ICAS

INTEGRATED REPORTING <IR>

The Sustainable Development Goals, integrated thinking and the integrated report

By Carol A Adams

Supported by green economy coalition

Contents

Foreword

By Lord Mark Malloch-Brown, Chair, Business and Sustainable Development Commission

The Sustainable Development Goals (SDGs) coincide with a new questioning by business of its approach to issues of environmental sustainability and development impact.

The launch of the SDGs allows business leaders to incorporate them into company strategy and to communicate on performance and practice in a way that pushes for a financial system oriented towards longer-term sustainable investment – two actions that we identify in our report Better Business, Better World.

I welcome this contribution to the SDGs. This report offers a conceptual underpinning for integrating SDGs into the business model and strategy of the organization, aligned to the globally recognised International <IR> Framework.

The five-step approach outlined in this report draws out the linkages between the capitals used and affected by a business and the SDGs through the value creation process. It also helps organizations to provide information that will support the reallocation of capital required to achieve the SDGs. With this in mind, long term investors, such as pension funds, are set increasingly to seek disclosure of a clear strategy for contributing to the SDGs and delivering outcomes from companies they invest in.

The approach outlined is consistent with actions identified by the Commission that I chair, and can play a role to help organizations actively consider their strategy and risks and opportunities in the context of the SDGs, encouraging innovation, harnessing technologies and using capitals in different ways.

While practice is still emerging in this area, this report serves to encourage innovation and new thinking.
I look forward to witnessing these new developments as companies and investors respond to the SDGs through their strategies and business models, and applaud those organizations already moving on this journey.

The SDGs require an urgent response from business and I welcome the support that this initiative provides to accelerate a transition to a more prosperous and sustainable economy.

Author

Carol A Adams

Carol Adams is a Professor at Durham University Business School, UK and consults on corporate reporting. She writes on topical issues on her website[1].

Acknowledgments

This document draws heavily on concepts in the International <IR> Framework which was developed by the IIRC through a broad range of global stakeholders.

Steering Committee: Carol Adams, Anne Adrain (ICAS), Neil Stevenson (IIRC)

Advisory Group:

Russell Picot (Chair), Special Advisor to the Task Force on Climate-Related Financial Disclosures and Former Group Chief Accounting Officer, HSBC
David Atkin, CEO, Cbus
Marianne de Bie, Senior Adviser, Corporate Affairs, Royal Schiphol Group
George Cobb, Group Sustainability Accountant, SSE and Chair, ICAS Sustainability Panel
Andrea Coulson, Strathclyde Business School, Director of Principles of Responsible Management Education (PRME)
Livia Gallucci, Sustainability team, CCR Group
Oliver Greenfield, Convener, Green Economy Coalition
Rodney Irwin, Managing Director of Redefining Value & Education, WBCSD
Kathryn Jackson, Technical Director, A4S
Mandy Kirby, Director of Reporting, Assessment and Accountability, PRI
Cathie Lewis, Group Company Secretary, Grindrod
Barbara Pomfret, ESG Product Manager, Bloomberg
Christopher Sessar, Head of Corporate Reporting, SAP
Alan Teixeira, Global Director - IFRS Research, Deloitte
Namita Vikas, Group President & Global Head, Climate Strategy and Responsible Banking, YES BANK

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1. https://drcaroladams.net/

Executive Summary

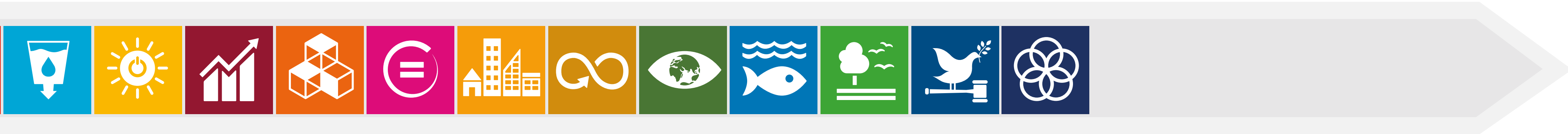
> The SDGs... tackle the root causes of poverty and unite us together to make a positive change for both people and planet.
>
> **United Nations Development Programme[2]**

> The 2030 Agenda for Sustainable Development[3] recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs).
>
> **UNCTAD[4]**

Businesses are being called upon to contribute to the Sustainable Development Goals (SDGs) which were adopted in 2015 as the sustainable development agenda for the world to 2030. They are also being warned that the long-term success and survival of some industries and businesses depends on the achievement of one or more of the SDGs, particularly climate action[2]. Whilst overall responsibility lies with national governments, the SDGs cannot be achieved without a concerted effort by business and other organizations.

> We must have the courage to strike out in new directions and embrace an economic model which is not only low-carbon and environmentally sustainable, but also turns poverty, inequality and lack of financial access into new market opportunities for smart, progressive, profit-oriented companies.
>
> **Business and Sustainable Development Commission (2017, p7)**

2. http://www.undp.org/content/undp/en/home/sustainable-development-goals.html
3. https://sustainabledevelopment.un.org/post2015/transformingourworld/publication
4. http://unctad.org/en/Pages/DITC/Trade-Analysis/TAB-Trade-and-SDGs.aspx
5. See http://www.un.org/sustainabledevelopment/climate-change-2/ for more information on climate change impacts



This conceptual document provides a framework for embedding sustainable development issues in an organization's decision making, strategies and business model by: considering risks and opportunities presented by the external environment; and, acknowledging that creating value over time requires the organisation to acknowledge and address the risks and opportunities associated with social and environmental stewardship. The sustainable development issues which gave rise to the Sustainable Development Goals pose limitations on the availability of capitals on which businesses rely. This framework is aligned with the multi-capital International <IR> Framework issued by the International Integrated Reporting Council (IIRC, 2013). Through its emphasis on connectivity and Board oversight, it facilitates high-level engagement and a holistic approach (integrated thinking).

Companies that use the <IR> Framework have reported improvements in their processes of identifying risk and opportunity and the breadth of issues considered to impact on long-term value creation[6] through the multiple capitals approach[7]. This document therefore harnesses these benefits to demonstrate how <IR> can be used to embed the SDGs in organizations' thinking and reporting.

6. See, for example, Adams, (2017)
7. The <IR> Framework principles were informed by detailed research and analysis of consultation feedback in a series of Background Papers available at https://integratedreporting.org/resource/background-papers/

The framework for contributing to the SDGs through the <IR> value creation process set out in this report involves a five step process:

1. Understand sustainable development issues relevant to the organization's external environment;
2. Identify material sustainable development issues that influence value creation;
3. Develop strategy to contribute to the SDGs through the business model;
4. Develop integrated thinking, connectivity and governance;
5. Prepare the integrated report.

The document sets out how each step aligns with the <IR> Framework and includes guidance for their practical implementation. The framework is intended to be complimentary to initiatives such as the SDG Compass and the recommendations of the Task Force on Climate-related Financial Disclosures. Indeed, this report is intended to be embedded in those projects and reports that are aimed to provide guidance on implementing the SDGs through corporate strategy and action.

Integrated Reporting cannot provide all the answers. Encouraging organizations to integrate sustainable development considerations is challenging and requires a concerted effort led from the top (see Adams, 2014). It requires leaders to "build support for the global goals as the right growth strategy" in their companies (BSDC, 2017, p15).

However, by aligning the SDGs to a conceptual reporting framework (the <IR> Framework) this document provides the conceptual rigour required to support integrated thinking in contributing to the SDGs.

It is hoped that integrated reporters will respond to these challenges and that those organizations that are embracing the SDGs will be able to use the <IR> Framework as a means of demonstrating how their value creation process contributes to sustainable development.

Introduction

Sustainable development requires a systemic response involving transformative changes, notably in knowledge, policy and institutional systems from all sections of society. The Sustainable Development Goals (SDGs)[8] and the Paris Agreement[9] are global multi-stakeholder responses to this challenge.

The SDGs are inter-dependent and contributing to them involves trade-offs, just as an organization's outcomes involve trade-offs between multiple capitals[10] (see the <IR> Framework).

8. http://www.un.org/sustainabledevelopment/sustainable-development-goals/
9. http://unfccc.int/paris_agreement/items/9485.php
10. see Adams, et al (2013)

Prominent scientists and social scientists have called for an "integrated social-ecological system perspective" (Norström et al, 2014) and "integrated targets" (Griggs et al, 2014) to ensure that trade-offs between the SDGs are managed and synergies maximised. As these authors recognize, achieving the SDGs requires an understanding of social change processes and social, political and regulatory constraints and opportunities.

International business and trade has a significant impact on sustainable development issues including: the environment, particularly climate change; global wealth distribution; natural resource consumption and price stability; food security; and, gender inequality (Xiao et al, 2017).

The SDGs cannot be achieved without collaboration between governments, private and public sector organizations and civil society organizations. National governments, who are ultimately responsible for the achievement of the SDGs, might seek to achieve this by setting expectations through legislation or soft regulation and holding organizations to account. Stock Exchanges can influence the private sector through the listing requirements that they set.

