Research Report

SDG Measurement and Disclosure By ASX150

Global Compact Network Australia

RMIT UNIVERSITY

Contributors

About the UN Global Compact and Global Compact Network Australia

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption. Launched in 2000, the mandate of the UN Global Compact is to guide and support the global business community in advancing UN goals and values through responsible corporate practices. With more 10,000 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks, it is the largest corporate sustainability initiative in the world

In Australia, the business-led Global Compact Network Australia (GCNA) brings together participants to the UN Global Compact, including a number of Australia's leading companies, civil society organisations and universities in a platform for dialogue, learning, influence and action that is practical and leading edge. We guide businesses on how a principles-based approach to doing business by advancing the Ten Principles and the contributing to the UN Sustainable Development Goals (SDGs) drives long-term business success.

Through our significant partnership with the Department of Foreign Affairs and Trade (DFAT) and our broader relationship with the Australian Government on private sector engagement, we also provide a leading platform for business-government engagement on policy development in corporate sustainability.

About RMIT University

RMIT is a global university of technology, design and enterprise. One of Australia's original tertiary institutions, RMIT University enjoys an international reputation for excellence in professional and vocational education, applied research, and engagement with the needs of industry and the community. RMIT is a world leader in Art and Design; Architecture and the Built Environment; Engineering; Accounting and Finance; and Business and Management Studies. https://www.rmit.edu.au/

Corresponding author

Professor Nava Subramaniam
School of Accounting,
RMIT University Building 80, 445 Swanston Street, Melbourne Victoria 3000
E: n.subramaniam@rmit.edu.au

Legal Notice

E book version: SDG Measurement and Disclosure by ASX150: Research report ISBN: 978-1-922016-61-4
Paperback version: SDG Measurement and Disclosure by ASX150: Research report ISBN: 978-1-922016-62-1

October 2019

CONTENTS

Figures

FOREWORD

The 2030 Agenda for Sustainable Development, agreed to by all 193 Member States at the United Nations (UN) in 2015, culminated in 17 Sustainable Development Goals (SDGs). These Goals not only reflect global sustainable development priorities, but also lend themselves as an overarching framework for companies to shape business strategies that are aligned with the SDGs.

While the business case for sustainability is widely acknowledged, how businesses approach the SDGs and account for their impact on sustainable development remains unclear. Such information is important for a variety of stakeholders such as shareholders, investors, regulators, government, and civil society – who share interests in understanding which industries and business models have the greatest synergies with specific SDG targets.

This research report provides an analysis on how the SDGs are measured and disclosed in their annual and/or sustainability reports by the top 150 Australian public-listed companies (ASX150) (by market capitalisation, as at 1 July 2019). The Report is a collaboration between RMIT University and the Global Compact Network Australia (GCNA) where the overarching aim is to contribute to the conversation about how Australian companies can make meaningful progress towards the achievement of the SDGs. Data analysis was led by the RMIT University research team.

Readers of this report will learn how some of the largest Australian companies are acknowledging the SDGs, disclosing their commitment and prioritising the SDGs, aligning the SDGs with their business strategies, and their use of the SDG targets and indicators in performance measurement. We also identified the top 20 ('Top20') performing companies within ASX150 in terms of their awareness and commitment to the SDGs, and the quality of SDG measurement and reporting practices; noting that this insight was only with relation to the information contained in their annual / sustainability reports.

As reporting on the SDGs is relatively new, the insights from this study will help to lay the foundation for future research to benchmark progress made by Australian companies and foster good business reporting and accountability towards the SDGs. The findings of this study are envisaged to increase awareness and stimulate debate among businesses, government and regulatory agencies, civil society members, and other stakeholders on sustainable development and the SDGs.

We would also like to thank the GCNA for their financial support of this project, particularly Kylie Porter and Corinne Schoch for their invaluable insights and assistance in this project.

On Behalf the RMIT Research Team

Nava Subramaniam

RMIT University Research team

Prof. Nava Subramaniam
Dr. Renzo Mori Jr.
Dr. Suraiyah Akbar
Dr. Sophia Ji
Dr. Hui Situ.

