosure framework.

Section 2 presents a literature review on the SDGs, evidence from studies on the factors associated with SDG embedment in businesses, and an overview of an integrated management system approach, namely the UNGC's *Roadmap for Integrated Sustainability* (the Roadmap) (UNGC 2015).[1] Sections 3 and 4 outline the research method and the findings of the present study, respectively. Finally, Section 5 discusses the conclusions and suggestions for the way forward for enhancing SDG governance and reporting through the lens of integrated sustainability management.

[1] https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Flead%2Froadmap%2Froadmap-general-briefs.pdf

Figure 1: The Sustainable Development Goals

2.0 LITERATURE REVIEW

2.1 SDG Background

The notion of sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development, 1987) highlights the intrinsic inter-relationships between environmental protection, social justice and economic growth. This definition of sustainable development became prominent in public consciousness following the release of the Brundtland Report in 1987 by the World Commission on Environment and Development—an international group of scientists, politicians, environmental experts and civil servants.

In 2000, the Millennium Development Goals were launched with a focus on improving living conditions in developing countries. However, progress in developing nations was seen as deficient, and many environmental and societal challenges were also present in developed countries, including lack of gender equality, climate crises and inequality. Subsequently, a greater vision for the global community on sustainable development came into being through the SDGs, acknowledging that member nation states alone will not be able to solve such problems, and that business actions are critical. The idea of having a systematic framework of goals, targets and indicators aligned with sustainable development appeared to bode well given the expectation for localisation of the SDGS to occur with business leadership.

The critical tri-partite association between environment, social and economic imperatives is mirrored in corporate sustainability, where performance in all three areas is linked to organisational value creation. The business case for SDG integration has been made in terms of reducing organisational risk profiles and increasing growth opportunities while enhancing business reputation, stakeholder engagement and trust. As such, the SDGs are seen as an overarching framework for key stakeholders including investors to better understand the effects of business investments in environmental, social and economic areas.

2.2 Empirical Research Evidence

Early evidence regarding SDG embedment in business comes mainly from sustainability reports. Several studies identify a growing trend in SDG reporting globally. For instance, PwC (2019)—assessing 1,142 sustainability reports across 31 countries—identify that 72% of the reports mention the SDGs. Similarly, KPMG (2021) assessing the G250 companies identify that SDG reporting significantly increases from 43% in 2017 to 72% in 2020.

Studies have also paid close attention to the quality and nature of SDG reporting, with findings indicating wide variability in the approaches used and the level of information disclosure. An analysis by Subramaniam et al. (2021) of the 2020 sustainability reports from the top 150 public-listed companies on the Australian Securities Exchange finds that 62% of companies mention the SDGs and 59% disclose prioritised SDGs, but there is limited information on how SDGs are prioritised in relation to business materiality analysis,

and performance against set targets. Other studies highlight the risk of ‘rainbow washing’ because of superficial engagement with the SDGs by some organisations. According to these studies, such organisations mention the SDGs in their sustainability reports without providing details of progress regarding SDG targets and indicators, nor fully describing SDG impacts on their business strategies and sustainability performance (Curtó-Pagès et al. 2021; Heras-Saizarbiotori, Urbieta & Boiral 2021; Ionascu et al. 2020).

In the same vein, Calabrese et al. (2021)—investigating SDG reporting by European electricity companies—identify that these companies need to improve measurement and monitoring of their contributions to the SDG agenda. Erin and Bamigboye (2021) evaluate the quality of SDG reporting in Africa and identify a strong drive for SDG performance from African organisations. However, SDG disclosure by African organisations is at a very low level and most organisations show little or no interest in reporting on SDGs, with the exception of South African organisations. Erin and Bamigboye also identify the need for organisations to improve integration of SDG information into the reporting cycle, and to increase adoption of more sustainable practices.

Sustainability is a complex, inter-related, multidisciplinary area, and identifying and managing data related to the SDGs can be highly challenging. The tone set at the top management is just as critical as shared values, as both potentially affect managerial and employee actions on sustainability:

- Evidence on the motivations, barriers and facilitators of SDG reporting is largely dependent on archival data, and the role of accounting in SDG reporting remains opaque despite the enormous potential for accountants and accounting information to make a difference. Yet much of the empirical evidence is based on reporting trends undertaken voluntarily in corporate annual reports. There is a lack of understanding of the dynamic interplay of internal organisational and external environmental factors affecting SDG reporting practices.

- A more integrated approach to conceptualising sustainability and the SDGs is vital. This necessitates developing more innovative and critical thinking on how businesses currently approach and engage with the SDGs, rather than how businesses need to approach and engage with the SDGs for value creation.

2.3 Global Guidelines for SDG Embedment by Business

With the announcement of the SDGs came two other notable guidelines to help businesses take action on the SDGs: the *SDG Business Compass Guide* and the *Business Reporting on the SDGs*. These documents were developed collaboratively by the UNGC, the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development. The SDG Compass presents a five-step pathway as a guide to aligning business strategies with the SDGs, and managing the measurement and communications of the contributions made towards the SDGs. Figure 2 illustrates the five-step framework.

In relation to SDG disclosures, Adams, Druckman and Picot (2020) propose a set of conceptual guidelines, based on a set of fundamental concepts and principles drawn from

the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD); the GRI Standards; and the International <IR> Framework (IIRC). The fundamental concepts pertain to acknowledging the positive and negative impacts of the SDGs in value creation, the contextual setting of the reporting entity, and materiality as any issue that may make a difference to value creation and stakeholder assessment of risks and opportunities. The principles of SDG disclosures relate to the characteristics of the information disclosed, such as consistency and comparability, timeliness, connectivity of information, reliability and verifiability.