Investors may develop portfolios with the specific aim of prioritising specific SDGs. They are also increasingly considering a range of wider factors in their risk profiling and appraisal of investment opportunities, with some evidence of leading investors embedding wider value creation factors, including sustainable development, in their overall policy and governance (see EY 2017).

This document sets out a framework for contributing to the SDGs consistent with the multi-capitals model. It recognizes limitations to the availability of the capitals on which organizations rely and the potential to substitute between capitals consistent with the broad view of value creation in the International <IR> Framework. This approach to integrating SDGs will assist organizations in understanding the relationships and dependencies between capitals and the inter-dependencies and potential conflicts between the SDGs.

> "The global economy services society, which lies within Earth's life-support system."
> **Griggs et al (2013)**

> An integrated report explains how an organization creates value over time. Value is not created by or within an organization alone. It is:
>
> - Influenced by the external environment
> - Created through relationships with stakeholders
> - Dependent on various resources.
>
> **International <IR> Framework, IIRC (2013, para 2.2)**

The International <IR> Framework (IIRC, 2013) can be used to aid understanding of the relationship between sustainable development and value creation. It also aids understanding of trade-offs across the interdependent and potentially conflicting SDGs. It does this by:

- considering risks and opportunities presented by the external environment;
- adopting a multi-capital approach;
- acknowledging that creating value over time requires social and environmental stewardship and creating value for investors and other relevant stakeholders; and,
- facilitating high-level engagement and a holistic approach (integrated thinking) through its emphasis on connectivity and board oversight.

There is evidence that value creation is increasingly defined more broadly than the accumulation of financial capital whether or not a company explicitly says it reports in line with the <IR> Framework. This is a trend that corporate boards need to be aware of. Research demonstrates that over the period of development of the <IR> Framework companies increasingly aligned their social investment activities with their strategy and longer term notions of value creation (see Adams et al, 2016).

Board oversight and integrated thinking are important in addressing investor concerns and in raising investor awareness of the importance of sustainable development issues in long term value creation. A key reason for developing the <IR> Framework was the increased importance of externalities (including social, environmental and economic issues) for corporate strategy and success[11]. The importance of this is apparent from the response from a range of forward-thinking pension funds and other investors who wish to emphasize long termism and take account of a wider view of value creation. It can also be seen in the calls to pension funds to focus on sustainable development and influence corporate behaviour (UNCTAD, 2016a) in order to maximise long term value creation.

11. For a discussion see Adams (2017)

Audience

This document is aimed at those seeking to enhance the contribution to the SDGs by organizations and those seeking to reduce corporate risk and increase opportunities arising from sustainable development issues. It is particularly relevant to organizations seeking to maximize value creation over the long term and to reassess their mission and purpose. Within these organizations it is intended for those responsible for developing strategy, those responsible for corporate reporting and to boards. The document is also relevant to those seeking to hold companies to account – investors, regulators, governments, NGOs and other corporate stakeholders – and, of course, to current and potential users of integrated reports.

Aim

This document aims to contribute to the achievement of the SDGs by demonstrating how the <IR> Framework can help organizations align their contribution to the SDGs with how they create value.

Using this framework, organizations will be able to:

- Contribute to the achievement of the SDGs through the application of integrated thinking;
- Use integrated reports to communicate their contribution to the SDGs and how they have responded to the risks and opportunities of sustainable development.

This document does not develop indicators or prioritized disclosures to report contributions to the SDGs. Rather it draws on the concepts, guiding principles and content elements of the <IR> Framework and its notion of integrated thinking to help organizations respond to the SDGs.

The document will help organizations that prepare integrated reports in:

- bringing consideration of SDGs into mainstream thinking, strategizing, decision making and reporting;
- developing integrated thinking that recognizes the risks and opportunities posed by sustainable development considerations;
- identifying solutions that are consistent with sustainable development and which optimize value creation across multiple capitals without depleting capitals which are essential for global sustainable development;
- communicating the relevance of sustainable development to value creation and to an organization’s sustainable development outcomes;
- managing the complexity imposed by sustainable development challenges; and,
- informing and challenging institutionalized practices and frameworks of government, education and business.

The SDGs and <IR>

Aligning business approaches to the SDGs with Integrated Reporting can redirect investment flows to maximize value creation and enhance knowledge of the impact of business activities on sustainable development. It can assist organizations in reducing risk, identifying opportunities and delivering long-term, innovative solutions and technologies for addressing sustainable development.

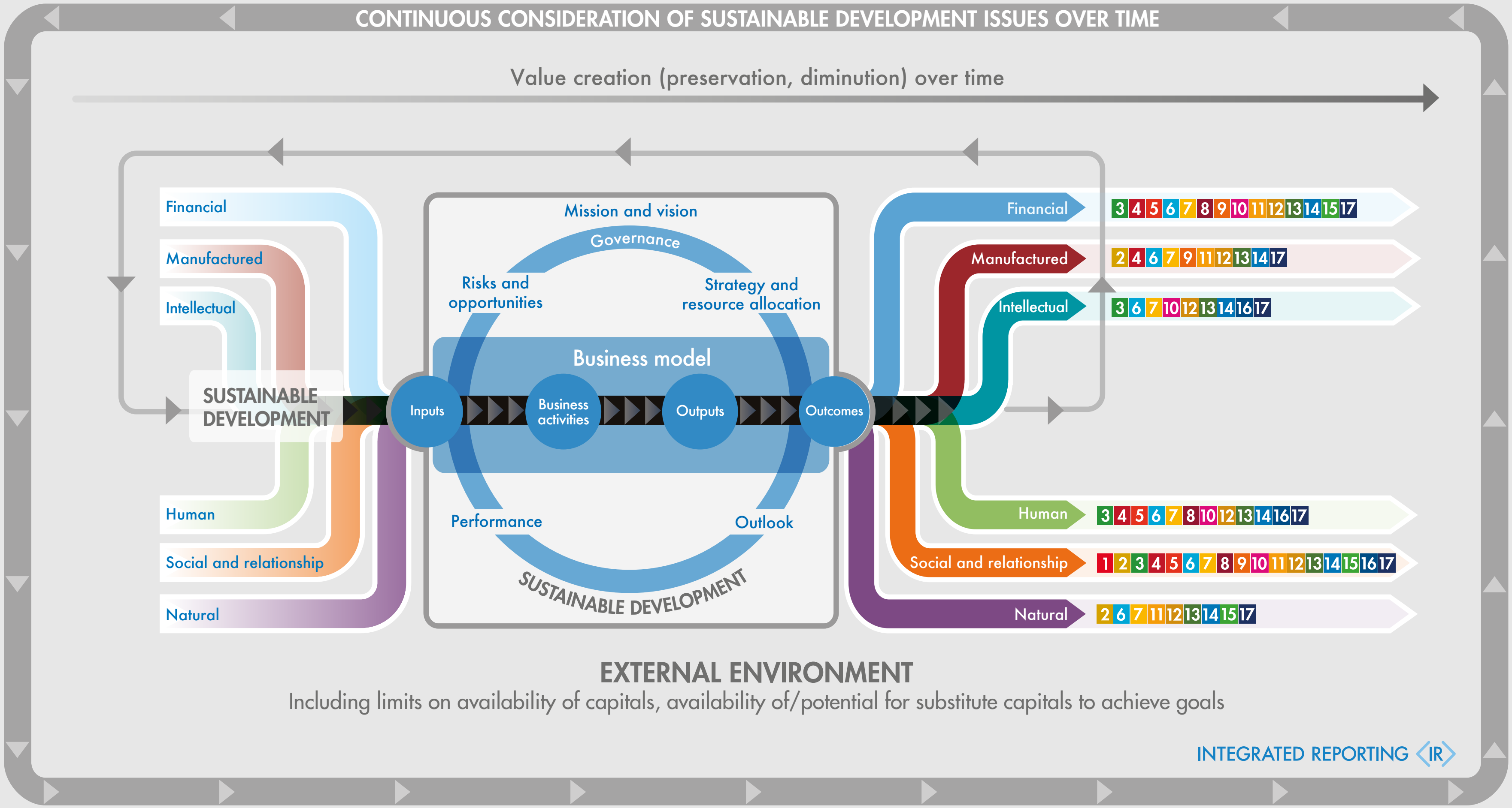
Alignment to the SDGs should facilitate greater transparency of the outcomes of corporate activities on sustainable development. This will depend on sound governance oversight and other quality assurance mechanisms. Such mechanisms are critical to: the achievement of SDG 17 (‘revitalize the global partnership for sustainable development’) with respect to long-term investments, trade, monitoring and accountability; and, SDG 12, particularly target 12.6 (‘Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle’) (see UNGC and KPMG, 2016).

