MEASURING IMPACT

HOW BUSINESS ACCELERATES THE SUSTAINABLE DEVELOPMENT GOALS

BUSINESS CALL TO ACTION

GRI Empowering Sustainable Decisions

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Foreword

This September marks a year since the 2030 Agenda for Sustainable Development was put into force. What have we learned in this time? And what lessons can be brought into the next decade?

Business inclusion is an area of critical importance. Business is not just a participant in the Sustainable Development Goals (SDGs) – it has the potential to be a catalyst and accelerator of sustainable development around the world. This report comes at an opportune moment in the history of the SDGs. The private sector is increasingly seen as a valuable player, awareness of the SDGs among companies is growing, and governments are looking at ways to track and measure progress on SDGs. These factors give purpose to this report, which offers a first look at how governments are engaging with the private sector, and how business tools, impact measurement and sustainability reporting, can be used to measure, monitor and accelerate the business contribution to the Global Goals.

Business Call to Action (BCtA) and GRI are honoured to have partnered on this timely report. Our organizations share similar views on the future of sustainable economies, based on growing shared value and trust between society, governments and business. We hope that in this first year of reviewing the SDGs, this report will show what works and what needs to be done to further integrate private sector information into the SDG follow-up and review process.

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Executive Summary

This report explores two complementary trends: (1) businesses are increasingly engaged in impact measurement and sustainability reporting to capture their sustainability impact and (2) there is growing public sector interest in capturing the business contribution to the Sustainable Development Goals (SDGs). Drawing on consultations with a range of companies and governments, the report offers recommendations to enable both sectors – business and governments - to work together to support the world's sustainable development agenda.

Sustainability reporting and impact measurement are two practices used by companies to improve performance, account for impact, and publicly communicate sustainability data. They can be used to help governments understand how businesses interact with the SDGs. Even though each practice has emerged from unique needs and circumstances, both provide sustainable development impact data which can show how the private sector is, or is not, supporting development policy goals. Such information can help governments in strategic decision making, to identify appropriate business models and provide support with policy incentives.

The findings from the consultations with business and governments engaged in the SDGs now follow. They are dynamic in their nature as new evidence and learnings come from the SDGs.

Early lessons from the field of impact measurement and sustainability reporting can be used by governments and the private sector wishing to understand the development contributions of the private sector. Specifically:

- Companies can consider forming partnerships to support measuring and reporting impact.
- Clients (especially large companies) are gatekeepers who can prioritize SDG issue areas with businesses along their supply chains.
- Small and medium-sized enterprises (SMEs) need capacity building to measure and report on sustainability.
- Policies can encourage greater monitoring and measuring of business impact to environmental, social and governance (ESG) issues.

Governments are increasingly interested in accounting for the private sector contribution to development and the SDGs. This undercurrent has evolved from the MDGs. Measurement and reporting are tools for governments to explore those data points and see if companies align with larger policy objectives.

Consistency and comparability are key. Governments have a variety of ways they look at business impact – indicators, approaches, channels, but there is no common, agreed approach. Governments want more than narrative information when looking at impact from companies. They want information that can be quantified and collated for decision making. Businesses also vary in why they look at impact, and their approaches to measurement. This gap should be addressed.

Communication between constituencies is important. Governments want to work with businesses to communicate the SDGs, and they recognize the need to help businesses understand the business case for the SDGs. The communication challenge goes beyond relationship building and trust building. It must address the complexity of the SDGs and 2030 Agenda while making it accessible to different types of business.

SMEs are critical to achieving the SDGs, and their impact should be accounted for. Smaller enterprises are the backbone of many economies. Impact measurement is still a new field for many small enterprises. Many such companies need to receive better support and capacity. It should also be noted that SMEs that engage in impact measurement are mission-driven enterprises that have clear interest in measuring their impact, while regular small businesses may not find it as relevant.

In some countries a trust gap exists between government and business. Continuous learning between governments and business, and tailored communication to support SDG understanding, could help to build trust and advance effective partnerships for achieving the SDGs.

Businesses are open to reporting on their SDG contributions. As new incentives are presented, there will be new entrants to the market, presenting a new standard of competitiveness.

RECOMMENDATIONS FOR GOVERNMENTS

With these challenges and needs in mind, this report offers the following recommendations to governments, and recommendations for business. Governments can deepen their engagements with the private sector on policy-relevant SDG areas, and account for businesses' contribution to the Global Goals, by following a three-step process:

Plan

- Identify private sector partners and data to be captured.
- Conduct a gap analysis between private sector and government data.

Do

- Raise awareness on sustainability and collect data using policy instruments.
- Identify and develop policy instruments.
- Form multi-stakeholder partnerships.

Check

- Review process and share best practices.

RECOMMENDATIONS FOR BUSINESSES

Monitoring of the SDGs is a responsibility for national governments. However, companies can take an active role in having their contributions represented at international forums like the UN and by actively engaging with governments. Although we are still at an early stage in monitoring the SDGs, businesses can lead the way by starting with the following:

Understand the SDGs

- Understand the relevance of the SDGs and consider how they can be integrated into business strategy and operations.
- Examine the business case for measuring impact.

Define priorities

- Define business sustainability and SDG impact areas.
- Strengthen internal expertise and incentives on planning and implementing environmental and social impact measurement and monitoring.

Report and communicate

- Disclose performance on social, economic, environmental and governance performance data linked to the SDGs and indicators.

Socialize

- Share sustainability practices with peers, including measurement and reporting activities, to scale the effort.
- Collaborate with national governments on how to account for the private sector's contribution to the Global Goals.

Looking ahead, the fields of impact measurement and sustainability reporting can also support this process by working more closely together to ensure comparability of data. This will allow for a greater use of such data by both businesses and governments to track their progress and make policy and business decisions to advance the SDGs.

Introduction

This report will share early learnings on private sector support of the Global Goals[1]. It will look at how companies measure contribution to the SDGs through impact measurement and sustainability reporting, and it will also look at how governments are considering the business contribution to the SDGs.

The learnings for the report were drawn from consultations with companies and governments. Companies featured in the report use sustainability reporting and/or impact measurement to define, measure and monitor their social, economic, environmental and governance performance (called 'impact' in this report). Both practices give companies the tools and resources to better understand their impact. The governments consulted for the report are from a variety of geographic regions and development contexts.

Building on the consultations, the report provides insights about how impact measurement and sustainability reporting can support the monitoring of the SDGs. These insights aim to support practitioners and policy makers, by explaining how businesses measure impact and how governments can make use of this information, without being policy prescriptive. This report is meant to be informative while contributing to the discussions at the High-level Political Forum on Sustainable Development (HLPF) – supporting the learning at the heart of the SDG follow-up and review process.

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Part one of the report provides a primer on the SDGs and discusses why businesses should be engaged, why it is important for businesses to measure impact for the SDG agenda, and why governments should care about measuring the private sector's contribution to the Global Goals. Part two of the report will focus on how companies are measuring and monitoring their performance on social, economic, environmental and governance areas, and how that relates to the SDGs. Part three will discuss how governments view the topic of measuring the private sector's impact for the SDGs. The report concludes with recommendations for addressing the key challenges, and how to overcome them to allow governments and business to work together towards the SDGs.

1. The terms Global Goals and the Sustainable Development Goals (SDGs) are used synonymously.

A. ABOUT BCTA

Business Call to Action is a multilateral alliance that challenges companies to advance core business activities that are inclusive of poor populations, and contribute to the achievement of SDGs.

Launched at the United Nations in 2008, BCtA is supported by the Ministry of Foreign Affairs of the Government of Finland, Dutch Ministry of Foreign Affairs, Swedish International Development Cooperation Agency, UK Department for International Development, US Agency for International Development, and the United Nations Development Programme (UNDP), which hosts the secretariat.

BCtA members are market leaders and innovators who recognize that inclusive business drives innovation, builds markets and strengthens supply chains, while improving sustainable earnings and empowerment among the poor. More than 165 companies have responded to BCtA worldwide. They have committed to improving the lives and livelihoods of millions with ventures that engage low-income people as consumers, producers, suppliers, and distributors of goods and services.

B. ABOUT GRI

GRI is an independent, international organization that has pioneered corporate sustainability reporting since 1997. It helps businesses, governments and others understand the impact of business on issues like climate change, human rights and corruption. With thousands of reporters in over 90 countries, GRI offers the world's most trusted and widely used standards for sustainability reporting. This helps organizations and their stakeholders make better decisions using information that matters. Currently, over 40 countries and regions reference GRI in their policies. GRI is built on a unique multi-stakeholder approach, this ensures participation from diverse stakeholders in the development of its standards. GRI's mission is to empower decision-makers to build a more sustainable economy and world.

C. RESEARCH APPROACH

This report was based on several research methodologies. As the foundation of the report is documenting early lessons, much of the research was conducted through bilateral consultations with companies, and consultations with governments[2]. These consultations were in person (when possible), or by phone for companies and governments. Responses were submitted in writing in a few cases using questionnaires. Also, an in-person consultation took place in July 2016 where governments discussed an early draft of the report. Altogether, 32 companies and 19 governments participated[3]. Annex A presents the overview of the companies consulted, and the Annex B presents the overview of the governments consulted.

Follow-up for extra information was done mainly through email. The research team used the information collected to analyse the aggregate data from the consultations to find the learnings for the report. Further research complemented the takeaway messages from the consultations, and secondary literature is referenced where indicated.

2. Governments were asked to voluntarily provide any preliminary thinking or tentative considerations they have about how private sector contribution can be measured in their country. This was voluntary, and is not considered an official consultative process.
3. BCtA companies shown in this report are collaborating with BCtA on impact measurement through the BCtA Impact Measurement Services (BIMS). The analyses included are based on information provided by the companies during the implementation process.

PART I

A Primer on the Sustainable Development Goals and the Role of Business

Part one offers a primer on the UN's Sustainable Development Goals (SDGs), which comprise the new international development agenda and will be in effect until 2030. It outlines the business case for aligning with the SDGs, including the value of measuring business impact, and the evolution of that thinking from the Millennium Development Goals (MDGs). Finally, it explains how the SDGs are reviewed on a global level.

A. THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development was adopted by all UN Member States at the UN Sustainable Development Summit on 25 September 2015. The 2030 Agenda, which replaces the MDGs, includes a declaration, 17 SDGs and 169 associated targets[4], and a framework for how governments should review progress. According to this framework, the UN High-level Political Forum on Sustainable Development (HLPF) has a central role in overseeing follow-up and review processes at the global level, working with other UN organs, and making linkages with the follow-up and review arrangements for other UN conferences. The HLPF is mandated to help sharing of experiences, provide political leadership, guidance and recommendations for follow-up, and promote system-wide coherence and coordination of sustainable development policies.

The SDGs usher in a new and bold global development agenda. They provide a framework for economic growth that protects the fundamental pillars of humanity and the planet. They are also a rallying call for all actors in society, not just governments, to take shared responsibility for a better future. The 2030 Agenda is a call to action for business to be an active partner and contributor. The private sector can be instrumental in speeding positive social impact and reducing negative impact to the environment and society.