Figure 2: The SDG Compass Framework

The Five Steps of the SDG Compass guide

01 Understanding the SDGs
Develop awareness and understanding of the SDGs.
02 Defining priorities
Seize the most important business opportunities presented by the SDGs and reduce risks.
Define priorities based on an assessment of the positive and negative, current and potential impact on the SDGs across the companies' value chains.
03 Setting goals
Align company goals with the SDGs, the leadership can demonstrate its commitment to sustainable development.
04 Integrating
Integrate sustainability into the core business and governance, and embed sustainable development targets across all functions within the company. Pursue shared objectives or address systemic challenges, engage in partnerships across the value chain.
05 Reporting and communicating
Report information on sustainable development performance using common indicators and shared set of priorities.
Build the SDGs into the company's communication and reporting with stakeholders.

Following consultation with a wide range of stakeholders including sustainability experts, standard setters, management consultants, accounting and finance professionals, managers, asset owners and civil society, Adams, Druckman and Picot (2020, p.6) recommend the following four key themes for reporting on the SDGs:

· **Governance:** the board's governance around sustainable development risks and opportunities, and oversight of processes to integrate sustainable development considerations into the organisation's processes.

· **Strategy:** changing both what and how business is done to maximise long-term value for both the organisation and society.

· **Management approach:** management's approach to considering sustainable development risks and opportunities across all aspects of the organisation.

· **Performance and targets:** qualitative and quantitative performance and targets.

2.3 Integrated Sustainability Thinking for the SDGs

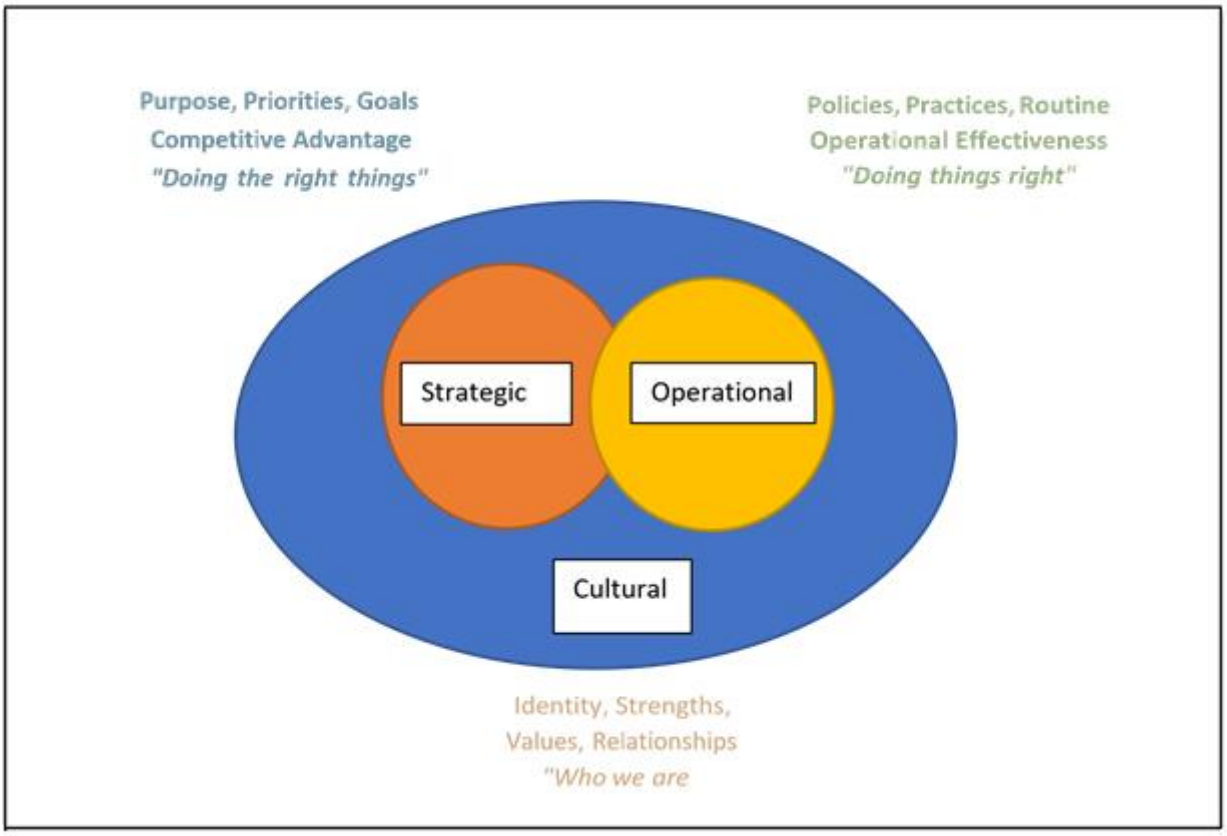
This study is guided by integrated sustainability thinking as espoused in the Roadmap[2] (UNGC 2015), and the concept of integrated management systems, where integration is defined as a process of combining different function-specific management systems into a single and more effective integrated management system (Beckmerhagen et al. 2003). The Roadmap aims to synchronise the sustainability priorities and goals of the overall entity with those of its functional sections or departments (e.g. production, marketing, HR). As shown in Figure 3, the Roadmap (UNGC 2015, pp. 6–7) proposes the use of three distinct lenses—that is, Strategic, Operational and Culture—as described below for understanding and managing functional integration of sustainability within organisations:

> *Strategic Integration*
>
> *Incorporating sustainability into the core strategy of an organization (enterprise, business unit or function). In this context, 'strategy' is used to describe the deliberate or emergent choices (purpose, priorities and goals) that are made to distinctively position the enterprise, brand or product for 'sustainable' (enduring) competitive advantage and value creation. It's about 'Doing the right things'.*
>
> *Operational Integration*
>
> *Executing and reviewing the performance of sustainability related strategies in the regular routine of an organization. This lens describes the processes, policies and practices put in place to improve the execution of strategy or sometimes called operational effectiveness. It's about 'Doing things right'.*
>
> *Cultural Integration*
>
> *Leveraging the unique identity, culture, purpose and strengths of an organization to advance sustainability and corporate success. To achieve a business's potential, strategic and operational integration must consider the unique culture, identity and strengths of the organization and their components. Culture can be a significant barrier or powerful amplifier of executing strategy.*

In essence, the Roadmap advocates for the importance of aligning strategic intent on sustainability with operational policies and activities, taking into consideration the cultural context of the organisation. As such, the quality and efficacy of coordination, innovation and cooperation among different functional units or departments of an organisation need to be systematically aligned for value creation through integrating sustainability.

