

Covid-19, Sustainable Development Risks, and Sustainable Development Goals Disclosure

Xinwu He

“Covid-19 has really heightened the urgency of thinking about the Sustainable Development Goals” according to Professor Carol Adams in her talk at an online event *Covid-19 and Reporting On Your Sustainable Development Goals*ⁱ held by Durham University Alumni Community on 30th July 2020.

Carol pointed out that the Sustainable Development Goals (SDGs) are the definitive guide to what the key sustainable development risks are facing people, organisations, and our planet. However, many organisations have very little consideration of the risks (such as the risks of a pandemic) in their annual reporting, even though these risks have a significant impact on businesses. *Sustainable Development Goals Disclosure (SDGD) Recommendations*ⁱⁱ not only support organisations’ communication of what they are doing but also facilitate change in how organisations do business in order to contribute to the achievement of the SDGs.

SDGs, Global Challenges, and Sustainable Development Risks

Commencing with an overview of the SDGs, Carol commented that Covid-19 has heightened the urgency of finding paths forward more resilient and viable futures. She explained that many organisations have not even mentioned the risks of a pandemic or any kind of health issue in their annual reporting. This is a critical issue because we can see that the impact of Covid-19 on businesses is significant, which is even more significant than any financial risks at the moment. In addition, Carol highlighted that climate change is one of the global challenges that people are encountering, which would also be a significant disruption to businesses.

Based on PwC’s SDG Challenge 2019 surveyⁱⁱⁱ which analyses 1,141 the largest and

most influential companies across 31 global territories and their disclosure on the SDGs, about 72% of the companies mentioned the SDGs in the reporting, 25% mentioned them in their strategy, 14% mentioned specific SDG targets, and 1% are reporting quantitative measures to show their progress. Carol commented that these are very low numbers, given that they are big and influential companies on which sustainable development risks have a significant impact. This indicates that many organisations have not well developed their SDGs disclosures or integrated the SDGs into their strategic business decisions.

Sustainable Development Goals Disclosure (SDGD) Recommendations: “A Win-Win”

Carol went onto introducing the four themes of *SDGD Recommendations*: Strategy, Governance, Management approach, and Performance and targets (as shown in Figure 1). She highlighted that strategy is right in the middle because *SDGD Recommendations* do not merely support organisations’ reporting of what they are doing, they also aim at facilitating change in the way of doing business.



Figure 1: The SDG Disclosure Themes

Then, Carol introduced a five-step process to integrate the SDGs into long term value creation for the business and society, which are linked to the four disclosure themes:

- Step 1: Understand sustainable development issues relevant to the organisation’s

external environment – Management approach.

- Step 2: Identify material sustainable development issues that influence long term value creation for organisations and society – Management approach.
- Step 3: Develop strategy to contribute to the SDGs through the business model – Strategy.
- Step 4: Develop integrated thinking, connectivity, and governance – Governance.
- Step 5: Prepare the annual report – Performance and targets.

Notably, while talking about value creation, Carol said that she was not only talking about profit because profit is a very small part of the value that an organization creates for itself and its stakeholders. She further emphasised that stakeholder engagement is essential during the process since stakeholders can help identify sustainable development risks and opportunities for the business. It is acknowledged that not all the 17 SDGs will be relevant to all organisations, and most organisations will only make a significant contribution to, or negative impact on, several SDGs. Therefore, management needs to go through the five steps and select smart targets.

By comparing *SDGD Recommendations* with other corporate reporting standards and frameworks, Carol commented that *SDGD Recommendations* (at the top right-hand corner in Figure 2) focus on both long-term value creation and impact on the achievement of the SDGs, thus representing “a win-win”.

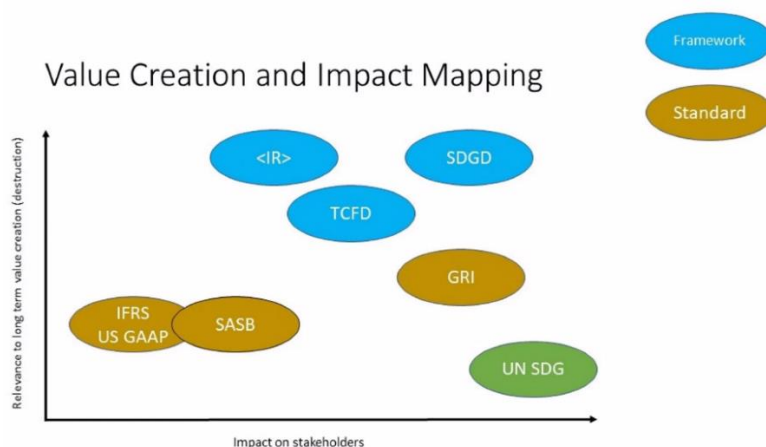


Figure 2: Comparison of Different Corporate Reporting Frameworks and Standards

“Rainbow Washing”

Interestingly, Carol mentioned a new term, “rainbow washing”, being used recently because of the nice colours of the SDGs logo (see Figure 3). Similar to the meaning of greenwashing, “rainbow washing” refers to a phenomenon where a company puts the SDG logos in its report without really doing anything, making the disclosure meaningless. To address this issue, the *SDGD recommendations* provide a list of different types of evidence which the Board could look at to check how well the management is dealing with sustainable development issues or the organisation is engaging in “rainbow washing”.



Figure 3: SDG Logo in Six Official Languages^{iv}

Apart from checking on itself, Carol indicated that the organisation could get external assurance on SDG reporting, which is, however, generally expensive and limited in scope. Typically, assurance providers are reluctant to assure qualitative information that stakeholders want to see and to inform themselves about what management has done around SDGs. Carol talked further about this in a Q&A, commenting that Big-four firms’ financial view of sustainability assurance is certainly an issue. Financial auditors are reluctant to audit anything other than financial numbers, even though they have the skills to assure qualitative information. They need to stop being conservative and get used to auditing other types of information.

Carol's comments on current sustainability assurance practice remind me of the main findings from my PhD research project, *Sustainability Assurance Practice in Different Institutional Contexts: A Comparative Study Between the UK and China*. The research findings indicate that the traditional assurance practice originating from the accounting profession has significantly influenced the sustainability field and has gradually become generally accepted without questioning its relevance. The limitation in scope undermines the quality and creditability of sustainability assurance. Current sustainability assurance practice largely remains as a management tool rather than a mechanism to enhance organisational transparency and stakeholder accountability.

The increasing recognition of global challenges such as climate change, poverty, and the recent Covid-19 pandemic has heightened the urgency of transforming our world. The SDGs represent the transformation and describe a future world in which each of us would like to live. Organisations worldwide can play a significant role in addressing the transformation by embedding the SDGs into their strategy and operations. *SDGD Recommendations* provides all types of organisations effective guidance to facilitate change of business nature, reconsider strategy, and disclose with board oversight.

ⁱ The video recording of this online event is available at:

<https://www.youtube.com/watch?v=qViRJOBJuvA&feature=youtu.be>

ⁱⁱ Adams, C A, with Druckman, P B, Picot, R C, (2020) *Sustainable Development Goals Disclosure (SDGD) Recommendations*, published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. Available at: <https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/>

ⁱⁱⁱ PwC (2019). Creating A Strategy for A Better World. Available at: <https://www.pwc.com/gx/en/sustainability/SDG/sdg-2019.pdf>

^{iv} Source: United Nations Department of Global Communications (2020). *Sustainable Development Goals: Guidelines for the Use of the SDG Logo Including the Colour Wheel, and 17 Icons*. Available at: https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/01/SDG_Guidelines_AUG_2019_Final.pdf