Contents

2 Foreword
3 About this Document
3 About the Sustainable Development Goals (SDGs)
4 Synopsis
5 Section I. Why is it Important for Companies to Provide Relevant SDG Data to Investors?
5 ESG vs. SDG Approach
5 SDG Reporting Matters to Both Businesses and Investors
7 Fiduciary Duty: A Ubiquitous Investor Consideration
9 Section II. Elements of Investor-Relevant Business Reporting on the SDGs
13 Meeting Expectations: What Investors Look for in Business Reporting on the SDGs
14 Message and Approach
14 Strategy and Governance
14 Report Content
15 Forward-looking and long-term information
16 Data formats
16 Communicating SDG ambitions through reporting to support innovative SDG financing
17 Section III. Knowing Your Target Audience: Understanding the SDG-Disclosure Demands of Investors
19 Who Is Reading Your Report – Understanding the Investment Community
20 How Investors Use Information
22 Screening
22 Integration
22 Engagement
24 In Conclusion
25 References
27 Contributors
28 Acknowledgements
Foreword

The investment community is increasingly interested in understanding how businesses are contributing to and generating impacts for the Sustainable Development Goals (SDGs). Bold leadership from business is critical to the realization of the SDGs, an ambitious change agenda for people, planet and prosperity which seeks to transform our world by 2030. And there is also a strong business case for investing in opportunities aligned with the SDGs, including helping secure stable returns, better representing the values of their clients and offering sustainable financial products that differentiate them in the marketplace.

To inform their decision-making, investors will seek information on how businesses are transforming their competitive advantage connected to the SDGs into business results and on the relevance of the SDGs to overall strategies.

This publication aims to provide guidance to businesses to better align their SDG-related disclosures with investors’ information needs. It complements the publication “Integrating the SDGs into Corporate Reporting: A Practical Guide” (2018). We hope it will support businesses in their efforts to reach investors and help mobilize the sustainable finance needed for the achievement of the SDGs, paving the path to a world where no one is left behind.

Tim Mohin  
Chief Executive  
GRI

Fiona Reynolds  
Chief Executive Officer  
PRI

Lise Kingo  
CEO & Executive Director  
United Nations Global Compact
About this Document

This document provides perspectives and recommendations on the key parameters of corporate reports that refer to the SDGs which investors are most likely to find useful. The aim is to help companies include information related to the SDGs in their corporate reporting in a way that can effectively inform investor decision making processes. It is aimed at corporate sustainability reporting practitioners responsible for integrating SDG information into their business reporting processes, and can help investors in their engagement with companies on their SDG efforts.

This work builds on currently available disclosures and does not intend to create a new reporting framework, a merger of existing frameworks or a new set of standards.

By focusing on the SDG-related information needs of investors specifically, this document complements the guidance “Integrating the SDGs into corporate reporting: A Practical Guide”, which outlines a process to embed the SDGs in business and reporting processes in alignment with recognized principles related to human rights and the environment.

About the Sustainable Development Goals (SDGs)

We are at a pivotal moment in the evolution of sustainability; transparency has become a fact of conducting business. The 2015 negotiation and adoption of the SDGs by Government leaders of 193 countries helped usher in a new era of global development objectives aimed at addressing the world’s most pressing problems.

The 2030 Agenda for Sustainable Development and its 17 SDGs provide a shared purpose and a set of agreed positive outcomes to address the world’s most urgent sustainability challenges and create a better future for all. They address issues such as poverty reduction, education, gender equality, water, sustainable energy, inequalities and good corporate governance.

Achieving the SDGs requires significant capital flows. It is estimated that a total investment of US $90 trillion is needed by 2030 in order to achieve the SDGs. Mobilizing this capital will require businesses to report on their SDG-related activities in a way that enables investors to make better decisions that can lead to sustainable development.

While standardized company-level reporting on the SDGs is still a budding enterprise, investors are increasingly demonstrating interest in SDG-related information from investee companies.

FIGURE 1

The Context of This Publication

A longer-term ambition:

Global measurement and management of businesses’ and investors’ contributions to the SDGs

“In Focus: Addressing Investor Needs in Business Reporting on the SDGs”

To demonstrate what good, investor-relevant business reporting around the SDGs looks like
Synopsis

Companies providing relevant SDG data to investors helps investors make informed decisions and direct capital towards investments with positive real-world impact.

Achieving the SDGs can present great business opportunities, but the opposite is also true. Not reaching those Goals can have major negative consequences for companies and their finances and, therefore, for investor financial returns.

This is why investors need to know the (actual and potential) positive and negative effects that a business has on contributing to the SDG targets, including depth, scale, duration and rate; the added contribution the business makes to the SDGs; and the likelihood that any effects will differ from set expectations. This data must be credible, of high quality and built on a stakeholder dialogue. The ten key recommendations in this report provide context on different investor approaches and essential elements for investor-relevant SDG business reporting. They complement the recommendations provided in the guidance “Integrating the SDGs into corporate reporting: A Practical Guide.”

In their SDG reporting, straightforward, user-friendly metrics should showcase a company’s targets and progress; companies should consider risk factors and impacts on external social and natural environments in a focused manner, particularly risks to people and the environment. SDG reporting should discuss implications of impacts on business strategy and financial performance and demonstrate the company’s thinking on why SDG data is relevant to their business — looking at current and future scenarios. The data in a report should strive to be concise, consistent, current and comparable, although the frequency and format of reporting should be decided through engagement with investors.

Reporting on the SDGs can help develop instruments that leverage mainstream investment tools alongside listed equity, such as bonds and private equity. It can also help companies develop an ‘SDG impact thesis’ — an explanation on how the company contributes to the SDGs — alongside their traditional investment thesis.

Finally, it is important for report preparers to know how investors are using their data, to ensure that investor needs are met, and that there is full understanding of the potential consequences of reporting. For that, it is helpful for companies to recognize the different types of data users in the investment community and the strategies they employ. This will allow companies to effectively link their SDG-related reporting and ensure better alignment with investors’ needs.
Section I. Why Is It Important for Companies to Provide Relevant SDG Data to Investors?

Research shows that responsible business practices attract sustainable finance, ensuring a virtuous cycle in the flow of goods, services and capital that can benefit other stakeholders and the natural environment. And it is also well established that both investors and companies benefit from meaningful disclosures on sustainability performance and impact. While the SDGs can provide a common narrative for thinking and reporting on sustainability issues, businesses are encouraged to report clearly about their contribution to the SDGs in an investor-relevant manner for maximum impact.

An emerging perspective is that SDG reporting should not only be approached through the lens of business risk and opportunity, such as the recommendations of the Task-force for Climate Related Financial Disclosures, backed by the Financial Stability Board. A balanced reporting that includes potential or actual negative and positive impacts on society and the environment (risks to people and the environment) and how they are connected to the SDGs is needed.