[2] https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Flead%2Froadmap%2Froadmap-introduction-functionalintegration.pdf

Figure 3: Three Lenses on Sustainability Integration (adapted from UNGC 2015)



3.0 RESEARCH METHOD

3.1 Data Collection

A qualitative data collection approach was employed. A total of 30 participants was interviewed. We conducted two focus groups and individual (i.e. one-to-one interviews) with expert governance stakeholders such as chief executive officers (CEOs), corporate sustainability officers (CSOs), chief financial officers (CFOs)/management accountants, professional consultancy experts and related knowledge experts on sustainability, with the aim of capturing their perceptions, attitudes and insights into SDG governance. Nineteen individual interviews were conducted, complemented by two online focus group discussions involving six and five participants, respectively.

The focus group discussions and individual interviews were undertaken online via Microsoft Team from June 2020 to Oct 2021. All interviews were recorded and transcribed (with permission, and subject to the conditions of RMIT University's ethics approval) for analysis. The interviews lasted from 55 minutes to 1 hour and 15 minutes.

3.2 Participants

The participants represented a mix of organisations including nine public-listed companies, five large private companies, two Big Four firms, two international sustainability think-tanks, and one public institution. The participants in the two focus group discussions were predominantly from international accounting associations and public institutes. The interview participants from the 14 companies (public-listed and large private) were mainly CSOs, while others were senior consultants on SDGs/sustainability.

All participants had a minimum of two years' work experience in sustainability-related roles, and had knowledge of the SDGs. Around 10 participants had been involved actively in corporate sustainability policy debates and advocacy. An overview of the participant sample is provided in Table 1.

3.3 Data Analysis

Nvivo was used to analysed and code the transcribed interviews. The coding process involved labelling and assigning symbolic meaning to the descriptive or inferential data compiled, through which themes could be discovered based on the core content or meaning of the code. When performing the coding analysis, we categorised recurring phrases/codes, as these repeated phrases provide good leads, pointing to regularities or patterns in the setting (Miles et al. 2018). The categorised codes were then classified into themes as patterns emerged within the data (Neuman 2003; Patton 2002). The key themes are discussed in Section 4.

Table 1: Participant Sample

Interviewee	Organisation Type	Industry	Participant Role
1	Public-listed company	Industrials	Head of sustainability
2	Public-listed company	Consumer staples	Head of sustainability
3	Public-listed company	Industrials	Head of sustainability
4	Public-listed company	Healthcare	Head of sustainability
5	Public-listed company	Industrials	Head of sustainability
6	Public-listed company	Industrials	Senior sustainability manager
7	Public-listed company	Financial	Head of sustainability
8	Public-listed company	Real estate	Senior manager
9	Public-listed company	Manufacturing	CFO
10	Large private company	Materials	Senior manager
11	Large private company	Retail	Head of corporate affairs
12	Large private company	Real estate	Senior sustainability manager
13	Large private company	Transport	Head of sustainability
14	Large private company	Consultancy	CEO
15	International sustainability organisation	Not-for-profit	Head of standards board
16	International Sustainability Organisation	Not-for-profit	Senior manager
17	International accounting association	Professional body	CEO
18	International accounting association	Professional body	Senior advisor - corporate policy
19	International accounting association	Professional body	Senior manager
20	International accounting association	Professional body	Senior technical advisor
21	International accounting association	Professional body	CEO
22	International accounting association	Professional body	Management accountant
23	International accounting association	Professional body	Head of department
24	International accounting association	Professional body	Senior sustainability manager
25	Public institution	Education	Head of sustainability
26	Public institution	Education	Head of corporate governance
27	Public institution	Education	Management accountant
28	Public institution	Education	Management accountant
29	Big Four	Consultancy	Sustainability senior manager
30	Big Four	Consultancy	Senior sustainability consultant

4.0 FINDINGS AND DISCUSSION

In this section, in accordance with the SDG Compass framework for SDG embedment within business, we present an interview data analysis of participants' perceptions, attitudes and work experience in corporate sustainability and the SDGs. The findings related to their understanding of the SDGs; strategic and operational issues that may hinder or facilitate SDG integration; and factors that need to be developed to enhance SDG embedment and outcomes. Direct quotes from participants are also provided as sample evidence in support of the reported findings.

A: Understanding the SDGs

There was general consensus among participants that it is vital for businesses to address and embrace the SDGs and sustainable development in general. Most participants felt that SDG uptake by businesses is '*unavoidable*', and used the term '*social license'* as a rationale for SDG integration. Pressure from external factors such as investors, regulators, professional organisations and civil society were seen as the main drivers of business wanting to engage with the SDGs.

The perceived benefits of embedding and reporting on the SDGs

- SDGs are an '*excellent communication device'* that promotes a '*common language'* that '*everyone can easily relate to*' for understanding sustainability and sustainable development.
- The global goals help to frame and make sense of how a company is making *'meaningful'* changes for society and the environment.
- The SDG framework facilitates capturing in a succinct manner multiple sustainability goals and values that are important to the organisation.
- SDG disclosure helps to enhance or gain external awards and certifications, such as environmental management ratings and corporate sustainability ratings.
- Embedding SDGs enhances corporate reputation and encourages commitment to investment in sustainability.
- The SDGs help companies to identify and manage key risks and new business opportunities.

Participant quotes

The SDGs ‘(is) a huge material topic for us, but it's not just sustainability, it is much broader than just that … Our company does find incredible value in making sure these considerations (global development issues) are integrated into our decision making … umm—now I'm not saying we've solved every single problem, but I think realising that value just means that we continue to see our (sustainability) teams grow in different places.

I think the main driver is the investors community asking companies to be more accountable. The stakeholders are pressing the companies to be more accountable (to) *sustainability.*

If you take the SDGs seriously, they can help you identify new business opportunities, as well as help in managing risks.