The <IR> Framework is a mainstream reporting development for communicating about value creation and the value creation process over time. It considers:

- benefits to stakeholders (para 1.8)
- both preservation and diminution of value (para 2.14)
- the role of social and environmental externalities in increasing or decreasing the value created by organizations (para 2.21)
- the availability and stewardship of multiple capitals (3.16, 4.36, 4.37)
- trade-offs in relation to use of the capitals (para 4.56)
- the implications of evolving societal expectations and resource shortages as planetary limits are approached (para 3.08), and
- the need to articulate how the continued availability, quality and affordability of significant capitals contribute to the organization’s ability to achieve its strategic objectives in the future and create value (para 3.5).

This is consistent with a focus on sustainable development.

Aligning the SDGs with the value creation process



Financial
Financial capital may be related to fourteen of the goals

Manufactured
Manufactured capital may be related to ten of the goals

Intellectual
Intellectual capital may be related to nine of the goals

Human
Human capital may be related to twelve of the goals

Social and relationship
Social and relationship capital may be related to all seventeen of the goals

Natural
Natural capital may be related to nine of the goals

The Capitals Background Paper, published by the IIRC (Adams et al, 2013), discusses how the capitals are interrelated and how outcomes for the capitals might be realized. Transformation of the capitals will often relate to one or more SDG. For example, increased reliance on renewable energy sources and improving diversity in the work force enhance natural and human capital and may contribute to the achievement of SDGs 5, 7, 10 and 13.

The application of the SDGs to the business context considered in this document (and as called for in a recent survey of over 1,000 CEOs by the UN Global Compact and Accenture, 2016) is consistent with approaches used by leading organizations to date (see, for example, KPMG International, 2016; PWC, 2016a,b). Further, it provides a conceptualization for approaches proposed in the SDG Compass (GRI, UNGC and WBCSD, 2015), UNEP FI's (2017) Principles of Positive Impact[12] and by Searcy (2016).

The 'Measure What Matters' initiative[13] highlights the proliferation of indicators and metrics. This document demonstrates how following the <IR> Framework can provide a way through this. It allows identification of SDGs aligned with long-term value creation and selection of appropriate indicators.

12. "To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or invested in." Principle Two, page 3
13. "Over the last few decades there has been a proliferation of sustainability indicators at the global, the national (Beyond GDP) and the corporate level (sustainability reporting metrics). But to date, these new indicators have been developed in isolation from each other. The lack of coherence between indicators emerging at different levels of decision making risks derailing the shift to more sustainable economies."
Source: http://measurewhatmatters.info/about/#sthash.iLGVIOro.dpuf

“Through our vision – to align capital allocation and corporate behaviour with the wider goals of financial stability and sustainability through the cycle of integrated reporting and thinking – we are committed to supporting the United Nations and its partners in building a better world in which no one is left behind. Our emphasis on the efficient and productive use of all forms of capital aligns with Sustainable Development Goal 12, which seeks to ensure sustainable consumption and production patterns. <IR> is also an effective mechanism for monitoring the allocation of capitals, managing performance and strengthening accountability in the public and private sectors.”

IIRC Integrated Report 2015, page 37

IFAC's (2017) policy position paper argues that integrated reporting:

“...is founded on integrated thinking leading to a change in the way businesses think about preserving and creating value. Integrated thinking involves organizational change to require everyone in the organization to increase their contribution to a much broader, and longer term, concept of value creation through a better understanding of how value is created. This will hopefully lead to a better outcome from reporting that responds to systemic risks to capital and financial market systems, and **sustainable development challenges**.” (p6)

Perspectives on the capitals from the Green Economy Coalition

SDGs and Capitals in national economies

Businesses are not the only actors exploring the relationship between the SDGs and capitals. Recognizing the relationship between national capital stocks/flows and a healthy economy, governments are looking at ways of integrating a capitals approach into national decision making.

Supported by the World Bank's Wealth Accounting and the Valuation of Ecosystem Services programme (WAVES), governments are looking at different ways of identifying their 'national wealth' that comprises natural capital, human capital, produced capital, social and institutional capital, intellectual property and net foreign assets. This approach pushes beyond narrow visons of using GDP as the core measure of economic success and national wealth. As the UK's Natural Capital Committee argued in 2013, GDP focuses on flows, not stocks. Nations can run down their assets while delivering high levels of GDP growth, at least in the short term. New measures of wealth like the capitals frame, set within the societal goals of SDGs, are needed to ensure long term economic and environmental sustainability.

Trade-offs and substitutability

In support of national level progress on capitals and SDGs, the Green Economy Coalition is carrying out new enquiry on the role that natural capital plays in national economies. More specifically, the research focuses on the limitations of substituting natural capital with other kinds of capital.

This work provides a context for the multi-capitals system of thinking about value creation that is set out in this paper through Integrated Reporting. It is relevant to businesses for two reasons:

1) Businesses benefit greatly from the stability created by the quality of a nation's institutions, from the availability of trained educated staff, from the quality of its infrastructure, and from the availability of natural resources and the services they provide. Managing the stocks of these respective capitals benefits all businesses and particularly those already committed to demonstrate their contributions to capitals.

2) Understanding limits to substitutability of capitals, and the critical thresholds that apply to natural capital, helps to frame the trade-offs between different SDGs that businesses and governments both encounter.

green economy coalition

A framework for contributing to the SDGs through the <IR> value creation process

This section considers how the value creation process set out in the <IR> Framework can facilitate a focus on sustainable development. It sets out a framework comprising five steps which reporters can take to contribute to the SDGs consistent with the <IR> Framework. It also considers how contributions to the SDGs can be linked with outcomes for the six capitals of <IR>.

The value creation process

<IR> is particularly helpful to increasing understanding of the importance of sustainable development issues to value creation because of its: multi-capital approach; long term focus; guiding principle of connectivity; and, requirement for board involvement (Adams, 2015b; 2017). The importance of identifying and responding to sustainable development and other risks is increasingly recognized by regulators through calls to disclose significant risks and strategy. Examples are the requirements for UK companies to present a Strategic Report and for Australian companies to provide an Operating and Financial Review (OFR)[14]. Further, <IR> helps organizations understand (and articulate to their investors) the relationship between the value it creates for others and the value it creates for itself. It provides a framework for shifting the way individuals think about sustainable development issues and value creation.

The conceptualization of the corporate value creation process in Figure 1 draws on prior research, theorizing and interviews with board directors and chairs of some of the largest companies in South Africa and Australia (see Adams, 2017). It can be considered in three parts:

1. The external contextual factors (the green rectangle), increasingly include sustainable development risks and opportunities, which are internalised in developing and delivering on long-term strategy;

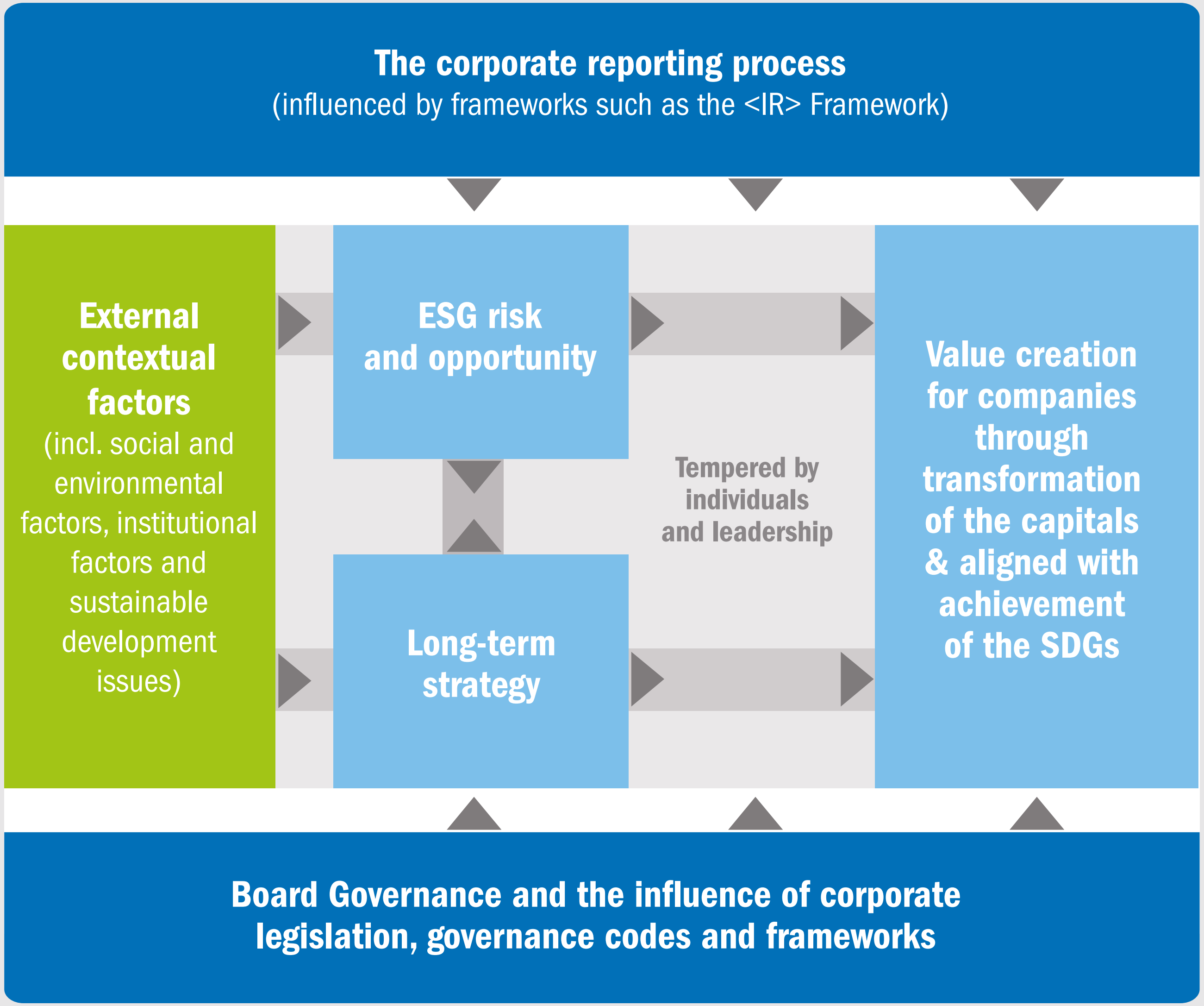
2. The ability of strategy to be delivered requires an organisation to respond to ESG risk and opportunity in order to create value (increasingly regarded as being more than accumulated financial capital). This process within the organization is represented by the lighter blue rectanges. It is tempered by individuals and leadership, particularly whether they accept a more holistic view of value, and the extent to which their cognitive framing allows them to incorporate this into decision making.

