Sustainable Development Goals reporting and the Social Value International framework

Linking the SDG and SVI approaches

Introduction

This is a short technical paper designed for social impact and sustainability professionals (referred to as 'analysts') looking to monitor, evaluate and report their contribution to the United Nations Sustainable Development Goals (SDGs).

It sets out how organisations who report against the SDGs can develop more confidence that their framework and methodologies are robust, complete and reliable for decision making.

The paper introduces Social Value International's (SVI's) framework of Principles of Social Value that are designed to help organisations produce a 'complete social impact account' or a 'Social Return on Investment' (SROI) analysis (hereon referred to a 'reporting').

It has been written in collaboration between members of the SVI Executive team and EY's Sustainability Services Outcome Measurement team in Australia.

Why is this paper needed?

The SDGs are an issue based agenda launched by the United Nations and adopted by all UN member states in 2015. As the world seeks to unite around these goals the SDGs have gained significant traction from business, funders and charitable organisations across the world. Reporting on SDG performance at an organisation level is typically done by businesses using sustainability and impact reporting frameworks such as GRI reporting, Social or Natural Capital Protocols or issue specific standards like the CDP.

The SVI Framework and specifically the Social Value Principles is an impact focussed approach that enables organisations to create a complete account of social value based on their activities. With the rise in interest in the SDGs and the SVI framework, this is an important document for anyone interested in how an organisation can account for its contribution to the SDGs in a way that is also consistent with the SVI framework. This document hopes to explicitly address the following reporting challenges:

- Completeness: reporting should account for all of the material impacts that are caused by an organisation's activities; positive or negative and intended or unintended. This can be achieved through systematically considering the relevance and significance of each SDG area, or by reporting against all 17 SDGs even where no progress or negative impacts have occurred. The SVI framework will help create this 'complete' account and determine the impacts that matter to all stakeholders. This is a more reliable approach than selecting or 'cherry picking' the SDGs at the start.
- Over-claiming: there may be evidence that an organisation's activities are contributing to some of the SDGs but it is important not to overclaim in the reporting by considering the following factors; double counting (in a causal chain of events), counterfactual (would this impact have happened without the activity?) and attribution or contribution (who else has contributed to these impacts?).
- Assurance: if the social accounts or the 'non-financial information' is to be publicly shared or relied upon by organisations, to make decisions then some assurance or verification is required. This gives confidence that the data collected are robust, complete and reliable for the decisions they are informing.

What are the SDGs and what are they for?

"The Sustainable Development Goals, otherwise known as the Global Goals, are a *universal call to action* to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. These 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another."[1]

The SDGs exist as a 'call to action' or a set of 'development objectives' so they provide a shared set of goals for all organisations and governments to strive towards to achieve a more prosperous and equal world.

[1] United Nations Development Programme (UNDP), 2019, *Sustainable Development Goals*, United Nations Development Programme, viewed 6 June 2019, <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

What is the SVI Framework?

The SVI framework in this document refers to the Principles of Social Value (see figure below) and the stages of completing a social impact or SROI analysis. For more information and guidance on applying this framework read the SVI standards for Social Value Principles and the Guide to SROI[2].

The Principles of Social Value provide the basic building blocks for anyone who wants to understand how their decisions causally link to social value, for example, in order to increase equality, improve wellbeing and increase environmental sustainability. They are generally accepted social accounting principles and are important for accountability and maximising social value.

The Principles have been drawn from other existing principles from sustainability reporting, cost benefit analysis, financial accounting, and evaluation practice. The Principles of Social Value are a framework to follow in order to create a complete account of social value. By complete, we mean that it contains all material outcomes for all stakeholders who are affected by an activity. This 'complete' account is necessary if an organisation wants to make decisions that maximise the value created by its activities, by maximise we mean reduce any negative outcomes and increase the outcomes that can create the most value.

The Principles of Social Value

1. **Involve stakeholders**
   Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.

2. **Understand what changes**
   Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes, as well as those that are intended and unintended.

3. **Value the things that matter**
   Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders' preferences.

4. **Only include what is material**
   Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.

5. **Do not overclaim**
   Only claim the value that activities are responsible for creating.

6. **Be transparent**
   Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported to and discussed with stakeholders.

7. **Verify the result**
   Ensure appropriate independent assurance.