KEY FINDINGS

37% OF THE ASX150

COMPANIES MENTION SDGS

THE THREE MOST COMMON SDGS PRIORITISED ARE:

- 8 DECENT WORK AND ECONOMIC GROWTH
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

THE THREE LEAST COMMON SDGS PRIORITISED ARE:

- 1 NO POVERTY
- 2 ZERO HUNGER
- 14 LIFE BELOW WATER

38 companies report SDG prioritisation

25%

There are sectoral differences in how the SDGs are prioritised. The material, financial and industrial sectors more actively mention and prioritise SDGs

18%

of companies disclose integration with business strategy

SDGs are mentioned in either the Chair or CEO reports in

11%

of the companies

The vast majority of companies have set and aligned targets only at the goal level

Only four companies have aligned their targets with SDG targets and indicators

3%

BACKGROUND

The resolution also culminated in 17 SDGs which include:

The 2030 Agenda for Sustainable Development

In 2015, the United Nations (UN) passed a resolution titled *'Transforming our World: the 2030 Agenda for Sustainable Development'* with the UN member states declaring:

> **"We resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities."**

While the SDGs were agreed to by all 193 member states, their success is dependent on the actions and collaboration between various other organisations and actors.[1] It is widely acknowledged that the private sector will be one of the most significant sources of resources, action and technical capacity relied upon to achieve the SDGs.

Businesses play a critical role in achieving sustainable development through responsible business operations, developing innovative business models, investments in sustainable technology, and more. The Australian Government's Senate Inquiry into the United Nations SDGs stated in its 2019 report, among other things, the need to increase awareness of SDGs among corporates, enhance reporting while keeping costs of doing so minimal.[2] It also recommended that policies and guidelines be developed on how to report against the SDGs in a transparent and streamlined way to reduce the burden of additional reporting and reduce the risk of superficial adoption of SDG language.

1. For more information: www.sdgs.org.au
2. For more information: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/SDGs/Report

RESEARCH OVERVIEW

The present study assesses the extent to which the top 150 Australian Securities Exchange companies (ASX 150) by market capitalisation (as at 1st July 2019)[3] are integrating and disclosing their uptake of the SDGs in their business strategies and annual reporting processes.

Data analysis is based on an analysis of the content of annual reports, and separate sustainability and integrated reports of the ASX150 with the year ending 31 December 2018. The analysis aimed to identify systematic patterns in SDG measurement and reporting by the ASX150, including their awareness, commitment, and coherence in the integration and measurement of the SDGs with their business activities and performance.

Presently, there is no specific benchmark that has been widely accepted as a standard for SDG reporting. There have been several Initiatives and guidance papers developed to help establish clear and consistent reporting on business approaches to SDG measurement and reporting. Most notable are, the SDG Business Compass Guide[4] and the Business Reporting on the SDGs[5] guide both of which were created by the UN Global Compact in collaboration with the Global Reporting Initiative (GRI). For the purposes of this research, we drew on the insights from the following three recent studies:

1. '*SDG Reporting Challenge*' by PricewaterhouseCoopers (PWC, 2018) that involved 729 companies from 21 countries and territories and six broad industry sectors;[5]
2. '*How to Report on the SDGs*' by KPMG (2018) where the sample was the world's 250 largest companies by revenue based on the Fortune 500 rankings (the G250);[6] and
3. '*ASX 20 Disclosures on the Sustainable Development Goals*' by Think Impact (2018) that examined the largest 20 Australian publicly listed companies (by market capitalisation) with a 2017 year end.[7]

In order to assess the extent of the measurement and disclosure of the SDGs by all companies, we established a coding list comprising 13 criterion items, which are grouped under the following three areas:

Awareness and Commitment to the SDGs:
Which involves five criterion items pertaining to whether there was (i) mention or acknowledgement of the SDGs in either the annual or sustainability reports; (ii) mention or acknowledgement of the SDGs in the Chair or CEO message; presence of governance oversight mechanisms for the SDGs, namely (iii) board or (iv) sustainability committee; and (v) prioritisation of the SDGs;

Integrating SDGs into Strategic Materiality Analysis:
Which encompasses three criterion items on the integration of SDGs in (vi) materiality assessment or mapping exercise, (vii) use of materiality matrix, and (viii) stakeholder engagement;

SDGs and Performance Measurement:
Which comprises five criterion items on the extent to which SDGs are mapped or linked with (ix) business performance targets and (x) indicators; (xi) historic performance data demonstrating SDGs contributions; and whether performance outcomes of the company are directly associated with (xii) the SDG targets and (xiii) with the SDG indicators.

