

Tracking reporting against the SDGs by corporates in South Africa

Summary of research conducted between 2015 and 2018

June 2019



Making it your business: Engaging with the SDGs (2015)



986 business across 90 countries
2015 citizens across 37 countries
31 business and 103 citizens in South Africa



Awareness and responsibility



In 2015, SDG awareness among the business community was high (87%) compared to the general population (28% citizens surveyed were aware of SDGs).

Government was seen as having prime responsibility for achieving the SDGs by business and citizens alike (48% of business responders and 55% of citizens ranked government first). Business was split on who they see as being responsible for achieving the SDGs. While nearly half of the business participants surveyed believe government has the prime responsibility (only 3% gave business prime responsibility), 65% are already making plans on how to respond to the SDGs – they may be reticent to claim responsibility, but they are not shying away from taking action.

This makes sense, as an understanding of how a business contributes towards a government's ability to achieve national SDG targets helps to evidence commitment and protect licence to operate. Mapping SDG alignment, measuring impact, and implementing initiatives to improve creates a good basis for dialogue. If a business is looking to venture into new markets, it also forms a sound basis upon which to enter discussions.

Employment is ranked high across the globe, but otherwise regional interests / priorities reflected



Priorities – a South Africa perspective

Business has the greatest impact

Business sees the greatest opportunity

Citizens prioritise the importance



Ultimately, businesses should be engaging with their key stakeholders to understand which goals matter the most to them and why.

The current disparity between the perceptions of businesses and citizens could be reduced if businesses not only address the goals that are most relevant to them, but also extend strategies to those that citizens think are most important. This way, they will not be seen as just 'cherry picking' goals but, instead, be recognised for taking a holistic approach to supporting the sustainable development agenda.

Businesses have the ability to influence sustainable development by adopting the SDGs, and citizens are becoming increasingly aware of this. In order to successfully adopt the goals, businesses need to be clear on the next steps to take. This should include identifying and ranking the most important goals, followed by implementing an impact monitoring system, which can be used for long-term strategy development.

Consumer expectations

From the outset, it was clear that being goal congruent and transparent about impact and implementation, could be a distinct advantage.

Two critical business imperatives stand out to encourage engagement with the SDGs.

1 Security. Businesses that align their strategy with national priorities will most likely be given their licence to operate, by governments and citizens alike – those that do not, or who struggle to demonstrate alignment with the national interest, cannot expect equivalent treatment, so creating competitive disadvantage; and

2 Resilience. Governments are already using the draft SDGs to inform development of policy and regulation. Those businesses that are aware of and aligned with the SDGs are more likely to have alignment with emerging policy, giving them more resilient business models.

SDGs influence buying behaviour

Q. If you knew that an organisation had signed up to the UN's Sustainable Development Goals, would that make you more or less likely to use their goods or services? (% responding likely or very likely)

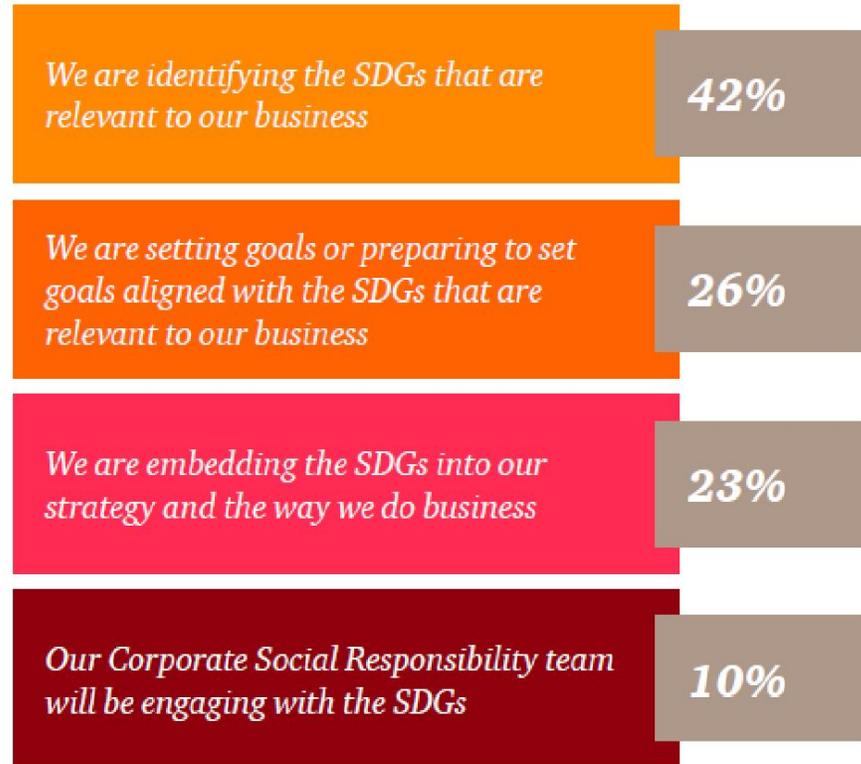


Source: PwC SDG Engagement Survey, 2015

78% citizens say they are likely or very likely to use the good and services from companies signed up to the SDGs – in many countries it's even higher

South Africa – first steps

Businesses: What actions is your business taking to prepare for the launch of the SDGs?



Among the top actions that businesses are taking in order to implement the SDGs in the short term, was identifying the goals relevant to the business. Citizens also expected that businesses should align their corporate social responsibility initiatives towards ensuring that these goals are achieved. Expectations are higher among citizens when it comes to embedding the SDGs into business strategy – 47% of the citizens say this as opposed to the 23% of business respondents.