3. The process is hindered or facilitated by corporate reporting processes and board governance and the regulations, codes and Frameworks which influence them (the dark blue rectangles). The <IR> Framework has been found to have a positive influence.

Figure 1 conceptualizes what is referred to as 'integrated thinking'[15] in the context of contemporary market, society and organizational dynamics. The interviews demonstrated[16] that Integrated Reporting, with its broader view of value creation, increased integrated thinking and awareness of the interconnectedness of social, environmental and financial performance issues.

14. The Australian Securities and Investment Commission (ASIC) Regulatory Guide 247 (ASIC, 2013) requires listed companies to prepare an Operating and Financial Review (OFR) which discusses (amongst other things) environmental and other sustainability risks which could affect the company's financial performance (RG247.63). RG247.62 contains a forward looking disclosure requirement pertaining to the likelihood of risks increasing or decreasing and their potential impact on the company's prospects.
15. This diagram has a different purpose from 'The value creation process' diagram on page 13 of the <IR> Framework which depicts the value creation process at the level of the organization.
16. See Adams (2017) for interview details.

Figure 1: Conceptualization of the corporate value creation process



Source: Adapted from Adams (2017)

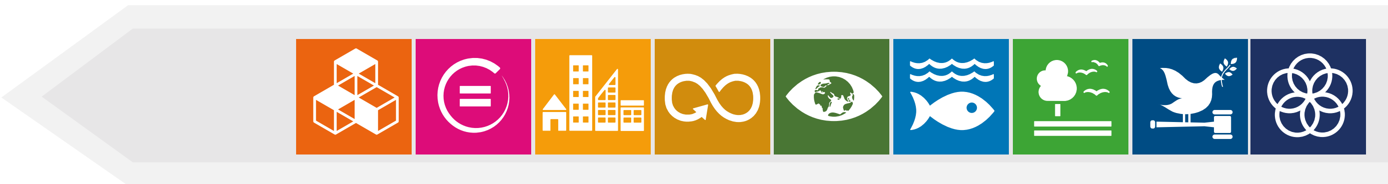
Indeed, corporate practice with respect to sustainability factors and risk management has developed rapidly over the last decade or two, coinciding with a perceived increase in the interconnectivity between social, environmental and economic performance. Corporate reporting on sustainability issues was once an activity conducted with little interaction with other corporate functions with limited ability to effect change or contribute to value creation. This is changing, aided by: a heightened recognition of the importance of a wide range of factors on sustained value creation, including through the value chain; increased regulation and stock exchange requirements for companies to disclose their key risks; and, the increasing drive by companies towards integrated thinking, including the full involvement of the boards.

At the same time, academic research has started to examine reporting processes and their ability to change behaviour. Adams (2017), for example, concluded that corporate reporting frameworks strongly influence the mindset of corporate leaders (where they are involved in the reporting process) with respect to the relevance of social and environmental issues in value creation.

Thus, corporate reporting frameworks can play a critical role in enhancing corporate contribution to the Sustainable Development Goals (SDGs) in the context of: investors prioritizing financial information, often paying lip service to social and environmental information (Adams, 2017; Solomon et al, 2013); and, poor identification and management of ESG risks (CPA Australia et al, 2014; ACCA and Net Balance Foundation, 2011).

This transformative role of corporate reporting is supported by substantial academic literature on the role of accounting as a constructed and constructing tool shaping both management practices and society (Adams and Harte, 1998; Burchell et al., 1985; Miller, 1991; Milne et al., 2009). Adams (2017) studies how this occurs in the context of sustainable development and integrated reporting and earlier work[17] points to a role for the six capital model in facilitating the integration of sustainability issues into corporate thinking.

> “CEOs need long-term incentives in their remuneration package. If companies don’t think long term about ESG risks and their strategy, it catches up with them in the end.”
>
> **Ian Woods, Head of ESG Research at AMP Capital[18]**



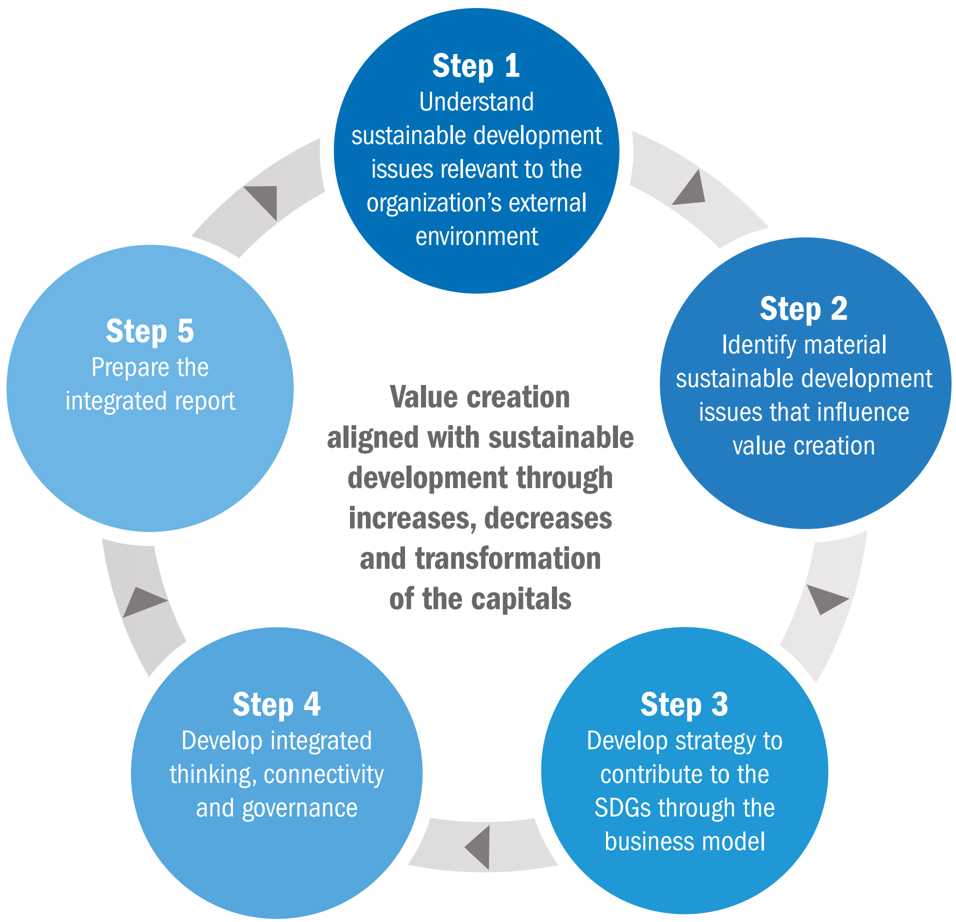
17. see, for example, Adams, 2015a,b; Adams, 2014; Coulson et al., 2015
18. Source Adams, 2015b

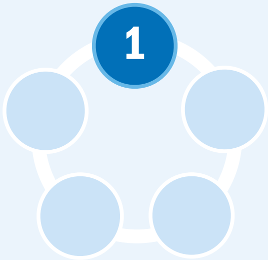
A framework for contributing to the SDGs through the <IR> value creation process

The <IR> Framework (IIRC, 2013) provides an opportunity for organizations seeking to respond to the Sustainable Development Goals (SDGs) to get board level attention for integrating them into strategy and reporting.