ESG vs. SDG Approach

It can be helpful to differentiate between reporting on more traditional Environmental, Social and Corporate Governance (ESG) issues and reporting on the SDGs. Generally, the latter will more widely consider impacts external to the business, looking primarily at maximizing opportunities by addressing risks to people and the environment throughout operations and value chains and, in addition, developing beneficial products, services or investments that help advance the SDGs. Also, the SDGs do not explicitly mention the “G” (corporate governance) factor. That said, describing corporate governance involvement in SDG reporting and the SDG-related policies in place within companies provides an indication of the management oversight of SDG impacts. In this sense, corporate governance is viewed as a means to deliver social and environmental outcomes.

SDG Reporting Matters to Both Businesses and Investors

Business should integrate SDG-related considerations into business strategies and processes, and existing reporting processes.

A global effort to advance business reporting on the SDGs can potentially benefit companies by:

- Solidifying a common language for reporting a business’s, and consequently investor, contribution to the SDGs, streamlining the reporting burden on sustainability issues.
- Sparking collaboration along the investment chain to direct funds to more sustainable business practices, thereby incentivizing businesses to align core business activities with the SDGs.
- Helping unlock potential business opportunities, both by addressing risks to people and the environment and by developing new beneficial products, services and investments – while mitigating business risks related to the SDGs.
- Helping define a shared purpose between companies and investors about expected impact performance and commitment to support it.

For investors, the benefit of corporate SDG reporting may include:

i. Obtaining additional insights to make better informed investment decisions that secure stable returns in line with fiduciary duty.
ii. Representing their values or the values of their stakeholders.
iii. Offering sustainable and inclusive financial products that differentiate them in the market.

---

3 Evidence has been found in a number of studies and research projects, e.g. “ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies,” Journal of Sustainable Finance & Investment, Volume 5, Issue 4, p. 210-233,
4 For some illustrative examples on how corporate governance may relate to SDG 16: Peace, Justice and Strong Institutions, please see “An Analysis of the Goals And Targets, p. 180, available at https://unglobalcompact.org/library/5361
5 To identify the priority risks to the business, companies can incorporate ESG risks into their Enterprise Risk Management (ERM) processes. Draft guidance on this is being developed by the WBCSD and the Committee Sponsoring Organizations of the Treadway Commission (COSO).
6 ‘Impact’ refers to the effect an organization or its products or services have on the economy, the environment and society, which can indicate its contribution (positive or negative) to sustainable development.
7 Fiduciary duty requires the asset manager to act in the best interest of the principal, the party whose assets they are managing. The fiduciary is expected to manage the assets for the benefit of the other person rather than for his or her own profit and cannot benefit personally from their management of assets. The High-Level Expert Group on Sustainable Finance convened by the European Commission also calls for clarification on the fiduciary duty of asset owners and asset managers to include integrating environmental, social and governance (ESG) considerations into decision making.
In Focus: Addressing Investor needs in Business Reporting on the SDGs

iv. Understanding and improving their own SDG impact across their portfolios.

v. Exploring new business models, markets, systems and platforms (e.g., artificial intelligence or blockchain technologies) that support increased availability and reliability of SDG-related data.

vi. Identifying and promoting innovative financing mechanisms (for example, SDG-related reporting could support the issuance of bonds for projects that aim to create a positive contribution related to the SDGs).

vii. Meeting the requirements of national policies and investment strategies that incorporate the SDGs, particularly relevant to state-owned investment institutions.

Both businesses and investors can benefit from new opportunities. In its “Better Business Better World” report, the Business & Sustainable Development Commission identifies the 60 biggest market opportunities related to the achievement of the SDGs, in the areas of food and agriculture, cities, energy and materials, and health and well-being. The report concludes that over 50% of these opportunities are in frontier and emerging economies.8

The ‘Stockholm Declaration’ on Investors and corporate SDG reporting

In 2017, GRI, the UN Global Compact and PRI co-convened an investor meeting in Stockholm to discuss financial markets’ expectations of business reporting on the SDGs.

The meeting led to the adoption of the Stockholm Declaration. The 30 signatories with a combined total of over $1.3 trillion AUM agreed to:

• Consider the SDGs a relevant framework as part of company dialogue

• Contribute to a set of well-defined and relevant reporting disclosures linked to the SDGs to support investors and companies in achieving the Goals

• Work with the “Action Platform Reporting on the SDGs,” co-led by the UN Global Compact and GRI, and the investor stream supported by PRI.

FIGURE 2

How Business Reporting on the SDGs Can Support Sustainable Development

- Business activities and real-world impacts
- Business reporting on SDGs
- Use of business SDG reports by the investment community
- Informed investment decisions, channeling capital to responsible businesses

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

8 Find the report here http://report.businesscommission.org/
Fiduciary Duty: A Ubiquitous Investor Consideration

Investors expect companies to be primarily focused on realizing their core business activities and demonstrating financial health; financial sustainability is a prerequisite for attracting investment. Investment decisions are guided by intentions, constraints and financial goals, and vary depending on the investment strategy and approach. But at the heart of all decision making, there is the principle of fiduciary duty to beneficiaries (see Table 1).

ESG factors into valuation models, and engagement with investee entities. Another approach that has gained relevance in recent times is themed investing, a strategy often based on looking into the environmental and social strategies of businesses, such as clean tech, green real estate, sustainable forestry, agriculture, education and health. And the relevance of responsible investment practices continues to grow around the world, as attested by, for example, the increase in the number of investors joining the PRI (Figure 3).

While approaches to responsible investment may vary, investors are increasingly factoring impact goals into their decision making. This can help them mitigate financial and impact risk, optimize financial and impact returns and demonstrate their contribution to the SDGs through their portfolios.

Investors are also increasingly incentivized to promote sustainable economies and markets to improve their long-term financial performance. According to the PRI’s SDGs Investment Case, the SDGs represent an unavoidable consideration for “universal owners”. These large institutional investors have highly-diversified, long-term portfolios representative of global capital markets. Universal owners effectively hold a slice of the overall market, therefore their returns are correlated to the continuing good health of the overall economy.

“The globally-agreed SDGs are an articulation of the world’s most pressing environmental, social and economic issues and as such should be taken into account as part of an investor’s fiduciary duty.” The SDG Investment Case, PRI, 2017

**TABLE 1**

<table>
<thead>
<tr>
<th>Fiduciary duty</th>
</tr>
</thead>
</table>
Fiduciary duty requires investors to act in the best interests of beneficiaries, and in doing so to take into account environmental, social and governance (ESG) factors, as these factors can be financially significant over the short and long term. The globally agreed SDGs are an articulation of the world’s most pressing environmental, social and economic issues and as such act as a definitive list of the material ESG factors that should be taken into account as part of an investor’s fiduciary duty.

