FAQ – Reporting on the Sustainable Development Goals (SDGs) in the Integrated Report

What are the Sustainable Development Goals (SDGs)?

The United Nations’ Sustainable Development Goals (SDGs)\(^1\) were created as a blueprint for society to address our most urgent social, environmental and developmental challenges. They constitute a set of 17 global sustainable development objectives, linked to 169 indicators and targets, which were developed through a consultative process involving the 193 UN Member States and global civil society, including companies. The SDGs were adopted by all UN Member States in 2015 with the aim of creating a future, that by 2030, is rid of poverty and hunger and safe from the worst effects of climate change.

Each SDG articulates a desired outcome underpinned by identified indicators and targets. All stakeholders, including governments, the private sector and individuals, are expected to contribute to achieving them. The major shift from the previous set of goals, the UN Millenium Development Goals (MDGs), is the central role of business in achieving the targets of the SDGs.

The 17 Sustainable Development Goals\(^2\)

How do the SDGs fit into the organization's strategy?

The SDGs aim to present an action plan that will shape strategy, support sustainable decision-making processes, guide innovation and promote investment towards achieving the SDGs.

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\(^1\) sustainabledevelopment.un.org/
\(^2\) United Nations, Sustainable Development Goals Report, 2019
Not all 17 SDGs will be directly relevant to each and every organization. An organization should seek to identify the SDGs that are material to its value creation process by considering the following:

1. The actual and potential negative outcomes (effects on the six capitals) resulting from its activities, products and services, including value chains, and relating these to the SDGs.
2. How it can contribute to achieving the targets of the SDGs by maximising its positive outcomes (effects on the six capitals). This may include applying knowledge, skills and capabilities to benefit communities and the environment through SDG-related products, services and investment.

How and where are the SDGs disclosed in the Integrated Report?

As mentioned, the SDGs constitute a universal call to action; they are not a reporting framework.

The integrated report discloses material information on the organization’s external environment, business model, strategy, risks and opportunities, performance, outlook and governance. In reporting on its strategy, the organization discloses the SDGs that it has incorporated into its strategic objectives, as well as the material indicators and targets adopted in order to contribute to the achievement of these SDGs. Further, information on the SDGs and SDG-related activities may appear, where material, in other sections of the integrated report, such as the external environment, business model, risks and opportunities, performance, outlook and governance.

While the integrated report offers material information on the SDGs and SDG-related activities, reference can be made to additional, more detailed information available on the organization’s website or in other reports such as the sustainability report. This approach is in line with the IRC’s FAQ: The Octopus Approach, where the integrated report is positioned as the head of the octopus (the primary report) with other detailed and subject-specific reports or information being the arms of the octopus.

Some useful resources include:

1. The IRC website has an SDGs in the IR page with links and resources
2. King IV, on page 26, states that an integrated approach is the hallmark of sustainable development and the organization's purpose, risks and opportunities, strategy, business model, performance and sustainability are inseparable elements of the value creation process.
3. The UN publication, SDG Compass: The guide for business action on the SDGs, offers practical guidance on the process of aligning business strategy to the SDGs in a five-step process (this process is shown here with summary information):
**The Five Steps of the SDG Compass**

1. **Understanding the SDGs** - As a first step, companies are assisted in familiarizing themselves with the SDGs.

2. **Defining priorities** - To seize the most important business opportunities presented by the SDGs and reduce risks, companies are encouraged to define their priorities based on an assessment of their positive and negative, current and potential impact on the SDGs across their value chains.

3. **Setting goals** - Goal setting is critical to business success and helps foster shared priorities and better performance across the company. By aligning company goals with the SDGs, the leadership can demonstrate its commitment to sustainable development.

4. **Integrating** - Integrating sustainability into the core business and governance, and embedding sustainable development targets across all functions within the company, is key to achieving set goals. To pursue shared objectives or address systemic challenges, companies increasingly engage in partnerships across the value chain, within their sector or with governments and civil society organizations.

5. **Reporting and communicating** - The SDGs enable companies to report information on sustainable development performance using common indicators and a shared set of priorities. The SDG Compass encourages companies to build the SDGs into their communication and reporting with stakeholders.

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4. The International Integrated Reporting Council (IIRC), *The Sustainable Development Goals, integrated thinking and the integrated report* aligns the SDGs to the <IR> value creation process and leverages the steps outlined in the SDG Compass to offer a framework for linking the SDGs in the integrated report.

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5. The IIRC also has other publications available on its website.
6. The GRI and the UN Global Compact have a joint action platform, Business Reporting on the SDGs, which offers three corporate reporting tools: an analysis of the Goals and targets, integrating the SDGs into corporate reporting, and addressing investor needs in reporting on the SDGs.
7. The World Benchmarking Alliance, Seven Systems Transformations for Benchmarking Companies on the SDGs.

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4 Carol Adams, *Five steps to Aligning the SDGs with the <IR> Framework*, 2017
https://www.icas.com/professional-resources/sustainability-resources/resources/five-steps-to-aligning-the-sdgs-with-the-ir-framework