A score of one was provided If the criteria item existed or was met, and zero if absent or not met.

3. See: https://www.asx200list.com/
4. See: https://sdgcompass.org/wp-content/uploads/2016/05/019104_SDG_Compass_Guide_2015_v29.pdf
5. See: https://www.pwc.com/gx/en/sustainability/SDG/sdg-reporting-2018.pdf
6. See: https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/02/how-to-report-on-sdgs.pdf
7. See: https://www.thinkimpact.com.au/wp-content/uploads/2017/12/Think-Impact-SDG-report-2017_27112017.pdf

RESEARCH FINDINGS

Top Twenty Performing Companies on the Measurement and Reporting of The SDGs

The top twenty (Top20) companies within ASX150 that performed very well in terms of their measurement and reporting of the SDGs are listed below. The assessment was based on the 13-item coding list developed for this study as described under the preceding section titled 'Research Overview'. The total market capitalisation of the Top20 companies is 32.39% of the ASX, with half the companies from the financial and industrial sectors.

Among these Top20 performing companies, there were many good examples of SDG measurement and disclosure practices. We present several of these as illustrative examples within the report. Further, we also present a larger case analysis of the Transurban Group with various highlights of key features representing good SDG measurement and reporting practices. Further analysis of the Top20 performing companies are provided on (pages X to Y).

32%

The total market capitalisation of the Top 20 companies

17

OUT OF THE TOP 20 COMPANIES

has sustainability committee

14

OUT OF THE TOP 20 COMPANIES

has one or more board members explicitly identified as being responsible for Sustainability

Top 20 Performing Companies:

AGL Energy Limited

Amcor PLC

ANZ Banking Group Limited

Aurizon Holdings Limited

Brambles Limited

Downer Group

Fortescue Metals Group Limited

Goodman Limited

Insurance Australia Group Limited

National Australia Bank

Northern Star Resources Limited

QBE Insurance Group Limited

Rio Tinto Limited

Sydney Airport

Telstra Corporation

Transurban Group

Westpac Banking Corporation

Woodside Petroleum Limited

Woolworths Group Limited

Worley Parsons Limited

16

OUT OF THE TOP 20 COMPANIES

have their sustainability reports or Integrated reports assured (mainly by the Big 4)

13

OUT OF THE TOP 20 COMPANIES

mentioned SDGs in CEO/ Chairman letter

SDG AWARENESS AND COMMITMENT

The contributions of businesses to the SDGs depends upon their awareness of the SDGs, and their willingness to commit and mould their actions in alignment with the SDGs. Companies can use the SDGs as a framework to formulate and report on their sustainability goals, strategies, and activities. The SDG Compass suggests companies align with the SDGs to set more meaningful goals and to communicate more effectively about commitment to sustainable development.[6]

SDG Acknowledgement in Reports

Reporting on the SDGs is relatively new to businesses and while there is no widely accepted framework or standard for SDG reporting, according to the 2017 *KPMG Survey of Corporate Responsibility Reporting,* business interest in the SDGs has grown quickly since their introduction in 2015. Likewise, the Better Business Better World report by the Business & Sustainable Development Commission predict an estimated US$12 trillion in market opportunities arising from the meeting the SDGs in four economic systems: food and agriculture, cities, energy and materials, and health and well-being.[7] It is also contended that such opportunities can be realised only if partnerships between business, government, and civil society are revitalised and strengtehend. Thus, companies may increasingly be expected to reference the SDGs in their corporate annual and sustainability reports.

Our analysis in this study shows that 56 (37%) of the ASX150 companies mentioned the SDGs in their corporate and sustainability reporting. While the KPMG survey (2018) found 40% of the G250 to mention the SDGs, the study by PwC (2018) involving 729 global companies revealed 72% of companies had mentioned the SDGs.