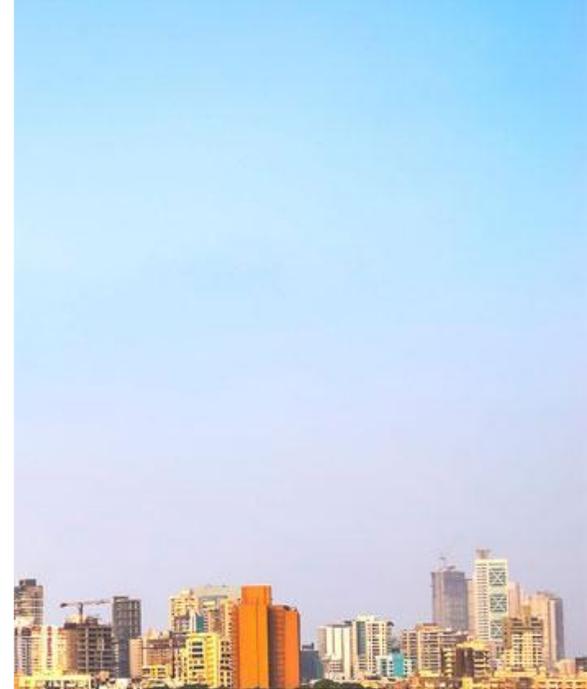
Businesses that embrace sustainability in their strategies are more likely to have a favourable standing with citizens. This is supported by the fact that citizens are 85% more likely to use an organisation's goods and services if it signed up to the SDGs, which suggests that citizens are becoming increasingly aware of the importance of balancing business profit with environmental impact and fair social contribution.

The pressure on business is increasing, as globalisation and new technologies have allowed for greater transparency of businesses' plans to engage with the SDGs, which allows citizens to keep track of implementation progress against commitments.

Citizens: What actions do you think businesses should be taking to support the SDGs?



Exploring business communication on the global goals (2017)



470 companies, 17 countries, 36 in SA
Assessed: prioritisation, quality, performance



Two years on...

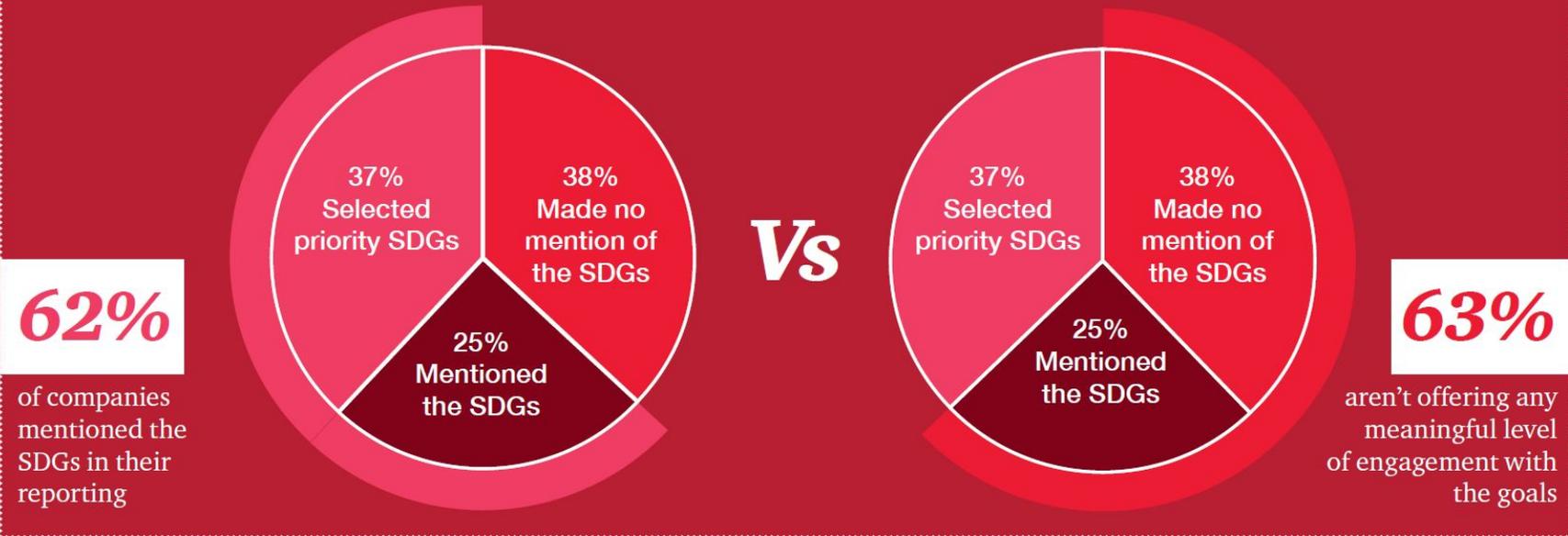
The focus of our 2017 research was twofold. First we wanted to get a clear sense of which SDGs companies were prioritising and why. Second we wanted to learn how they were reporting on the goals. Were companies simply paying lip service to the goals they aspired to address or were they making tangible progress that they could measure, account for and report on? The results are eye-opening and suggest that business has some important questions to address if it is going to realise the potential offered by the goals.

As detailed in the report, 62% of the companies we studied currently discuss the SDGs in their reporting. Only 37% have prioritised individual SDGs however. The other 25% continue to discuss the goals in general terms. That leaves 38% of companies who still haven't addressed the goals at all (or not to the degree where they feel the need to report on them).

To understand the extent to which business has started to build the SDGs into strategy and operations we analysed the corporate and sustainability reports of 470 companies from 17 countries.

We wanted to find out which SDGs they were prioritising and how well they were reporting on them. Many businesses have selected priorities, but are they looking at the right ones? And how is business measuring and reporting progress?

The SDGs are on the business radar - 62% think they're important enough to include in their reporting...but looked at another way, 63% are making no meaningful engagement



Results at a glance

Overall the reporting quality across all of our selected indicators suggests that business reporting on sustainability indicators is still at the qualitative or anecdotal level, rather than moving on to focus on setting and reporting on measurable targets and considering the link to the outcome on society.

Does business need more guidance on how and what to report on the SDGs?

And does this also suggest that business is not yet really making the link that building the SDGs into business strategy in a more holistic way could open up new opportunities and improve the chances of addressing the underlying business risks that the failure to solve the SDGs represents?

Companies are prioritising SDGs they think are most relevant to their business but they don't align with those of citizens.