The SDGs are ambitious, and they cannot be achieved by governments and public financing alone. The financing needed to achieve all the SDGs by 2030 is estimated to be in the trillions. The official development assistance available is close to $135 billion a year (World Bank, 2015). This leaves domestic resource mobilization (DRM)[5] and private financing to fill the gap. Moving from billions to trillions means we must mobilize monetary and human resources at scale. It also means that without the support of business and the private sector, there is the potential to fall short of our global commitment to achieve each SDG.

Given the anticipated scale of this contribution, the private sector's part in carrying out the SDGs should be measured, reported and communicated at national level, and at UN settings during the follow-up and review process between governments.

To engage business in achieving the SDGs, active efforts are needed from governments and companies. This section outlines the benefits of working together, and the challenges that should be tackled in the early part of the SDG period.

"Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results." - Ban Ki-moon, United Nations Secretary-General.

4. In March 2016, the UN Statistical Commission agreed on approximately 230 initial indicators for the global measurement of SDG targets, and a process by which the indicators will continue to be refined.
5. DRM refers to the raising of domestic resources and tax to national treasuries.

B. FROM THE MDGS TO THE SDGS: THE NEW ROLE OF BUSINESS AS DRIVERS OF SUSTAINABLE DEVELOPMENT

The SDGs have shifted the perception of the way business contributes to sustainable development. During the time of the MDGs, the private sector was thought to contribute to sustainable development in three ways – core business activities, public-private partnerships, and philanthropy.

- **Core business activities** – these are assessed for companies' effects on incomes, wages, prices, and other factors driving government action, like public investment capacity (Millennium Project, 2005). By supporting economic growth, businesses would help the public sector to provide health and education in developing countries (McArthur, 2016).
- **Public-private partnership (PPPs)** – these showed how business was considered a facilitator of national development goals. A key example was low-cost pricing of essential drugs for large-scale public procurement. This is highlighted in MDG target 8e, "in cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries." The MDGs also called for cooperation with the private sector to make available the benefits of new technologies, especially information and communications technologies (MDG Target 8f).
- **Philanthropy** - philanthropic activities were regarded as raising awareness for investments related to MDGs, direct giving, seed funding, and large scale, long-term commitments. (Millennium Project, 2005).

While these three areas remain relevant under the SDGs, there is a renewed emphasis for companies to create shared value and positively contribute to sustainable development through core business activities and operations. For example, companies can contribute to a better environment by reducing their negative impact within their direct operations and by focusing their core business activities on those that touch on sustainable development issues.

The 2030 Agenda's vision for private sector engagement also touches on new areas, such as blended finance and channeling private investment, that weren't included in the MDGs. This is particularly true in the text of the Addis Ababa Action Agenda (AAAA), an international agreement that provides the foundation for SDG financing. With the 2030 Agenda recognizing the AAAA as "critical" to the SDG targets, and "an integral part" of the 2030 Agenda, the AAAA's vision for private sector engagement is also relevant to SDG implementation. The AAAA suggests several specific roles for the private sector, including on infrastructure, mobilizing private finance, gender equality, technology and data. New types of PPPs in water, sanitation, energy and education may also become more common as governments seek to make use of the resources of the private sector.

Inclusive business and the SDGs:

There is an increasing number of inclusive businesses that are addressing development challenges by including the low-income segment into their core business strategies and value chain – from suppliers, employees and vendors to customers. The impact of these businesses can go beyond private sector contributions to development by creating jobs, hiring and training individuals, and generating government revenue through taxes. Inclusive businesses create livelihoods for men and women at the base of the economic pyramid (BoP)[6] and/or provide them with affordable goods and services they may not otherwise have access to. As commercially viable business models, they can scale and replicate their businesses, and achieve broad impact in SDG areas.

Why should businesses be interested in the SDGs? The Global Goals indicate market gaps, development needs and investment priorities for different countries. Issues addressed in the SDGs provide a road-map for businesses to seek opportunities and manage risks. The SDGs also provide vision for sustainable, long-term growth for private companies that balance the economic as well as social and environmental returns.

SDGs will also be the bedrock of future regulations and policies that inform and channel investment into priority sectors and restrict businesses that have negative social or environmental returns (GRI, UN Global Compact and World Business Council for Sustainable Development, 2015). The SDGs are relevant for businesses to maintain their license to operate. This is while governments plan for new regulations in the next 15 years that may determine companies' long-term sustainability. For instance, the SDGs have a specific target related to enhancing corporate reporting, which all countries will aim to address.

6. BCtA defines BoP as those living on less than $US 8 PPP per capita per day in in 2005 US dollars.

Potentially new policies on corporate reporting will emerge and businesses should be aware of this trend.[7]

Aligning with the SDGs also deepens the value and impact of corporate social responsibility (CSR) efforts of businesses. Through the SDGs, companies will have an opportunity to promote their socially and environmentally responsible operations while opening new consumer and business-to-business channels. The SDGs also can offer a common language to communicate the company's commitment to sustainable development with stakeholders. Finally, the SDGs can allow companies to make a shift to sustainability by providing a framework to align their strategies with the global development agenda.

C. IMPORTANCE OF MEASURING THE IMPACT OF THE PRIVATE SECTOR TO ADVANCE THE SDG AGENDA

With the MDGs there was no central process for measuring business contributions. Voluntary declarations of business commitment to the MDGs were captured in fragmented initiatives, but they lacked a systematic way for countries to understand how business was contributing to the MDGs (see box 2 below). The SDGs provide a new opportunity to capture the contributions business has to sustainable development. This knowledge can help governments plan and accelerate the pace of progress.

Box 1: Private Sector Role in International Development: MDGs vs. SDGs

MDGs	SDGs
Scope of Goals	
Economic development	Economic development, social development, environmental protection
Developing countries	All countries – "universality"
Private Sector Engagement	
Core business operations, PPPs, Philanthropy	Sustainability (environmental, social, economic) concerns integrated into core business operations, increasing shared value as part of business approach

Box 2: Measuring the Contribution of the Private Sector from MDGs to SDGs

MDGs	SDGs
Measurement and Reporting	
No systematic, central monitoring process for business contributions	UN Member States have agreed to annually review Goal 17 on mobilizing resources for the SDGs.[8]. This is expected to include contributions of all stakeholders including the private sector.
Lack of quantitative time-bound targets specified in MDG Goal 8	All 169 targets are time-bound
Lack of data for tracking quantitative and qualitative commitments adequately and quickly for MDG Goal 8	Commitment tracking data is highlighted as a way to bring the SDGs to fruition, and is the subject of upcoming UN-led processes.[9]
Mismatch between some MDG targets and their indicators (especially for MDG Goal 8) (MDG Gap Task Force, 2015).	Ensuring a strong match between targets and indicators is the mission of a technical process, with oversight from UN bodies like ECOSOC, UNGA, and non-state actors.

7. SDG 12.6 calls on governments everywhere to "encourage companies, especially large and trans-national companies… to integrate sustainability information into their reporting cycle."
8. See UN Resolution: http://www.un.org/ga/search/view_doc.asp?symbol=A/70/L.60, paragraph 4.
9. HLG, World Data Forum, UNSC efforts.

Just as financial performance analysis is essential for companies to inform their strategies and decision-making, measuring the social and environmental impact of a company is becoming relevant with higher accountability and transparency demands from investors, consumers, governments and internal management itself (Rangan, Chase, & Karim, 2015). As discussed in part two, companies are already using information about their impact on society and the environment for critical business purposes. The frameworks and tools used in sustainability reporting and impact measurement are available to measure and report on impact and help show how business supports the sustainable development agenda.

BCtA and GRI provide tools as part of these practices. Both offer performance indicators for companies to measure operational performance and environmental and social impact. GRI offers its Sustainability Reporting Standards (GRI Standards), while in addition, BCtA gives direct support to a select number of inclusive business member companies through BCtA Impact Measurement Services (BIMS) to help integrate impact measurement into their operations. What they have in common is that they encourage businesses to consider factors beyond short-term profit and financial performance in their operations. GRI Standards and BIMS are just two tools which companies use to enhance their understanding of social and environmental impact. Other tools appear later in the report.

BCtA Impact Measurement Services (BIMS)

BCtA is currently supporting some of its inclusive business members with measuring their social impact, and financial and operational performance. Through BIMS, BCtA provides technical expertise and tools for inclusive businesses to carry out data collection in the field through employees, customers and other stakeholders. The service offers an analytical framework for businesses to show the link between business activities, social impact and collecting data with mobile survey tools.

BCtA members are collecting data that will help them improve their operations and share their results with external stakeholders. BCtA also plans to use the collected data to contribute to the SDG reporting process.

GRI Standards

The GRI G4 Guidelines are the most widely used framework for sustainability reporting in the world, with thousands of reporters in more than 90 countries. Over 40 countries and regions currently reference the GRI G4 Guidelines in their policies, with more than 24 stock exchanges and market regulators worldwide referring to them. There is a clear indication of continued growth in the global demand for a common reporting language.

As the next step, the GRI G4 Guidelines will evolve and transition into a new set of modular, related GRI Standards. The transition from GRI Guidelines to GRI Standards will allow them to be referenced more broadly in policy initiatives globally, supporting uptake of credible sustainability reporting.

A L'OCCITANE representative interviewing a member of a women's shea butter cooperative using a BIMS survey tool in Burkina Faso. (Photo Credit: BCtA)

D. WHY SHOULD GOVERNMENTS CARE ABOUT MEASURING BUSINESS CONTRIBUTION TO THE SDGS?

All business activities are linked to the SDGs by contributing positively or negatively to society and the environment. The SDGs give governments a larger framework to not only regulate businesses, but to also mark the contribution of the private sector towards the Global Goals. Data on how companies contribute to social and environmental goals can form a knowledge base for governments to better understand how business interacts with sustainable development issues. It shows how the private sector is or is not supporting development policy goals. This can also help governments in strategic decision making, to identify appropriate business models and provide support through policy incentives.

An independent expert advisory group set up by the UN Secretary-General recommended that governments consider using private sector data (i.e. non-traditional data) to better monitor how the SDGs can be achieved (The United Nations Secretary-General's Independent Expert Advisory Group, 2014).

Governments can encourage more and better measurement of sustainability data from the private sector. Understanding how businesses measure their impact enables governments to help strengthen the private sector contribution to the SDGs, and it also helps them see if their development priority areas are aligned.

E. OVERVIEW OF FOLLOW-UP AND REVIEW PROCESS AT THE GLOBAL LEVEL

"Recognition that a wide range of stakeholders beyond national governments will be critical to the success of the SDGs also necessitates a follow-up and review framework that encompasses a wide range of development actors."
– Overseas Development Institute (Twigg, 2015).

The SDGs will go through a formal follow-up and review where governments, the UN system and stakeholders come together to review their progress. Countries will volunteer annually to present the status of the SDGs in their own national contexts. These will be a cornerstone of the High-level Political Forum on Sustainable Development (HLPF)'s review process.

The HLPF was mandated to carry out regular, voluntary reviews including the private sector, among other stakeholders in the agreement 'Transforming Our World: The 2030 Agenda for Sustainable Development,' adopted by the UN General Assembly in September 2015 (A/RES/70/1). Governments are also encouraged to use contributions from the private sector in conducting progress reviews at the national and subnational levels.