Analysis at the sub-sector level reveals that most of the companies that mentioned the SDGs in the present study are from the Consumer, Telecommunications, or Materials sectors. Please see Figure 1 for the full list of Global Industry Classification Standards (GICS), jointly developed by S&P Dow Jones Indices and Morgan Stanley Capital Investment, and adopted by the ASX.[8]

Figure 1: Global Industry Classification Standards (GICS)

Sector	Industry Group
Energy	Energy
Materials	Materials
Industrials	Capital Goods
	Commercial & Professional Services
	Transportation
Consumer Discretionary	Automobiles & Components
	Consumer Durables & Apparel
	Consumer Services
	Media
	Retailing
Consumer Staples	Food & Staples Retailing
	Food, Beverage & Tobacco
	Household & Personal Products
Healthcare	Health Care Equipment & Services
	Pharmaceuticals, Biotechnology & Life Sciences
Financials	Banks
	Diversified Financials
	Insurance
Information Technology	Software & Services
	Technology Hardware & Equipment
	Semiconductors & Semiconductor Equipment
Telecommunication Services	Telecommunication Services
Utilities	Utilities
Real Estate	Real Estate

6. See: SDG Compass, 2015, p.16. https://sdgcompass.org/wp-content/uploads/2016/05/019104_SDG_Compass_Guide_2015_v29.pdf
7. See: http://report.businesscommission.org/report
8. See: https://www.asx.com.au/products/gics.htm

Tone at the Top

The 'tone at the top' plays a critical role in setting the values and norms for a company, including its sustainability agenda and the risks and opportunities that the SDGs present. The mention of the SDGs in the Chair or CEO message is an avenue through which readers may learn directly from senior leadership about the company's stance on the SDGs. Such references may involve mere recognition and support statements, or more in-depth explanations on the company's approach to sustainable development and how selected or all SDGs are aligned with the business strategies.

In this study, we find that of the ASX150, only 17 (11%) messages from the Chair or CEO mention the SDGs. This is lower than that reported by the PwC study where 19% of CEOs/Chairs were found to mention the SDGs, and double that proportion (39%) was found in the KPMG study of the G250.

Does the company mention SDGs?

Yes 37%

No 63%

We also found that in the majority of the cases (i.e. 13 companies (76%)) the Chair or CEO's message involves a simple acknowledgement or support of the SDGs such as 'As a global company, (our) core businesses are aligned with the United Nation's SDGs'. In four companies, the Chair or CEO's message mentioned specific SDGs and provided expanded explanations of the importance of selected SDGs to the firm's business areas and programmes which might demonstrate a stronger level of awareness and support of the SDGs. It might also be that a mention of the SDGs is driven by the requirements of being a UN Global Compact participant whereby the CEO of the organisation needs to restate the commitment of the company to the Ten Principles of the UN Global Compact. Nonetheless, the low number of Chair or CEO messages (11%) entailing SDG mention signals this as an area for further study including processes around the annual and sustainability reporting.

A final observation is that a variation exists across the other Chair or CEO messages where the SDGs are specifically mentioned. For example, the CEO of Transurban calls out six priority SDGs in their message while nine in total are mentioned in their sustainability report. The CEO message from Westpac Banking Corporation mentions only SDG 17 Partnerships for the Goals, but other priority SDGs are discussed in the main body of the report. Ansell's CEO message lists 10 prioritised SDGs for the company. Within the main body of the report, the 10 SDGs are also identified selectively with projects and initiatives presented under the following key sustainability focal areas: climate and resource efficiency, philanthropy, business ethics, disaster preparedness and response, labour practices, talent development and recruitment, stakeholder engagement, and health and safety. Whilst formal accounts from Chairs and CEOs on the stance of the company on the SDGs is informative and desirable, companies might consider how they can make the CEO's/Chair's mention of the SDGs more authentic and reliable.

SDGs are mentioned in either the Chair or CEO reports in

11%

of the companies.