Most popular business priorities



Least popular business priorities



Most popular citizen priorities



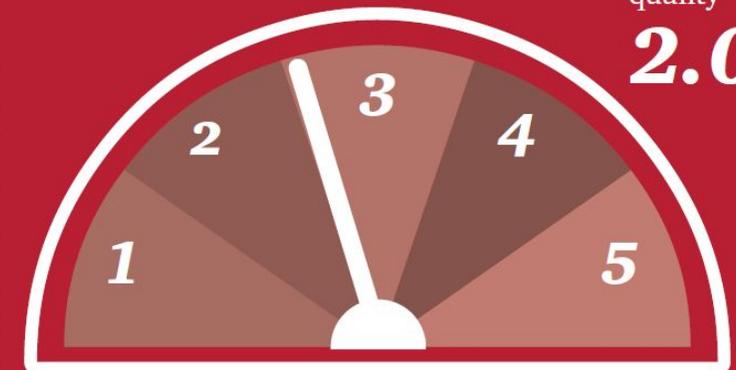
Alarmingly, businesses' least prioritised goals are those that are most important to citizens

We selected two commonly used business indicators per SDG and scored how well each company is reporting on their priority SDGs.

Most SDG reporting is still at a qualitative level only

Average reporting quality

2.03/5



Reporting quality scoring method:

- 0 Not reported
- 1 Descriptive comment
- 2 Description of ambition
- 3 Quantified KPI
- 4 Quantified KPI and target
- 5 Quantified KPI and target and link to societal value

How well are corporates reporting on the SDGs?

The SDGs are going to be a driver for economic growth and financial stability. And in an age of transparency stakeholders are holding companies to account for their impact on society and the environment. A reporting approach that can be used by stakeholders to understand the wider impacts of a business and allows management to set a strategy that's aligned with the goals is going to be essential.

Companies that set priorities have better quality reporting

2.29/5

Average score for companies that **prioritised** the SDGs

1.88/5

Average score for companies that **didn't prioritise** the SDGs

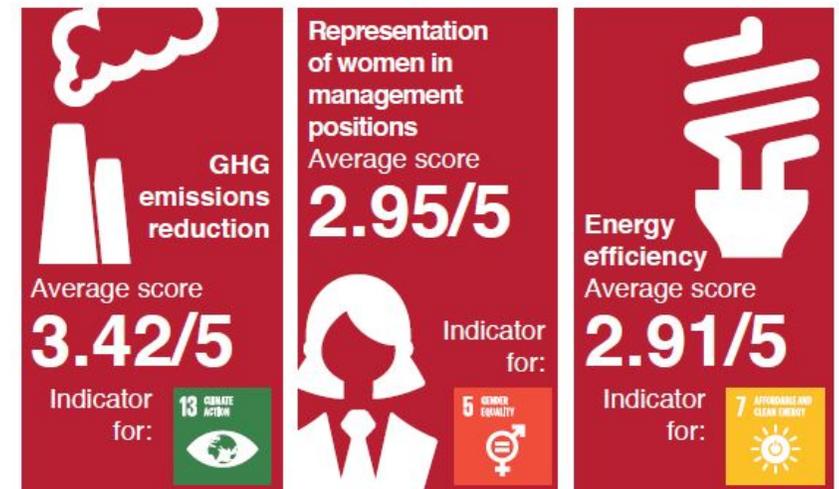
We wanted to know if companies were collecting and reporting the type of SDG information and KPIs they could use to really measure and take action to make further improvement in line with the goals.

The overarching answer to that question is no, or at least not yet. 28% of the companies we assessed set quantitative targets and linked these to their societal impact for at least one KPI.

Of those companies that do prioritise and report on specific SDGs, the most detailed reporting tends to be related to operations and indicators where companies already have a decent track record of reporting – often because of regulation or existing measurement frameworks such as GRI or CDP.

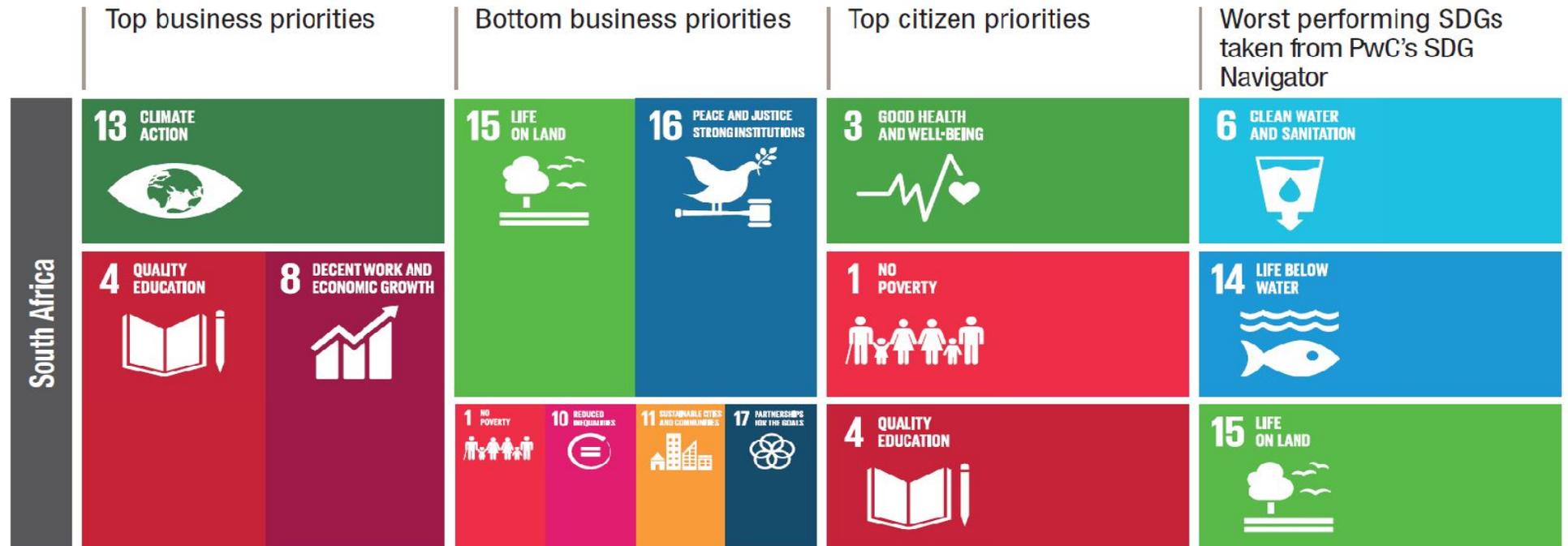
Companies have better quality reporting on indicators which are more mature, predating the SDGs