One sustainability manager sincerely expressed, *‘I do love SDGs’.*

I found that the goals have been incredibly good as an engagement tool. We don't necessarily say SDG5, we say gender; or we don't necessarily say SDG10, but we talk about inclusion, so we're using the terminology that comes out of the goals as a really good communication tool.

General lack of awareness and knowledge among stakeholders

Participants also generally felt that awareness and knowledge of sustainability needs to increase among all stakeholders to improve business commitment to the SDGs. They were concerned that the awareness level of SDGs was still low within organisations and among their key external stakeholders. Senior managers, sustainability managers and institutional investors were seen as having higher awareness and knowledge of SDGs than other stakeholders; for example, customers and suppliers. Some saw the level of SDG awareness and knowledge as a function of company size, with smaller organisations seen to still lag behind. A clear need for knowledge dissemination about the SDGs throughout all managerial levels and functional areas was viewed as important for advance business interests as well as organisational actions on the SDGs.

Participant quotes

If I stepped outside that ‘sustainability bubble’ of my LinkedIn, I don't know many people who talk about SDGs … SDGs don't come into the conversation.

There's not a lot of interest in terms of making that connection to the SDGs for a consumer. I think that is the challenge. It's not translating into a consumer relevant message at the moment, which is what would give opportunity for a company like us. So, I worry.

I see it (SDGs) *as a quite a mature set of disclosures for large organisations, and I think that the majority of small organisations are yet to understand what the acronym is.*

B: Defining SDG Priorities

In this section, we present participant insights into business strategy in relation to stakeholder materiality assessment, selection and prioritisation of SDGs, and sectoral specific issues.

Linking business materiality with SDG goal identification

Materiality analysis brings together internal and external stakeholders to map the material areas of the business strategy against the stakeholders' areas of concern and interest. Further, a culture of active stakeholder engagement is seen as necessary for identifying focal sustainability issues both for the company, and in terms of broader societal and environment interests. Embedding SDGs within business strategies based on materiality analysis ideally will facilitate a more holistic approach for sustainability governance.

While participants saw this process as critical and a valuable exercise to align sustainability and business goals, it was also viewed as highly time consuming and varying in its frequency. Only in a few cases was such analysis reported to be undertaken annually, with a preferred time interval for respondents of two to three years, for practical reasons. Interestingly, one participant indicated a preference to undertake materiality analysis every six months.

Several participants reported simply prioritising SDGs without undertaking a formal materiality analysis where the material sustainability themes are matched with the relevant SDGs by the sustainability team. The formality of SDG prioritisation also appeared to be influenced by the area or corporate section in which the sustainability team functioned from or reported to. Areas such as the CEO office and risk management departments were seen as concerned over identifying risks focusing on economic outcomes (e.g. climate risks) and appeasing investor information needs. In contrast, corporate public relations and communications functional areas were seen as more worried about how SDGs would affect corporate image. It is clear that the underlying motivation and alignment of sustainability risks, SDG prioritisation and business strategy need to be clear to avoid sub-optimal outcomes, such as choosing ill-fitting sustainability initiatives in terms of business goals.

Direct quotes

Materiality is something that we do constantly and formally every year. The findings of the materiality assessment allowed us to identify which of those SDG's we intersected with directly and indirectly.

Our annual sustainability materiality assessment process is extensively done. As part of that process, we embed the SDGs just to make sure that the priority goals that we have are still material to us as a business.

We talk to a number of different stakeholders as part of that process and stakeholder engagement is incredibly important. We ensure that the questions that we are asking all of

our stakeholders have the goals embedded in them. And we use that as a process to check, are these the right goals still for us, so it's definitely integrated.

So, we subsequently changed our sustainability strategy to be driven by the goals. And yes, we went and got board endorsement for that, but we'd already started action on the SDGs before we actually changed our sustainability strategy. So now our strategy is very clearly aligned with the goals.

We developed a matrix for the external analysis. For internal analysis we also do surveys. We seek input not only from a central perspective, but also looking to get local feedback in terms of what issues are. The analysis should be undertaken frequently, really. In our case, we update and publish the matrix every two years. In future, considering how often external variables move, I would say that the exercise we do, we're looking at probably every six months.

Sectoral idiosyncrasies

Sectoral idiosyncrasies also pose difficulties for unilateral policies for a given goal. In other words, how an SDG is interpreted and actioned will vary across industries. For example, approaches to waste management inputs and outcomes may widely differ between service and mining companies. Thus, the actions needed and the impacts expected in relation to SDG12 Responsible Consumption and Production goals will need to take into consideration industry-specific opportunities and limitations. There was also a strong view that SDG leadership at the sectoral level—where people with expert knowledge and common industry understandings sit—is needed to set relevant and realistic SDG performance targets and indicators.

Direct quotes

We can see direct impact on certain SDGs for example, in the energy sector. Probably it's more clear for them to identify some SDGs that are more related to their business which have more direct impact on environmental and social issues.

I think some of them are really governmental goals. For example, Zero hunger or No poverty—it's really governmental driven. It's more like trying to translate the how those targets can be applicable to businesses. And it's kind of hard work to do and with all the rest of the sustainability agenda it's probably not the priority for the companies.

C: Setting Goals, Targets and Indicators

In this section, we present participant observations on how SDGs are aligned with corporate-level business goals and issues surrounding the selection of SDG targets and indicators.

Aligning corporate goals with the SDGs

A major difficulty in goal alignment between the SDGs and business goals is the translation of global-level goals (generally specified in a country-level policy setting) to the corporate level (where goals are set from an organisational outcome perspective). Consequently, some participants were unsure of the association between goals, targets and indicators, questioning whether meeting the goals set by the company will deliver any real impact for the company and for society itself. Some participants suggested national governments ought to separate the SDG targets for the public and private sectors, and further break down the targets to industry levels. There were also concerns over the practicality of acting on all SDGs, and that selecting few and targeted goals may improve performance.