Recently, the Ministerial Declaration adopted at the close of the 2016 High-level Political Forum on Sustainable Development (HLPF), states that it "acknowledge[s] the contribution of … the private sector," and other stakeholders, in the implementation, follow-up and review of the 2030 Agenda. Their participation "supports accountability to our citizens and enhances the effectiveness of our action, fostering synergies, multi-stakeholder partnerships and international cooperation, and the exchange of best practices and mutual learning." Finally, the declaration "welcome[s] the participation and contributions of major groups and other relevant stakeholders in the High-level Political Forum and encourages their continued engagement in ensuring that no one is left behind." (UN Economic and Social Council (ECOSOC), 2016)

The SDGs are nationally-owned, so each country defines what their indicators are, how they will implement monitoring, and how they will report on that progress in national reviews. Governments can follow a common template for their reports at global level, but they are expected to report on SDG progress and implementation experiences the way that best suits their national capacities and interests (United Nations, 2016). This flexibility allows governments to consider how the private sector in their countries contributes towards the SDGs, and bring those lessons to the HLPF. Sustainability reporting and impact measurement practices can be used to monitor how companies are contributing to the larger development agenda.

PART II

Business Contribution to the SDGs – Lessons from Sustainability Reporting and Impact Measurement

This section will show how companies are measuring and reporting on their social, environmental, governance and economic performance. It will provide further insights on how these practices can evolve to support reporting of business contribution to the SDGs.

A. OVERVIEW OF SUSTAINABILITY REPORTING AND IMPACT MEASUREMENT

Companies measure and report on their impact for many reasons. It gives information that informs their decisions on strategy and operations, driving improvements in performance. Reporting on impact also improves accountability and transparency by communicating key information to external stakeholders on their engagements with society and the environment. Why companies measure and report is explored further through the consultation results.

Sustainability reporting and impact measurement practices are often guided by frameworks with standard methodologies that help identify impact areas, provide approaches to data collection and show companies how to report and disclose that information (Annex C provides a sample list of frameworks, initiatives and tools in sustainability reporting and impact measurement). While sustainability reporting and impact measurement both drive companies to improve performance and be more transparent, they have emerged under unique contexts, and have differences in their focus and approach.

Sustainability reporting

The origins of sustainability reporting can be traced back to the 1970s. It attracted more attention in the early 1990s as the profile of sustainable development rose (United Nations Conference on Trade and Development, 2015). Early sustainability reporting focused mainly on social issues. It was the United Nations Conference on Environment and Development in Rio in 1992 that pushed the field to include environmental issues. Sustainability reporting evolved to include corporate governance issues as the Organisation for Economic Cooperation and Development (OECD) developed its Principles of Corporate Governance in 1999 (OECD, 2016).

Sustainability reporting is the practice of reporting publicly on economic, environmental, and/or social impact, and hence an organization's contributions – positive or negative – towards the goal of sustainable development. This lets an organization identify its impact on the economy, the environment, and/or society, and discloses them in accordance with a globally-accepted standard. The information made available through sustainability reporting allows internal and external stakeholders to form opinions and make informed decisions about an organization's contribution to sustainable development.

This evolution in reporting reflects the recognition in society that financial information alone cannot satisfy the information needs of different stakeholders seeking more and different information (International Federation of Accountants, 2013). Regulatory pressures from local authorities have also prompted companies to report on issues of sustainable development. A few countries and regions including the EU, India, South Korea, and Norway have introduced new requirements on reporting. These have rapidly increased reporting rates by large, publicly listed companies in these countries (KPMG, 2015).

Sustainability reporting based on the GRI Standards

Sustainability reporting, based on the GRI Standards, creates a common language for organizations and stakeholders, with which the economic, environmental and social impact of organizations can be communicated and understood. GRI standards are designed to enhance the global comparability and quality of information on these impacts, allowing greater transparency and accountability of organizations. They provide a balanced and reasonable representation of an organization's positive and negative contributions towards the goal of sustainable development.

Increase in sustainability reporting worldwide

The past decade has seen a rise in policies on sustainability reporting around the world. As of 2015, about 64 countries and regions have regulatory frameworks that mandate or encourage companies to disclose information and report on issues beyond financial performance. As the number of policies worldwide is steeply increasing, more and more governments reference specific sustainability reporting tools, like the GRI Standards.

For regulation, one of the most recent policies on sustainability reporting is the EU Directive 2014/95/EU: Disclosure of non-financial and diversity information. This mandates that large companies must disclose information on social and environmental performance. This requires all EU countries to transpose it into their national legislations. Global agreements, like the SDGs, also include targets on reporting that mean governments will demonstrate how they are progressing. On financial markets, stock exchanges are a substantial facilitator of growth. In some regions, such as Asia-Pacific, stock exchanges account for more reporting instruments than governments (Centre for Corporate Governance in Africa, GRI, KPMG, UNEP, 2016).

Impact measurement

Impact measurement has been led by impact investors and grant makers to track the effectiveness of their investees. Their main aim is to demonstrate and communicate impact, and to make sure they are on-mission, rather than for compliance or transparency. Current measurement practices focus on addressing economic, social and environmental aspects of business activities, and less so on governance issues.

Impact measurement finds its origins in applied economics research to evaluate the impact of development interventions. Evaluating development projects typically involves multi-year data collection using experimental research methods. While these are rigorous methodologies, they are often difficult to apply to businesses as they require significant expertise and time to execute.

A shift in the approach for impact measurement was initiated by a number of grant making organizations and impact investors[10], who felt an increasing need for a methodology to assess the impact of their grantees and investees to ensure their funds were generating the intended impact. To balance the rigour and practicality of data collection, some of these organizations adopted 'lean-design' principles in their measurement approaches that leverage the use of technology to reduce cost and time for implementation (Dichter, Adams, & Ebrahim, 2016).

This development was also supported by collective efforts of impact measurement practitioners. At first, organizations reported their impact using different tools. To increase coordination of work and comparability of data, tools such as IRIS[11] were developed to help organizations report their impact using a common language (McCreless, Fonzi, Edens, & Lall, 2014). However, it is important to note that impact measurement is still a relatively new field, especially for small and medium enterprises (SMEs). A recent study, surveying close to 3,000 entrepreneurs, reports that the adoption of impact measurement practices remains at around 38%.

Furthermore, there seems to be variations in the tools that these enterprises are using, which suggests the need for a further effort to standardize impact measurement practices (The Global Accelerator Learning Initiative, 2016).

Sustainability reporting and impact measurement: A comparison

Sustainability reporting and impact measurement practices were developed in response to different stakeholder needs, so there are differences in their approach and focus. Figure 1 shows an overview of the characteristics of both practices.

While many SMEs report their sustainability impact and performance, sustainability reporting tends to be used by large companies, and many of them have international operations and supply chains. In 2015, 89% of organizations that published sustainability reports were either large or multinational enterprises[12] (GRI, 2015)[13]. Furthermore, 72% of private companies that reported on sustainability in 2015 are publicly listed (GRI, 2015).

Figure 1: Overview of Sustainability Reporting and Impact Measurement

	Impact Measurement	Sustainability Reporting
External Audience	**Purpose** To demonstrate and communicate progress towards social, economic and environmental objectives	**Purpose** To ensure transparency and accountability of business
	Drivers Investors, grant making organizations	**Drivers** Regualtors, capital markets
	Focus Immediate results of companies' activities (outputs). Increasing effort to measure mid/long term effect of companies' products & services (outcomes & impact)	**Focus** Immediate results of companies' activities (outputs). Increasing effort to measure mid/long term effect of companies' products & services (outcomes & impact)
Internal Audience	**Purpose** To inform product/service design; understand customer satisfaction; strategy and business development	**Purpose** To manage risks and cost of business operations
	Drivers Opportunity management	**Drivers** Risk management
	Focus Companies' activities (activities) and their immediate results (outputs)	**Focus** Companies' activities (activities) and their immediate results (outputs)

10. Impact investors invest in companies, organizations, and funds to generate social and environmental impact alongside financial return (GRI and IRIS).
11. IRIS is a catalogue of social and environmental performance metrics.
12. Based on the EU definitions of organization size.
13. These include GRI-based and non-GRI-based sustainability reports from April 2016. Note that this is based on reports that GRI is aware of and is not an exhaustive list of all sustainability reporting that is issued by different organizations.

External stakeholders are the main drivers of improved transparency and accountability of corporate activities. This is increasingly driven by regulatory pressures and capital markets, like stock exchanges. Also, for internal stakeholders, sustainability reporting serves to manage risks and cost of business activities.

Many quantitative indicators that companies use in their sustainability reporting are output figures, like *number of new employees* and *number of hours of training.* These are tangible and capture immediate products and services of their direct activities. The value of reporting output figures is due to ease of measurement and collection compared to outcome and impact level data that are harder to capture and assure. Output data also allows companies to track performance year on year and to benchmark it against industry or regional standards, and look at trends and improvement. However, the most recent development in reporting sees an increased focus on capturing impact over a longer time horizon.

Impact investors and inclusive businesses also collect output based indicators, but there is growing interest in going beyond the present level of effort to collect outcome and impact[14] level figures. This will encourage greater understanding of companies' social and environmental performance. Impact measurement (as well as sustainability reporting) is also driven by companies' management as ways for collecting data to inform product and service design, understanding customer satisfaction, and strategy and business development.

The next section explores how companies are currently using both practices to measure impact, and how their existing efforts can track their contribution towards the SDGs.

B. COMPANIES CONSULTED FOR THIS REPORT

- In this report, most companies engaging in sustainability reporting are large, multinational companies, while those conducting impact measurement are small and medium enterprises.
- 'Strategic business development' and 'branding and external communications' are the two most common reasons why companies engage in impact measurement and reporting.
- Companies are mostly interested in measuring the impact of their operations, followed by their product and/or service use.

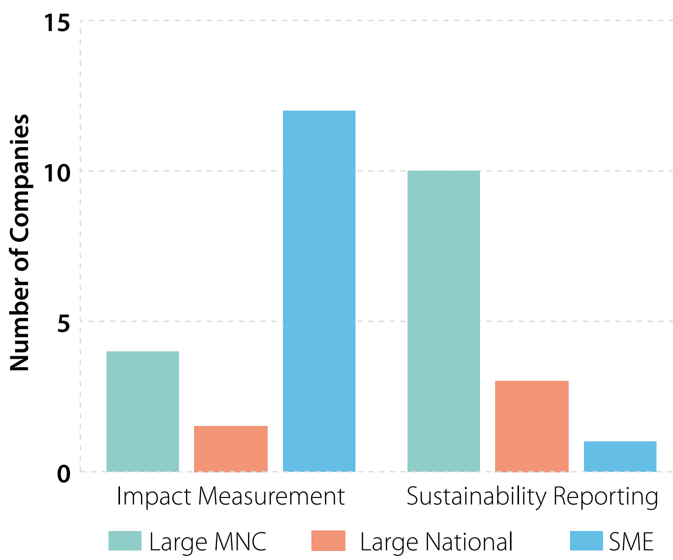
BCtA and GRI consulted two groups of companies engaged in either sustainability reporting or impact measurement. GRI consulted with 14 companies that use GRI Standards or other sustainability reporting frameworks. BCtA consulted with 18 companies engaged in impact measurement activities with BCtA's support. Annex A presents the overview of the companies, categorized based on the practices that the research team has surveyed for this report. The companies range from social enterprises to national companies to multinational companies, operating globally in multiple industries.