Read our "Seven Principles of Social Value" document to find out more[3]

[2] See Social Value International, 2018, *The Seven Principles of Social Value* and The SROI Network (Social Value International), 2012, *The SROI Guide*, both available at <https://socialvalueint.org/social-value/standards-and-guidance/>

[3] Social Value International, 2018, *The Seven Principles of Social Value*, available at < https://socialvalueint.org/wp-content/uploads/2018/05/Social-Value-Principles-and-Accountability.pdf >

Using the SDGs when reporting for social impact or value

The SDGs are an issues-based agenda and the SVI framework is a method for non-financial accounting.

This section focuses on how to practically apply SVI principles to an SDG report. We will explore each of the social value principles and consider how they might be applied by an organisation looking to perform impact focussed SDG reporting. A comment on how this compares to the SDG framework and typical SDG reporting by organisations is made in each case. A few example case studies from EY advisory and assurance clients are referenced to illustrate how companies can practically report against the SDGs.

Principle 1: Involve stakeholders

The SVI framework requires all stakeholders[4] to be part of the process, including:

- Defining **what** outcomes are relevant and therefore should be accounted for
- **How much** change in each outcome has occurred
- What is the **relative importance** (value) of the different changes in outcomes
- What **contribution** the activity makes to the changes

This principle is one the cuts through all of the other principles and requires that groups of people that often have little or no power are to be included in conversations about social value.

Applying stakeholder engagement to SDG reporting

The SDGs represent a set of priorities that have been defined by global stakeholders. As discussed under Principle 2, they are not always expressed as 'outcomes' but guide organisations in thinking about what activities and impacts are considered important to address to achieve a more sustainable global society.

Principle 1 can support organisations in further translating the SDG agenda into their local context. By engaging with your local stakeholders, especially those directly influenced by your activities, an organisation can map, causally link and prioritise its outcomes to the SDG framework. Organisations that do not engage stakeholders within their sphere of influence may be at risk of giving too much emphasis to areas which are irrelevant to their stakeholders and/or where they create little material impact.

Principle 2: Understand what changes

This principle relates to two stages in the process for accounting for value:

- The first is "Mapping Outcomes" which is about defining **what** the relevant outcomes are that people experience (as a result of the activity being analysed)
- The second stage is "Evidencing Outcomes", which is about quantifying **how much** of each outcome is occurring

What changes?

In the first step of 'defining what the relevant outcomes are' the SVI Framework encourages stakeholders to be involved in describing all the outcomes experienced. This feedback should be analysed qualitatively in a way that includes identifying causal links in a 'chain of outcomes' or 'Theory of Change'. The analyst will need to decide which outcome in the chain is the most important one for the organisation to measure in order to manage its impact. This means identifying the most sustainable and important one (read more about this here[5]).

SDGs and outcomes

The SDGs are action areas that guide policy setting and global development. Outcomes on the other hand describe clearly defined causal changes that are taking place or intended. The SDGs are therefore not an outcome framework.

Even at the target level, SDGs are a mix of outcomes, activities and some issue areas. For example, there are some outcome target examples e.g. 16.5 substantially reduce corruption and bribery in all their forms; and some activity orientated targets, e.g. 8.7 take immediate and effective measures to eradicate forced labour.

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[4] Defined as "those people or groups of people affected or affecting the activity under analysis"
[5] Social Value International, 2018, *Standards on Applying Principle 2: Understand what changes, Part One: Creating well defined outcomes*, available at <https://socialvalueint.org/social-value/standards-and-guidance/standard-on-applying-principle-2-understand-what-changes-part-1/>

Applying change mapping to SDG reporting

One of the SDGs could be an outcome mapped within this 'Theory of Change' however in many instances the SDGs need to be further refined. This is because:

- Many SDGs are not actually defined as outcomes (SDG 9 for example - Industry, Innovation and Infrastructure – is not a change that a person or other entity can experience),
- If they are outcomes (for example, SDG 3, Good Health and Wellbeing) they tend to be too broad to be useful to manage at an organisational level
- Outcomes mapped in your 'Theory of Change' may correspond to multiple SDGs (for example 'appropriate housing' for young mothers may correspond to SDG 1 reduced poverty, SDG 5 Gender Equality and SDG 11 Sustainable Cities and Communities).

Case study 1: Australia Post and SDG mapping

Australia Post was one of the first Australian organisations to embrace the SDGs. The goals form the backbone of its approach to sustainability. Australia Post juxtaposed its value chain with the 17 SDGs and identified those goals it impacts directly and indirectly, whether positively or negatively.

