

Response to the Australian Senate Enquiry on the SDGs – Professor Carol Adams PhD CA FAICD

This response has been prepared by Professor Carol Adams. Professor Adams is a Professor of Accounting at Swinburne Business School and Durham University Business School in the UK. Reference to research of colleagues at Swinburne Business School have been made in consultation with them.

Professor Carol Adams' research (Adams, 2017a)¹ explores how corporate Non-Executive Directors are approaching sustainable development issues in long term strategy to create value². The work formed the basis for the development of a five-step approach to contributing to the SDGs set out in a report (Adams, 2017b)³ published by the International Integrated Reporting Council (IIRC) and Institute of Chartered Accountants of Scotland (ICAS). In his Foreword to the report Lord Malloch Brown⁴ states: "...this report... helps organisations to provide information that will support the reallocation of capital required to achieve the SDGs... and can play a role to help organisations actively consider their strategy and risks and opportunities in the context of the SDGs, encouraging innovation, harnessing technologies."

During 2018 Adams is working with Associate Professor Subhash Abhayawansa at Swinburne Business School to interview corporate CFOs to examine: how companies consider sustainable development issues and the SDGs in developing corporate strategy and in capex and management decision making; and, how they view their role in enabling corporate engagement with SDGs. The research will also examine what new information and analysis is needed for decision making in light of the sustainable development issues which the SDGs address.

Abhayawansa is working on a project with Dr Dina Wahyuni which examines engagement with the SDGs by Australian public sector entities. More specifically, the study examines Australian Commonwealth entities' performance against the SDGs and how their engagement with SDGs affects and is affected by measurement, management, reporting and accountability practices of these organisations⁵.

Responses to the [TORs](#) of the Senate Enquiry on the United Nations Sustainable Development Goals (SDG) are as follows:

a. the understanding and awareness of the SDG across the Australian Government and in the wider Australian community;

Whilst understanding and awareness of the SDGs across the Australian Government and in the wider Australian community is greater than it was for the Millennium Development Goals, it is not where it needs to be to ensure their achievement. In particular, senior leaders in public and private sector organisations which either impact on, or could contribute to achievement of the SDGs, have insufficient knowledge with regard to the implementation of change towards sustainable development including the benefits of doing so.

¹ Adams, CA, (2017a) Conceptualising the contemporary corporate value creation process, *Accounting Auditing and Accountability Journal* 30 (4) 906-931 <http://dx.doi.org/10.1108/AAAJ-04-2016-2529> Read [here](#)

² See footnote 1 above.

³ Adams, C A (2017b) *The Sustainable Development Goals, integrated thinking and the integrated report*, IIRC and ICAS. ISBN 978-1-909883-41-3. Read [here](#).

⁴ Lord Malloch-Brown is [Chair](#) of the Business and Sustainable Development Commission and a former Deputy General Secretary of the United Nations.

⁵ The project is funded by the Accounting and Finance Association of Australia and New Zealand (AFAANZ).

Corporate Australia has significant potential to assist the Australian Government in meeting its SDG commitments and I urge the Senate Enquiry to consider and harness this potential. There has been significant private sector interest in fruitful approaches to the SDGs from companies, pension funds, asset managers, business and industry associations, large consultancies, global not-for-profit and intergovernmental organizations and accounting professional bodies and standards setters. Adams is collaborating with a number of these sectors/organisations to develop approaches to strategy, reporting and governance which encompass the SDGs.

Adams (2017b) report was launched in Melbourne and Sydney in December 2017 at events hosted by the Chartered Accountants of Australia and New Zealand bringing the SDGs to the attention of the finance sector. It includes a five-step approach which involves considering material sustainable development issues which may present risks or opportunities and which are material to value creation. The approach leads to the development of a strategy to contribute to the SDGs which is aligned with an organisation's overall strategy. The approach influenced the award winning [Annual Integrated Report 2017](#) of Cbus Superannuation Fund. This is significant because long term investors like Cbus have an influence on the companies they invest in.

The report (Adams, 2017b) has been referenced in [Board Papers](#) of the International Accounting Standards Board (IASB) in their consideration of wider corporate reporting and a revision of their Management Commentary Practice Statement. The IASB Board papers also reference the recommendations of the Financial Stability Board's Task force of Climate-related Financial Disclosures (TCFD) which are critically important to ensuring that capital market investment is aligned to achieving the SDGs⁶.

Adams and Abhayawansa current project examines corporate strategy and reporting on companies' engagement with SDGs. During 2018 they will interview corporate Chief Financial Officers (CFOs) and management accountants about their perceived role in enabling corporations to engage with the SDGs and how the SDGs are being considered in corporate decision making. The findings of this study are expected to shed light on the current level of understanding of the SDGs of the Australian corporate sector which has a significant role to play in the achievement Australia's commitment to the SDGs.