Top 3 reporting indicators

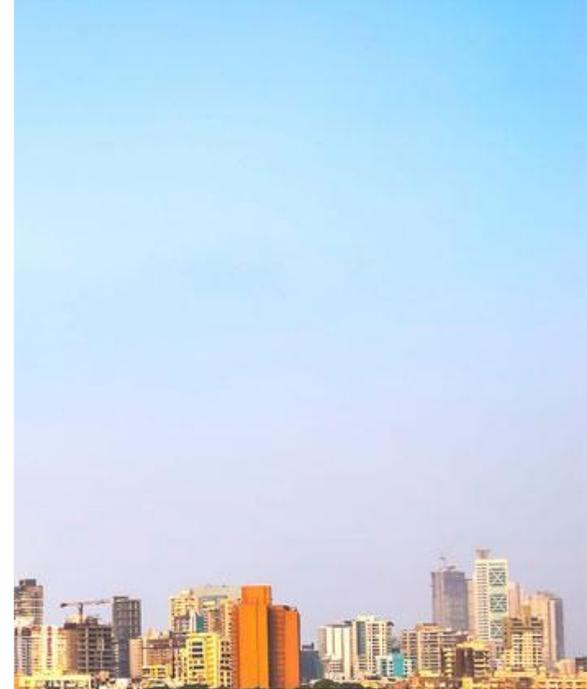


South African company results

- 19% of South African companies surveyed have mentioned SDGs and selected SDG priorities.
- Almost half of the organisations which have prioritised SDGs are government owned entities.
- SDG's with the highest number of KPIs reported:
 - Decent work and economic growth (SDG 8)
 - Climate action (SDG 13)
 - Industry innovation and infrastructure (SDG 9)
- Most companies reported only qualitative statements or ambitions in response to some of the indicator questions – a vast majority of companies are still relying on case study evidence without using data or targets to support their claims for at least one of the indicators that they're reporting on.
- KPIs driven by disclosure-related frameworks and regulations such as the Carbon Disclosure Project, Black Economic Empowerment (BEE) Codes of Good Practice, the Companies Act of South Africa, local accounting standards and the International Integrated Reporting Framework are well reported.
- With regards to performance, the biggest gaps appear related to gender equality (SDG 5), clean energy (SDG 7) and decent work (SDG 8).



From promise to reality: Does business really care about the SDGs? (2018)



729 companies, 21 countries, 40 in South Africa
Assessed: prioritisation, quality, performance but focussed on strategy and leadership



 pwc



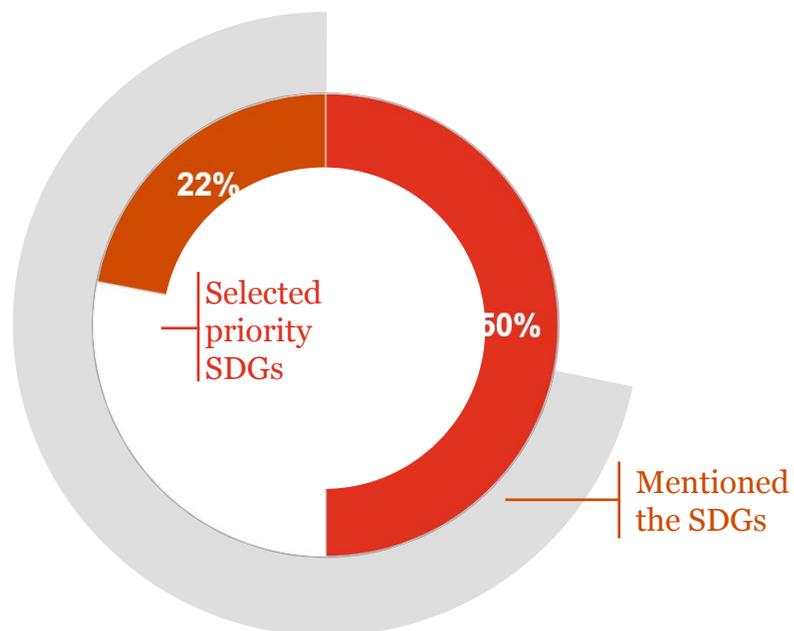
Businesses are reporting on the SDGs...

Viewing the results as a whole, it appears that while the majority of companies are keen to talk about the SDGs they have yet to get specific about how they're embedding them into strategies and actions. Why is this happening?

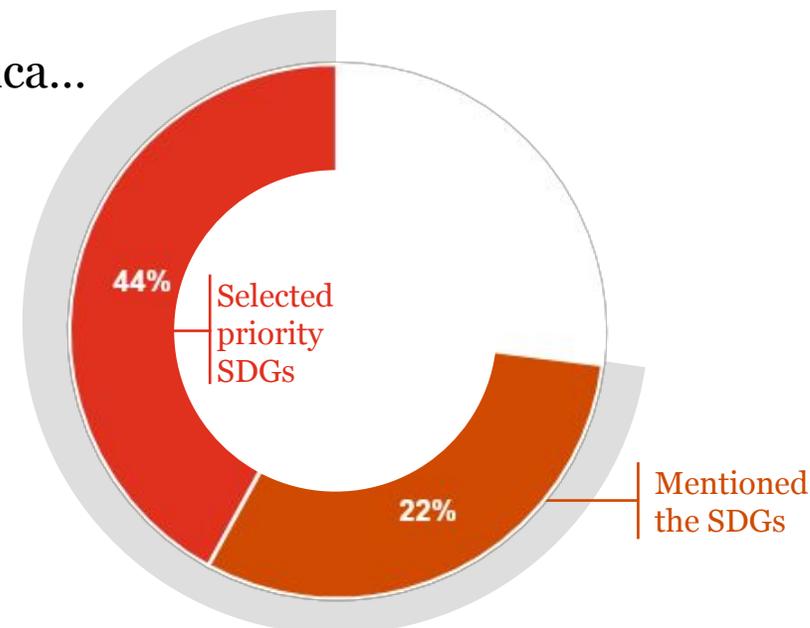
We believe that, while there is a clear appetite for embracing the SDGs, many organisations still lack the strategy, tools and culture needed to transform those commitments into tangible business actions. That has a knock-on effect in terms of measuring and reporting on their progress in meeting the Goals. As a result they are unable to demonstrate to investors, peers and their own employees how and why the SDGs are helping improve their overall business, both now and sustaining it for the long term.