This report uses different units of analysis for these two groups of companies. For companies listed under sustainability reporting, the report looks at each of them as the whole company. For companies listed under impact measurement, this report looks at the specific inclusive business activities where they are measuring impact.[15]

There are many organizations measuring and reporting on their impact using different approaches for a variety of purposes. The companies consulted here should not be taken as a representation of every company engaged in sustainability reporting, or impact measurement practices. However, they do show the diversity of companies involved as well as the methodologies used. Furthermore, companies can conduct both sustainability reporting and impact measurement as they serve different purposes as discussed earlier in this section. Annex D presents the tools and methodologies that companies use to define, measure and monitor their impact.

14. The word 'impact' here refers to the result at the highest level of a results chain.
15. In the case of a multinational company (MNC), typically its inclusive business model is only one part of the overall business. For example, Mexican construction company CEMEX's Patrimonio Hoy initiative is an inclusive business model within the larger entity that addresses housing problems of low-income customers in the country.

Graph 1: Company Size by Measurement Practice



The companies consulted in this report vary in size and type. Graph 1 shows that of the companies surveyed, multinational companies are most involved in sustainability reporting (71%). Small and medium enterprises (SMEs) are represented most in impact measurement (67%).

C. MOTIVATIONS FOR MEASURING AND REPORTING IMPACT

Consultations with the companies revealed several reasons why they are measuring and reporting on their impact. This is important to understand if the practice is to grow and evolve to support the SDGs. The research team asked the companies their reasons for conducting either sustainability reporting or impact measurement based on four issues[16]:

- Improving corporate strategy and operations
- Enhancing branding and communications
- Complying with client requirements
- Complying with regulatory or policy requirements

Table 1 below summarizes the responses given in surveys or individual consultations. Whether engaged in sustainability reporting or impact measurement, businesses are tracking their impact to support value creation, whether that is through strategy and operations or communications. This seems more common in companies using impact measurement, accounting for over 90% of their responses. Many companies are especially interested in sharing their results to create support among investors and local authorities. This is particularly the case for those engaged in impact measurement who are seeking investments. For companies reporting on sustainability, client and regulatory requirements also seem to have influenced their decisions.

The research team also asked companies on which stages in their value chains did they focus their measurement and reporting activities. The responses indicate that measuring and reporting on company operations is the most common focus. This is also in line with the above finding showing that many of the companies consulted are engaged in impact measurement and reporting for strategy and operations improvement. Companies undertaking impact measurement are also focused on assessing product use by customers to demonstrate their social impact on low income populations. Many companies reporting on sustainability have highlighted their suppliers as a key reason to measure and report on impact.

Table 1: Why Companies are Measuring and Reporting on Impact

	Value creation for business		Stakeholder requirements	
	Strategy & operations	Branding & communications	Client requirements	Regulatory or policy requirements
Sustainability Reporting	33%	22%	17%	22%
Impact Measurement	44%	47%	6%	3%

16. Companies were allowed to choose multiple options that applied to them.

Figure 2: Stages of Value Chain

	Raw materials	Suppliers	Operations	Distribution	Product use/End life
Sustainability Reporting	13%	21%	25%	8%	11%
Impact Measurement	5%	13%	46%	3%	31%

Note: CSR/Philanthropic activities represent 23% of response under sustainability reporting; three per cent of the impact measurement.

Figure 2 shows how measurement activities are spread out relatively evenly across their value chains compared to those in the impact measurement category. Interestingly, sustainability reporters also noted that social responsibility and philanthropic activities were important reporting areas.

D. DRIVING SDGS THROUGH IMPACT MEASUREMENT AND SUSTAINABILITY REPORTING

The consultations gave insights into how the fields of measurement and reporting can further evolve to support the business contribution to the SDGs. The early learnings here can lead to action toward scaling up the SDGs and deepening private sector engagement on development issues.

Partnering to develop tailored approaches to measurement

Many companies rely on thought leadership from academic institutions to pioneer new thinking on shared value, or help them understand the social impact from their business models. There were many partnership examples between business and academia. This shows that many companies formulated partnerships to move beyond traditional frameworks and tools, and are looking to partners to create tailored knowledge products that suit their specific interests. These tailored approaches tend to complement, rather than replace, existing frameworks.

Mars and Şekerbank are examples of companies that have partnered with universities to engage more deeply on subjects most important to their companies. Şekerbank's partnership with local universities was forged to help move them beyond just measuring greenhouse gas (GHG) and water impact. Partner universities will look at the long-term outcomes of their financial products on community livelihoods and development. The same parallel is made with Mars. The company's internal think tank (Catalyst) is working in collaboration with the Saïd Business School of Oxford University to examine 'mutuality[17]' as a business model. This is with a view to advancing understanding of how to drive mutuality in business, to develop the business education curriculum and to stimulate new thinking on how business can better society. Mars will learn how to test, measure and identify drivers of mutuality in its own business operations.

Both examples show how businesses seek non-traditional partners (like academia) to generate new and innovative research, beyond the constraints of business operations. It is also reflective of measurement and reporting, and how there are company needs that current tools and frameworks cannot meet. These types of academic partnerships may become more common as companies try to engage more broadly with the SDGs and sustainable development.

SDG Learning: As companies look to further engage with the SDGs, partnerships between business and academia should become more common.

17. Mars, Inc. defines mutuality as "the aim to create lasting positive benefits across stakeholders through an organization's activities, including its employees, suppliers, customers and communities" (Mars, Inc., 2014).

Clients can push companies to prioritize certain impact areas

Many companies mentioned pressure from clients to report. It is clear that this is an influential factor with the potential to scale and improve the practice of impact measurement and reporting. Companies like Impahla Clothing, Omnicane, RB Platinum and Tolaro Global differ greatly, but they all have clients that demand information on environmental and social impact.

This type of supply chain screening influences the priority of issues. Omnicane supplies a large multinational food and beverage company that procures from businesses that meet its social principles for suppliers. The buyer routinely uses third party auditors to ensure that their suppliers are complying with social principles. Omnicane has to meet these demands for it to stay competitive. Tolaro Global, a cashew processing company in Benin, is seeing an industry trend where large international buyers boycott products made under labour practices below the relevant standards. The company is ensuring that labour standards are met in their supply chain and are monitoring these practices.

Can the SDGs influence the way large companies interact with their suppliers? Or be used by some companies with large supply chains to help prioritize SDG specific issues? These early questions need due consideration as businesses engage more with the SDGs.

SDG Learning: Demands for information about sourcing and supply chains can drive measurement and reporting, and the SDGs could help companies to prioritize issues in their supply chain decisions. In this way, the SDGs could "trickle down the supply chain."

Policies can drive companies to align with the SDGs

Policies on disclosing social and environmental impact could increase SDG contribution. Many companies surveyed said regulation drove impact measurement and reporting. One multinational company indicated that regulation has a big role to play in its global operations. It explained that every country it operates in has different disclosure requirements that it pays special attention to because of long supply chains.

The EU Directive mentioned earlier will shape how many companies look at impact down their supply chain. It states that companies should specifically look at impact along their supply chains..

> *The severity of such impacts should be judged by their scale and gravity. The risks of adverse impact may stem from the undertaking's own activities or may be linked to its operations, and, where relevant and proportionate, its products, services and business relationships, including its supply and subcontracting chains (European Parliament, 2014)*

This extension of impact boundaries beyond direct business operations, to the whole supply chain, will encourage companies to consider sustainable interventions. Suppliers must be prepared to disclose more information on their impact to their clients in response.

Business is also looking across value chains at impact areas via regulation. India's regulation *National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business* is a policy that promotes measurement and reporting of ESG issues. The regulation provides guidelines to companies to look at impact with emphasis on the whole value chain (Ministry of Corporate Affairs, Government of India, 2011).

An Ecuadorian smallholder working with PRONACA.
(Photo Credit: PRONACA)

Table 2: Companies and Material SDGs

Rank	Material SDG Areas	Represented Sectors
1	SDG 1: No poverty	Health, manufacturing, food, IT, construction, education, financial services, extractives, energy, personal care
2	SDG 4: Quality education	Health, manufacturing, hospitality, education, extractives, energy, personal care
3	SDG 13: Climate action	Manufacturing, hospitality, food, chemicals, education, financial services, extractives, energy, consumer
4	SDG 12: Responsible consumption, production	Manufacturing, food, chemicals, financial services, energy, personal care, consumer
5	SDG 3: Good health and well-being	Healthcare, manufacturing, food, construction, financial services, energy, consumer

Companies look at a diverse range of impact areas

The consultations illustrated above show that companies don't necessarily focus on impact areas within their sectors, but consider more broadly material impact areas. Pearson, which works in the education sector, doesn't only measure and report on educational-related impact. It also reports on environment-related impact, such as water and greenhouse gas (GHG) emissions, throughout its direct operations. This point is important for governments who want to engage with industries on specific SDG areas, since they don't always have to engage with companies on issues that are perceived to be sector specific. Pharmaceutical companies can focus their sustainability objectives on carbon impact as much as they do on health impact, for example.

Similarly, Échale a Tu Casa, a housing company in Mexico is measuring the impact on its customers' health and education from living in improved housing made possible by the company. Vava Coffee, a coffee producer in Kenya is measuring the impact on living standards and financial literacy of women smallholder farmers that it engages through its core operation.

The research team mapped the material areas that companies identified according to SDG areas[18]. Table 2 above shows the top five SDG areas that the companies consider material to their businesses. SDG 1 was identified as the top material SDG area in consultations[19].

SDG Learning: Companies measure a variety of impact areas. This point is important for governments who want to engage with industries on specific SDG areas, since they don't always have to engage with companies on issues they perceive to be sector specific.

Increasing SDG awareness among SMEs is critical

Awareness levels of the SDGs vary after the year since their adoption. On the high end of the spectrum, there are companies that are well aware of the SDGs and their business relevance. These have already undertaken SDG-specific activities, including mapping of their existing strategies or priorities against the goals. They have usually communicated publicly about their contribution. Some companies have already included the SDGs in their annual reports. IKEA Group and Fundación Universitaria del Área Andina are two that have already gone through exercises mapping SDG goals to business strategy. They have also published their SDG alignment in their annual reports.

Following these group are those that are aware of the SDGs but who are yet to identify solid ways of engaging with them. A majority of these companies are social enterprises and national companies. Access Afya, a social enterprise in Kenya, is one company currently thinking of ways to engage with the SDGs more deeply after identifying their impact areas through BCtA's support.

18. Company reports were also used to extract information on what impact areas were being measured.
19. Most companies measuring indicators related to this goal are inclusive businesses who collect income data from their customers. It should be noted that this is partly due to an effort made by BCtA to verify whether inclusive businesses are reaching low income populations. This is also due to reporting companies measuring wages and earnings, which is linked with SDG 1.

Tolaro Global's clients include international buyers of cashews. (Photo Credit: Tolaro Global)

Finally there are companies that are not aware of the SDGs, or those that are not considering taking actions based on the Global Goals.

Based on the consultations, large enterprises seem to have heightened awareness of the SDGs compared to small and medium enterprises (SMEs). Many of these SMEs are still identifying ways of engaging with the Global Goals. It is critical for governments to address this gap for the SDGs to be successful. This is especially true in emerging economies, where SMEs represent up to 45% of total employment and 33% of national income[20] (World Bank, 2015).

