SDGs & Business – Five FAQs and Answers

In 2016, when I was with the Tata group, we at the Tata Sustainability Group (TSG) decided that we should leverage terrific opportunity the SDGs provided to frame the group's sustainability agenda and get group companies to understand and embrace them. The 2016 Tata Sustainability Month (TSM) was themed on SDGs and later that year, the contributions of the group companies to the SDGs –through core business activities as well CSR – was compiled into a publication (http://www.tatasustainability.com/pdf/TataGroup-and-theSDGs.pdf). Additionally, the group was invited to contribute to a publication by DNV called *The Future of Spaceship Earth* which looked at the state of the "spaceship earth" and what needs to be done to achieve the SDG goals.

Fast forward to early February, 2020 when I had the opportunity to moderate a consultation on SDGs and business organised by the UN agencies. The participants were fairly diverse – Indian companies and MNCs, industry associations and groupings, social enterprises. While the purpose of the workshop was to contribute to India's Voluntary National Reporting on SDGs, there were some interesting revelations on where companies in India were on SDGs.

In the 5 years between these 2 events, the understanding of SDGs has increased dramatically. However, when it comes to SDGs and business, some FAQs remain. Here are some answers based on what I have seen, heard and worked on.

FAQ 1: Are SDGs about CSR?
A common reaction of many companies is that SDGs is about CSR and had little to do with core business. In my view, there are two reasons for this reaction. One, the first few goals – No Poverty, No Hunger, Good Health, Quality Education etc. are core to a government's rather than business's responsibility. And two, the UN system is seen as focusing on what is good for society and the planet but not so much on business.

Nothing can be far from the truth. Some of the SDGs are directly impacted by core business activities. SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Sustainable Consumption and Production) and SDG 13 (Climate Action) to name but 5 cannot be achieved without direct contributions by business. The food industry directly contributes to SDG 2 (No Hunger), the healthcare industry to SDG 3 (Good health and Well-Being) and so on.

FAQ 2: How do SDGs affect my business?
Because of the fact that business operations impact SDGs, it is likely that regulations and markets will evolve to push businesses to align themselves to SDGs. Thus, businesses that do this as a matter of good practice will find themselves at an advantage and de-risk their operations.

What is even more interesting however, is that SDGs also provide new business opportunities. *Better Business Better World* published by the Business and Sustainable Development Commission have identified several business opportunities. The India version of the report estimates that SDGs has the potential to provide US$ 1 Tn. of economic opportunities and 72 million jobs by 2030.

Some pension funds (Danish, Australian, Californian) and banks have announced plans to align their investments with SDGs or create funds to invest in business that enhance SDGs. So, access to capital is yet another business reason for companies to understand SDGs better.

FAQ 3: 17 Goals and 169 targets – is a company expected to significantly impact all of them?
The short answer for This FAQ is – no! How then are companies supposed to identify which of these are relevant?

If a company has identified its material sustainability issues – issues that have the *greatest positive or negative impact* on its business and are of greatest concern to its stakeholders – then this task of identifying relevant goals and targets is very simple. All it has to do is to take each of its material issues and map it against these goals and targets. At the end of this rather straightforward exercise, the company will know which of the SDGs matter. This can also be done at a sectoral level and the *Indian Cement Sector SDG Roadmap* provides an excellent example of this which all cement companies can use. This not only identifies which SDGs to focus on but also what the company can do to impact them.

If the company has not identified its material issues, it has two options. The first – and, in my view, the most sensible – option is to determine its material sustainability issues and then map it against the SDGs as described above. This is not the place for a lesson on how to do materiality but SDGs provide an excellent set of potential sustainability issues which can then be prioritised using standard materiality processes.

If the company does not wish to undertake a materiality exercise, there is another way to determine which ones it impacts. And it must be remembered that *impacts may be positive or negative*. A company can impact an SDG either directly or indirectly. For example, a food company directly impacts to SDG 2 (No Hunger) but by buying from farmers, it indirectly impacts to SDG 1 (No Poverty). Further, a company can contribute to an SDG by its CSR spends (which is 2% of its profits in the case of India) or through core business. Thus, a 2X2 matrix such as the one shown alongside can be populated with the 17 SDGs and targets going into the appropriate cell. The company can then focus on the SDGs and targets in the top quadrant where its impact is likely to be the maximum and measure and report on them. The others can be monitored, measured and reported on less frequently or not at all.

	Indirect	Direct
Core Business	Monitor regularly	**Focus, Measure & Report**
CSR	Track	**Measure & Report**

FAQ 4: How can my company identify indicators and targets?
Once a company has identified which of the SDGs it should focus on, its next task is identifying indicators. The *SDG Global Indicator Framework* provide indicators and companies can use these. In the case of India, the Ministry of Statistics and Programme Implementation has identified a set of SDG indicators called the *National Indicator Framework*, which can be adapted by the company. For target setting, the SDGs themselves have global targets and while companies can choose to set different ones, it would be good practice to set targets that are either more ambitious than the SDG ones or aligned with national targets.

In an ideal world, each country should determine its own targets for each SDG and indicate what its expectations from business in order to achieve these targets, ideally by industry sector (steel, cement, automobile, power, banking, IT etc.). This will provide a strong indication to businesses in that sector on what its own targets should be. So far, this has not really happened anywhere and this is something that companies should consider advocating for so that its own efforts and contributions can be meaningful.

FAQ 5: Do we now have to report on SDGs also? And what formats do we use?
Reporting is a company's nightmare and "reporting burden" is one the most common complaints companies have. So, this perception that SDGs will require additional reporting is a valid question. As far as I know, SDG reporting is not mandatory anywhere yet and certainly not yet in India.

Having said that, any responsible business will be keen to showcase to its stakeholders how it impacts the SDGs. And when investors are keen to put money in companies that positively impact SDGs, the business case becomes even stronger.

In practice, for a company that is already producing a sustainability report using frameworks like GRI, IR or UN Global Compact's Communication on Progress, the incremental effort in reporting on SDGs is really marginal. The UNGC and GRI have set up an Action Platform that provides guidance on how to report – on sustainability strategy, SDG prioritisation, Impact and Value Chain to name four.

For companies that have yet to write reports, reporting on SDGs is an excellent way to start. Once the prioritisation has been done (as described earlier), then is it simply about putting out performance data in the public domain. One of the companies I know and admire – ABB – has a single page in its sustainability report that says it all – you click on each SDG and it gives you information on how ABB is contributing to that SDG. ABB divides the SDGs into two categories – seven of them where its impact is significant (or direct and through core business, to use the term I used while addressing FAQ 2) are referred to as "ABB Enables" and the rest as "ABB Contributes".