Australia Post's new 2019-2022 Group Corporate Responsibility Plan has outlined a series of '2030 Aspirations' in line with the SDGs that it impacts most directly. For example, they have set a 2030 aspiration for SDG 8 (Decent Work and Economic Growth) to: '*Maintain zero instances of modern slavery in our operations and value chain.*' Over time, the business will explore what more it can do to address all 17 goals.

The SVI framework guides analysts in defining outcomes at a level which is useful and meaningful for organisational reporting. Once an outcome has been established in a way that is consistent with the SVI Framework (see both standards on involving stakeholders and creating well-defined outcomes) the *analyst could see which SDG(s) the outcome most closely relates to and 'tag' or link the outcome back to the SDG framework*.

How much of each outcome is occurring?

The second step of understanding change relates to determining the amount of change for each outcome. The SVI Framework encourages bespoke *outcome* indicators, the emphasis is on selecting indicators which demonstrate clear causal relationships between their activities and the outcomes. For example, an organisation that reduces corruption in the agricultural sector through mobile blockchain tools, may have an indicator relating to the number of completed transactions using the app, or % of payments received by smallholder farmers.

Determining the amount of SDG change created

The SDGs do have some recommended indicators by the UN Statistics Division that help governments track total progress towards goals. However, these are orientated around country-level reporting and are unlikely to be suitable for the outcomes identified through the SVI framework.

The importance of sound data and metrics underpinned the adoption of SDGs as a global agenda. The 17 goals and the accompanying 230+ recommended indicators track performance using national populations or boundaries as parameters.

Organisations wanting to report on their SDG contributions will find the official indicators difficult to apply within their sphere of influence. For example, SDG 8, Decent Work and Economic Growth, includes the indicator "percentage of the adult population with access to bank accounts or mobile money services". The contribution of any singular bank, financial literacy program or mobile money service is difficult to ascertain when using indicators at this scale.

Principle 3: Value what matters

This principle is about establishing the relative importance of the changes in outcomes. It is necessary to produce an account of value that can be used to inform decisions about how to optimise social value. It also relates to part of stage 3 which is called "evidencing outcomes and giving them a value".

Valuing what matters and SDG reporting

The SDGs have no relative importance or 'weighting'. As a global agenda or framework of issues all 17 are considered to be of equal importance. Organisations therefore need to identify and rationalise which SDGs are most valuable to their stakeholders. Many private entities use a business lens to determine where shared social value can be created. This is different however to the SVI framework approach of establishing which outcomes (and associated SDGs) are most valuable or important to those most affected by their organisation's activities.

Principle 4: Only include what is material

The SVI framework encourages analysts to consider all outcomes that occur as a result of an organisations' activities. The materiality principle then ensures that only the outcomes that are sizeable and relevant to activities and stakeholders are then selected to include in reporting. In practice there are two screens/tests for materiality. Outcomes are assessed:

- On their relevance (at the mapping stage)
- On their significance (after stages of evidencing outcomes, valuing and assessing impact).

Outcomes, when being identified and considered for reporting need to pass a judgement by the analyst as to whether the outcome is relevant to the activity being analysed. If it is relevant then it will be tested for significance which means data on the

- Quantity
- Value
- Causation
- Duration

of each outcome must be collected. This quantitative data should be considered together to determine whether the outcome is significant. Only outcomes that are relevant and significant are to be included in reports.

Applying materiality to SDG reporting

Organisations use a variety of prioritising approaches when selecting SDGs to report upon. Some methodologies such as combining SDG reporting with the GRI framework also entail a materiality phase. Where this doesn't happen, there is a risk of organisations cherry picking goals that are easy to report against, that are most expedient to business interests or which present the organisation in the most positive light.

The SVI framework is distinct in that it requires a broad range of stakeholder engagement to determine where an organisation is or could be making the most material change. This enables businesses to maximise their positive contribution to the SDGs and minimise any unintended negative impacts.[6]

Case study 2: Health & Happiness Group

Health & Happiness (H&H) reported on 22 individual sustainability topics and mapped its ability to impact the SDGs against these in their 2017 Sustainability Report.

Within the materiality process, significance of impact was measured in three ways:

1. The alignment of a material issue to a targeted SDG
2. The operating region's progress against the targeted SDG (the need)
3. The ability of H&H to materially contribute towards achieving the SDG

These steps were important to ensure the company was only including what was material, and not overclaiming the impact of its activities.

Principle 5: Do not overclaim

This principle is part of the SVI framework to ensure that an account of social impact (or value) only includes the additional value that the activity is creating. Applying the principle requires the analyst to ask, 'would these changes in outcomes have happened without our activities?' and 'who else has contributed to these changes?'.