SDG Learning: The SDGs will not scale unless all types of companies are on board. Engaging with all types of companies, and developing a conversation to understand their needs and perspectives is crucial.

"Business" is not a homogeneous group. Recognizing individual unique needs and challenges is key

The 'private sector' is often spoken of as one entity in conversations around the SDGs, seemingly without the acknowledgement that they represent a myriad of perspectives. The consultations found that business needs varied according to the type of business spoken to – small enterprises, national companies and multinational corporations (MNCs). SMEs are measuring impact mainly to inform their strategies and operations, and to show their impact to their investors seeking social returns. While many of them are aware of the SDGs, they are still thinking of ways to engage with them more deeply. For MNCs on the other hand, external forces like regulation and capital market requirements are influencing their sustainability reporting greatly. Some of them have already taken steps towards aligning their strategies and reporting around the SDGs.

In order to increase measurement and reporting practices, governments should recognize their unique circumstances to ensure their support will reflect the realities of these businesses. Governments that formally engage with their private sector community should seek a realistic representation of business, covering all types of companies, which would support the advancement of the SDGs.

20. This statistics refers to formal SMEs; informal SMEs constitute a much higher number.

PART III

Government Approaches to Private Sector Action on the SDGs

How will governments measure private sector contributions to the SDGs? For a global development agenda that is multi-stakeholder by design, and one which will require extensive support from the private sector to achieve its 17 Goals, this question is at the heart of the review process.

As discussed in part two, companies are already taking action to measure and report their social, economic, environmental and governance performance, which can inform progress towards the Global Goals. How governments will use these efforts and the data they create is uncertain.

This section provides early insights into the following three questions: how governments are engaging with businesses on the SDGs, how they plan to measure private companies' contribution to the SDGs, and how governments will report on businesses' contribution to the UN through the High-Level Political Forum on Sustainable Development (HLPF).

Key findings from consultations with governments include:

- **Engagement with businesses on the SDGs**
  - All governments say it is essential for the private sector to be involved in achieving the SDGs.
  - The majority of governments consulted have an established way to collaborate or consult with the private sector.
  - There is a need to further promote the business case for the SDGs to business.
  - Governments perceive the role of business as reaching larger swaths of the population, and communicating the Global Goals to the general population.
- **Plans to measure contribution of businesses to the SDGs**
  - Governments want standardized, aggregated, and/or comparable data from businesses, without burdening companies which report on their environmental, social and governance (ESG) impact.
  - To measure private sector contributions in their countries, governments require either direct reporting from companies, invite voluntary reporting, solicit standardized reporting, work with business associations, or rely on official data to capture business' impact (not from the businesses themselves).
- **Reporting of businesses' contribution to the UN**
  - Most governments prefer to integrate private sector contributions in a unified national report on SDG progress, along with other stakeholder contributions.

A. GOVERNMENTS CONSULTED FOR THIS REPORT

GRI and BCtA consulted with officials from 19 governments about their preliminary steps towards SDG implementation, interactions with the private sector on the SDGs, and their current and/or future approaches to measuring private sector contributions to sustainable development.

Consultations included governments participating in the 2016 HLPF with voluntary national reviews (VNRs)[21], as well as governments which have not yet volunteered. It included governments from all five UN regional groupings. See Annex B for the governments consulted in the report.

B. HOW GOVERNMENTS ARE ENGAGING WITH BUSINESSES ON THE SDGS

All governments consulted said it is essential for the private sector to be involved in the SDGs. Many cited that the breadth of the Global Goals needed action from all in society. Most governments interviewed have acted on this and are considering the best way to engage the private sector in achieving the Global Goals. One country, which has examined its private sector's contributions to the issues in all 169 SDG targets, said that business might even have a greater impact than government, on some target areas.

Mechanisms for engaging business in the SDGs

Many governments have, or are developing, formal channels of communication to work with the private sector on the SDGs. The most common type is a multi-stakeholder body, such as Finland's multi-stakeholder national commission under the aegis of the Prime Minister's Office (see Table 3 for additional examples). Governments also engage with business on a consultative, ad-hoc basis, using independent business bodies. Colombia, for example, taps into its relationships with national chambers of commerce, local and regional business associations, and specific public-private partnerships.

The range of mechanisms that governments use represents diverse approaches to the policy process for engaging business in the SDGs. Governments seeking to increase their private sector's participation in the goals could consider each of the examples indicated here as inspiration for national planning.

SDG Learning: Governments have different mechanisms for engaging with the private sector on the SDGs. Knowing the available channels between government and business is important for companies seeking to work with governments, and for policy makers seeking to consult with business.

Table 3: Government-Business Interaction on the SDGs

Colombia	Works with chambers of commerce, local and regional business associations, and public-private partnerships (PPPs).
Denmark	Uses Dialogue Forum for Growth and Social Responsibility; has inter-ministerial group in Ministry of Foreign Affairs that consults with business associations and companies; and newly launched partnerships facility.
African Group country	The National Committee for the 2030 Sustainable Development Strategy is open to businesses, and meetings are attended by a federation of national industries.
Finland	The National Commission for Sustainable Development has a standing consultation committee with business members; established Enterprise Working Group in May 2016; business is also involved in the sustainable development indicator network.
France	The Ministry for Sustainable Development maintains consultative relationships with business and civil society, holds informal meetings with business associations.
Netherlands	The Ministry Foreign Affairs' "SDG Charter" is signed by around 80 multinational corporations.
South Africa	Works with a "business technical group" to understand corporate sustainability reporting issue; has Economic Development and Labor Council.
Sweden[22]	Uses Swedish Leadership for Sustainable Development, a network of Swedish companies, expert organizations, and a development finance institution, coordinated by Sida.

21. Voluntary national reviews are when countries volunteer to present their SDG progress and review to the UN system and other Member States.
22. Sweden was not part of the governments consulted for the report; the information refers to the document: The Sustainable Development Goals and our Joint Commitment (Swedish Leadership for Sustainable Development).

Promoting the "business case" for the SDGs to business

While most governments consulted for this report have established channels to engage with the private sector, there is still a need to further promote the SDGs to business. Many governments have identified challenges in promoting the SDGs to businesses as they are not seen as having a shared interest in promoting the sustainability agenda.

To receive buy-in from companies, governments have identified several approaches. First and foremost, establishing trust and a solid relationship with companies is a foundation for governments to collaborate with the private sector on the SDGs. Many countries still have the hurdle of building strong partnerships with the private sector, and closing a long-standing trust gap.

Effective, large-scale communications about the SDGs to companies are also necessary to ensure they understand their potential relevance and benefits. One government said that following its communication efforts, its private sector has "woken up" to the opportunities presented by the 2030 Agenda.

Communicating the SDGs to the public can also help build awareness to companies. Consumers that are aware of sustainability issues can influence businesses' decisions to integrate the SDGs into their business practices.

Leading companies on sustainability issues can also play an important role in urging other companies to consider the SDGs in their strategic and operational decisions. Business forums, including the Business for Sustainable Development

Figure 3: Promoting the SDGs to Business – The Perspective of Governments on Roles

Governments

- Establish trust and a solid relationship with companies
- Develop large-scale communications about the SDGs to business
- Increase business case and buy-in
- Think critically on how to involve SMEs in the SDG agenda

Consumers

- Demand that companies align with the SDG agenda
- Demand greater sustainability practices in general from business

Companies

- Leading companies should provide leadership on the SDGs for other companies

Commission and the UN Global Compact were cited as places where business leaders can help advance and push the SDG message. Some countries, like the Netherlands, have their own business-led initiatives (in this case called SDG Charter) where leaders advance each other's thought leadership on the SDGs.

Finally, it is critical to acknowledge that the business case for SMEs is different to that of larger companies. Governments stressed that business is not uniform, and SMEs require tailored outreach, to present a business case that will truly benefit SMEs.

SDG Learning: Governments are very aware of the importance of engaging with the private sector on global development goals, and making efforts to promote the business case to them. However, many countries have significant relationship-building to do between the two parties before a real partnership on the SDGs is formed.

C. HOW GOVERNMENTS PLAN TO MEASURE PRIVATE COMPANIES' CONTRIBUTION TO THE SDGS

Most governments interviewed have considered how they will measure the private sector's contributions to the SDGs in their countries. The new agenda brings a new challenge, not only in engaging the private sector, but also in gathering valuable, helpful data on private sector activity. Some governments have planned to use only official statistics from statistical bureaus, which can shed light on some aspects of business' impact[23]. Other governments have determined the need to supplement those statistics with business data, and have taken a range of steps to obtain usable data.

One dilemma that governments are experiencing now is an interest in receiving standardized, comparable data from businesses. This is avoiding placing a burden on companies that measure and report their environmental, economic, social and governance impact. The governments consulted show a range of approaches to this, from performing gap analyses, supplementing different data sources to measure SDG achievement, and using national statistics.

Gap analysis

A gap analysis of data sources has helped some countries determine the value of different tools in their country. South Africa recently conducted a gap analysis for all ministries on the differences between the data they collect, and data that is found in corporate sustainability reporting frameworks. That gave them an understanding of the data available from companies who were reporting, and showed the value of reporting frameworks for their ministries.

Measure business contribution through collecting direct information from companies

Several countries plan to supplement their national statistical information with private sector data, having found that official statistics do not adequately reflect the private sector's contributions. To do this, governments are taking the following approaches as shown in Table 4.

23. Official statistics are commonly statistics that are collected by a government agency or body. In the context of the SDGs, most countries will monitor their progress on the SDGs using the statistics provided by these agencies.

Table 4: Approaches to Measuring Business Contribution

Approach	Examples	Pros	Cons
Use existing legislation to create structures for companies to report on their SDG contributions	• Some European governments already have policies asking large enterprises in their countries to report their ESG impact. EU Member States must enact regulations to require large companies to disclose information on their social and environmental performance (eg the EU Directive 2014/95/EU discussed earlier). This could create a reporting process specifically for SDG contributions.	Guarantee corporate data; using an existing structure decreases burden	Potential negative reactions from the private sector
Invite businesses to voluntarily report their contributions	• Argentina is planning to provide technical assistance and assessment to companies, for designing their SDG-aligned plan for corporate social responsibility. • Finland has established a platform for businesses and other members of society to publicize commitments to the SDGs and monitor and report progress. • Several governments highlighted GRI, the SDG Compass, and the UN Global Compact as appropriate ways for businesses to self-report. These tools enable various degrees of standardization, which helps governments to incorporate the data in their assessment of SDG progress.	Some companies already participate.	For companies that do not participate, governments anticipated challenges in changing companies' habits to use new information-sharing channels
Work with business associations to obtain data, as available	• Colombia has determined the need to use Chamber of Commerce data to complement official statistics for some SDG indicators.	Little extra work for companies; using data already available	The information may not be complete or comparable Governments will need to build trust with the private sector in order to facilitate sharing of data
Only use official government statistical information	• Several governments believed that businesses in their countries would not respond positively to government requests for information on their impact. In such cases, the robustness of national statistical data will be more important.	Methodology and comparability are under government's control. No new reporting burden on businesses.	May not allow governments to assess the actor responsible for each change on SDG targets. When private companies choose to report independently, the data will not be reflected in national reports, leaving an incomplete picture of each country's progress.