Externally produced guidelines such as the GRI Standards were seen as providing some, albeit limited, understanding of how to link GRI indicators with the SDGs. Within a corporate reporting context, GRI Standards were seen as helpful. However, in relation to mapping SDGs to sustainability performance, such standards were perceived as limited because they do not clearly recommend how to set targets or choose the appropriate indicators to measure performance. On a more positive note, there was feedback on how the process of SDG embedment had led to process reviews and identification of areas for improvement and innovation opportunities.

Direct quotes

Businesses need to go beyond tagging a goal to a program, and they need to start drilling down into the targets and indicators.

I don't think businesses are doing enough at this point in time—really getting down into some of the detail that is required … to understand what are the one or two or three key targets and indicators that are related to the goal that our organisation will be able to contribute to.

We've had discussions internally about the SDGs and we are continuing to have them. We have a board SDG committee, and they are interested in how we are reporting against the goals. It's evolved a bit simply because there was an initial mapping against our objectives. The company has come out with its own sustainability approach, and we mapped the goals to that. We then used the guidance that aligns the GRI indicators to the SDGs and reassessed it on that basis and then published a single list of SDGs that we feel that our existing approach contributes to and that's where we sit at the moment.

I think it's (SDG integration) *helped influence our future direction in a range of areas, like for example, becoming aware … to do more work on the material side of things, but with specific focus. For instance with SDG 12, it's encouraged us to perhaps accelerate some of our efforts in that area* (recycling)*, understanding that we need.*

Identification and quantification of relevant data is difficult

The SDGs cover a wide range of themes, and the management of information related to the sustainability initiatives across organisational activities in different functional areas and

projects can be highly complex. The identification of appropriate qualitative and quantitative data for goal and target setting was seen as a major burden, and only some of the early adopters of SDG reporting appeared to have a handle on the governance structure and processes needed for performance management.

Participants noted improvements are needed in regard to the quality of the data and the capacity of organisations to manage how well information from different internal systems can be integrated; for example, from HR, finance and environmental protection/management committees. Communication and alignment between sustainability and financial/accounting processes and data were also seen as an area that could be better designed. Some participants expressed that the development of SDG governance systems cannot be done overnight; rather, change may need to be undertaken incrementally and it takes time and resources.

Further, it was evident that some information is held manually by managers, in informal records. Such data may not be formally captured by accounting and other management systems. Some examples include carbon emissions and negative environmental impacts.

Direct quotes

That's (SDG data collection) *probably one of our biggest challenges. If I think about the fact that we're trying to get to net zero carbon by 2030, one of the biggest questions we have is how do we measure that across all our projects? Things like community investment data, so you know whether we're doing donations or have events or whatever else, how do we roll that up into a number? Then there's biodiversity—how do we measure biodiversity impact? How do we get that kind of data? So, the short answer is it's probably one of the biggest challenges.*

We have a proliferation of different systems. They don't necessarily always talk to each other in the most effective way.

There's definitely room for improvement there. We have some great data that's incredibly robust and managed really well. And then we we're trying to manage with some data that is, you know, still very manual.

D: Integration—Structure and Processes

In this section, we report how participants identified elements relating to corporate culture, governance structure and accountability processes towards corporate sustainability and the SDGs.

Structural mechanisms related to SDG governance

The governing board: Participants observed that the support and interest expressed in sustainability issues by the governing board of the business is a critical resource for SDG uptake. CEO support was also seen to play an important role, particularly in resourcing the sustainability team and having the authority to roll out sustainability initiatives. Participants

in general felt that once the topic of SDGs is lifted to a board level of strategic importance, finding internal resources becomes easier to support the SDGs.

Sustainability committee/team: An independent corporate sustainability committee (sometimes referred to as CSR or ESG committee/team) was reported as the most common structural mechanism established for coordinating sustainability and SDG initiatives. However, some participants reported that the manner in which a sustainability team approaches its work, including integration of SDGs, depends on the functional section to which it is responsible; for example, a risk management, corporate affairs or corporate responsibility department. The culture or shared values inherent in the functional area overseeing the sustainability team were seen to influence the approach to risks and benefits associated with the SDGs.

SDG champions: The presence of staff or knowledge specialists/experts who champion for organisational initiatives and programmes was seen as often helpful for integrating new ideas and processes:

- When asked about who the SDG champions, if any, in the organisation, the common responses were the CEO, directors or senior management with sustainability management experience and in a few cases, the participant themselves as the head of the sustainability unit.

- A number of respondents noted that *'investors'*, including institutional investors, play an important role in deliberations on SDG adoption. As noted by a participant, it is '*when our important investors ask questions about* SDGs' that triggers management's own interest in SDGs.

The shared knowledge and connections among governance stakeholders—including directors, senior management and sustainability staff and champions—is vital for SDG governance. The cultural tone at the top is just as important as hearing the innovations and shared values on the SDGs from the operational level, and this two-way process requires support from sustainability knowledge experts to capture SDG-relevant data.

Participant quotes

We were very blessed in the sense that a couple of our group board members have come from companies that have a very strong sustainability presence. Some of them actually pushed us to do more.

When we brought our prioritised SDGs to the board they were incredibly supportive. We had a very robust discussion around the five that we selected to ensure that they were the right five and so getting their sign off from that process was very valuable.

A critical and proud moment for one participant was when *'the business agreed to release our first SDG-focused report. Yeah, and now it's embedded. You know, as part of the reporting suite on an annual basis … that means that there needs to be a certain discipline within the organisation to update it annually and to continue to strive to make progress.*

E: Reporting and Communicating

In this section, we present a summary of participant perceptions on quality and issues related to SDG reporting.