Governance Oversight

A signal of commitment by a company to the SDGs is the presence of clear governance structures and mechanisms to oversee the SDGs. These might include: an oversight committee or business unit who is responsible for sustainability and/or the SDGs; having a board committee, or specific board member, who is responsible for the oversight of the sustainability agenda of the company and/or the SDGs; having a board member with specific sustainability/SDG knowledge or expertise; and/or including the SDGs as part of the sustainability assurance scope.

Of the ASX150, 62 (41%) companies identified having a distinct sustainability oversight governance structures or mechanisms such as board members with specific oversight responsibility for sustainability, a sustainability committee or departments such as a corporate responsibility department. However, only two (1%) of those companies disclosed that the SDGs were explicitly identified as part of the oversight duties of a committee. While we acknowledge that companies may already be implicitly considering the SDGs in their overall approach to sustainability, a more transparent disclosure of their interest and governance over measuring and reporting the SDGs is likely to enhance corporate accountability and transparency.

The illustration shown (next page) on Westpac Banking Corporation outlines how disclosure on the governance structures and processes around sustainability can be made explicit and thus signal commitment to the SDGs.

1%

of the ASX150 companies identified a specific section or committee to oversee SDG matters

> **"Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results."**

Ban Ki-moon, Former United Nations Secretary-General

ILLUSTRATION

WESTPAC GROUP BANKING CORPORATION

Background: Westpac is one of four major banking organisations in Australia and one of the largest banks in New Zealand. They provide a broad range of banking and financial services in these markets, including consumer, business and institutional banking and wealth management services with over 13 million customers.

Notable Features: The 2018 Westpac Group Sustainability Performance Report contains details of the Board and the high-level committees relating to sustainability. As shown in Figure 2 (right), a clear depiction is made as to how the sustainability governance framework of the Westpac Group underpins the delivery of their sustainability agenda, starting with the Board and flowing to committees across the organisation.

The 13-member Board comprises of two directors who have designated oversight duties of over corporate affairs and sustainability. Further, the Board has three external groups that they consult: an Indigenous advisory committee, the Stakeholder Advisory Council, and New Zealand (NZ) external panel. The Board also consults with three internal councils: the Sustainability Council, the Inclusion and Diversity Council, and the NZ Sustainability Business Steering Committee.

The Westpac Sustainability Council, comprising senior leaders from across the business, meets four times a year and oversees strategic progress and guides the approach of the Group.

The Sustainability Strategy is reported to and discussed with the Executive Team and Board twice each year. These councils are also supported by divisional committees and working groups from across Westpac including, for example, the Climate Change Risk Committee and Human Rights Working Group.

Prima facie, while these numerous structural units appear complex, Westpac showcases how governance structures can help in a coordinated manner to identify and action on the 10 different priority goals as specified in their 2018 Sustainability Performance Report. Having a good governance structure was also espoused to be important in identifying material issues of concern to key stakeholders, as well as demonstrating transparency in their reporting.

Figure 2: 2018 Westpac Group Sustainability Performance Report (Section 4, page 61):
2018 Westpac Group Sustainability Performance Report (Section 4, page 61):

Sustainability governance framework

Our governance forums
Our governance framework underpins the delivery of our sustainability agenda, starting with our Board and flowing to committees across the organisation.

Three internal governance committees are central to the delivery of our strategy:

- Sustainability Council
- Inclusion and Diversity Council
- Westpac New Zealand Sustainability Steering Committee.

A number of committees and working groups report into these three committees, including:

- Environmental Management Committee
- Climate Change Solutions Committee
- Climate Change Risk Committee
- Global Responsible Sourcing Steering Committee
- Westpac Indigenous Advisory Committee
- Social & Affordable Housing Working Group
- Human Rights Working Group.

The Westpac Stakeholder Advisory Council and Indigenous Advisory Committee provide important independent perspectives and guidance from external stakeholders. The Westpac New Zealand Sustainability Advisory Panel is made up of leaders in the business and community sectors, the Chair of which is also a member of the Westpac Stakeholder Advisory Council, maintaining alignment across Australia and New Zealand.

The implementation of our sustainability strategy is driven by the Group Sustainability team led by our Group Executive for Customer & Corporate Relations. The most senior executive with accountability for sustainability performance is the Group CEO. Progress is reviewed and discussed by the Group Executives and Board on a bi-annual basis.