Finland's Invitation to "Select Your Goals, Make Your Commitment, Carry It Out, And Measure Your Success"

The "Society's Commitment to Sustainable Development" in Finland provides a platform for all members of society to make commitments towards the SDGs, and monitor their success. Users choose from eight goals (reflecting the 17 SDGs) aimed at helping society "in navigating through sustainability challenges."

Users then set indicators for follow-up, publish their commitments, and report on their actions.

The eight goals are:
- **Equal possibilities**
- **A participatory society**
- **Sustainable work**
- **Sustainable local communities**
- **A carbon-neutral society**
- **Resource-wise economy**
- **Sustainable lifestyles**
- **Nature-friendly decisions**

D. HOW GOVERNMENTS WILL REPORT ON BUSINESSES' CONTRIBUTION TO THE UN

National reports to the UN

The importance of businesses to SDG implementation has been widely agreed, as outlined earlier in this report and confirmed at the fourth High-level Political Forum on Sustainable Development (HLPF) in New York in July 2016. The HLPF reviewed progress towards the SDGs and 22 countries participated in the first-ever voluntary national reviews (VNRs) and shared their national implementation plans[24]. The private sector was mentioned in 21 out of the 22 VNRs[25]. The majority of these references focused on the engagement of the private sector in multi-stakeholder processes to raise awareness of the 2030 Agenda among businesses, and involve them in dialogues around national development plans and planning processes.

According to a UN Secretariat policy brief[26], an early step towards SDG implementation in many countries is to configure institutional arrangements to mobilize non-state actors, with several countries using existing institutions for multi-stakeholder participation (Colombia, African Group country, Estonia, Finland, Germany, and Venezuela).

It is still unclear how governments plan to reflect the private sector's data in their national monitoring process. In the VNRs submitted for this year's HLPF, only two countries, the Philippines and Turkey, specifically mentioned the usage of private sector data in the national SDG monitoring reports through national statistical bodies. Turkey noted in its VNR that "Turkish Statistical Institute (TurkStat) will take the central role for the monitoring process of the agenda, based on global SDG indicators. In addition, voluntary monitoring and reporting processes pioneered by the private sector will be encouraged." (Turkey, 2016)

24. For further details, see the website: https://sustainabledevelopment.un.org/hlpf/nationalreviews.
25. The 21 countries whose reports referred to the private sector were: Colombia, Egypt, Estonia, Finland, France, Georgia, Germany, Madagascar, Mexico, Montenegro, Morocco, Norway, Philippines, Republic of Korea, Samoa, Sierra Leone, Switzerland, Togo, Turkey, Uganda and Venezuela. The other government that participated in the VNRs was China.
26. UN Department for Economic and Social Affairs (Division for Public Administration and Development and Division for Sustainable Development), Zero draft policy brief, https://sustainabledevelopment.un.org/content/documents/10735policy%20brief%20-%20distributed%20to%20HLPF%20sideevent%20participants.pdf

ONergy's solar lights provide off-grid energy solutions in India. (Photo Credit: ONergy)

The HLPF can be inclusive by ensuring businesses share their contributions at the forum, such as by including business representatives in their official delegations. Two governments specifically noted that they have included or will include companies in their HLPF delegations when presenting their VNRs. Further, national reports should find a way to showcase the private sector's role, and bring specific messages unique to the business sector (not combined with other stakeholders). Another said national reports should share ideas and models for carrying out the SDGs, rather than leaving business to report separately.

Several stressed the large number of reports already expected to be produced at HLPF sessions, and that additional reporting by business might be cumbersome. Some were concerned over limitations like businesses having limited capacity to measure or report their development impact (particularly small businesses), that their private sector would have limited interest in reporting, and that the review process should be solely owned by governments.

SDG Learning: Governments expressed that the private sector is not monolithic and contains variation which should be represented in the review. The diverse voices should be brought to the national review process at the HLPF in keeping with the character of the new development agenda.

Recommendations to Monitor Business Contribution to the SDGs

We are at a unique moment in the history of the SDGs, where countries are beginning to define how they want to capture business contribution to the development agenda.

We are also at a moment where companies are becoming more and more aware of the SDGs, and are motivated to measure and report on social, economic, environmental and governance impact. The recommendations below are based on the report consultations.

Recommendations for governments: Towards a policy framework for private sector engagement

Governments can deepen their engagements with the private sector on policy relevant SDG areas and account for businesses' contribution to the Global Goals by following a broad framework as described below. This framework describes the process in three steps[27].

Figure 4: Framework for Private Sector Engagement

PLAN	**Identify Partners**	• Establish channels of communications with business stakeholders • Build rapport and trust with business stakeholders • Identify companies that are leading on sustainability issues
PLAN	**Gap Analysis**	• Map out data on the private sector already captured by governments to identify the data gap • Map out private sector data that are available to complement the data gap
DO	**Raise Awareness**	• Communicate the SDGs to the general public that constitutes the customer base • Partner with the leading sustainability companies to encourage peer-to-peer communications
DO	**Identify and Develop Policy Instruments**	• Review national existing strategies/plans to identify private sector priority areas (GRI materiality analysis etc) • Develop 'carrots and sticks' for the companies through policies, regulations or incentives to report on sustainability
DO	**Form Multistakeholder Partnerships**	• Partner with business associations or individual companies for collecting data from the private sector
CHECK	**Review Process and Share Best Practices**	• Review processes and policy instruments for private sector monitoring, reporting and accountability • Share best practices with other governments to encourage capturing the private sector reporting • Build an evidence base for future decision making

27. This is adapted from the United Nations Development Group's MAPS (Mainstreaming, Acceleration and Policy Support) framework.

A Şekerbank female customer, introduced to the banking sector for the first time through the bank's microfinance project
(Photo Credit: Sekerbank customer photo)

PLAN: Identify private sector partners and data to be captured

- A starting point for governments to understand the contribution business makes to SDG areas in their countries is to first leverage existing channels and relationships. Some that already exist might be those with business associations, chambers of commerce, etc.
- Foster relationships with companies leading on sustainability issues, and/or business associations who can be SDG champions in supporting specific targets and issue areas.
- Map out private sector data that is already available – either through the National Statistics Office or corporate reporting – to identify gaps on data in SDG target areas.

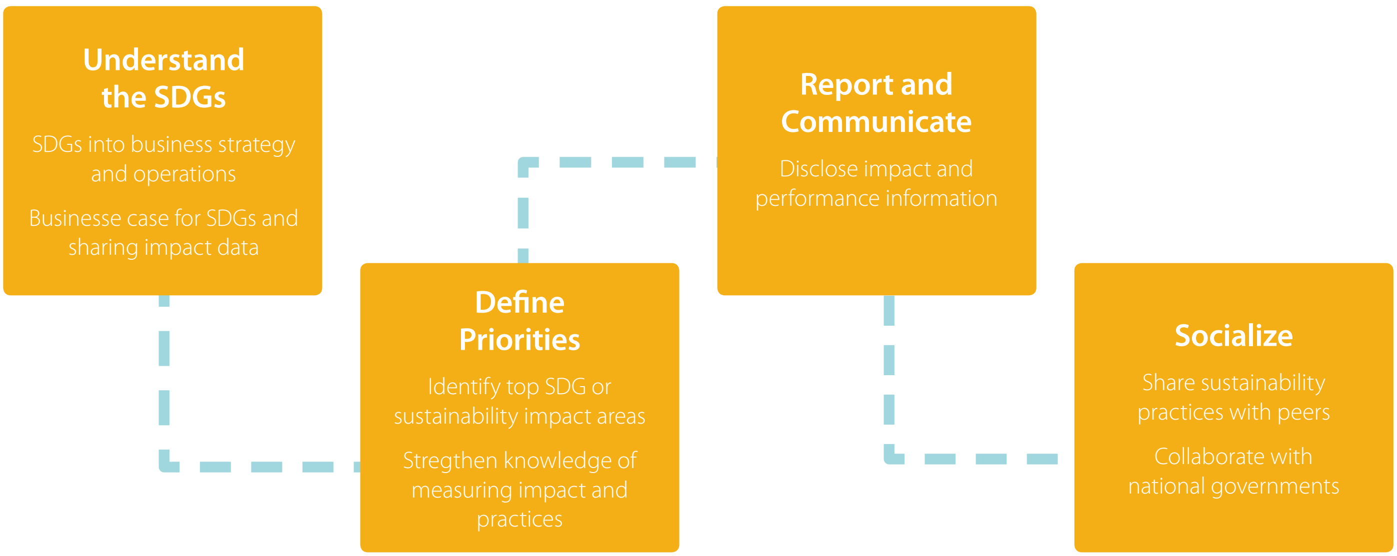
DO: Raise awareness on sustainability and collect data using policy instruments

- Communicate the SDGs to the general public to influence private companies' decisions related to sustainability.
- Encourage peer-to-peer communications among companies on key SDGs by working with leading sustainability companies. Large companies can drive SMEs in their supply chains to adopt sustainable practices by making transparency a requirement.
- Review national strategies and identify priority SDG areas.
- Understand the triggers and drivers for the private sector to measure impact. A survey or consultation among businesses can provide more clarity about drivers, so that SDG impact from business can be accounted for.
- Governments must distinguish between the needs of SMEs and larger companies. They must also must build capacity for impact measurement and reporting among SMEs. Partnering with local SME associations for building capacities would be one possibility.
- Develop a structured approach for encouraging sustainability reporting and impact measurement among businesses through policies, regulations or incentives. Prioritizing public-private partnership (PPPs) in sectors where cooperation could have the greatest impact, or in areas of greatest need should be considered.
- Partner with business associations or companies to receive data to track businesses' contribution to key SDG areas.
- Consider how business data can be aggregated to inform decision making.

CHECK: Review process and share best practices

- Review any processes and mechanisms for engaging with the private sector and policy instruments for reporting.
- Share best practices with other governments to encourage capturing the private sector's data.
- Build an evidence base of the private sector's contribution to the SDGs to inform future policies.

Figure 5: Steps for Businesses to Engage with the SDGs



Recommendations for Businesses

While monitoring of the SDGs is a national government responsibility, companies can take a critical role in having their contributions represented at international forums like the UN by engaging with governments. Although it is still at an early stage, businesses can lead the way by starting with the following steps from the SDG Compass framework – a tool for measuring and reporting business impact on the SDGs (GRI, UN Global Compact and World Business Council for Sustainable Development, 2015).

- **Understand the SDGs:**
  - Understand the relevance of the SDGs and consider how they can be integrated into a company's business strategy and operations.
  - Examine the business case for measuring impact.

- **Define priorities:**
  - Define business sustainability/SDG impact areas.
  - Strengthen internal expertise and incentives on planning and implementing environmental and social impact measurement and monitoring.

- **Report and communicate:**
  - Disclose performance on social, economic, environmental and governance performance data linked to the SDGs and indicators.

- **Socialize:**
  - Share sustainability practices including measurement and reporting activities with peers to scale the effort.
  - Collaborate with national governments on determining how to account for the private sector's contribution to the Global Goals.