Perceived quality of SDG reporting

When asked to rate the quality of their SDG reports (from poor to excellent, with moderate as a mid-point rating), most respondents from public-listed and large private companies rated their company's reports as moderate. Queries regarding the reasons for their rating and the areas in which they believed reports could improve, commonly yielded responses which are summarised through the general sentiments expressed below :

i) *Setting targets in relation to SDGs at the business level is not easy.*
ii) *SDG reports need to focus both on inputs and outputs. This includes costs relative to impacts; for example, social and environmental impacts.*
iii) *SDGs are a recent development and there is lack of knowledge experts.*
iv) *There is poor communication within organisations as those in charge of reporting are not fully connected with operational level managers.*
v) *There are too many options to measure impact, and more understandable and relatable performance metrics are needed.*

One participant from a corporate sustainability office headquartered in Europe reported that his overseas colleagues seem to be well-versed and knowledgeable on the SDGs, including taking a lead on the design of the report itself. Participants from the management/professional consulting entities in particular felt strongly that SDG reporting is still in its infancy, and that it requires considerable industry-led leadership and investments in HR to fully account for sustainability and SDG impacts. There were also concerns around the ability of existing information and accounting control systems to capture relevant and reliable data, as well as all the positive and negative impacts of organisations.

Participant quotes

I believe companies in Australia are still in the early stages of SDG reporting. Most of the companies are still in the first stage committing and identifying relevant SDGs, but there is still a long way to go to embed SDGs into strategies and identifying good metrics to measure *performance.*

I don't get the sense that there's a lot of engagement or thought or work sitting behind what they're publishing. There may be, but they're not disclosing it, so when they're putting up, well, here's our 5 SDG's that we're going to focus on, they're not giving a lot of detail about what, *how, and why they've chosen those. There's not a lot of detail going down to target level, and there's even less detail about indicator level.*

Too many reporting guidelines

Participants also expressed concern over the multitude of sustainability-related reporting standards and guidelines that are available, and additional ones in the process of development. The GRI Standards, Integrated Reporting (IR), other related reporting requirements such as the United Kingdom's *Modern Slavery Act 2018* (MSA) and the TCFD are some of the guidelines of concern for participants when attempting to report on the SDG. Some participants felt there are too many SDG metrics and overlapping guidelines, making sustainability reports too complex and difficult to understand There was strong consensus even among the professional consultants that an IR framework specifically addressing the SDGs is needed.

One suggestion was that a standard SDG overview report (e.g. a dashboard) be presented by all firms that is easy to understand and could be used to compare firms within industry sectors.

Participant quotes

I think you can have the long (report)*, but you have to make sure you've got the guts of it up front. Because people aren't going to get to page 88 unless they're really interested. I think that you have the nuts and bolts of it right up there—right up front. People can't read, you know, a three-page letter from the CEO and then stay interested.*

There is no specific guideline helping organisations to report on the SDGs like you have GRI for sustainability reports.

Once you are reporting on the MSA you're already addressing some of the SDGs, the same TCFD.

F: Role of Accounting, Assurance and Information Systems

In general, the extent of direct engagement with the SDG and sustainability reporting process by accountants appears limited. Only one participant reported that a representative from the finance/accounting department was required in their project development meetings. While accounting information and techniques such as cost–benefit analysis, cash flow predictions, costs of sustainable-certified products and project investment analysis were cited as useful, participants remained sceptical about their

potential to shape SDG information. Another viewpoint is that accounting and financial information was seen to relate to short-term performance indicators, while sustainability is more about long-term results; more qualitative information or evidence may be needed. As noted by one participant, '*I don't think accounting data and processes are tailored for the SDGs. There is a bit of work to do yet*'.

Further, while both financial and non-financial information appear important for ascertaining SDG-related activities and projects, the sourcing and integration of relevant data from multiple departments or functional areas was found to be very challenging. Having a reliable and integrated data and information system was described by one of the interviewee managers working for a property development company as essential for SDG integration. The organisation marketed its properties as a highly ranked sustainably developed and certified real estate, and relied on demonstrating clear connections between the SDGs and its corporate strategy. The manager reported that data systems from the company's accounting department, HR, environmental management committee and engineering team were essential for designing, planning and assessing projects for development.

Some of the major identified challenges for data or information systems congruence are as follows:

1. **Information silo**: there is a disconnect between departments within the organisation. The sustainability team is often the only party that attempts to access information from multiple functions of the business: environmental engineering for environmental information; and the HR department for human information, operational offices and finance team. Requests for information are often related to the need for corporate reporting rather than internal management decision making. For instance, filling in data for sustainability certification often requires data from multiple aspects and sections of an organisation; for example, carbon emissions, sustainable procurement, supply chain integrity and building waste.
2. **Information technology barrier**: the information system in large businesses is often compartmentalised. Collecting information may require significant redesign and centralisation of the information system. For example, some participants reported finding it challenging to report on the impact of natural disasters and responses to them in the business because information systems were inadequate to capture such impacts.
3. **Measurement difficulties**: evaluating non-financial impacts (e.g. improvements in people's livelihood or mental wellbeing, or reduced environmental degradation) can be difficult, with several respondents noting multiple sources of information working in parallel but not 'talking to each other' within their organisations.
4. **Internal performance management:** some SDG targets and indicators were described as lacking 'functionality' or tending to be 'intangible' for companies to practically adopt. Not everything can be measured, and knowledge from project managers involved at the operational level needs to be fed into top management thinking (strategic).
5. **Assurance**: of sustainability reports and audit of selected sustainability projects and initiatives were seen as highly important, particularly when this also involved

meeting sustainability certification requirements. Scepticism was also expressed over the internal audit function's ability to overview data integrity without a standardised information system for sustainability management.

Direct quotes

The principle remains for all of those commitments, we need to be able to verify the data of everything we're doing here in Australia as well as we are doing all over the world … there is a reporting framework that we must complete that talks about, well, how many participants were there, what was the number of schools involved in the case of community work, the finance team will provide me with a document … in terms of what was our contributions to the community, what was it in hours and then quantification of that in terms of a monetary value.

Things can go wrong, so it's important that (data get) *checked and verified … We have been audited. I remember when I actually did a dedicated Australian chapter in a report about four years ago, every single fact had to be checked and verified for external audit and that was fun … The joys of order!*

Good SDG data—Integrity and reliability—is still missing. Organisations are still working on it; this has a direct impact on assurance.