Overclaiming and the SDGs

The SDGs do not provide a methodology for calculating additionality or contribution. While there are some specific indicators and acknowledgements of spill over effects for countries there is very little guidance for organisations looking to account for their share of SDGs that are socially focussed[7]. The SVI framework is a valuable tool for organisations to therefore quantify and manage their impact using evaluative concepts of deadweight, attribution and displacement.

Principle 6: Be transparent

This principle is about reporting openly and honestly about the processes that have taken place to produce reports and accounting for the quantity or contribution. It also relates to being transparent about the professional judgements that have been made and citing any other data sources used.

Applying transparency to SDG reporting

The UN encourages SDG reporting using established reporting standards which typically cover the need for clear and consistent data, and analysis which can be traced by users[8]. This aligns with the SVI guidance around transparency.

Principle 7: Verify the result

The SVI framework is an accountability framework and therefore verifications of the results are very important and verification should be provided by the stakeholders who have provided data and contributed to the account.

Verifying your SDG reporting

Like reporting standards around Principle 6, the UN encourages larger organisations that are reporting on their contributions to seek assurance or outline verification procedures to guarantee reporting validity. The key difference with SVI reporting is that this verification needs to include wider material stakeholders alongside internal and external impartial auditors.

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[6] See more details on H&H's sustainability work: Health and Happiness (H&H) International Holdings Limited, 2017, *2017 Sustainability Report*>

[7] SDG 13 on climate action and other environmental SDGs can be reported on using more standardised techniques for accounting organisation's share or contribution to the environmental impact.

[8] GRI and United Nations Global Compact, 2018, *Integrating the SDGs into Corporate Reporting: A Practical guide*, Business Reporting on the SDGs, available at <https://www.globalreporting.org/resourcelibrary/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf>

Case study 3: ANZ SDG Bond Issuance

In 2018, ANZ issued the second ever SDG Bond globally. This bond raised €750 million to fund ANZ loans and expenditures that directly promote nine SDGs:

- Good health and well-being
- Quality education
- Clean water and sanitation
- Affordable and clean energy
- Industry, innovation and infrastructure
- Reduced inequality
- Sustainable cities and communities
- Responsible consumption and production
- Climate action

The ANZ SDG Bond Framework was developed in line with the Green and Social Bond Principles, and the Sustainability Bond Guidelines. This included identifying SDG indicators to assist with the application of bond proceeds to appropriate assets, and associated impact reporting.

EY teams provided pre-issuance assurance to ANZ over this SDG Bond to ensure that the product could be presented with confidence to investors. This included providing an independent opinion over the assets having "sustainable outcomes" as defined in the Framework.

For the first anniversary of the SDG Bond, EY re-assured the use of proceeds, and that the data that has since been provided in ANZ's first SDG Bond Impact Report was accurate and in line with the impact metrics indicated in the Framework.

Conclusion

The SDGs are designed as a set of shared issues to drive a sustainable agenda. The goals, targets and indicators have been designed for nation or country level reporting with national or global populations in mind.

Organisations can use a number of reporting frameworks and business tools to incorporate SDG reporting and select indictors which are of an appropriate scale and consistency.

The SVI framework and principles are an excellent option for organisations that wish to monitor and manage their contribution especially to socially orientated indicators, and for incorporating the concerns and perspectives of their directly influenced stakeholders.

The SVI framework may protect organisations from:

- Cherry picking SDGs to report against
- Defining their reporting areas (SDGs) at a level that is too broad or mixed to be useful for management
- Investing resources in pursuing impact in areas which their stakeholders do not value

This paper shows how the SVI framework can be applied to SDGs reporting. The recommendation is to follow the SVI framework in producing an account of all material social outcomes caused by your business activities. Once complete, this account can be mapped against the most appropriate SDGs and statements can be made about how a business is creating impact/value and how it is contributing to the global goals.

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Social Value International

About Social Value International

Social Value International is the global network focused on social impact and social value. Our members share a common goal: to change the way society accounts for value. Social Value International works with our members to embed core principles for social value measurement and analysis, to refine and share practice, and to build a powerful movement of like-minded people to influence policy.

This pioneering community contains members from 45 countries, drawn from a huge range of different sectors and disciplines.

Our goal at Social Value International is to support, connect, and represent our members through training, knowledge-sharing and networking. Social Value International is much more than a professional network. Together, we are building a movement for change.