Collective actions by the public and private sectors are essential in increasing the efforts of measuring businesses' contribution to the SDGs. The fields of impact measurement and sustainability reporting can also support this process by working more closely together to ensure comparability of data. This will allow for a greater use of such data by both businesses and governments to track their progress and make policy and business decisions to advance the SDGs.

ANNEX A

Table 5: Overview of Companies Consulted

Sustainability Reporting

Company	Location	Size	Description Of Business
AkzoNobel	Netherlands	MNC	Manufacturer of healthcare products, coatings and chemicals
CLP Holdings	China (Hong Kong)	MNC	Electric company
Enel	Italy	MNC	Manufacturer and distributor of electricity and gas
Fundación Universitaria del Área Andina	Colombia	LNC	Higher education institute
IKEA Group	Sweden	MNC	Furniture retailer company
Impahla Clothing	South Africa	SME	Manufacturer of branded sportswear
LUX* Resorts & Hotels	Mauritius	MNC	Hotel operator
Mars	United States	MNC	Manufacturer of confectionery, pet food, and other food products
Omnicane	Mauritius	LNC	Producer of refined sugar with energy generation from bagasse and coal
Pearson	UK	MNC	Publishing and education company
Pirelli	Italy	MNC	Tire manufacturer
Royal Bafokeng Platinum	South Africa	MNC	Mid-tier platinum group metals (PGMs) producer
Şekerbank	Turkey	LNC	Private bank
Unilever	UK	MNC	Consumer goods company with brands in nutrition, hygiene and personal care

Table 5: Overview of Companies Consulted - continued

Impact Measurement

Company	Location	Size	Description Of Business
Access Afya	Kenya	SME	Social enterprise running a chain of micro-clinics in informal settlements and a healthy schools program
Akashganga (Shree Kamdhenu Electronics)	India	SME	Technology company selling automatic milk collection systems to dairy cooperatives
CEMEX PH	Mexico	MNC	Construction company providing integral housing solutions for low-income families
Centurion Systems	Kenya	SME	Manufacturing company offering industry-tailored vocational training
Drishtee Skill Development Center	India	SME	Training center providing livelihood skills development for farmers
Échale a Tu Casa	Mexico	SME	Construction company providing affordable housing
EMPOWER Pragati Vocational & Staffing	India	SME	Education company providing vocational and skills training
L'OCCITANE en Provence	France (inclusive business initiative in Burkina Faso)	MNC	Personal care company developing a sustainable value chain for shea nut butter with women's cooperatives
Mahindra Rural Housing Finance	India	LNC	Financial services company providing housing loans
Medtronic Surgical Technologies	USA (inclusive business initiative in India)	MNC	Healthcare solutions company providing medical technologies and services
Naya Jeevan (doctHERs)	Pakistan	SME	Subsidiary of health insurance company providing community-based primary care to low-income communities
Noha Nyamedjo	Cameroon	SME	Cocoa exporter offering capacity building to smallholder farmers
Nuru Energy	Rwanda	SME	Affordable energy company
ONergy	India	SME	Solar energy company
PRONACA	Ecuador	LNC	Corn processing company linking smallholder farmers into the value chain
Saraya	Japan (inclusive business initiative in Uganda)	MNC	Manufacturer of hand hygiene products
Tolaro Global	Benin	SME	Cashew processing company providing capacity building to smallholder farmers
Vava Coffee	Kenya	SME	Coffee producer offering credit facilities and financial training for smallholder farmers

ANNEX B

Table 6: Overview of Governments Consulted

Country	Region	Office
Anonymous	African Group (Africa)	Permanent Mission to UN
Anonymous	Latin American and Caribbean Group (LAC)	Permanent Mission to UN
Argentina	LAC	Ministry of Social Development
Australia	Western European and Others Group (WEOG)	Permanent Mission to UN and Australian Aid
Canada	WEOG	Global Affairs Canada
Colombia	LAC	Inter-Institutional Commission for the Implementation of the 2030 Agenda
Denmark	WEOG	Permanent Mission to UN and Ministry of Foreign Affairs
Estonia	Eastern European Group (EEG)	Republic of Estonia, Government Office
Finland	WEOG	National Commission on Sustainable Development
France	WEOG	Permanent Mission to UN
Georgia	EEG	Administration of the Government of Georgia
Germany	WEOG	Permanent Mission to UN
Liechtenstein	WEOG	Permanent Mission to UN
Netherlands	WEOG	Directorate, Multilateral Institutions and Human Rights, Department of Social and Economic Affairs
Norway	WEOG	Ministry of Foreign Affairs
Pakistan	Asia-Pacific Group (AP)	Permanent Mission to UN
South Africa	Africa	Ministry of Environment
Switzerland	WEOG	Federal Office for the Environment
Turkey	WEOG and AP	Permanent Mission to UN

ANNEX C

Table 7: Sustainability Reporting and Impact Measurement: Sample Frameworks, Initiatives and Tools

	Organizations	Frameworks / Initiatives	Overview	Users	Target Audience
Sustainability Reporting	Carbon Disclosure Project (CDP)	Climate change program, Water program, Supply chain program and Forests program	CDP focuses on disclosure in the areas of greenhouse gas emissions, water security and deforestation by large corporations.	Companies and investors (822 institutions holding US$ 95 trillion in assets)	Investors, governments and cities
	GRI	GRI G4 Guidelines, GRI Sustainability Reporting Standards	The GRI framework is the world's most widely used framework for sustainability reporting, currently providing general guidance and sector specific supplements for 10 industries.	74% of Fortune Global 250 companies used GRI for reporting in 2015 (KPMG 2015)	Investors, governments, civil society, and the public in general
	International Integrated Reporting Council (IIRC)	Integrated Reporting	IIRC aims to better articulate how a company's strategy, performance and prospects lead to value creation through integrated reporting.	More than 1,000 businesses globally	Investors
	Sustainability Accounting Standards Board (SASB)	SASB Sustainability Accounting Standards	SASB has issued provisional sustainability accounting standards for 79 industries.	Targeting publicly listed companies in the United States	Investors
Impact Measurement	Acumen	Lean Data Initiative	Acumen applies lean experimentation principles to the collection and use of social performance data leveraging low-cost technology.	Social enterprises	Investors, company management
	Business Call to Action (BCtA)	BCtA Impact Measurement Services	BCtA provides bespoke impact measurement services to a select number of its inclusive business members to help them measure their performance and impact using mobile-enabled survey services.	Inclusive businesses, including social enterprises, large and multinational companies	Investors, governments, company management
	Global Impact Investing Network (GIIN)	IRIS	IRIS is the catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the sector's credibility Note: IRIS leverages / harmonizes with over 45 of the world's leading standards (e.g. GRI, ILO, GHG Protocol, SPTF Universal Standards, SROI, etc.)	Impact investors (65% of all impact investors – according to Annual Survey) and both public and private businesses (more than 5000 reporting IRIS performance)	Impact investors, DFIs, government programs (e.g., CDFI fund, SBA, USAID), company management
	GRI, WBCSD, UN Global Compact	SDG Compass *considered sustainability reporting initiative as well	The SDG Compass provides guidance for companies to measure and report their impact on the SDGs.	Multinational companies	Governments, civil society, and the public in general

ANNEX D

Tools and Methodologies

The following section looks at what tools and methodologies the companies profiled use to define, measure and monitor their impact. This section can be read as a supplementary piece to the full report for readers who are interested in the latest learning in tools and methodologies.

Overview:

- Companies prioritize what their important impact areas are. Materiality is the basic principle in which companies define and report only on their most important and material impact.
- Value chain analysis can be useful as a high level examination of impact and SDG alignment. It can also be useful when companies want to take a deeper dive to explore a specific impact along the whole value chain.
- Results chain analysis is a useful tool for businesses to visualize how their business activities translate into the social impact they want to achieve.
- Consultations help companies define critical sustainability issues and can create a sense of ownership.
- Data collection needs are diverse and collection methods should be adapted for collection, the technology available and cultural relevance.

Companies take varied approaches to defining what social and environmental impact areas are most important for them and their stakeholders. This section shows how the companies surveyed are using specific methodologies and approaches to identify impact areas. It also shares how some of these tools have identified relevant SDG areas and what the early lessons are.

Materiality

Most companies use the materiality principle which encourages businesses to only focus on the topics that are the most material (i.e. of priority) to their business, and their stakeholders. The materiality principle is used by both the sustainability reporting practice and the impact measurement practice.

The materiality principle helps companies focus on their most important sustainability areas. In turn, it can be a way for companies, like SMEs who are resource constrained, to allocate resources just to critical impact areas, rather than measure all impact areas. This has been the starting point for many companies.

Discussion on materiality

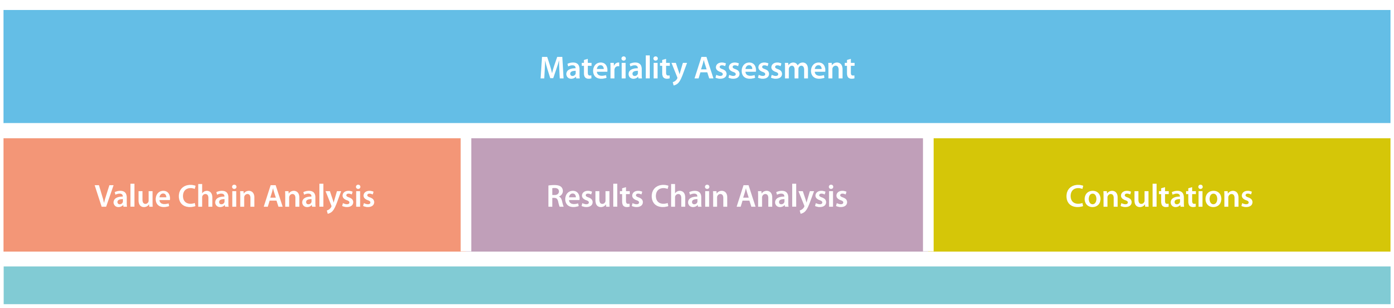
GRI states that Material Aspects are impact areas which “reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders” (GRI, 2015). Materiality then, is where material aspects become important enough to be reported. The organization outlines methodological steps on how companies can define materiality for their company. All steps involve the input of stakeholders.

All companies consulted for this study have gone through a materiality process to define their impact areas. The assessment itself can take many forms. However, the ones discussed in this section are the ones companies have mentioned. Namely: value chain analysis, results chain analysis and consultations, which have informed their materiality assessment (Figure 6).

SDG Learning: Many companies identified their GRI G4 materiality assessments as the launching point in identifying their most relevant SDG areas. "Once you go through a materiality assessment, it is easier to take a decision on priority SDGs. For our company, issues on poverty, gender equality, environment, waste, and climate change have already been prioritized in business strategy and operations." – Vishnee Payen, Group Sustainability & CSR Manager – LUX* Resorts & Hotels

(Photo Credit: SeanPavonePhoto / Thinkstock 2015)

Figure 6: Examples of Methodologies that Can Inform a Materiality Assessment



Value chain analysis

Several companies surveyed use value chain analysis to identify which parts of their operations produce negative impact, or can contribute to positive impact. The value chain analysis can be used to map impact in two ways: a) looking through a chain of activities in order, identifying the activities of a company, and then the potential impact. This is the most used approach; or b) taking a specific impact issue (like water) and mapping it throughout the value chain, while identifying the activities that might interface with it. The suitability of an approach depends on what the company is interested in.