72% of companies globally and **68%** in South Africa mentioned the SDGs in their reporting

Globally....



In South Africa...



Base: 729

Base: 40

SDGs included in business strategy

27%

of the **total global** companies assessed had SDGs included within their business strategy

30%

of the **total South African** companies assessed had SDGs included within their business strategy

Base: 12/40

It is becoming increasingly clear just how important a role environmental and social responsibility will play in the future of all organisations. Acting responsibly is no longer a choice. It is a business imperative that will impact how you power your operations, source raw materials, innovate new products and protect your supply chain against extreme weather and natural disasters. Your decisions will affect the wellbeing of your employees and influence whether they want to work for you. Perhaps most important, your approach to how you run and build your business will be judged by a new generation of consumers who expect sustainable and ethical behaviour.

Those organisations that meet the challenges and grasp the opportunities presented by embracing responsible business will be the success stories of the coming decades. But how can organisations transform their strategy, culture and operations to embed sustainable practices into their organisations to meet new societal and consumer expectations?



SDGs included in business strategy

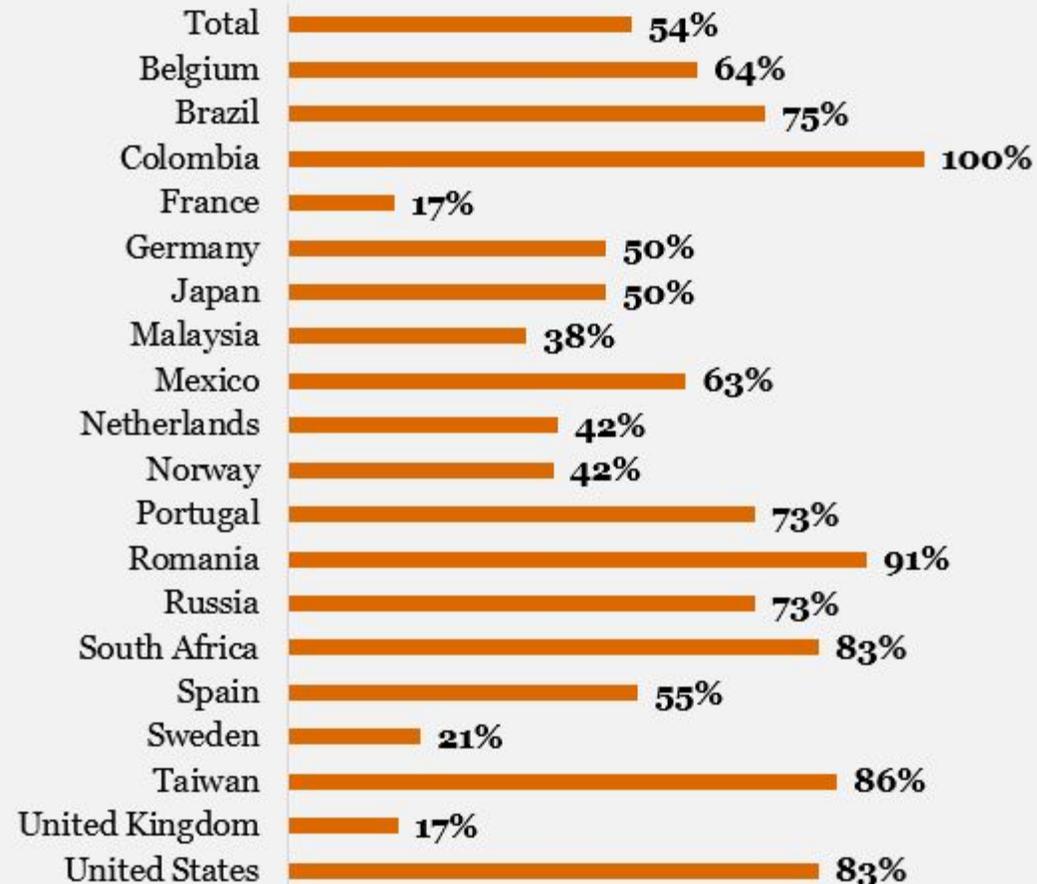
54%

of the companies who indicated that they prioritised SDGs have included SDGs within their business strategy

83% of companies in *South Africa* who indicated they prioritised the SDGs have included SDGs within their business strategy

Are the SDGs included within the main business strategy of the company?