Assurance helps organisations to improve their SDGs reporting processes.

5.0 Conclusions

Our findings reveal the presence of multiple challenges to SDG governance associated with strategic, operational and cultural issues. While the business case for actions on the SDGs is seen as important and necessary, challenges reside within organisational systems and processes in supporting sustainability management and disclosure.

Often the lack of appropriate technology and knowledge management systems seems to impede strategic goal and target setting, monitoring of performance, assessment of impacts and disclosure in relation to SDGs. More specifically, information management technologies—while seen as vital for sourcing and collating relevant and reliable sustainability data—lack the sophistication and integration needed across functional units and managerial levels.

There was also general acknowledgement that corporate project teams need to have broader and multidisciplinary-based skill sets for SDG governance and reporting.

Further, information useful for sustainability performance management and decision making is sparse because of inadequate knowledge management systems to support and manage organisational learning on the associations between sustainability activities, and their impacts on communities and the environment. Knowledge on understanding and transformation of short-term data to longer-term impacts on SDG and sustainability-relevant data are much needed.

Accounting is placed to potentially play an important transformative role in SDG governance and reporting, but accountants' engagement with the SDGs is very limited. The sourcing and verification of critical sustainability data, evaluation of investments and the impacts of SDG projects, and better reporting oversight are some of the ways in which accounting mechanisms can enhance SDG governance and reporting.

6.0. Integrated Sustainability Framework for SDG Governance and Reporting

Drawing on both the rich insights of the participants of this study, and the UNGC's Roadmap (UNGC 2015), an adapted framework for SDG governance and reporting is proposed with the inclusion of technology and knowledge management systems as a fourth core domain or integrative lens for facilitating integration. As depicted in Figure 4, the adapted framework, referred to as the '**Integrated Sustainability Framework for SDG Governance and Reporting' (ISF-SDGGR)**, is premised on the notion that the cultural domain, and a technology and knowledge management domain together will shape the nature, extent and approach to the SDGs in the strategic planning and operational domains. Further, we extrapolate discussion on the potential roles for accounting and information control mechanisms in supporting the ISF-SDGGR integrative processes through financial accounting, management accounting and audit/assurance mechanisms.

Dynamics among the Four Core Domains

According to the ISF-SDGGR, the dynamics between the cultural and the technology–knowledge management domain shape and provide shared meaning and understandings of the SDGs and corporate approach to sustainability. The cultural domain involves the beliefs, assumptions and moral responsibility for sustainable development and the SDGs, defining the level of commitment perceived as acceptable for SDG embedment. As observed from a number of participant responses, sustainable development can be a highly sensitive and contested space, or there can be almost no knowledge and interest in the SDGs. The subjectivity involved in determining sustainable development risks and impacts—for example, on climate change and energy pricing— can inhibit commitment to SDG embedment, with organisations looking for a more science-based rationale for changing their attitudes.

As noted in the Roadmap (UNGC 2015), culture can be an inhibitor or an accelerant for SDG integration. The role of technology and knowledge management consequently becomes vital for sourcing, collating and providing reliable information for understanding the value creation potential of the SDGs. More specifically, with data and information on sustainability risks and impacts often residing in different parts of an organisation, multidisciplinary and long-term-oriented information technologies become important for data accessibility and integrity. Further, information can be turned into knowledge, and knowledge management systems can help develop and share not only 'what is right to do' but also 'how to do things right'. For example, positive environmental impacts gained through changes in procurement or operational practices need to be documented, and such knowledge shared to promote positive and informed cultural values and norms.

At the strategic domain level, the meaning of SDGs and their impact on the business model need to be aligned with corporate and functional unit strategies. Within the operational domain, SDG embedment needs to occur at the level of processes, policies and practices, which could involve choosing the appropriate targets and indicators and

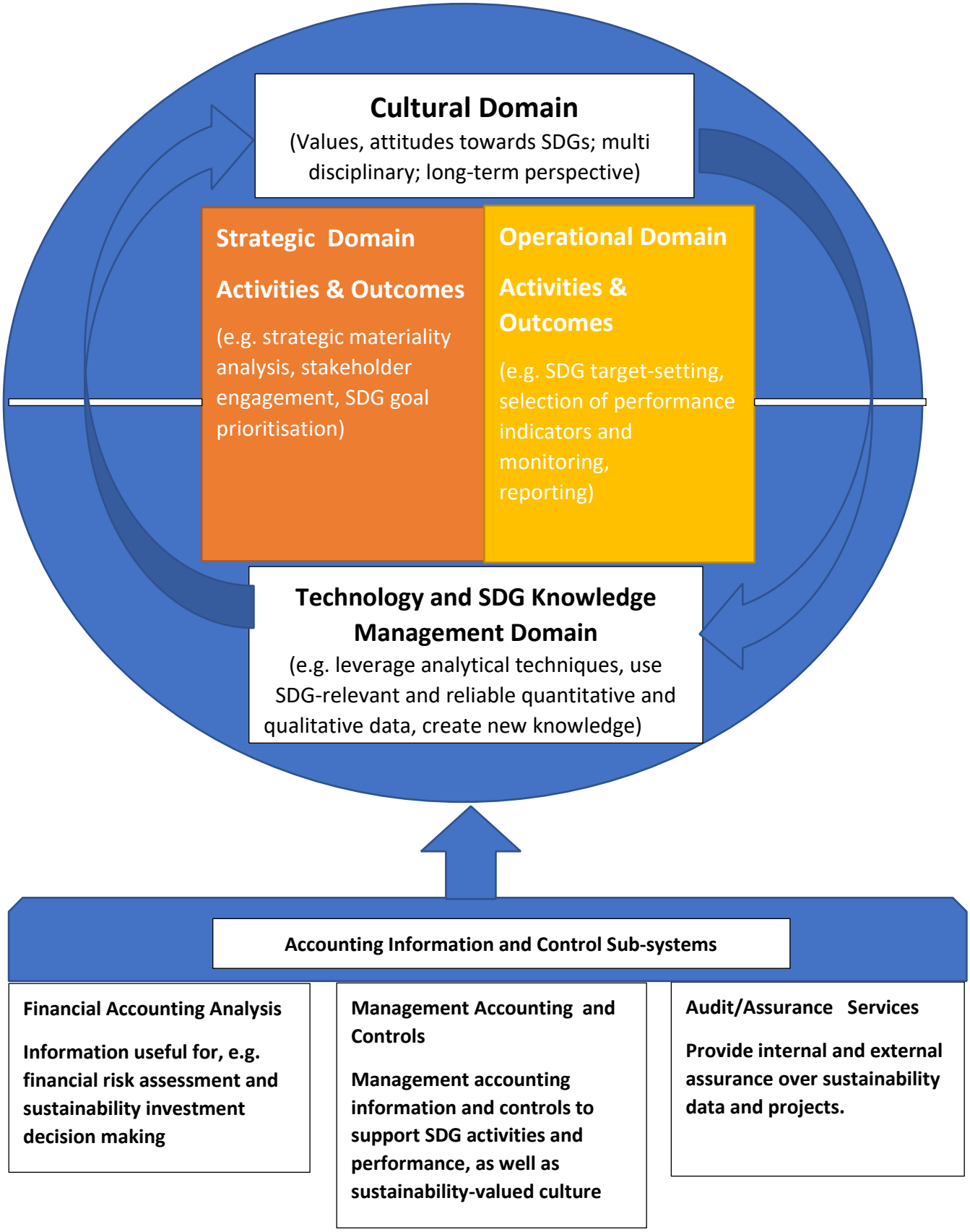
tracking their performance. Integration between the strategic and operational domains also needs to be underpinned by clear and consistent connections between the cultural and technology–knowledge management domains.