INTERNAL COMMITTEES EXTERNAL COMMITTEES

SDG Prioritisation

Not all 17 SDGs will be equally relevant for a company. Prioritisation is a process by which companies can prioritise SDG targets based on an assessment of risks and benefits to people and the environment.[9] Companies should have an understanding of their current and potential negative and positive impacts on sustainable development to help to determine which SDGs are priorities of the company. As described in the SDG Compass, companies can define priorities by mapping the SDGs against the value chain to identify impact areas, selecting business indicators (such as from GRI standards) and collecting data for each indicator, and then defining priorities across the SDGs.[10] In fact, companies are encouraged to identify and focus on those goals that their activities are most likely to have an impact on – even if that means not prioritising most of the SDGs.

25%

of ASX150 disclosed SDG prioritisation

ILLUSTRATION

SYDNEY AIRPORT CORPORATION LTD

Background: Sydney Airport Corporation Ltd (Sydney Airport) manages the assets of Sydney airports and derives its income from airport activities. More than 40 million passengers moving through our airport each year.

Notable Features: The Sydney Airport 2018 Sustainability Report provides a good example of how companies may demonstrate their accountability towards sustainable development through disclosing the link between their SDG prioritisation and business strategy.[11] As shown in Figure 3 (right), a total of 11 SDGs are prioritised and aligned with the business strategy of Sydney Airport under three categories: Responsible Business, Planning For The Future and Supporting Our Communities. In doing so, a clear communication is provided on the alignment of the SDG prioritisation with the business and sustainability strategic approaches of Sydney Airport.

For example, the first strategic category, 'Responsible Business' includes the safety and wellbeing of airport users, supporting a diverse and inclusive workplace, looking after and developing employees, and building operational resilience. Subsequently, six SDGs (3, 4, 5, 8, 10 and 11) are identified under this first category. Likewise, for the second category, 'Planning for the Future', Sydney Airport identifies the following commitments: increasing and supporting public transport, maintaining customer satisfaction, and sustainable development of the airport. These issues are mirrored in five SDGs (7, 9, 11, 12, and 13). For Sydney Airport, the increasing demands made for services as passenger numbers grow rapidly year on year places substantial pressures for planning and finding adequate investments in longer-term infrastructure. The identified SDGs and their targets also call for building wider networks and partnerships such as with other infrastructure entities to enhance roads, rail, and other supporting transport facilities.

The final sustainability commitment of 'Supporting Our Communities' is seen to be achieved through building and supporting community relationships, maintaining an environmentally responsible airport, reducing waste to landfill, and environmental conservation. The message in the joint Chair and CEO letter indicates an increase of $0.8 million (from $4.9 million (in 2017) to $5.7 million (in 2018)) in community investments including, for example, supporting Indigenous entrepreneurship and an environmental rejuvenation project in Botany Bay.