% who prioritised and stated 'yes'



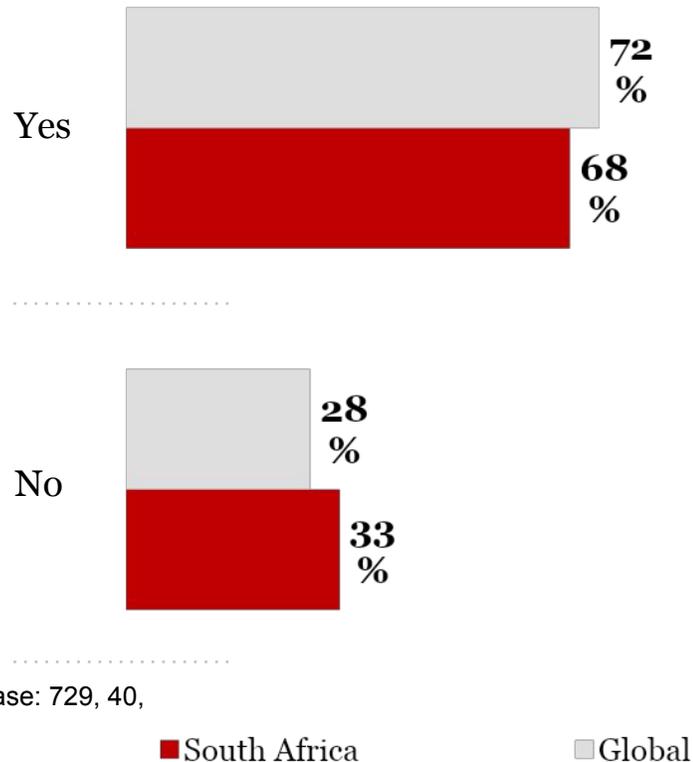
Base: 362; (BE) 14; (BR) 8; (CO) 20; (DE) 20; (ES) 20; (FR) 24; (JP) 4; (MX) 16; (MY) 16, (NL) 33, (NO) 24, (PT) 15, (RO) 11, (RU) 15; (SA) 12; (SW) 24; (TW) 29; (UK) 29; (USA) 12

Are the SDGs mentioned?

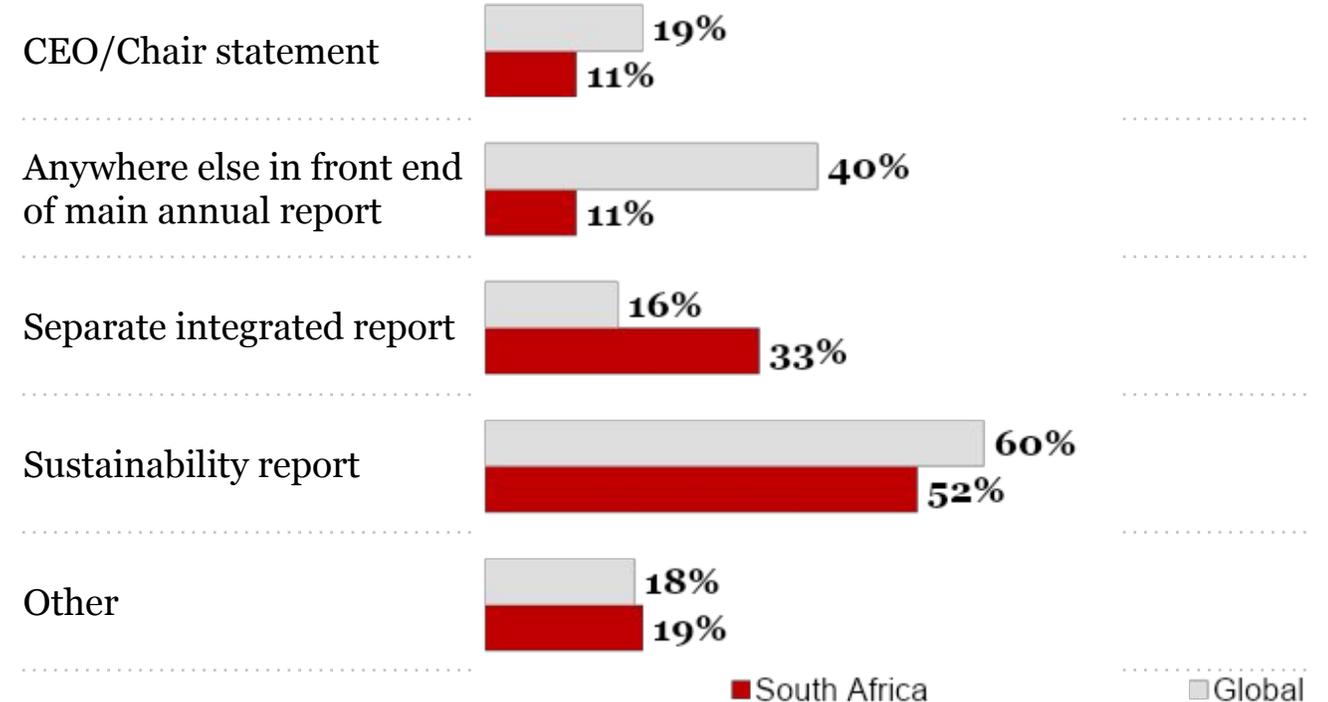
Although companies are mentioning the SDGs, it is largely not taking place in the statement made by senior leadership. This tone at the top is critical to create momentum and action.

Does the company mention the SDGs?

% who stated 'yes'



Where are the SDGs mentioned?



Business priorities

Globally....

Most popular business priorities



Base: 362

Least popular business priorities



In South Africa....