<table>
<thead>
<tr>
<th>Macro</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>By the nature of their investments, asset owners that choose to hold a diversified portfolio, investing in a wide range of asset classes and geographies, will be exposed to the global challenges that the SDGs represent. Failure to achieve the SDGs will impact all countries and sectors to some degree, and as such create macro financial risks.</td>
<td>Achieving the SDGs will be a key driver of global economic growth, which any long-term investor will acknowledge as the main ultimate structural source of financial return.</td>
</tr>
</tbody>
</table>

| Micro | The challenges put forward by the SDGs reflect that there are very specific regulatory, ethical and operational risks which can be financially material across industries, companies, regions and countries. | Companies globally moving towards more sustainable business practices, products and services provide new investment opportunities. |
But the SDGs are not only relevant to impact investors. The increasing costs related to universal externalities mean the SDGs also involve investors focusing on listed equity, fixed income or private equity across the board:

- The costs from environment or climate-related events that have been identified as universal concerns will come back into portfolios as insurance premiums, taxes, inflated input prices and physical cost associated with disasters.
- Social concerns, such as poverty and inequality, can lead to societal and political unrest and instability, which can also create business risks that could reduce future cash flows and dividends.
- The macro financial or even systemic risks that may materialize associated with failure to achieve the SDGs could have major negative consequences for financial returns.

This means that credible, high quality relevant business reporting on the SDGs, built on a stakeholder dialogue that proactively considers and understands investor needs has become a necessity.

To meet the challenges of the SDGs, responsible investors should think like universal owners. In other words, they should look beyond how ESG risks and opportunities affect the risk-return profile of their investment portfolio, and into how their portfolio affects the broader objectives of society, creating real-world impact (Figure 4).
In the absence of a formal disclosure framework specifically developed for the purpose of reporting on the SDGs, companies are experimenting with various approaches. To make informed investment decisions, in active, passive or rule-based investment strategies, investors seek comparable material SDG information produced in line with widely-accepted methodologies. GRI, the UN Global Compact and other partners have been developing guidance documents that mutually complement each other and create a body of knowledge together. They aim to guide corporate reporters by providing step-by-step guidance and useful tips:

- For preliminary information on the SDGs for business, companies can consult the SDG Compass, developed by the UN Global Compact, GRI, and the World Business Council for Sustainable Development (WBCSD).
- The Value Driver Model, developed by the PRI and the UN Global Compact, uses key business metrics to determine and illustrate how corporate sustainability activities contribute to overall performance. This tool helps companies assess and communicate the financial impact of their sustainability strategies and helps investors integrate sustainability data into their existing investment processes.
- The 2017 “An Analysis of Goals and Targets”, developed by GRI and the UN Global Compact, contains qualitative and quantitative disclosures from globally established reporting frameworks that can be used by business to measure and report on their impact and contribution to the SDG targets. In any disclosure, reporters should aim for straightforward, user-friendly metrics that indicate targets and progress towards these issues, regardless of the reporting formats, channels or frameworks they rely on. For those relevant thematic areas where no relevant business disclosures exist, the Analysis highlights these gaps. This tool is the first step towards the greater ambition to develop a harmonized set of disclosures for businesses to report on the SDGs.

Companies can use the GRI Standards, SASB Standards (more relevant for a risk-based approach) or the <IR> Framework, among others, for their disclosure efforts. An integrated report aims to provide insights into the resources and relationships used and affected by an organization – these are collectively referred to as “the capitals” in the <IR> Framework. It further seeks to explain how the organization interacts with the external environment and the capitals to create value over the short, medium and long term. The capitals (categorized by <IR> as financial, manufactured, intellectual, human, social and relationship, and natural capital) are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. An <IR> report can highlight the impact of business strategy on the SDGs and the implications – positive and negative – of contributions to specific SDGs on value creation, financial performance and the creation or transformation of other capitals. (More information on <IR> and the SDGs: http://integratedreporting.org/wp-content/uploads/2017/09/SDGs-and-the-integrated-report_full17.pdf.)
The “Integrating the SDGs into corporate reporting: a Practical Guide”,11 (hereafter Practical Guide) can be used by companies alongside the Analysis to disclose information on outputs, outcomes, impacts and contributions to the SDGs.12 As outlined in the Practical Guide, business should prioritize those SDGs to report on in alignment with the Ten Principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights, and relying on the widely-adopted GRI definition of materiality.

Business activities throughout the reporting cycle can be mapped against the thinking and actions taken by investors in relation to the investee companies. A high-level overview of these activities is presented in Table 2 below.

Disclosure should include information on how companies have decided on their SDG strategy and approach. As this approach to SDGs and disclosure matures, it will move from a recognition that the SDGs matter, to setting up internal structures to map the goals, externally engaging stakeholders on the SDGs and devising an approach that can be validated through measurable impacts.

---

**TABLE 2**

<table>
<thead>
<tr>
<th>Company Perspective</th>
<th>Investor perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional Resources</strong></td>
<td><strong>Screening/Integration (see p. 22)</strong></td>
</tr>
<tr>
<td>Summary of recommendations from “Integrating the SDGs into Corporate Reporting: A Practical Guide” and the “In-Focus: Addressing Investor Needs in Business Reporting on the SDGs”</td>
<td>For more information see: A practical guide for ESG integration for equity investing</td>
</tr>
</tbody>
</table>

**Understand and prioritize SDGs**

- Identify and engage stakeholders
- Set baseline, objectives & targets
- Prioritize most severe risks to people and the environment and connect them to relevant SDG targets