This section identifies five steps for contributing to the SDGs through the <IR> value creation process set out in the <IR> Framework. Whilst it is expected that most organizations will start at step 1, it emphasizes that this is a continuous process and organizational responses to each step are expected to deepen with each new cycle.

Figure 2: Aligning the SDGs to the value creation process





Step 1:
Understand sustainable development issues relevant to the organization’s external environment

The sustainable development issues that the SDGs address impact on the organization’s ability to create value for itself and its stakeholders. The <IR> Framework requires consideration of significant factors affecting the external environment and the organization’s response (para 4.5). These factors may increase or decrease value created either directly (e.g., by creating new business opportunities) or indirectly (e.g., through the quality of relationships with stakeholders or by influencing the availability, quality and affordability of a capital that the organization uses or affects). Therefore, **consideration of the SDGs, and the sustainable development issues that they address, should be incorporated into the wider consideration of the external environment relevant to the organization’s ability to create value.**

Link with the <IR> Framework

The external environment should be considered in the value creation process (para 2.21). Examples of relevant external environmental factors identified in the <IR> Framework are: societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems; environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached (para 4.7). These relate directly to a number of SDGs.

Strategy and resource allocation plans are influenced by/respond to the external environment and the identified risks and opportunities (para 4.35). They are also influenced by the availability, quality and affordability of multiple capitals (4.36, 4.37) which are in turn influenced by sustainable development issues.

The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization (para 2.11) which influence the availability of capitals in the future. At times, costs or other effects on the capitals are externalized, i.e., relate to capitals that are not owned by the organization (para 2.7). Such externalities may ultimately increase or decrease value created for the organization and therefore providers of financial capital need information about them in order to assess their effects and allocate resources accordingly (para 2.8).

The board has responsibility to create an oversight structure to support value creation (para 2.22) in light of the external environment.

Practical implementation

Organizations typically scan the external environment to identify short, medium and long-term risks and opportunities which need to be considered when developing strategy and evolving the business model. This process should include the identification of risks and opportunities associated with sustainable development. For example, inequality and poverty are a risk factor in some countries in that they limit the market for products and services. The threat of rising prices for fossil fuel energy sources poses an energy security risk which may challenge manufacturing companies (for example) by periodically shutting down operations. Fossil fuel energy consumption presents a risk to natural capital through CO_2 emissions. It also presents an opportunity in developing renewable energy sources.

In practice, the identification of relevant external factors including those relevant to the SDGs, which will vary considerably from sector to sector and by geographical region, should involve stakeholder engagement and should draw on the expertise of the board/governing body. Organizations should consider how they can contribute to the sustainable development issues that the SDGs address through their own operations. For example, organizations can contribute to SDG 5 on gender equality and SDG 13 on climate action by improving opportunities for women and reducing their carbon emissions respectively. This will have a positive impact on the future availability and quality of human and natural capital.

Integrated reporters should identify how transformations of the capitals impact on, or contribute to, SDG targets. This might be achieved by reference to the ongoing work of the Business and Sustainable Development Commission, Global Reporting Initiative, UN Global Compact, WBCSD or UNCTAD.

Step 2:
Identify material sustainable development issues that influence value creation

The materiality process for Integrated Reporting involves identifying, evaluating and prioritizing matters based on their ability to affect value creation in the short, medium and long term. Value is created for the organization and for others through increases, decreases and transformation of the capitals. Therefore, **when planning their approach to the SDGs, organizations seeking to reassess their mission and purpose and/or to reduce corporate risk and increase opportunities arising from sustainable development issues should identify, evaluate and prioritize which sustainable development issues maximize outcomes for the six capitals and hence their contribution to the SDG targets[19].**

19. Targets for each goal are available at http://www.globalgoals.org/#the-goals

Link with the <IR> Framework
Value is created for the organization and for others through increases, decreases and transformation of the capitals (para 2.4).

The ability of an organization to create value for itself is linked to the value it creates for others (para 2.6).

The <IR> Framework requires integrated reports to provide insight into how the organization responds to the legitimate needs and interests of stakeholders (para 3.10) noting that value is created through relationships with others (para 3.11). Economic, environmental and social issues which are important to stakeholders can also affect the ability of the organization to create value (para 3.12).

The materiality determination process involves identifying, evaluating and prioritizing matters based on their ability to affect value creation (para 3.18). Further, the principle of completeness requires that an integrated report includes all material information, both positive and negative (para 3.47).

Practical implementation
Few organizations can or should aim to contribute to all 17 SDGs. Not all SDGs will be material to an organization's value creation process. An organization will not make a material contribution to (or negative impact on) the achievement of all SDGs.

Further, a number of the SDG targets will not be applicable to some types of organizations.

The process of identifying, evaluating and prioritizing matters that materially affect value creation involves engaging with external and internal stakeholders.

Organizations typically engage with external stakeholders in identifying appropriate sustainability and other disclosures. Some organizations develop a materiality matrix (showing materiality to both value creation and stakeholder groups) which might include sustainable development issues relevant to the SDGS, other social, environmental and governance issues and other trends impacting on their sector (such as, for example, digitization or an aging population). Some leading practice examples of materiality can be found on the <IR> Examples Database[20].

This process can be used as an input to engaging with senior executives and board members to identify, evaluate and prioritize sustainable development and other issues which present material risks and opportunities for value creation. Other inputs to that process might include industry association reports, national government deliberations and outputs of the work of international bodies such as United Nations agencies. The process of engaging with internal stakeholders should involve consideration of sustainable development issues and outcomes for the SDGs in terms of multiple capitals.

Sound governance is critical throughout this process in order to ensure completeness with respect to both positive and negative issues (see also Step 4).

Indicators used by an organization to measure transformation of the capitals caused by its outputs and activities might also measure outcomes for one or more SDGs.

20. http://examples.integratedreporting.org/home

Step 3:
Develop strategy to contribute to the SDGs through the business model

The organization's strategy identifies how it intends to mitigate or manage risks and maximize opportunities. **Organizations should set out their strategic objectives and strategies to support relevant and significant SDGs through their business model. This should incorporate resource allocation plans and specific, quantified short, medium and long-term targets.**

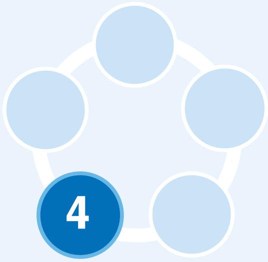
Link with the <IR> Framework

The organization's strategy should relate to its ability to create value in the short, medium and long term and to its use of and effects on the capitals (para 3.3). An organization's ability to create value is influenced by the external environment (see Step 1) which may pose risks and opportunities to the availability of one or more capitals.

The organization's strategy identifies how it intends to mitigate or manage risks and maximize opportunities. It sets out strategic objectives and strategies to achieve them, which are implemented through resource allocation plans (para 2.27).

Practical implementation

Having identified sustainable development issues relevant to an organization's external environment (step 1) and material issues that could affect value creation (step 2), an organization should develop a strategy that addresses them. This should align with the business model and enable identifying inputs and outcomes in terms of the capitals, and how outputs (in terms of products and/or services) and key activities of the organization affect those capitals. Resource allocation plans can then be developed to ensure achievements of the strategic objectives, including outcomes for the SDGs.



Step 4:
Develop integrated thinking, connectivity and governance

The <IR> Framework calls on organizations to link their strategy to changes in the external environment including evolving societal expectations and natural resource limitations. Further, it emphasizes the importance of responding to the legitimate needs and interests of stakeholders because value is created through its relationships with others. It recognizes that these interests can be in conflict and may require trade-offs. **Those charged with governance are required to acknowledge their involvement and responsibility for this process. Those charged with an organization's governance should satisfy themselves that:**

- **the processes of building relationships with stakeholders will: identify material sustainable development issues; that these are incorporated into strategy; and, that appropriate goals and targets have been developed.**
- **the organization develops and nurtures relationships with and between stakeholders in order to enhance collective well-being;**
- **the organization's business model considers all material sustainable development issues impacting on inputs and outcomes in terms of the six capitals;**
- **the organization's strategy and business model evolve to reflect past performance with respect to the SDGs.**

Link with the <IR> Framework

Connectivity involves (amongst other things) "linking the organization's strategy and business model with changes in its external environment, such as increases or decreases in the pace of technological change, evolving societal expectations, and resource shortages as planetary limits are approached" (para 3.8).

Integrated thinking is defined on page 2 of the Framework. It "...takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including: The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them; ...How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces...". Further, para 4.56 recognises that trade-offs between capitals may influence value creation over time and provides the example of creating employment through an activity that has a negative impact on the environment.

Those charged with governance are called on to acknowledge "their responsibility to ensure the integrity of the integrated report" and that they have "applied their collective mind to the preparation and presentation of the integrated report" (para 1.20).

