Accounting for the Sustainable Development Goals is crucial

By Dr. Alberto Posso, Principal Research Fellow, The Australian APEC Study Centre

The United Nations Sustainable Development Goals adopted by all 193 United Nations members are playing an important role in aligning business and government activities with the need for a fairer and environmentally sustainable world. However, as the UN notes, "In order to make the 2030 Agenda a reality, broad ownership of the SDGs must translate into a strong commitment by all stakeholders to implement the global goals"[i].

Alberto Posso

There are 17 SDGs ranging from poverty reduction, to gender equity, to environmental management and to peace and justice. Information about the SDGs is available here: https://sustainabledevelopment.un.org/sdgs

One of the criticisms of the SDGs is that there are way too many of them. Indeed, there are almost 140 targets and 232 indicators that can be used to measure the extent to which governments and firms are working toward achieving sustainable development.

Even though measurement is essential, the fact can be that with so many indicators it is possible for corporations to match at least some of their current activities to the SDGs without actually changing any practices.

On the other hand, it is also possible that (some) CEOs have carefully studied the SDGs and decided that they want to make the world a better place. They have been informed by the SDGs and have enacted palpable changes. Indeed, the fact that there are so many indicators can help CEOs focus their efforts toward achieving the SDGs in their firms, industry, country and region!

To identify what is actually happening is an empirical question: Does corporate adoption of the SDGs lead to changed behaviour?

To better understand corporate and national progress towards the SDGs, it is necessary to disentangle these issues and test for causality. For that we need more and better data. We need to understand if commitment toward the SDGs by, for example, signing a letter is leading to better practices, using the SDG targets and indicators as measurable outcomes, but controlling for what has been done in the past!

One first step toward understanding this issue is obtaining better data. This is not easy. A recent report by Mori, Wyatt and Nuttall[ii] looked at the top 20 companies listed on the Australian Stock Exchange and showed that many major Australian companies are using the SDGs to improve accountability to stakeholders and embed environmental sustainability in their operations. But the report also showed that "meaningful disclosure on measurement and transparent reporting of any contribution made to the SDGs is not yet common practice among the companies assessed".

The question then becomes what incentives are there for firms to gather this information and provide it to academic or government analysts.

This is where domestic policies can make a big difference. If governments have the political will to encourage or require firms to address the SDGs in their annual reports, then firms are likely to follow suit. Issues such as raising the costs of accounting practices are, of course, important. Indeed, some firms may be less able to adopt and measure these new practices than others. Furthermore, more profitable firms in richer countries will better able to provide more data more often. This can potentially generate a large bias in favour of bigger institutions in richer economies, thus painting a very inaccurate picture. To some extent, this is already happening at the cross-national level, where richer economies are more likely to collect the sort of data that is necessary to rank them toward the SDGs.

Support for firms with less resources, especially for those in poor economies is important. This could be government or industry organisation support. SDG Goal 17 is literally called "partnerships for development". One of its targets is to work together to improve data collection, monitoring and accountability. The UN argues that the SDGs are indivisible, but perhaps Goal 17 is more important in practice. Indeed, how do we know if we are working toward achieving zero hunger (Goal 2) or quality education (Goal 4), if we're not measuring anything properly? As APEC considers its future relevance and work programs, this could usefully be integrated into a range of APEC programs.

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[i] https://sustainabledevelopment.un.org/?menu=1300

[ii] Mori Jr, R., Wyatt, R., & Nuttall, A. (2017). *ASX 20 Disclosures on the Sustainable Development Goals*. Melbourne, Australia. Retrieved from https://www.thinkimpact.com.au/wp-content/uploads/2017/12/Think-Impact-SDG-report-2017_27112017.pdf