**Set Objectives/Benchmarks**

- Benchmark with peers
- Identify new business opportunities

---

11 Was launched in July 2018.
12 We refer to outputs, outcomes and impacts aligned with the OECD DAC schematic structure. Output: the result of the corporate activity like produced products, pollution or clean energy supply; Outcome: the likely or achieved effect on the SDGs in the short and medium-term; Impact: the positive and negative primary and secondary long-term effect on the SDG.
<table>
<thead>
<tr>
<th></th>
<th>Company Perspective</th>
<th>Investor Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Report</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Report content – as</td>
<td>Understand investee</td>
</tr>
<tr>
<td></td>
<td>outlined in the ten</td>
<td>management systems in</td>
</tr>
<tr>
<td></td>
<td>key recommendations</td>
<td>place for SDGs and</td>
</tr>
<tr>
<td></td>
<td>below:</td>
<td>assess its fitness</td>
</tr>
<tr>
<td></td>
<td>• Ensure consistent</td>
<td>Explore measuring</td>
</tr>
<tr>
<td></td>
<td>messaging</td>
<td>SDG-related investment</td>
</tr>
<tr>
<td></td>
<td>• Describe</td>
<td>impact across</td>
</tr>
<tr>
<td></td>
<td>management systems</td>
<td>portfolios</td>
</tr>
<tr>
<td></td>
<td>• Tie real world</td>
<td></td>
</tr>
<tr>
<td></td>
<td>impact into business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provide context/narrative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Describe</td>
<td></td>
</tr>
<tr>
<td></td>
<td>methodology</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Data format: Use</td>
<td></td>
</tr>
<tr>
<td></td>
<td>internationally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>recognized</td>
<td></td>
</tr>
<tr>
<td></td>
<td>disclosure standards</td>
<td></td>
</tr>
<tr>
<td>**Use of SDG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>information**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Engage with</td>
<td>Compare results of</td>
</tr>
<tr>
<td></td>
<td>investors on</td>
<td>reporting entities</td>
</tr>
<tr>
<td></td>
<td>reporting outcomes</td>
<td>with their peers</td>
</tr>
<tr>
<td></td>
<td>• Implement change</td>
<td>Normalize and interpret</td>
</tr>
<tr>
<td></td>
<td>and as input for</td>
<td>data to inform</td>
</tr>
<tr>
<td></td>
<td>next reporting</td>
<td>investment decisions</td>
</tr>
<tr>
<td></td>
<td>cycle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Explore</td>
<td>Integrate investee</td>
</tr>
<tr>
<td></td>
<td>partnerships to</td>
<td>SDG disclosures into</td>
</tr>
<tr>
<td></td>
<td>jointly advance the</td>
<td>assessment models</td>
</tr>
<tr>
<td></td>
<td>SDGs and explore on</td>
<td></td>
</tr>
<tr>
<td></td>
<td>new business</td>
<td>Identify innovative</td>
</tr>
<tr>
<td></td>
<td>opportunities</td>
<td>investment solutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to advance the SDGs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use report metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and content to drive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>periodic discussions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>on progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Identify innovative</td>
</tr>
<tr>
<td></td>
<td></td>
<td>investment solutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to advance the SDGs</td>
</tr>
</tbody>
</table>
Companies can assess and report correspondingly on their SDG-related outputs, outcomes and impacts for their supply chain, direct operations and products and services. This division and segmentation of information helps report users, including investors, better understand where impacts occur, who is affected by them and the level of control the reporting company has to influence these impacts. See example in Figure 6 below.

**FIGURE 6**

**Impacts throughout the organizational value chain**

- **Increasing Positive Impact**
  - Raw materials
  - Suppliers
  - Inbound logistics
  - Company operations
  - Distribution
  - Product use
  - Product end life

- **Minimizing Negative Impact**
  - Raw materials
  - Suppliers
  - Inbound logistics
  - Company operations
  - Distribution
  - Product use
  - Product end life

Source: Integrating the SDGs into corporate reporting: A Practical Guide
Meeting Expectations: What Investors Look for in Business Reporting on the SDGs

Investors know that not all 17 SDGs will be equally relevant to all companies, and they do not want boilerplate disclosure across all 17 areas. SDG reporting outputs should note the relevance of the Goals to the business and, where available, the implications for business strategy and financial performance. A good narrative will qualitatively discuss how the company’s SDG-related activities, output outcomes and impacts affect the primary value drivers of the business.

The Investor Agenda for Corporate ESG Reporting, a group of organizations that includes PRI, aims to promote understanding within companies about investors’ expectations of their corporate reporting. The most relevant recommendations from this group can be seen in Table 3 below:

<table>
<thead>
<tr>
<th>TABLE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Recommendations to Develop Investor-relevant Reporting</strong></td>
</tr>
</tbody>
</table>
| **Message and Approach** | 1. Consistency of message – the CEO/Chair statement can provide authoritative context for investors, but it must align with other statements addressing the SDG contributions.  
2. Integrated approach – SDG-related strategy and performance must be included into overall sustainability and business strategy and performance. All relevant teams, including the Supervisory Board, CEO, CFO, Investor Relations and Sustainability teams must be involved, to ensure the rigor of the process and usefulness of the report. |
| **Strategy and Governance** | 3. Linkage of SDG trends and key factors driving corporate strategy and, where such information is available, how these trends affect the company’s financial outcomes and overall business.  
4. Management approach to critical issues through describing policies and their implementation plans.  
5. Appraisal and reward for meeting SDG targets. |
| **Report Content** | 6. Analysis of risks and opportunities towards the SDGs – including the positive and negative impacts up and down the value chain.  
7. Quality and balance – supporting statements about SDG contributions with facts and/or evidence. Highlight key achievements and failures and report on performance against targets; benchmark against peer groups. Contextualize with the effect of different time horizons and describe methodology of calculation.  
8. Forecasting by demonstrating the cause-and-effect relationships between SDG contributions and business performance. Application of concepts already understood by investors, such as competitive advantage, market share growth, customer retention and the benefits of innovation. |
| **Data format** | 9. Standardized data that is comparable across time and companies, using internationally recognized disclosure frameworks such as GRI Standards and the same segmentation principles as those used in financial statements.  
10. Links to data in raw form – so analysts are able to choose how to normalize it. |

---

13 For how companies should prioritize the SDGs to act and report on, please see the guidance “Integrating the SDGs into corporate reporting: A Practical Guide”
In Focus: Addressing Investor needs in Business Reporting on the SDGs

Message and approach
An SDG report sets out a business’s SDG philosophy to investors. They will expect a clear description of the process for establishing the issues deemed material, an explanation of the context in which impacts occur and data is reported on, and an overall narrative that links the sustainability issues back to the business model and future outlook. SDG-related information is most easily incorporated into investment analysis when it relates to the company’s core activities and its prospects.

Businesses should develop a clear picture of the data needs of primary investors, and provide both qualitative and quantitative information. Investors now expect reporting to be more customized to their investment strategy; data should reflect the investee sector and business model to better understand the impacts of their investments. Companies should determine the frequency, format and channels to present SDG-related information based on their dialogue with key stakeholders, including investors.14

Strategy and governance
For investors it is important that SDG-related reporting is presented in the context of strategy, governance, performance and prospects, to acquire information on value creation over time – or value protected, in the case of fixed-income investors. Companies need to adequately engage relevant stakeholders from the beginning to identify, assess and disclose (potential) negative impacts on society and the environment. While many investors are primarily interested in financially material sustainability issues, others do expect companies to have a thorough stakeholder dialogue that expands focus beyond financial materiality.15

Investors also want insight into how well the management team sees and understands the relevance of the SDGs to the overall strategy, as well as data on the SDG-related activities, outputs, outcomes and impacts of the company and their link to the business model and financial performance.

In addition, investors are likely to value a discussion of management’s response to the risks and opportunities identified. In this context, some investors are particularly interested in the policies and procedures that have been put in place to address them. Regarding opportunities, investors would be interested in consequent changes to the business model or the product and service offering. Discussions of achievements and failures will be most useful for investors when they are presented in terms of their (potential) impact on the roll-out of business strategy or financial performance.