Most popular business priorities



Base: 40

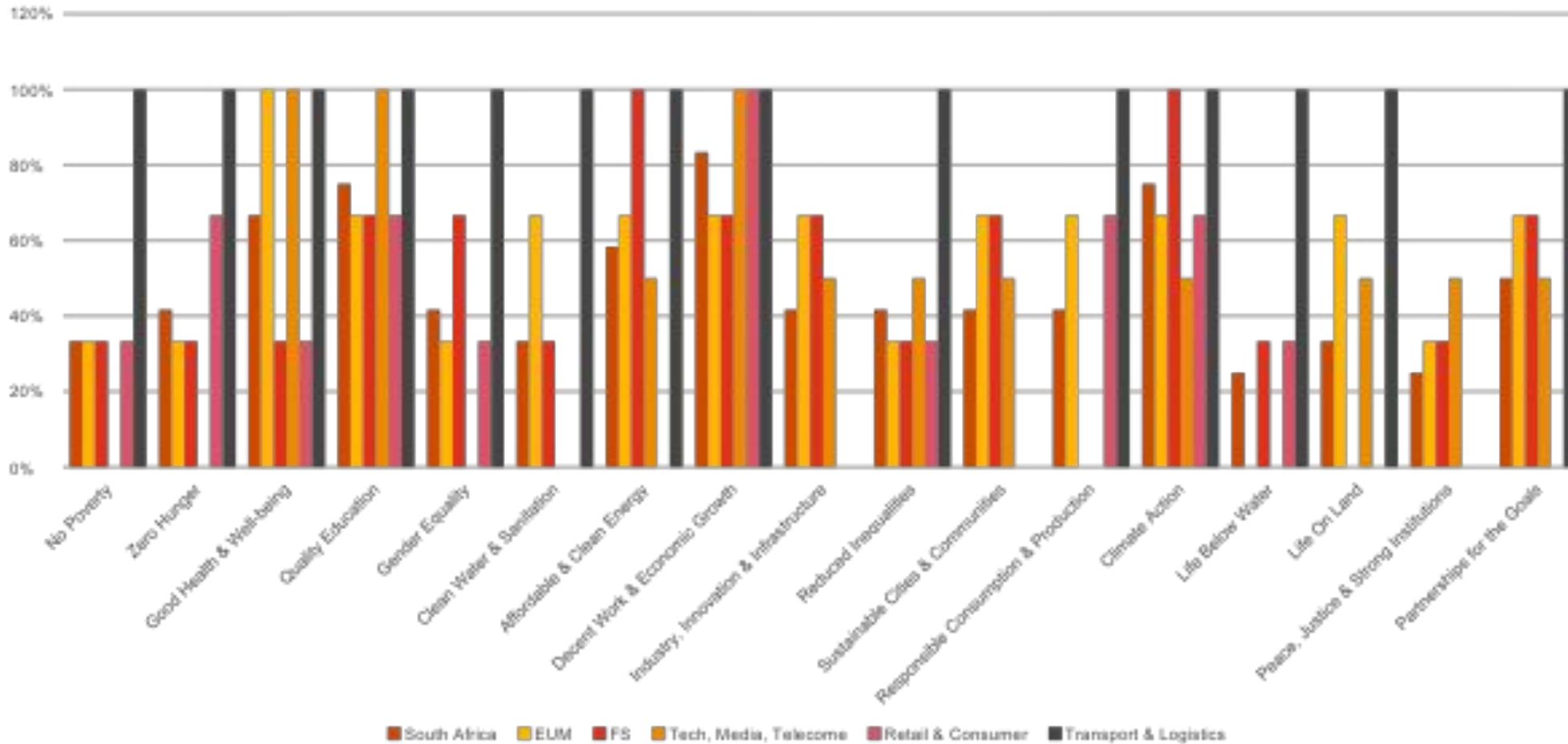
Least popular business priorities



The most popular priorities remain unchanged from last year's research, with the majority of organisations still focused on three main SDGs – Decent Work and Economic Growth (SDG8), Climate Action (SDG13) and Responsible Consumption and Production (SDG12).

We believe that the reasons for prioritising these three goals are varied but contributing factors could include the fact that, if you haven't taken the time to explore the SDGs in great depth these three might appear the obvious ones where business has a role to play. In short, it's what should be business as usual.