Supportive Role of Accounting Information and Control Systems

Accounting information and control systems can also influence how managers engage with and enact their sustainability activities, and account for them. The ISF-SDGGR can be supported by the following three accounting sub-systems:

1) **Financial accounting analysis:** identification, recording and analysis of financial, quantitative data that can help integrate strategic and operational issues relating to goal setting, and value creation by the SDGs. Such information can help investor and other stakeholder decision making.
2) **Management accounting and controls**: management accounting information and controls to support interactive, boundary-spanning activities for strategic decision making. Monitoring and tracking SDG impacts and performance utilising diagnostic analysis, operational controls and cost–benefit analysis.
3) **Auditing and assurance process:** internal controls and verification of data related to SDG activities, projects, governance processes and disclosure.

Figure 4: Integrated Sustainability SDG Governance and Reporting Framework



7.0 WAY FORWARD

An integrative management approach to SDG governance and reporting will require a holistic stance towards bringing together formal and informal HR systems with affordable technology and knowledge management systems. The following suggestions are recommended for the way forward.

Cultural Factors

- **Promote a culture of integrated thinking on sustainability.** Develop a corporate environment where the tensions across competing interests and impacts across environmental, social and economic imperatives are open for discussion and debate. Important to provide an environment that will foster collaboration and integrated thinking on sustainability.
- **Enhance sustainability leadership.** Sustainability experts and champions at the board and senior management are critical for localising SDGs within organisations. For example, aligning the tone at the top aligned with managerial sustainability performance awards and incentives can foster the desired SDG-congruent behaviours.
- **Develop multidisciplinary teams with SDG knowledge.** Corporate sustainability challenges are complex and solutions should be provided by multidisciplinary teams based on multiple disciplines and expertise.
- **Mission, vision and values aligned with the SDGs.** It is important to determine and communicate that the company's business, approaches, objectives and goals are aligned with sustainability principles. Training and induction programmes are important to disseminate knowledge across the organisation and reaffirm the organisation's commitments and alignment with the SDGs.

Leveraging Technology and Knowledge Management

- **Develop data management platforms for integrating SDG-relevant information**. Review, re-imagine and integrate internal information systems to bring together data from different functional units. This includes both financial and non-financial information that is both short- and long-term oriented.
- **Support knowledge development and staff training.** Support staff training on the SDGs, and how they are interlinked with organisational activities with an eye to fostering knowledge creation and problem solving through innovative ideas for sustainable development.
- **Data collection and dashboards**. Collection of relevant SDG data and dashboard reporting tools are important to support decision-making processes; improve accountability; identify items that require action; and offer insights into trends and metrics. Sharing SDG information is also important to foster internal and external collaboration and disseminate knowledge.

Strategic and Operational Governance

- **Broaden stakeholder engagement**. This is important in the process of SDG prioritisation for better integration with corporate business model imperatives and strategies, as well as wider stakeholder environmental and social concerns. Stakeholder engagement is an important mechanism to improve legitimacy and foster collaboration.
- **Improve materiality analysis**. The consideration of double materiality—that is, economic as well as environmental and social impacts—is important for SDG strategy, identification, prioritisation and reporting.
- **Develop and track business-relevant SDG targets and indicators**. Develop clear associations between business model objectives and the targets and indicators of prioritised SDGs. Where possible, adopt science-based targets to guide target and indicator selection on sustainability goals. Important to consider both positive and negative sustainability impacts.
- **Design better SDG reporting:** Adopt evidence-based approaches to develop performance metrics that are not only input and activities based but also impact driven. Design report formats that enable standardisation of critical data for comparability and consistency; for example, SDG dashboards that are industry sector relevant.

Accounting Information and Control System Interface

- **Financial accounting.** Prepare information from financial accounting systems to inform sustainability project development and outcomes, and manage sustainability risk and investment profiles.
- **Management accounting and controls**. Develop an integrated system of enabling and coercive controls that can guide SDG strategic planning and operational controls. Enable and empower all stakeholders to contribute to SDG prioritisation and management of impacts and outcomes.
- **Audit/assurance processes and statements**. Adopt, where possible, audit and assurance mechanisms to ensure internal controls over SDG activities, and compliance and detection of operational inefficiencies. Avoid ‘rainbow washing’ and utilise independent verification of SDG data and report.

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