Report content
In addition to the context setting information, investors want to understand positive and negative impacts. The discussion can include:

- The key elements of the company’s competitive advantage and how its impacts contribute to or detract from it
- Sector specificities, including both context in which the business operates and specific disclosures
- How the company transforms competitive advantage into business results and how the approach to the SDGs contributes to them
- The SDGs and targets that are likely to present the greatest business risks and opportunities for the company, through identifying significant risks to people and the environment through the company’s operations and value chains
- How SDG-related outputs, outcomes and impacts are linked to the market factors driving corporate strategy and, where such information is available, how these trends could potentially affect the company’s financial outcomes. Understanding the policies behind the outputs and outcomes is particularly important for companies with large manufacturing operations and complex supply chains
- The existence of and investment in "enabling effects" — for example, infrastructure as basis for development
- The calculation methodologies and explanation of the business structure help the interpretation of quantitative data
- Companies should identify and publish material SDG contributions, both positive and negative, including salient human rights issues and relevant KPIs as part of their report.16

14 For more information, consult the forthcoming Practical Guide.
15 Financial materiality is defined according to IASB: information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.
16 In the official introduction to the SDGs, it is clearly stated that the 2030 agenda is guided by the purpose and principles of the Universal Declaration of Human Rights and other internationally agreements. It is also clearly stated that the SDGs seek to help realize human rights for all. The widespread operationalization of the UN Guiding Principles on Business and Human Rights is integral to the realization of the SDG agenda in the run up to 2030.
Forward-looking and long-term information
Investors are interested in both near-term and long-term (potential) impacts and need to put them into the perspective of the investment horizon. From a short-term perspective, an inability to address negative social and environmental impact may also be directly detrimental to short-term financial value for a business. Companies may then wish to communicate the relative maturity and timeframe of business risks and opportunities (positive contributions).

For the medium and long-term assessment, the business risks and opportunities may become broader and their relative prioritization might shift. Reflections on short-term achievements are more meaningful if they relate to progress made towards a longer-term target and the vision set by the reporting entity. In addition, future-looking information and scenario analyses are useful to assess expected returns and inform investment decisions.

That is why presenting information in context, along with progress towards goals or targets, is useful for investors. Investor initiatives, such as the Strategic Investor Initiative (SII) and Focusing Capital on the Long Term (FCLT) are indicative of the growing investor focus beyond the short term.

Scenario planning
Scenario planning evaluates potential outcomes by considering a range of alternative plausible future scenarios under certain assumptions and constraints. This, together with target-setting, can support decision making.

Scenario planning for all SDGs begins with appropriate data and frameworks; companies are applying this approach to greenhouse gas emissions using the recommendations of the Task-force for Climate Related Financial Disclosures.

Data formats
Information on the process and methodology is crucial too and providing access to raw data would be welcome by large segments of the investment community. For reporting to be effective, data needs to be concise, consistent, current and comparable. The use of established international reporting standards lends a helping hand to achieve this.

The Four Cs of Sustainability Reporting

<table>
<thead>
<tr>
<th>Concise</th>
<th>Consistent</th>
<th>Current</th>
<th>Comparable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concise reporting focuses on the priorities and most material information, and avoids clutter and information overload.</td>
<td>Consistency provides the ability to assess performance trends over time; it enables managing and understanding the insights delivered by the reported data</td>
<td>Most useful sustainability information presents a window that gives insights into the operations, impacts and potential of business opportunities, rather than a rear-view mirror showing what happened in the past.</td>
<td>Comparability allows information users to benchmark performance against peers. It enables businesses to track and assess their impacts, and then make decisions that will improve these over time.</td>
</tr>
</tbody>
</table>

Data rigor and assurance
Data rigor and assurance are pivotal to building trust and confidence in the information that businesses report. Measures to improve confidence in data include internal controls, auditing and carefully-managed and monitored processes for enterprise risk management and data collection. There is still no global consensus on a set of generally-accepted assurance standards for sustainability-related information.

If performed well, external assurance will instill a sense of confidence, reliability and trust in the accuracy and balance of reported information. Investors using the information disclosed by reporters will have greater confidence in the data when those disclosures are externally assured. This, in turn, will enhance the confidence of investors in their decisions. Information provided in a context with a clear description of the methodology is always helpful, if possible, complemented with the raw data that was used for the calculation.
Communicating SDG ambitions through reporting to support innovative SDG financing

Businesses can have a proactive and more intentional or deterministic view of how they contribute to the SDGs, while understanding that businesses’ key contribution to the SDGs is by upholding recognized principles and standards, e.g. on human rights and the environment. They can maximize opportunities while mitigating negative impacts or take measures to benefit all stakeholders they affect. In addition, they can also develop beneficial products, services or investments that contribute to helping achieve the SDGs, or example by benefiting the most underserved.17

Identifying and reporting on companies’ intentional contributions to the SDGs should enable innovative forms of financing that leverage mainstream investment tools, such as corporate bonds and private equity, to finance the SDGs at scale.

Since business reporting on the SDGs is still an emerging area, companies will not always be able to meet all the information needs of investors. Companies are encouraged to share their experience with GRI, PRI and the UN Global Compact. A useful tool for this purpose is the GRI Sustainability Disclosure Database, where reports covering the SDGs are appropriately tagged and easy to find.

Creating Mainstream SDG Investment Products

Investors are increasingly seeking investment opportunities that can make a credible contribution to the realization of the SDGs. However, with a few notable exceptions – mainly green bonds – there is currently a lack of investment options for institutional investors interested in making a meaningful allocation of capital.

In response, the UN Global Compact, in partnership with the PRI and the UNEP Finance Initiative (UNEP FI), is working with representatives of the entire investment value chain on financial innovation that can unlock private capital for the realization of the SDGs.18 As one of its main activities, this UN Global Compact Action Platform is preparing guidance on structuring and other considerations to create Mainstream SDG Investment Products – such as corporate equity and bonds – and to provide a meaningful SDG investment opportunity for global capital markets.

The guidance document will include recommendations and examples on how companies can craft an SDG impact thesis which can be communicated to the capital markets as part of the company’s investment thesis. It will also provide guidance on structuring mainstream SDG investment products by creating contractual or other tie-ins to the SDG impact thesis and wider impact goals, including targets and key performance indicators. Most importantly, it will include a mechanism for disclosure and transparency for investors to track a company’s progress towards its commitment.