Practical implementation

This step includes ensuring sound governance with respect to the processes set out in steps 1-3. It also includes embedding material SDG considerations (identified through Steps 1 and 2) and resulting strategies and expected outcomes (Step 3) into the fibre of the organization through integrated thinking. Governance processes should be able to deal with conflicting stakeholder needs, the interrelationship between capitals relied upon and the interdependency of the SDGs. This involves integrated thinking mechanisms (such as an appropriate culture, communication systems and training) leading to an enhanced understanding of the relationships set out in Figure 1. (See also Adams, 2015b; 2017.)

Step 5:
Prepare the integrated report

Organizations should report on key sustainable development issues which impact on stakeholders and the organization to influence value creation in the short, medium and long term. **Organizations should report their contribution to SDG targets alongside their outcomes with respect to the six capitals.**

Link with the <IR> Framework

The <IR> Framework requires organizations to consider and report on how the external environment (and explicitly social and environmental issues) influences value creation. It requires organizations to identify and prioritize issues and engage with stakeholders in that process. Organizations should disclose their strategy which should address the risks and opportunities that external environmental issues give rise to. Section 4 of the <IR> Framework is particularly relevant here. It sets out the content elements of an integrated report (para 4.1), how the organization should report on the external environment (paras 4.6 and 4.7), what should be reported with respect to governance, risks and opportunities, performance and strategy and resource allocation.

Section 2 of the <IR> Framework discusses the role of multiple capitals in value creation noting the complexity of the increases, decreases and transformation of capitals in the process of value creation. Organizations are not expected to report on all six capitals (rather only those that are material to them) and quantification of the capitals is not advocated by the IIRC. Rather, organizations are encouraged to think about all forms of capital they use and affect through their business model (para 2:17). This facilitates broader thinking about what value is and how it is created. Contributing to the SDGs affects the stock of capitals available to an organization. In the same way as transformation of the capitals is complex with numerous interdependencies across the capitals, so too is the process of contributing to the SDGs where organizations need to consider the interdependencies across the SDGs and the trade-offs between them.

Practical implementation

This involves the preparation of an integrated report which discusses the process the organization has followed with respect to the SDGs (i.e. how it has implemented steps 1-4 above). It should say how sustainable development issues limit the availability of one or more capitals, how they have been considered in the development of strategy and how they impact value creation.

The integrated report should report on how the business model delivers outcomes (positive and negative) for multiple capitals and how this makes a contribution to the SDGs. That is, organizations are encouraged to report on material contributions to the SDGs, identifying which capitals are being increased, decreased or transformed in the process. For example, an organization might: describe how it has contributed to SDG 17 (Partnerships for the Goals) and how this has increased social and relationship capital; report its gender pay gap and note how that has enhanced human capital and will lead to a medium- and/or long- term increase in financial capital.

Example: Implementing the five steps in a pension scheme

Big Bank Superannuation Scheme (BBSS) is a fictitious all-profit-to-members defined contribution pension fund for employees of a major European bank.

BBSS considered the benefits that could flow from aligning some of its investment mandates given to external fund managers with some of the UN SDGs.

The CFO took on the task of operationalising the five steps to aligning the SDGs with integrated reporting.

Step 1 and 2

BBSS had already made progress in integrating sustainable development issues in their thinking so steps 1 and 2 were considered together.

External environment issues relevant to the Fund's ability to create value for their members (their key source of finance and the reason for their existence) had been identified in the process of developing the integrated report. This had involved consulting with their own stakeholders, reports of pension fund industry associations in Europe and internationally and reports of international organisations such as UN agencies, global consultancies and the World Bank.

Factors identified through this process included an aging population, the impact of the gender pay gap on pension contributions and concerns about fossil fuel reserves becoming stranded assets. Members were concerned about the adequacy of funds on retirement, the usability of online tools, and the world they would leave for their children and grandchildren. The Executive Team and Board of Trustees had assessed these issues for alignment with values, impact on value creation, materiality for sustainability disclosures and relevance to strategy.

The CFO concluded that BBSS had already completed step 1 and had already gone some way to addressing Step 2. She identified material outcomes for the capitals relevant to sustainable development including the funds' efforts to reduce the carbon footprint of its investment portfolio and to improve gender equality of Head Office staff, companies it invests in and their supply chain.

However, BBSS had not yet considered what this meant in terms of impacts on or contributions to the SDGs. She consulted with internal stakeholders to identify the SDG targets that BBSS would impact on, or contribute to through its own operations and investment practices. The targets identified fell under SDGs 5, 8, 9, 13 or 17. KPIs connected to BBSS' reporting on the capitals were identified as relevant to demonstrating BBSS's contribution to or impact on the SDGs. On reviewing the SDG targets[21] additional material KPIs were identified.

Step 3

The process of linking thinking on the capitals to the SDGs highlighted further opportunities for working with companies they invest in. These were incorporated into strategy, resources allocated and targets set.

Step 4

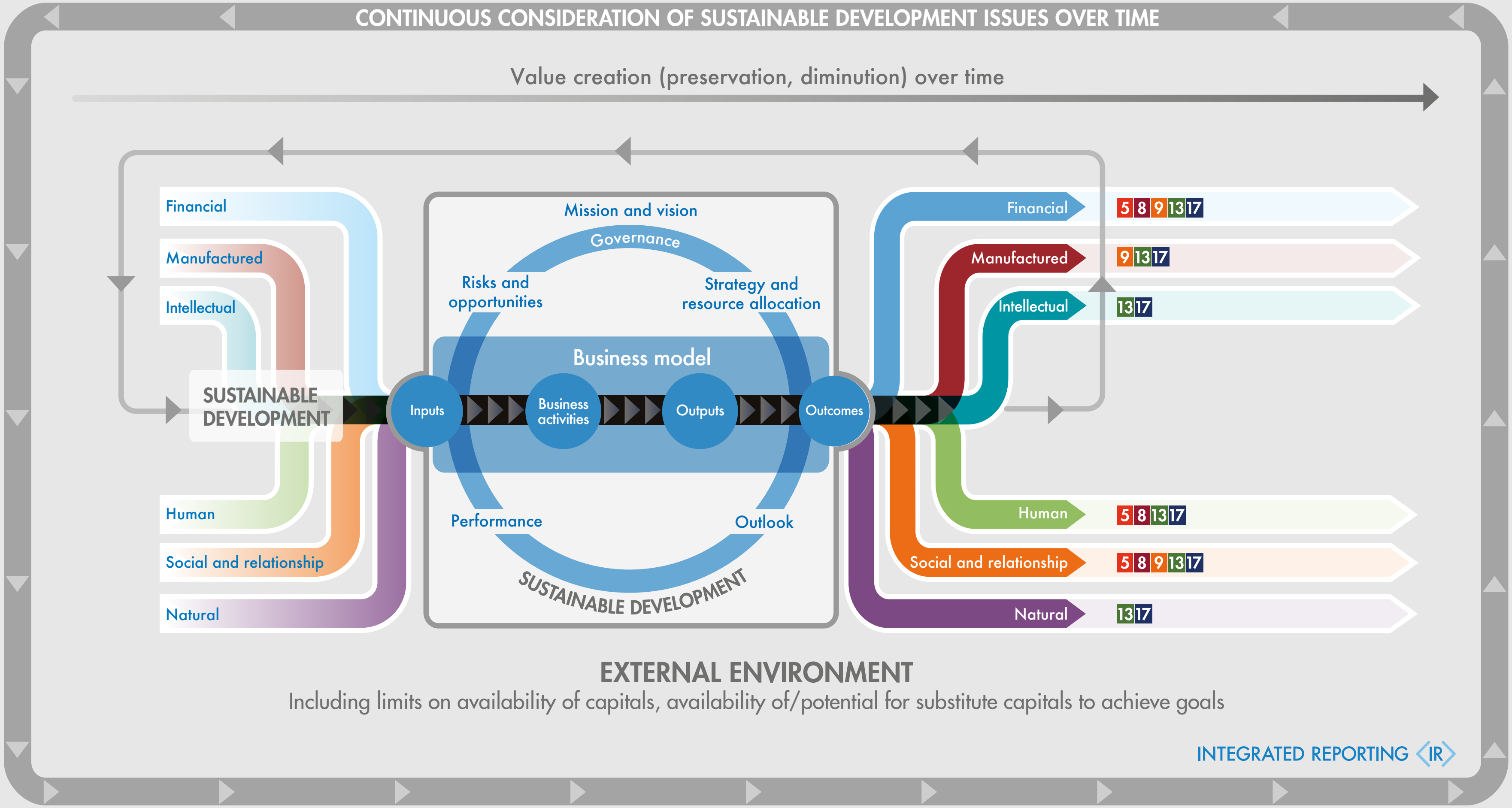
The Investment Committee had already decided to engage with companies they invest in on the recommended disclosures of the Task Force on Climate-related Disclosures. The Board of Trustees was easily persuaded that the Board's integrated report working group consider the SDGs and have the SDGs considered as a standing item for the Board's annual strategy review.