For high level impact scoping and SDG impact scoping, the first approach is useful. AkzoNobel is an example that used a value chain analysis to identify SDG-specific impact areas. The company walked through their value chain, and focused on a few areas that had the highest SDG contributions (see Figure 7).

This type of analysis can be useful for high level scoping. The second approach is to follow one impact area. This can provide deeper analysis of a specific impact area. Once a company sees *where* that impact is greatest, it can concentrate on addressing it at that point in the value chain. Unilever did this when it used value chain assessment to analyse its water impact (see Figure 8). The company found that 85% of its total water impact (use) came from product use, with only a small amount from sourcing and operations. This helps the company create better practices that target that point in the value chain. This activity was important because the company has revisited water impact as part of deeper engagement with the SDGs.

Figure 7: High Level Scoping of the SDGs Through the Value Chain

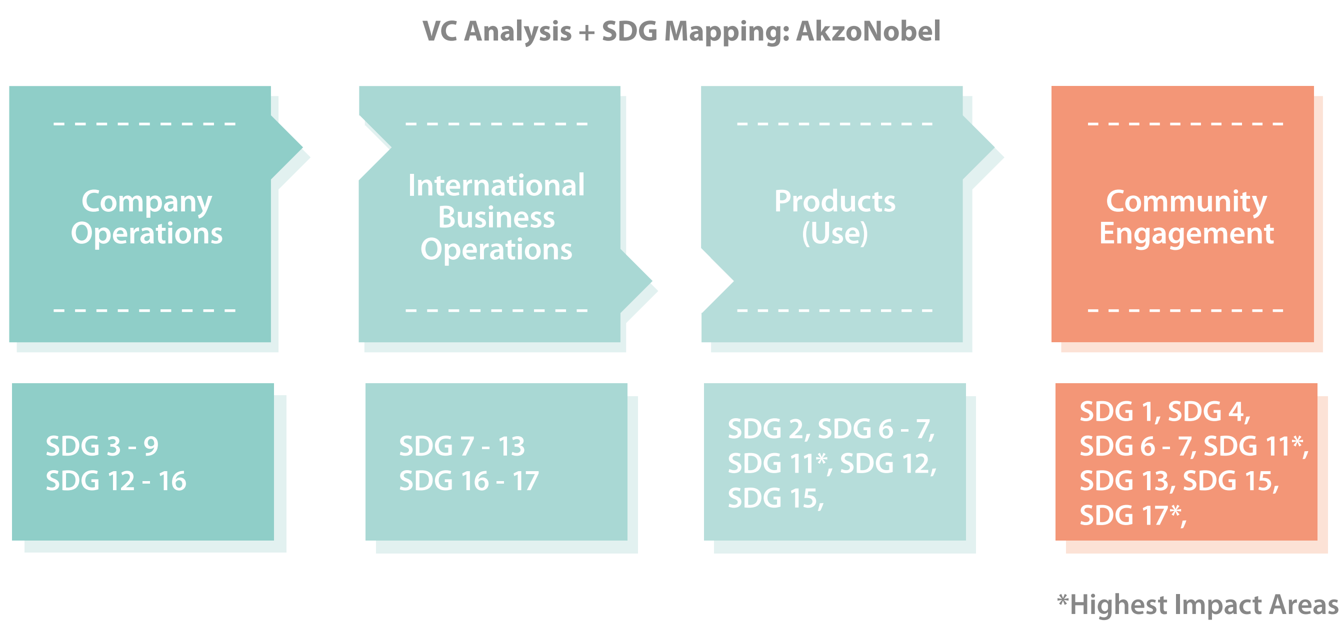
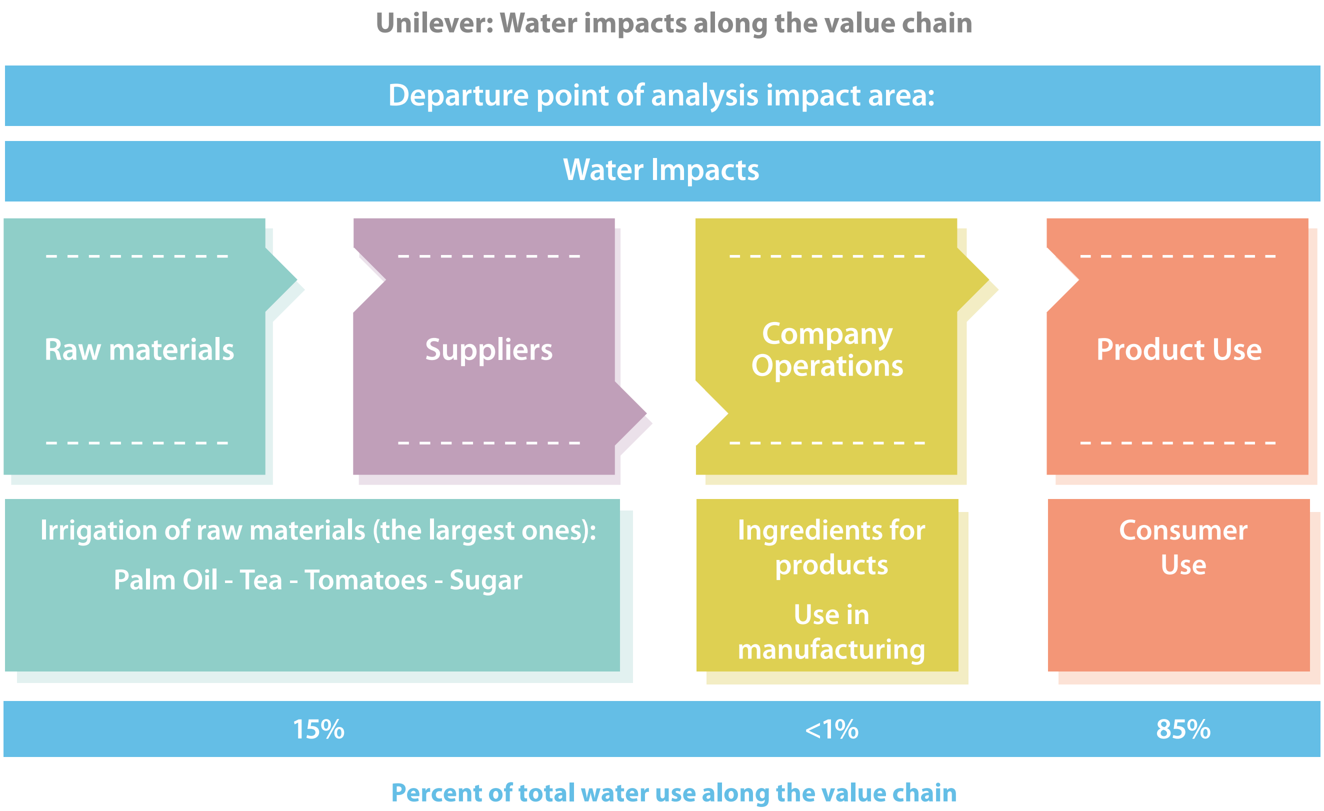


Figure 8: Water Impacts Along the Value Chain



Results chain analysis

Results chain analysis is useful when businesses have specific social missions to address. Used widely by public and non-profit organizations, results chain analysis helps companies articulate their goals and understand how their business activities translate into impact, while clarifying assumptions made in this process.

Figure 9 on the next page gives an example of a results chain developed by Mahindra Rural Housing Finance (Mahindra). Similar to the value chain, it illustrates how a company's business activities translate to social and economic impact. This pathway is broken into several steps, beginning from a company's direct activities to the ultimate impact that it seeks to achieve (WBCSD, 2013).

A results chain can help companies in several ways. It helps a company improve its management of operations by mapping out links between activities and impact. This lets it examine the logic of its activities. By articulating how the company seeks to achieve its impact, a results chain also provides the company with the basis for impact measurement. Lastly, it helps the company better communicate its activities and impact (DCED, 2016).

Figure 9: Mahindra's Results Chain

Mahindra Rural Housing Finance (Mahindra), a housing finance company in India, used the results chain to understand how their home loans to low-income communities in rural India influence living standards. Mahindra currently operates in 10 states in India and caters to hundreds of thousands of home-loan borrowers. The company's loans are used by customers for construction, repairs, new property purchase, modernization or extension of an existing home.

Inputs & Activities	Outputs	Outcomes	Impact
Description Resources that the company deploys and what it does as part of its business activities	**Description** Products and services of the company as direct results from the company's activities	**Description**: Changes on inviduals or the environment from the company's delivery of products and services	**Description**: Goal-level changes on individuals or the environment that the company seeks to achieve
Examples (Mahindra): • Sales visits/client identification • Selection/approval process • Income & assets authentication • Review and feedback on loan purpose	**Examples (Mahindra):** • Certified documentation of customers' assets • Loans sanctioned • Disbursement of loans	**Examples (Mahindra):** • Improvements in homes • Legitimization of assets • Creation of credit history	**Examples (Mahindra):** • Housing & infrastructure improvements at the village level • Improvements in living standards - safety & health • Improvements in family income

Stakeholder consultations

Stakeholder consultations are another methodology that companies use to identify firm level impact areas. Noha Nyamedjo, one of Cameroon's largest cocoa exporters, is building the capacities of its suppliers. After consulting stakeholders, including farmer cooperative leaders, they have identified farmer working conditions, access to finance, income, and the environment as material areas.

LUX* Resorts and Hotels also went through a consultative process where it identified over 500 stakeholders – internal staff and resort clients – to partake in a survey to identify the essential impact concerns for companies. The stakeholders were asked to rank each topic from zero to five in order of importance to the company. LUX* compiled and graphed the results to establish the highest priority areas. This consultation helped track corresponding indicators for each topic, and identified the most material SDG areas.

Figure 10: Consultation Process to Identify Impact, LUX* Resorts and Hotels

Identified Stakeholders

- All heads of departments
- Representatives departments of each hotel
- 100 guests per resort

Dialog and Surveys

- Dialog and surveys
- Distributed surveys asking stakeholders to identify "essential concerns" i.e. top impact areas
- Areas ranked from 0-5

Analysis

- Results of the survey were compiled, charted and top issue areas detected

Data collection

Once companies have identified their impact areas, they need to consider how to collect data. In the impact measurement field, there are some popular technology-driven data collection methodologies that can be implemented quickly and inexpensively by inclusive businesses.

BCtA member companies in this report all use mobile phones or tablets to collect data in the field through employees, or partner organization staff. Mobile devices also help expand the types of data that companies can collect by using GPS features and cameras to capture location data and images. There are also initiatives that use SMS messaging to collect data directly from customers.

Companies can also collect data through existing partners. ONergy, an energy company in India, is working in partnership with local NGOs to distribute solar products to customers. The company plans to collect its operational and social impact data through these partners.

Many companies engaged in sustainability reporting have mature data collection and measurement systems. Some of these include advanced data sheets, specialty software and web-based platforms that process real time information. The data needs for these companies are different since the companies use the information they collect in annual reports, and to comply with regulation. This creates a need to collect and concentrate information.

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It examines how companies measure their contribution to the SDGs through impact measurement and sustainability reporting, and explores how governments consider the business contribution to the SDGs.

The report draws on consultations with 32 companies and 19 governments.

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