---


18 For more details, please see the UN Global Compact Action Platform on Financial Innovation for the SDGs, https://www.unglobalcompact.org/take-action/action/financial-innovation.
In Focus: Addressing Investor needs in Business Reporting on the SDGs

Section III. Knowing Your Target Audience: Understanding the SDG-Disclosure Demands of Investors

A growing number of proactive investor actions are aimed at understanding how the SDGs relate to business and investments. These have occurred under the umbrella of bodies including GRI, PRI and the UN Global Compact, and as a result of a broad industry-led cooperation in the marketplace. Below we highlight several examples across different aspects, from management to measurement.¹⁹

Additionally, the IRIS Metrics of the Global Impact Investing Network (GIIN) are designed to measure the social, environmental and financial performance of an investment. Investors can filter information based on their investment priorities and focus areas. The GIIN has also carried out research into the role of impact investing to achieve the SDGs.

An example of the investor perspective on SDG-themed investments is the PGGM case study seen below, which applies the Impact Management Project shared fundamentals.

Building consensus on how businesses and investors can understand their SDG impacts

The Impact Management Project²⁰ is an industry-led initiative which has convened over 1,000 organizations to agree on market norms for understanding and managing impact. Funded by a global consortium of leading asset owners and managers and social organizations, the Project has built consensus among its members that, to understand a business’s performance in relation to the SDGs, data is needed on:

1. what SDGs a business’s practices and products have effects on, positively or negatively (what)
2. how significant their effects are on the SDGs, in terms of depth, scale, duration and/or rate (how much)
3. how underserved the affected population or the planet is in relation to the SDGs (who)
4. whether the business’s effects on the SDGs are likely better or worse than what the market would do otherwise (contribution)
5. the likelihood that the effects on the SDGs will occur as expected (risk)

For example, if an investor wants to have a positive impact on good health (Goal 3 – what), they cannot assume just any investment in healthcare is relevant. The investor will need information about which businesses have a significant effect (how much) on the health of underserved people (who), resulting in a likely improvement of the situation relative to what would otherwise happen (contribution), with risk of impact failure justified by the level of positive impact if things go as planned.

Or, if multinational corporations with manufacturing operations – and their investors – want to mitigate supply chain risk by ensuring a positive impact on decent work (Goal 8 – what), they will want information from suppliers on who the lowest income farmers are and how much of an income increase the farmers need. They will also reflect on the role the business can play to increase farmer income relative to what the market will do without their action (contribution) and how confident they are that the increase in income will occur (risk).

With information on a business’s contribution to the SDGs, investors have a choice of at least four strategies to enable those businesses to have more positive impact – or to prevent negative impact. They can signal that impact matters by choosing not to invest in or to favor certain investments; engage actively²¹ by providing expertise and networks to improve the impact of businesses; grow new or undersupplied capital markets by anchoring or participating in new or previously overlooked opportunities that offer an attractive impact and financial opportunity, but involve additional complexity, illiquidity, or perception of disproportionate risk; and/or provide flexible capital where they recognize that

¹⁹ PRI’s website lists the most notable investor-led SDG initiatives.
²⁰ See the Impact Management Project website at [http://www.impactmanagementproject.com/about](http://www.impactmanagementproject.com/about)
certain types of businesses will require acceptance of disproportionate risk-adjusted return in order to generate certain kinds of impact.

To decide on the combination of strategies to use, investors need to understand a business’s performance in relation to the SDGs across all five dimensions.

Market convergence around the five dimensions of impact does not mean that all businesses must use the same framework or tools. It is important to use measurement approaches, whether proprietary or ‘off-the-shelf’, that suit the specific business context. Agreement on the fundamental dimensions of performance that demonstrate a business’s progress towards the SDGs means that all actors that share data can make sense of it and use it to inform management decisions.

Source: Impact Management Project
* For best practice on how to actively engage in public equities, for example, see PRI’s publication, available at www.unpri.org/download?ac=4151

PGGM case study

PGGM, a large Dutch pension fund manager, sought to more accurately understand and communicate the impact of its investments and their role in the process. Its goals changed over time: the company began by excluding investments that do harm, through negative screening or accounting for ‘ESG externalities’. Today, through its proprietary CO₂ Index, it also excludes from its portfolio persistent violators of the Ten Principles of the UN Global Compact, as well as the least carbon-efficient companies. In addition, it tries to minimize negative impacts on people and planet through active ownership of its investments, engaging with its investees. It also seeks to contribute to solutions for social and environmental challenges through its ‘Investments in Solutions’ program.

PGGM’s Instruments for Responsible Investment

<table>
<thead>
<tr>
<th>NO</th>
<th>What we do not want</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct exclusions</td>
<td></td>
</tr>
<tr>
<td>Controversial weapons</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
</tr>
<tr>
<td>Exclusions after engagement on:</td>
<td></td>
</tr>
<tr>
<td>Human rights and social circumstances</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
</tr>
<tr>
<td>Instrument:</td>
<td></td>
</tr>
<tr>
<td>Exclusions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE</th>
<th>What we want to improve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making companies and markets more sustainable through ESG integration, active ownership and collaboration with financial service providers</td>
<td></td>
</tr>
<tr>
<td>Instruments:</td>
<td></td>
</tr>
<tr>
<td>ESG integration (including ESG Index</td>
<td></td>
</tr>
<tr>
<td>Engagement</td>
<td></td>
</tr>
<tr>
<td>Voting</td>
<td></td>
</tr>
<tr>
<td>Legal proceedings</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YES</th>
<th>What we want to stimulate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating social returns in the area of:</td>
<td></td>
</tr>
<tr>
<td>Climate and environment</td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Instrument:</td>
<td></td>
</tr>
<tr>
<td>Investing in solutions</td>
<td></td>
</tr>
</tbody>
</table>

Source: PGGM
In Focus: Addressing Investor needs in Business Reporting on the SDGs

Who Is Reading Your Report – Understanding the Investment Community

There are five basic groups in, or closely related to, the financial services sector that may be interested in a company’s SDGs strategy and performance. It is useful to recognize and differentiate between these five groups and their different information needs, which, among others, are dependent on the investment strategy and level of SDG-related engagement of the investors. This section aims to give a high-level overview of the different key players in the investment chain and their interaction with reporting companies.

The following are categories of actors in the investment community that would likely be interested in SDG-related information about businesses:

- **Buy-side analysts** who work for asset managers and help portfolio managers conduct research
- **Portfolio managers** who work for asset managers and preside over stock selection and portfolio construction. These include sustainability specialists who manage exclusion and screening activities, as well as those constructing rule-based portfolios
- **Sell-side analysts** who work for brokerage houses and provide research to asset managers looking to invest or disinvest in particular stocks or sectors
- **Data service providers** that provide research and data on financial, ESG and SDG-related performance to investors
- **Governments and regulators** that oversee the financial stability of the economy and, in the case of the Governments, also the sustainability of the social and natural environment of a given country or region. As National Development Plans also make a reference to the SDGs, Governments will be seeking to align the private sector contribution to national priorities.