Step 5

The Board level integrated reporting working group considered how to link the SDGs with the capitals in the integrated report and how to reflect them in the discussion of the business model. In addition to reporting on outcomes for human and natural capital (amongst others), they decided to report which SDG targets these outcomes contributed to.

21. http://www.un.org/sustainabledevelopment/sustainable-development-goals/

Linking the SDG goals and targets for a pension fund



Financial
Financial capital may be related to five of the goals

Intellectual
Intellectual capital may be related to two of the goals

Social and relationship
Social and relationship capital may be related to five of the goals

Manufactured
Manufactured capital may be related to three of the goals

Human
Human capital may be related to four of the goals

Natural
Natural capital may be related to two of the goals

The SDGs and the six capitals

The activities and outputs of organizations represented in their business models require inputs in terms of the six capitals and they produce outcomes with respect to the six capitals. Sustainable development issues may limit the availability of one or more capitals.

In contributing to the SDGs companies and other organizations will increase or decrease the availability of various capitals.

The capitals transformed during this process of contributing to the SDGs will be identified through the five-step process of aligning the SDGs with <IR>. As noted in step 2, when planning their approach to the SDGs, organizations should identify, evaluate and prioritise sustainable development issues which maximise outcomes for the six capitals and hence their contribution to the SDG targets.

> “The goals and targets integrate economic, social and environmental aspects and recognize their interlinkages in achieving sustainable development in all its dimensions.”
>
> **(Report of the Open Working Group of the General Assembly on Sustainable Development Goals, UN General Assembly, 2014, para 18, p9).**

Contribution to particular SDGs will depend on:

- The company’s/organization’s process of identifying, evaluating and prioritising SDG targets and related externalities based on their ability to affect value creation.
- The industry in which the company operates[22].
- The specific targets the company chooses to contribute to as part of its value creation process[23].

Following the five steps above should facilitate improvements in reporting on multiple capitals and increase organizational accountability for contribution to the SDGs and negative impacts on their achievement. Contributing to any SDG target is likely to involve increases or decreases in more than one capital. Where material to value creation such increases, decreases or transformation of the capitals should be disclosed in the integrated report. Appropriate indicators should disclose material changes in the capitals and contributions to, and material negative impacts on achievement of, the SDGs.

22. For example: with respect to SDG 3, a company training health professionals in developing countries might increase financial and human capital; with respect to SDG 2, a bank might increase financial and social and relationship capital by investing in small farming businesses and providing financial literacy training.
23. For example, with respect to SDG 4, a developed country university might choose to focus on providing scholarships to students in a developing country where they run courses.

Aligning <IR> to other responses to the SDGs

This section discusses some other responses to date to the call for approaches to applying the SDGs in the business context. These have come from reporters, consultants, framework/standard setters and bodies representing or working with business, the professions and the United Nations network. These approaches all have in common an implicit emphasis on integrated thinking and value creation. Aligning the SDGs with the <IR> Framework will facilitate and is consistent with this approach.

Expert consultants

Large accounting consulting firms have conducted surveys, developed 'how to' guides and presented case studies on the SDGs. For example, KPMG (2016) sets out how Safaricom approached integrating the SDGs using a "top-down bottom-up co-creation approach" (pages 3-4). Key elements of the approach used are aligned to emerging practices in integrated thinking, that is: inclusive, wide consultation; parallel engagement with all levels of the company; flexible approach; start the conversation from a business perspective; exploring untapped business opportunities.

A report by PwC, (PwC, 2015) identifies different types of actions that businesses can undertake such as identifying relevant SDGs, embedding SDGs in strategy, etc. PwC (2016a,b) reports on a number of case studies addressing selected SDGs. The report raises a number of questions concerned with: which goals to consider; how to select goals; deciding on the business boundary. It encourages: bottom up initiatives; determining impact; embedding in planning; identifying relevant issues; prioritizing interventions; raising awareness amongst stakeholders.

UNGC and KPMG (2016) highlights opportunities for 'shared value' for each SDG providing examples of corporate activities to achieve each one.

Framework/Standard setters/ Bodies representing business and the accounting profession

Organizations who adopt <IR> and follow the five steps identified above to address the SDGs can use indicators developed by these and other organizations to report on their material SDG outcomes as determined through the five-step process identified above[24].

The SDG Compass

The SDG Compass developed by the GRI, UN Global Compact (UN GC) and WBCSD[25] sets out five steps for companies to follow arguing that doing so will assist them in 'maximizing their contribution' (p5) to the SDGs. The five steps (Understanding the SDGs, Defining priorities, Setting goals, Integrating and Reporting and Communicating) are not explicitly aligned with the <IR> Framework, but follow an approach which involves 'integrated thinking'. The language in the SDG Compass ("defining priorities"..."to seize the most important business opportunities... and reduce risks" (p5) is aligned with the materiality language of Integrated Reporting and less so with the accountability language generally associated with sustainability reporting. The five steps outlined in this document are similar to those of the SDG Compass, but are informed by a conceptual framework developed through: research and practice; and, the International <IR> Framework.

24. The SDG Compass also sets out five steps for companies to follow arguing that doing so will assist them in 'maximising their contribution' (p5) to the SDGs.
These five steps are closely aligned with <IR> and are labelled: 1. Understanding the SDGs; 2. Defining priorities; 3. Setting goals; 4. Integrating; 5. Reporting and communicating.
25. Global Reporting Initiative (GRI), United Nations Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD) (2015) Available at http://sdgcompass.org/

SDG Leadership through Reporting

The GRI and the UNGC are also taking forward a new initiative[26] on SDGs, SDG Leadership through Reporting, working with PwC and UN PRI. This involves: developing a prioritized list of disclosures; analyzing business contributions to the SDGs; and, documenting leadership and practice. It is expected that in the future, this could lead to work processes regarding future potential integration of the SDGs in the GRI Standards and the re-design of UN Global Compact's Communication on Progress (COP).

Task Force on Climate-related Financial Disclosures (TCFD)

The recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD, 2017) are made in what are referred to as four 'thematic areas' – governance, strategy, risk management, and metrics and targets. The first three of these 'thematic areas' are consistent with the content elements of <IR> Framework, with the document spelling out what governance, strategy and risk management disclosures should be with respect to climate change.

UNCTAD

UNCTAD (2015) emphasizes the role of corporate reporting in achievement of the SDGs and the role of stock exchanges in promoting better corporate reporting (p25-6). UNCTAD (2016b) details (but does not prioritize) relevant: UNCTAD technical cooperation tools for each SDG; UNCTAD research and knowledge products; and, UNCTAD dialogue platforms and soft-law instruments.

26. https://www.globalreporting.org/information/news-and-press-center/Pages/Join-the-GRI-and-UN-Global-Compact-partnership-to-shape-the-future-of-SDG-reporting-.aspx?dm_i=4J5,4PBKH,MIWYH3,HLKZR,1

Looking ahead

It is through their efforts to transform the capitals to create value for themselves and for others that companies and other organizations will make a material contribution to the SDGs. And investors and other stakeholders can reasonably expect and demand accountability demonstrating sustainable development risks and opportunities have been considered and highlighting material impacts on achievement of the SDGs.

Susanne Stormer, Vice President of Corporate Sustainability, Chief Sustainability Officer, Novo Nordisk. Novo Nordisk, an award winning integrated reporter, was one of the first to comment[27] on the relationships between the SDGs and the business model, noting that the company would focus on taking action before reporting. Of course, taking action and reporting are not mutually exclusive and in fact public reporting of a commitment puts pressure on to ensure that action follows. Other organizations who have made an early commitment to the SDGs and who are considering how to integrate and report on them include Mondi[28], Pfizer[29], SAP[30] and Unicredit[31]. Unilever, an <IR> Business Network participant, has linked sustainable development to its core strategy for many years (see Adams et al, 2016) and has now turned its attention to the SDGs[32]. Unilever coordinated a simple 10 point manifesto[33] for the SDGs and endorsed by more than 20 multinationals. The key points to note are its call for a shared and integrated approach to addressing world challenges, a call to keep things simple and clear and a call for SMART (specific, measurable, achievable, relevant, and time-bound) goals.

More widely, there are excellent initiatives that have been providing resources and guidance to companies. Many of these are listed on WBCSD's dedicated area[34]. Initiatives include the SDG Compass (WBCSD, GRI, UN Global Compact) and Measure What Matters[35] (led by the Green Economy Coalition with A4S and others). There are also moves to measure performance against the SDGs themselves, for example through work carried out by UNCTAD[36]. There are case study examples from the large accounting consulting firms (Big 4) on the process of incorporating the SDGs into strategy through what is essentially integrated thinking (although not explicitly labelled as such).

It is anticipated that this report will be of value to such initiatives as they move forward, enabling the <IR> Framework to be incorporated into their proposals and outputs in a way that promotes a more coherent reporting landscape, particularly in relation to the SDGs. This will be a welcome outcome from this report, in addition to providing a framework to support and guide organizations who are seeking to embed sustainable development and the SDGs in their strategic thinking.