With regard to the public sector, a study currently being conducted by Abhayawansa and Wahyuni analyses the content of SDG related disclosures of 140 Australian Commonwealth Entities. The analysis will highlight the current level of awareness of and engagement with SDGs and the SDGs currently being addressed and not adequately addressed by these entities. A series of interviews are to be conducted in 2018 with Heads and Chief Financial Officers of Australian Commonwealth entities for a deeper understanding of engagement with SDGs among the Australian public Sector.

b. the potential costs, benefits and opportunities for Australia in the domestic implementation of the SDG;

The benefits and opportunities for businesses are significant. Businesses which set out to contribute to the SDGs through their mission and strategy stand to gain a competitive advantage in developing products, services and processes fit for future challenges. The increasing interest in the SDGs by long term investors also means they have increased access to patient capital. Conversely there are

⁶ This has been emphasised in evidence given to the [Green Finance Inquiry](#) of the British Government's Environmental Audit Committee and the [report](#) of the EU's High Level Group of Experts on Sustainable Finance.

significant potential long-term risks to businesses which do not respond. Nevertheless, research demonstrates that intervention is needed to counter the short-term focus of markets if businesses are to reap long term benefits and contribute to Australia's commitment to the SDG. This was the purpose of the five-step process in Adams' (2017b) report⁷ which guides private and public sector organizations in identifying risks and opportunities arising from the SDGs.

Research interviews to be conducted by Abhayawansa and Wahyuni with the Heads and CFOs of Australian Commonwealth entities and by Adams and Abhayawansa with CFOs and management accountants of Australian multinational corporations will identify the potential costs, benefits and opportunities associated with the implementation of the SDGs in the public and private sectors.

c. what governance structures and accountability measures are required at the national, state and local levels of government to ensure an integrated approach to implementing the SDG that is both meaningful and achieves real outcomes;

National, state and local governments should be required to report on their material contributions to the SDGs and their material negative impacts on the achievement of the SDGs. They should not be required to report against all SDG targets, but rather set out the process by which they determine which SDG targets they most significantly impact – positively or negatively. The approach could follow Adams (2017b)⁸ five-step approach adapted as needed for different levels of government.

Training will need to be provided in order to inform public sector leaders on how to align contribution to the SDGs with strategy, planning and resource allocation and in order to help them identify the opportunities which arise from doing so.

The interviews to be conducted by Abhayawansa and Wahyuni will reveal the governance structures and accountability measures implemented by Australian Commonwealth entities to ensure an integrated approach to implementing the SDG that is both meaningful and achieves real outcomes.

d. how can performance against the SDG be monitored and communicated in a way that engages government, businesses and the public, and allows effective review of Australia's performance by civil society;

At an individual government department / organization level this can be achieved by: (reporting on the process of) identification of SDG targets on which a material contribution can be made or on which a material negative impact is being made; identification of relevant UN SDG targets and the setting of individual organization/government department targets to contribute to them; reporting performance against these targets; and, reporting on the governance processes to ensure that contribution to the SDGs is incorporated into strategy, planning and resource allocation (See Adams, 2017b report⁹).

The study by Abhayawansa and Wahyuni will provide information on how the performance of Australian Commonwealth Entities is currently monitored and communicated. The interviews to be conducted by Adams and Abhayawansa with CFOs of corporations will reveal how companies are accounting for and reporting on their engagement with the SDGs.

⁷ See footnote 3 above

⁸ See footnote 3 above

⁹ See footnote 3 above

- e. what SDG are currently being addressed by Australia's Official Development Assistance (ODA) program;**

This question is best addressed by DFAT.

- f. which of the SDG is Australia best suited to achieving through our ODA program, and should Australia's ODA be consolidated to focus on achieving core SDG;**

This question is best addressed to DFAT and its key stakeholders (through DFAT) – or by engaging academics to review the ODA program and advise.

- g. how countries in the Indo-Pacific are responding to implementing the SDG, and which of the SDG have been prioritised by countries receiving Australia's ODA, and how these priorities could be incorporated into Australia's ODA program; and**

Recommend that a review is conducted to determine priority SDGs for the ODA program and the countries it operates in. Performance against those priorities could be assessed and remedial action taken where needed in future funds' allocation.

- h. examples of best practice in how other countries are implementing the SDG from which Australia could learn.**

The Global Reporting Initiative, its partners (including the UN Global Compact and the World Business Council for Sustainable Development) and the Climate Disclosure Standards Board are working to increase corporate take up of the SDGs and the recommendations of the Task force on Climate-related Financial Disclosures.

A number of countries/regions are focusing attention on increasing corporate disclosure and initiatives and making finance available for the achievement of the SDGs – for example, the [Green Finance Inquiry](#) of the British Government's Environmental Audit Committee and the [report](#) of the EU's High Level Group of Experts on Sustainable Finance. China has been hailed as a global leader in [green finance](#).

The British Government's Department for International Development set out its approach to achieving each SDG in [Agenda 2030: The UK Government's approach to delivering the Global Goals for Sustainable Development - at home and around the world](#). It includes limited reference to corporate (reporting) requirements. It also does not address cross cutting opportunities to make progress on multiple SDGS – for example, through school and university education, university research and by influencing the training provided by professional bodies related to accounting, law, engineering etc.

A coordinated approach which recognizes the interdependencies across the SDGs and which addresses key catalysts for change (such as education and finance) is needed.