Other key governance players are also helping to create a conducive environment for sustainable finance and responsible business conduct. Multilateral development banks (MDBs) are active creating partnerships and blending finance to secure progress towards achieving SDG impacts, especially in emerging and frontier economies. In addition, there are multilateral initiatives such as the Action Plan on Sustainable Finance announced by the European Commission in early 2018 and the UN Sustainable Stock Exchanges initiative (SSE). The EU Action Plan aims to foster sustainable investments to connect finance with the specific needs of the European and global economy for the benefit of the natural and social environment and will be followed by a sequence of legislative proposals to address the issue.

A stock exchange can play a vital intermediary role, ensuring that investors have the necessary information to invest in their market. The number of stock exchanges and securities regulators issuing guidance is growing, facilitated by the SSEI and the World Federation of Exchanges. Both bodies issued model guidance documents in 2015. In that same year, the SSE also launched a global outreach campaign to encourage stock exchanges or their regulators to adopt voluntary guidance on ESG disclosure that is particularly useful as disclosure guidance for companies. When the campaign was launched, only 14 stock exchanges provided any guidance on ESG reporting; by 2018, 38 exchanges had produced guidance and an additional 10 have committed to do so.

---

**FIGURE 8**

Exchange ESG Reporting Guidance

Launch of “SSE Model Guidance” global campaign to promote ESG disclosure guidance

Source: SSE Initiative

---

21 Asset management refers to investment management, carried out by asset managers, i.e. experts who manage money and handle the investments of clients.
How Investors Use Information

The asset management industry is becoming one of the primary users of sustainability and SDG-related information. Typically, asset managers receive mandates from trustees on behalf of institutional funds, such as pension funds, endowments and foundations. They usually also design products for direct sale to the public (retail). Mandates from institutional funds specify or embed certain approaches to investment management and particular performance objectives, which may include requirements related to the use of environmental or social criteria. The growing interest in sustainable development and sustainability issues at large drives the development and deployment of sustainability-themed investment products.

Asset management companies are staffed by portfolio managers and research analysts who look at company information as part of their investment decision making process. They buy in additional research services from brokerage houses or data service providers to meet mandate requirements.

Increasingly, asset owners may choose to manage assets internally. There is also a growing trend towards asset allocations to real assets where there can be a clearly tangible SDG link. Even more than asset managers, asset owners need decision-useful data, as their resources for research are likely smaller.

Investors use SDG-related information in three main ways:

1. Screening portfolios against business risks and SDG-related criteria – norms-based approach, identifying best in class, expecting certain impact, scope
2. Integrating information about (potential) business impacts on the SDGs into investment decisions by adjusting risk/return calculations for individual stocks
3. In engagement activities and strategies to improve corporate performance and reduce negative impact

Participants in each part of the investment chain may use any combination of the above. In each instance, users of SDG-related disclosures will have a need for information across a wide range of corporate policies, processes, and activities. Investors seek this information both prior to making the initial investment decision and for deciding whether to stay invested or increase or decrease ownership. 62% of PRI signatories reporting on the effects following integration of ESG factors say it affected their buy/sell decisions.

Table 4 presents an evaluation of the contribution of current responsible investment practices to the real-world impact.
### TABLE 4

---

**Evaluating the Contribution of Current Responsible Investment Practices to Real-world Impact**

| Effects of integration | The assumption behind integrating ESG factors in investment policy and decisions is that it will ultimately affect the cost of capital, lowering it for sustainable businesses and increasing it for non-sustainable ones. It may also affect cash flow forecasts, optionality of business and terminal valuations or growth rates. As a result of the lower costs of capital, sustainable businesses will, in the long run, crowd out non-sustainable businesses. Meta-studies by Mercer¹ and the University of Hamburg and Deutsche Asset & Wealth Management² provide clear evidence that sustainable business practices lead to lower cost of capital and equal or even better financial performance. Yet, despite higher costs of capital, companies with poor ESG management still have sufficient access to capital and companies providing unsustainable products and services may have relatively good ESG risk management (and vice versa). Conventions of finance still point towards practices that don’t reward sustainable businesses sufficiently to drive out unsustainable business |

| Effects of active ownership | Including ESG factors in engagement with investee companies is intended to highlight the materiality of ESG issues, convince businesses to adopt more sustainable products, services and processes and thus improve the risk-return profile of the businesses. Academic research has provided some insight³ into the positive impact of active ownership on corporate ESG practices and financial performance, but finds the contribution is often focused on process improvements and business conduct rather than real-world impact aligned with the SDGs. |

| Effects of thematic asset allocations | One in six PRI signatories⁴ report allocating capital to environmentally/socially themed investments (e.g. inclusive finance, renewable energy, clean technology, affordable housing). These investments, made under the assumption that they will provide market rate returns as well as positive outcomes to society, are seeing increasing inflows, but the close to US$1.3 trillion invested in impact investments by PRI signatories⁵ is far from the approximately US$75 trillion to US$105 trillion that UNCTAD’s estimates suggest is required from the private sector overall over the life of the SDGs |

---

References from Table 4:

1. Demystifying Responsible Investment Performance: A review of key academic and broker research on ESG factors (UNEP FI and Mercer, 2007)
2. ESG integration and Corporate Financial Performance (A. Bassen, G. Friede and M. Lewis, 2015)
3. ESG & Corporate Financial Performance: Mapping the global landscape (Deutsche Asset & Wealth Management, 2015)
4. Unless stated otherwise, all data relating to PRI signatories comes from the annual submissions made to the PRI Reporting Framework. For more details, see https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map/3537.article
Screening
In screening strategies, investors choose a set of criteria against which they want to measure performance, compliance or impacts (e.g. a particular development goal or target associated with it). This may focus on policies, systems or specific quantitative results. Portfolios are then screened either on an absolute basis (eliminating companies that have a specific feature, such as alcohol products) or on a relative basis (creating a ranking and eliminating those with the lowest rankings). Institutions that screen investments in this manner tend to focus on whether investee companies are contributing to a range of SDGs and targets, which may or may not feature a short-term, material link to financial performance.

The types of screening in the PRI Reporting Framework are:

a. Negative/exclusionary screening: The exclusion from a fund or portfolio of certain sectors, companies or practices that are perceived as being in conflict or in contradiction with the spirit of a specific SDG ambition.

b. Positive/best-in-class screening: Investment in sectors, companies or projects selected for positive SDGs contributions relative to industry peers.

c. I) Norms-based screening: Screening of investments against minimum standards of business practice based on international norms. Norms-based screening involves either:

- defining the investment universe based on investees’ performance on international norms related to responsible investment/SDG contributions, or

II) Excluding investees from portfolios after investment if they are found to contravene these norms. Such norms include, but are not limited to, issuance of a sustainability report based on the GRI Standards, the Ten Principles of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, the Universal Declaration of Human Rights, International Labor Organization standards, the UN Convention Against Corruption, the OECD Guidelines for Multinational Enterprises, and the 2015 Paris Agreement. Some investors will seek to encourage companies to outright adopt adherence to norms prior to the screening process.