SA Industry priorities

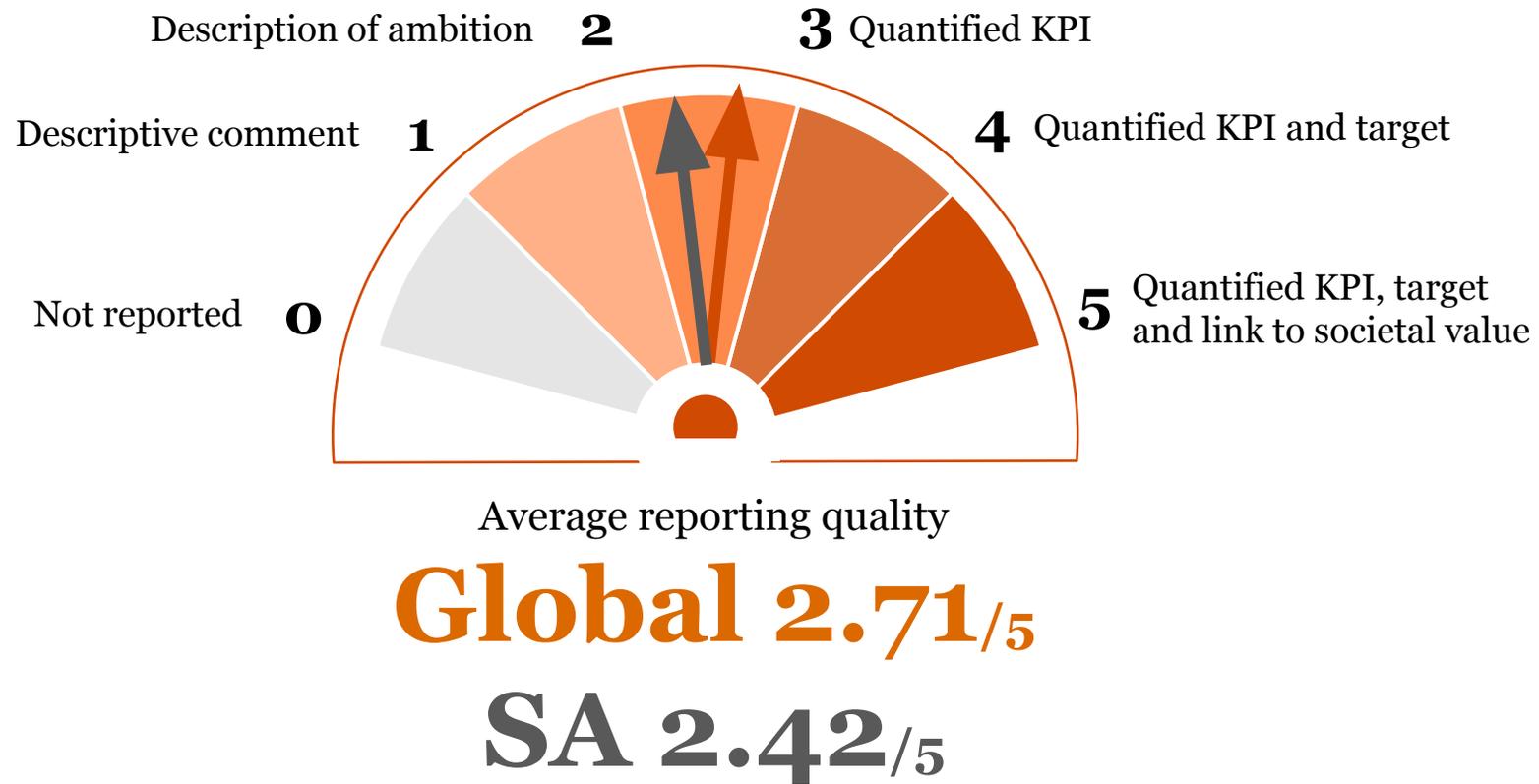


Life Below Water (SDG14) ranks last in corporate priorities. Zero Hunger (SDG2) and No Poverty (SDG1) also barely register with companies as SDG priorities. This may be because, aside from major food producers, most company management teams view these Goals as priorities for government, and they struggle to see how they can make a positive difference, or are unsure how to measure or capture their impact on these SDGs.

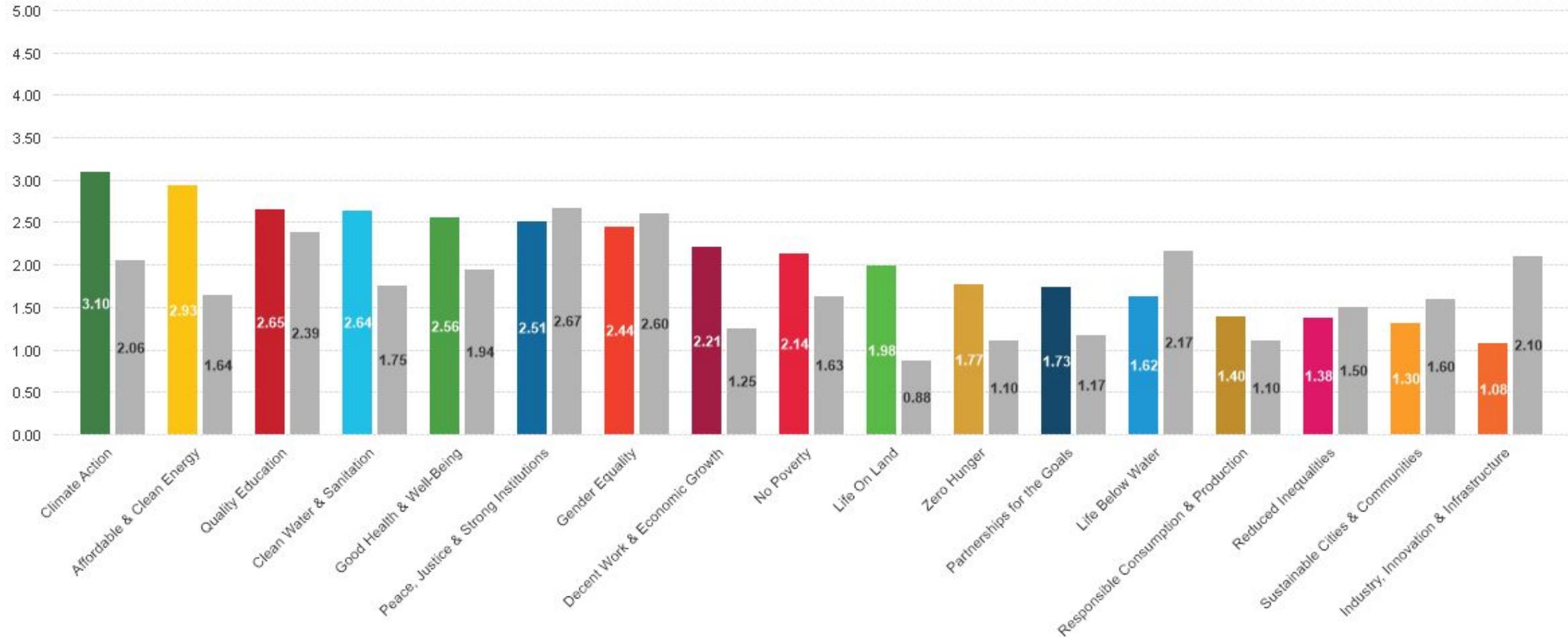
As companies tend to review the SDGs at a goal instead of a target level, this broad thinking may be common if misguided. It may also explain that the average company prioritised 7.3 of the 17 goals – a high number of goals that could reflect the fact that key individual goals for the business are not receiving enough attention.

Most SDG reporting is still at a qualitative level only

When the SDGs are included in strategy, there is still work to do on the reporting quality of priority SDGs



Global vs South African Reporting Quality



South Africa

Colours - Global

Concluding remarks

Viewing the results as a whole, it appears that while the majority of companies are keen to talk about the SDGs they have yet to get specific about how they're embedding them into strategies and actions.

In some cases it appears that companies simply are selecting SDGs that correspond to existing activities and metrics they are already capturing. As a first step this makes sense but it also suggests that the organisations are viewing the SDGs as another reporting lens rather than an opportunity and responsibility for the entire business.

While many companies are referring to having priority SDGs, they fail to look more deeply at each Goal and investigate the underlying targets. Very few go into more detail in terms of concrete KPIs to measure their performance over time.

Despite this lack of CEO urgency around the SDGs, it is clear they care about sustainability issues. In the latest PwC Global CEO Survey, climate change was identified as one of the top 10 risks for CEOs – 31% said they were extremely concerned about climate change and environmental damage.

When it comes to CEO communication about the SDGs, it's clear that more work needs to be done – not least because support from executive boards helps propel real change throughout the organisation. Just 19% (SA 11%) of CEO or Chair statements in annual reports mention the SDGs – suggesting that the Goals may still not resonate with executive boards.

Contact

Jayne Mammatt
jayne.mammatt@pwc.com

Chantal van der Watt
chantal.van.der.watt@pwc.com

[pwc.com](https://www.pwc.com)

© 2019 PwC. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.