27. See http://www.globalopportunitynetwork.org/spotlight-how-will-one-of-the-worlds-leading-companies-work-with-the-sdgs/#.V1ZgcPl95D8
28. See page 15 http://reports2015.mondigroup.com/downloads/sustainable-development-report-2015.pdf
29. See https://www.pfizer.com/files/investors/financial_reports/annual_reports/2016/our-business/sustainable-development-goals-sdgs/index.html Pfizer has identified 7 SDGs which are aligned to its mission.
30. See http://global.sap.com/campaigns/2016_01_unglobalgoals/index.html#Listing
31. See page 87 https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/reporting-and-metrics/integrated_report/Integrated_Report_2015_eng.pdf
32. See https://www.unilever.com/sustainable-living/the-sustainable-living-plan/our-approach-to-reporting/sdg/
33. See https://www.unilever.com/Images/sustainable-development-goals-and-the-post-2015-agenda-business-manifesto-january-2015_tcm244-423602_en.pdf
34. http://sdghub.com/tools-resources/
35. http://measurewhatmatters.info/
36. http://unctad.org/meetings/en/SessionalDocuments/ciiisard78_en.pdf

Appendix:
Examples of reporting on the SDGs in an integrated report

This section provides examples of companies who have linked their contribution to the SDGs: to their strategy for value creation; and/or, to the six capitals. This is not an exhaustive list, but a few examples that demonstrate integrated thinking and innovation. It is hoped that this document will help these and other organizations to develop their approaches to linking the SDGs with strategy and value creation and deepen their understanding of the effect of their business model on inputs and outcomes for multiple capitals.

Practice is developing, and with the SDGs only having been agreed at the end of 2015, we can expect to see increasing innovation in integrating thinking for the SDGs linking them with strategy and incorporating them into <IR> reports. These examples do not currently reflect what is proposed in the document. The IIRC expects to work with these and other organizations in the future to develop further insights and case studies to understand the drivers, benefits and practices of going on this journey.

Aligning the SDGs with corporate strategy for value creation

The following companies have reviewed the SDGs against their strategy in order to prioritise their efforts at contributing to them:

AkzoNobel

AkzoNobel's 2016 Annual Report[37] provides a visual with coloured dots categorizing the relevance of the SDGs to 'Supply Chain and Operations', 'Products' and Human Cities' as main, intermediate or minor.

British Telecommunications Plc

BT have taken a novel approach[38] in considering where the ICT industry as whole can contribute to achievement of the SDGs and have also explored "...the potential impacts on our business, if the Global Goals are not achieved by 2030 in the markets where we operate".

Grupo Nutresa

Grupo Nutresa's 2016 Integrated Report[39] (pages 8-9) links the SDGs to their strategic priorities, identifying six which are aligned to a strategic priority and a further three (SDGs 1, 12 and 17) which are cross cutting.

SAB Miller Plc

SABMiller's Sustainable Development Report 2016[40] links sustainable development and achievement of the SDGs to their strategic priorities.

Triodos Bank

Triodos Bank state that their 2016 annual report 'is integrated' and they welcome the trend in integrated reporting "because more integrated reports suggest that businesses consider their impact on society and the environment as core to their activities" (p 7). They describe how they respond to the SDGs at three levels ranging from 'not harming' the goals to playing a 'catalyzing role' towards 'lasting systemic change'. They report extensively on how they apply these levels to each SDG[41].

TSKB

TSKB is a Turkish Bank. Its Integrated Report 2016[42] demonstrates that sustainable development is central to its strategy and critical to the value creation process by making it central to the materiality analysis for their integrated report.

Woolworths Holdings Ltd

Woolworths Holdings Ltd has developed an info graphic[43] which identifies opportunities for shared value for each of its areas of strategic focus for sustainable development. These are then aligned with specific SDGs. An innovation is the number of partnerships disclosed for achieving each SDG. These include NGOs, research institutes, philanthropic foundations, private sector organizations and government agencies.

37. See http://report.akzonobel.com/2016/ar/sustainability/consolidated-sustainability-statements/note-3-stakeholder-engagement.html
38. See page 8 http://www.btplc.com/Purposefulbusiness/Deliveringourpurpose/Downloads/2016/2016_BTDeliveringOurPurposeReport.pdf
39. See https://www.gruponutresa.com/en/inversionistas/informe-anual/
40. See http://www.ab-inbev.com/content/dam/universaltemplate/ab-inbev/investors/sabmiller/reports/sustainable-development-reports/sustainable-development-report-2016.pdf
41. See pages 45-60 of the Annual Report 2016 https://www.triodos.com/en/about-triodos-bank/corporate-information/annual-reports/
42. See pages 58-61 of the Integrated Report 2016 http://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports
43. See http://www.woolworthsholdings.co.za/downloads/2016/WHL-Sustainable-Development-Alignment-Goals-2016.pdf

Aligning the SDGs with the six capitals

The following companies have linked their contribution to the SDGs with outcomes for the six capitals of <IR>:

ArcelorMittal

Arcelor Mittal's United Stated Integrated Report 2016[44] demonstrates how the six capitals are integrated into strategy, identifies ten sustainable development outcomes connected to their strategy and considers its integrated report as a key governance initiative of its Sustainable Development Committee. The report discusses the challenges and opportunities to create value presented by the ten sustainable development issues.

Cbus Superannuation Fund

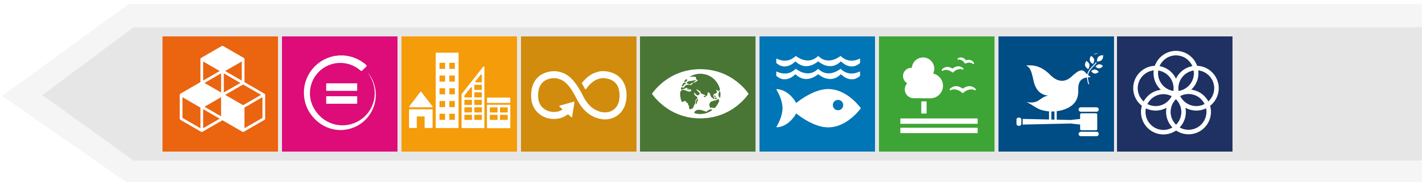
Cbus' Annual Integrated Report 2016[45] identifies which of the six capitals and SDGs it contributes to for each of its key activities identified as contributing to value creation.

City Developments Limited (CDL)

City Developments Limited (CDL)'s 'Integrated Sustainability Report' 2016[46] links the SDGs to the six capitals showing how their sustainability objectives and outcomes for the six capitals contribute to specified SDGs.

Itau Unibanco Holdings SA

Itau's Integrated Report 2016[47] reports extensively on the multiple capitals and identifies material themes, the 'capitals most exposed to each theme', the stakeholders most affected and the SDGs to which they contribute for each theme.



44. See in particular pages 29, 32 and 109 http://www.usa.arcelormittal.com/sustainability/2016-integrated-report
45. See https://www.cbussuper.com.au/about-us/annual-report
46. See pages 18-19 http://www.cdl.com.sg/sustainabilityreport2016/cdl-sr-2016.pdf
47. See in particular page 57 https://www.itau.com.br/_arquivosestaticos/RI/pdf/en/Relato_Integrado_Itau_2016_ING.pdf?title=Integrated%20Report%20201

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The IIRC, ICAS and Green Economy Coalition collaboration

SDG 17 calls for global partnerships for sustainable development: "Urgent action is needed to mobilize, redirect and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives. Long-term investments, including foreign direct investment, are needed in critical sectors, especially in developing countries."[48]

The IIRC, ICAS and the Green Economy bring together the interests of investors, companies, standard setters, regulators, accountants, NGOs, research institutes and trade unions.

IFAC (2016) argues that the skills of accountants ("including in governance, risk management and control, business analysis and decision support") "will become increasingly in demand as the SDGs gain traction". (page 7). It identifies 8 SDGs for the global accountancy profession to contribute to: 4 5 8 9 12 13 16 17. "Integrated thinking and reporting provide the means and additional incentives for CFOs, and their finance teams, to focus on the information and the decisions that matter to a company and its potential success."

(IFAC, 2016, page 20)

ICAS

ICAS is a professional body of Chartered Accountants with more than for more than 20,000 members working in more than 100 countries around the world. It was created by Royal Charter in 1854. ICAS has a strong focus on professional ethics and its Sustainability Panel is working to raise awareness of the role of accountants in sustainable development.

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The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs promoting communication on value creation beyond financial profit. The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking. The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

green economy coalition

The Green Economy Coalition (GEC) is a network of organizations and sectors from NGOs, research institutes, UN organizations, business to trade unions that have come together in recognition that our economy is failing to deliver either environmental sustainability or social equity. Its vision is of a resilient economy that provides a better quality of life for all within the ecological limits of the planet and its mission is to accelerate the transition to a new green economy.

48. From http://www.un.org/sustainabledevelopment/globalpartnerships/ (Accessed 15th March, 2017)

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