Integration
Integration of SDG-related information refers to the use of qualitative and quantitative information in investment processes, with the objective of enhancing investment decision making. Integration of sustainability issues can be used to inform economic and industry analysis. It can be used at the portfolio level, by taking into account sustainability related trends such as climate change, or at the stock, bond, issuer, or investee level.

From a portfolio performance perspective, such asset managers are solely interested in SDGs that are likely to play a material role in corporate and stock price performance. To be relevant to this audience, SDG reporting has to make the link between a company’s impact on the SDGs and its competitive position, customer relationships and strategy more generally, and show how these factors interact.

Using concepts already understood by asset managers (such as competitive advantage, market share growth, customer retention, and the benefits of innovation) will appeal to this user group. It will also facilitate the translation of SDG-related information and performance by expert audiences, such as responsible investment analysts employed by asset managers or research organizations, into stories that help portfolio managers who are not explicitly focusing on the SDGs to make sense of current valuation and prospective performance.

A good SDG report contains a balance of short and long-term perspectives on the role that SDG-related targets and ambitions play in corporate performance. It should also focus on those issues that are considered most relevant to strategy, planning and execution at Board level.

Engagement
Engagement refers to interactions between the investor and current or potential investees (which may be companies, Governments, municipalities, etc.) on sustainability issues. Engagements are undertaken to influence (or identify the need to influence) sustainability policies, practices or improve disclosure. Engagement can happen between the asset owner and the investee company or the asset manager (both active and passive managers) and the investee company. These follow slightly different engagement mechanisms and they have different information needs, therefore also different outputs.

Complementary to integration strategies, investors will use SDG-related disclosures to identify risks and opportunities on which they wish to engage with companies. Usually, this engagement is intended to discuss the company strategy or actions and how changes could result in reduced risk to the company. In particular, investors focusing on engagement will need information that helps them understand a company’s strategy around emerging issues as well as the weak spots in performance. Engagement tends to be issue-specific, but investors often need a breadth of information to identify topics for engagement as well as significant depth on those topics of engagement. It is also likely that investors will use engagement to seek more (or
initial disclosure on the SDGs. Management systems and performance results are equally relevant since engagement is typically looking to build capacity and find solutions to address company-specific or sector-specific issues related to the SDGs. If the investor deems an issue to be unresolved, it can lead to engagement-led divestment.

How can investors and reporters align to ensure the success of their engagement efforts?

- The implementation of the dialogue between reporters and investors needs to be fostered by a clear shared understanding of the SDG-related opportunities and challenges at hand
- The resources invested in the engagement must be matched to the scale of the initiative;
- Investors should share with reporters a clear understanding of the ground rules to evaluate the success of their engagement as well as to share results
- Regular communication should be implemented between the responsible investment specialists and the business reporters - through group calls, meetings, road shows and other channels
- Investors need to ensure they understand any trade-offs necessary in the short term to achieve desired long-term impacts and also potential long-term negative impacts and the costs of their avoidance

Understanding how investors use information to inform their decision making should support companies to make their disclosures more relevant and to attract the kinds of investors they seek. Long-term investment will in turn support company objectives and help drive more real-world impact through aligned goals.
In Conclusion

As sustainability reporting grows, both on the demand and the supply side, ensuring data is used and that it addresses investor needs is crucial. This document has hopefully provided insights that can further the level of corporate reporting by showing how the SDGs can be used to communicate the impacts that businesses have on SDG targets and what risks and opportunities exist for business.

With support from organizations like GRI, PRI and the UN Global Compact, companies and the investment community should continue to work and learn together to advance the maturity and best practice of corporate sustainability reporting in support of the SDGs.

This will allow the private sector and investment community to significantly contribute to the 2030 Agenda while opening up a plethora of opportunities that companies and investors – and ultimately all of society – can benefit from.
References

Contributors

About GRI
GRI is an international independent organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. With thousands of reporters in over 100 countries, GRI provides the world’s most trusted and widely used standards on sustainability reporting, enabling organizations and their stakeholders to make better decisions based on information that matters. Currently, over 50 countries and regions reference GRI in their policies. GRI is built upon a unique multi-stakeholder principle, which ensures the participation and expertise of diverse stakeholders in the development of its standards. GRI’s mission is to empower decision-makers everywhere, through its standards and multi-stakeholder network, to take action towards a more sustainable economy and world.

The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.

The Principles for Responsible Investment (PRI)
The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions. The six Principles were developed by investors and are supported by the UN. They are voluntary and aspirational, offering a menu of possible actions for incorporating ESG issues into investment practices. In implementing the Principles, signatories contribute to developing a more sustainable global financial system. More information: www.unpri.org

UN Global Compact
The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks. For more information, follow @globalcompact and visit www.unglobalcompact.org
Acknowledgements

This publication is the result of a collective effort involving many colleagues from GRI, the UN Global Compact and PRI. GRI, PRI and the UN Global Compact would like to thank the many individuals, companies, investors and other organizations that contributed to this publication with the recommendations and feedback they provided during the consultation period. Many of those who provided input are part of the Multi-Stakeholder Advisory Group or are representatives of the Stockholm Declaration signatories. The partners also greatly appreciate the support by the Government of Sweden, who financed this publication through Sida (the Swedish International Development Agency) and the content contribution of the Impact Management Project.

GRI
Eszter Vitorino, Head of Capital Markets Engagement
Frank Bergkamp, Capital Markets Researcher
Julien Parkhomenko, External Affairs and Policy Coordinator

PRI
Mandy Kirby, Director of Reporting, Assessment and Accountability
Kris Douma, Director of Environmental, Social, Governance & Investment Practices
Danielle Chesebrough, Senior Manager of Investor Relations with the UN Global Compact

UN Global Compact
Bernhard Frey, Senior Manager SDG Impact and Reporting
Jerome Lavigne - Delville, Senior Advisor
Laura Palmeiro, Senior Advisor

Disclaimer
This publication is released by GRI, the UN Global Compact and PRI. This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, GRI and the UN Global Compact, their members (if applicable), employees, partners and agents do not accept or assume any liability, responsibility or duty of care for any consequence of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

This material has been financed by the Government of Sweden. Responsibility for the content lies entirely with the creator. The Government of Sweden does not necessarily share the expressed views and interpretations.

Copyright
This document is copyright-protected by Stichting Global Reporting Initiative (GRI) and UN Global Compact and PRI. The reproduction and distribution of this document for information is permitted without prior permission from GRI, the UN Global Compact and PRI. However, neither this document nor any extract from it may be reproduced, stored, translated, or transferred in any form or by any means (electronic, mechanical, photocopies, recorded, or otherwise) for any other purpose without prior written permission from GRI and UN Global Compact.