

SDG Disclosures Consultation - PwC Response

Consultation question responses

1. Principles - Are the disclosure Principles selected appropriate to encourage both the integration of SDGs into strategy and transparency in relation to risks, opportunities and impacts?

i) Yes. The principles are broad and well aligned with existing reporting principles (especially <IR>) and so function to highlight how existing principles can incorporate the SDGs. The principles apply themselves to the objectives of changing behaviours in the organisation and to moving reporting away from simply mapping goals to what companies happen to be doing.

ii) The principles themselves don't directly mention opportunities (although it is implicit in "strategy to create value") - our suggestion would be to add to the 4th bullet point of the connectivity of section: 'risk and opportunity management'.

iii) In relation to the definitions of "relevant" and "material" in the context of the SDGs, it might be helpful to include more and specific examples to help people less familiar with the concepts. The UNGC Action Platform on SDG Reporting includes the concept of "principled prioritisation" for an organisation to identify the most relevant SDGs - would it be helpful (and consistent) to include this concept within the definitions?

iv) We would also suggest consideration of including a more explicit "objectives of disclosures" section - as there is a conflation between reporting and strategic management. The experience from the IIRC framework is that whilst people are engaging on the first piece, there has had to be a campaign to reposition IR to focus on the second. A more explicit 'objectives of disclosures' might help to address this.

2. Disclosures - a) Are the recommended Disclosures appropriate and complete?

i) Visually in the document the new content (ie: the recommended disclosures) seem to have a lower profile than the previously published 5 step process. Whilst it is good to reiterate the steps, it might be good to box out/ highlight the disclosures more.

ii) Most of these disclosures are relevant for the narrative front end of the annual report (ie, variously called MD&A, Strategic report or integrated report) this could be specifically restated on the pages with the actual disclosures.

iii) Step 5 boldly states integrated report but will this be a distraction for those who are not taking public positions around integrated reporting ie that disclosures apply only to integrated reporters. That's not to say, the focus on connectivity and strategic focus should be reduced - if step 5 is changed to Annual report, there could be a statement in the principles section that recommends integration of multi-capital reporting.

iv) For effective, trusted reporting, will some of the disclosures in 'prepare the report' section need summary information in the front of the annual report, linking to more detail in other sections of the annual report or sustainability report? Eg to explain impacts on the SDGs and give some detail on performance against targets. If so, articulating this idea of 'core and more' reporting and how to manage it could be helpful.

vi) Performance and targets - it might be helpful to ask for disclosure of the process behind the selection of targets, to address how they have been considered to be appropriate.

vii) It might be useful to include more on the nature of performance information (key principles e.g. leading not lagging etc) beyond reference to GRI. Key principles for selecting targets and performance data.

2. Disclosures - b) Are you aware of additional good practice examples?

Dutch company, Friesland Campina have performed principled prioritisation and have identified the 6 SDGs which they believe are most relevant. They have linked these 6 priority SDGs through their value creation model, which underpins their business strategy.

Also other examples: Ranstad, Carlsberg, Danone.

We are just completing a piece of research on SDG Reporting, and have identified a number of additional companies with strong SDG reporting. We are in the process of writing up some case studies on these, which we could share.

3. Enhancing the credibility of Disclosures - a) Are there additional sources of assurance evidence that could be included?

Looks like a good list - and it is really helpful to set out so clearly where you can find relevant assurance evidence. Perhaps could also include the extent of integration in core accounting systems.

3. Enhancing the credibility of Disclosures - b) Do you foresee issues in the supply of assurance? Why?

We think that there are likely to be challenges on the criteria for assurance, but we do not think supply will be an issue if the demand is there.

There is currently very little assurance of the front end of the annual report - it is more appropriate/possible to assure factual statements in reports and performance indicators.

It is also possible to say whether the recommended disclosures have been included.

3. Enhancing the credibility of Disclosures - c) Are there alternatives to assurance that could be included to enhance credibility of reporting?

The governance disclosure (already in the recommendations) is critical - ie the board oversight on the governance processes. Could this be made stronger - perhaps by including a statement from the board about their responsibilities.

We have developed an insights model - to support organisations to build trust. Our "Inspiring Trust Through Insight" concept provides insight into the maturity of an organisation's reporting, across a number of dimensions, using a visual representation and supporting narrative. Further information could be provided on this model if helpful.

4. Alignment - are there further opportunities for aligning with existing frameworks?

Yes. Although there is mention of alignment with other frameworks, it would really help to walk through some examples (with diagrams) of how this works in practice and illustrate the 'core and more' principle of reporting. For example, company A - show their reporting suite and purpose of each

document - and what standards/frameworks are used to make various elements relevant, robust, comparable. ie demonstrate how frameworks are successfully used together eg, IFRS (including for management commentary for front end of their annual report), EU NFR, National sustainability law (+others). Uses <IR> to improve and help structure the strategic summary at front end of annual report - along with TCFD and SDG recommendations to enhance their narrative report. Use GRI + CDP for sustainability report - including key metrics including in the annual report.

Suggestions of other frameworks/initiatives that are focused on SDG adoption by business and include targets, indicators, reporting disclosures, that should be considered if they have not been already, are:

- UNGC are working with B Corps to integrate the SDGs into the B Corps assessment - could this include useful performance metrics that could be included
- The Future Fit Benchmark - methodology is very clear and they have mapped goals and indicators to SDGs
- IMP are working with a number of organisations to develop a consistent framework for the measurement and reporting of SDG impact.
- UNCTAD-ISAR were working on a recommended definition of indicators that should be included in a sustainability report - if finalised these should be reviewed/included/referred to.
- Others: World Benchmarking Alliance, SASB

5. Other matters - Are there additional matters which should be addressed prior to finalisation?

i) The document is strong in the way it weaves threads with TCFD, GRI and the IIRC framework. The integrated reporting framework language is used throughout (strategic focus, value creation, connectivity) and it moves the agenda forward in terms of alignment within this reporting landscape.

However, I wonder if this framework then exposes similar gaps and/or limits adoption:

- Connectivity between standards is poorly understood by many - see suggestion above.
- Multiple stakeholder focus - is there enough on identifying who are the primary stakeholders. Will the lens differ here for say the rest of the integrated report which is primarily investor focused? How is this reconciled?
- Value creation for multi stakeholders - very light in the document and more might be needed to make this more accessible for the reporting community.

ii) There is huge demand for relevant and comparable metrics - linked to 'section 5 prepare the report' - it could add value to add to an examples section - explain further (in words and pics) how example companies are identifying relevant targets, finding (or developing) reasonable indicators from the standards to measure performance against targets.

This could also include more examples explaining how different companies are going through the process of embedding SDGs in strategy and reporting (could do some corporate paragraphs, like the asset owner ones) - and **where** they are putting this in reporting.

A point of note - the first corporate example is good - but it is not clear where they have they reported this. The link goes to a free floating pdf that is just about SDGs - so does not appear to be part of any main report.

iii) It might be helpful to include more explanation of exactly how the different standards and principles are used together to support effective overall reporting and how SDG reporting fits into that.

iv) Have you considered how you will they get buy-in for these recommendations to actually change behaviours? What are the actions that you will want participants in the corporate reporting ecosystem to take?

v) When making reference to the SDGs, it might be helpful to include (perhaps within the suggested examples section) clear guidance that for business to engage and report, they should really be looking at the SDG target level rather than at the SDG goal level - it is only when you get to the granularity of the individual targets that a business can really identify actions/KPIs etc.