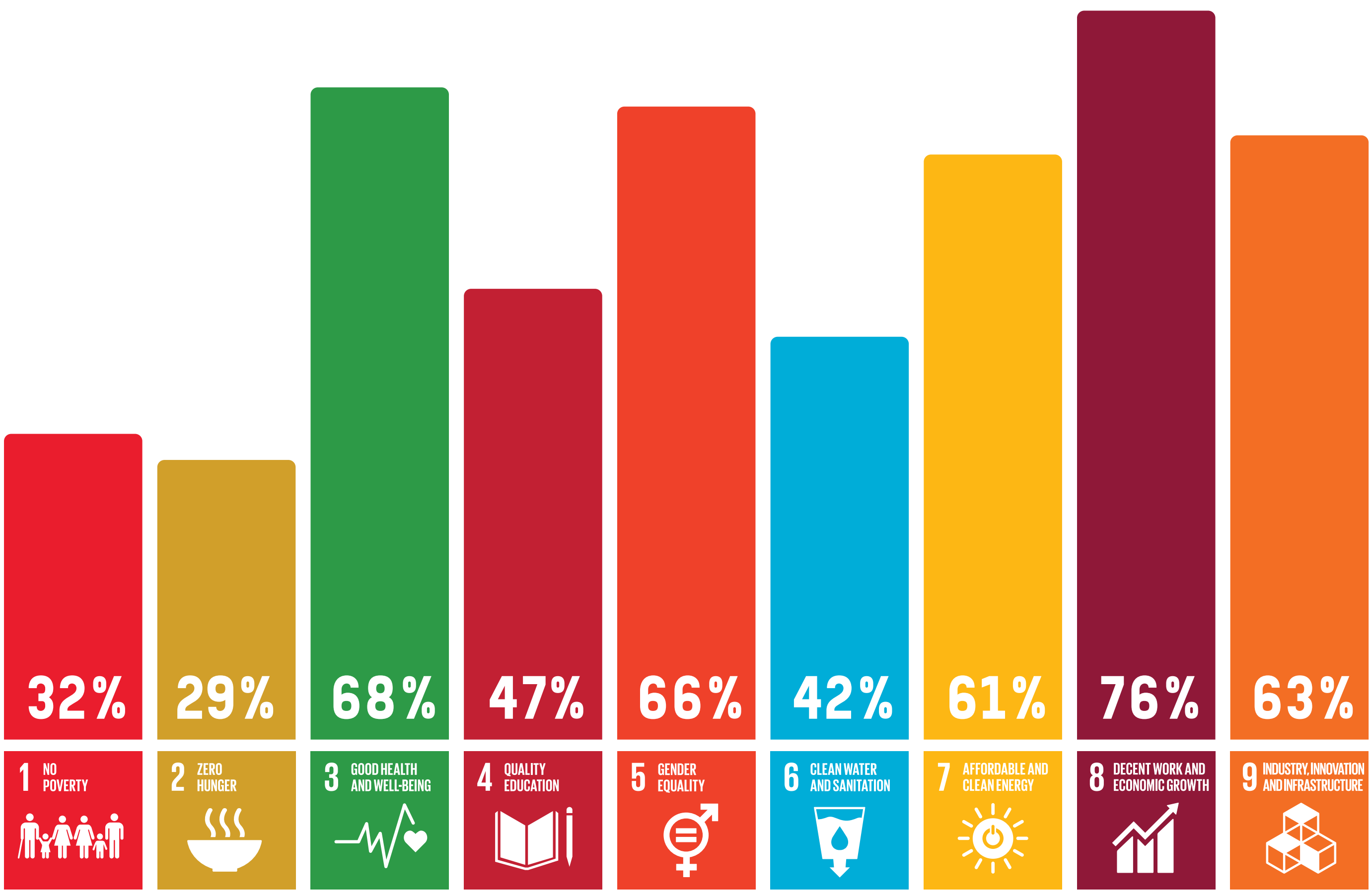
This illustration provides an example of how companies are able to succinctly communicate alignment across their key business and sustainability strategies and the SDGs, which is also appealing both visually and in textual form.

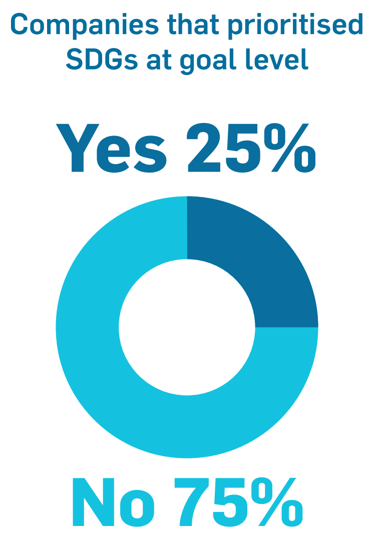
9. See the report titled, Integrating the SDGs into Corporate Reporting: A Practical Guide. https://www.globalreporting.org/resourcelibrary/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf
10. See the SDG Compass. https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf
11. See: 2018 Sustainability Report, Sydney Airport. https://assets.ctfassets.net/v228i5y5k0x4/4601gBqOhHbkmYhkfleZPL/db41f43b16c6111b17c4c3c6ff4ee00d/Sydney_Airport_Sustainability_Report_2018.pdf

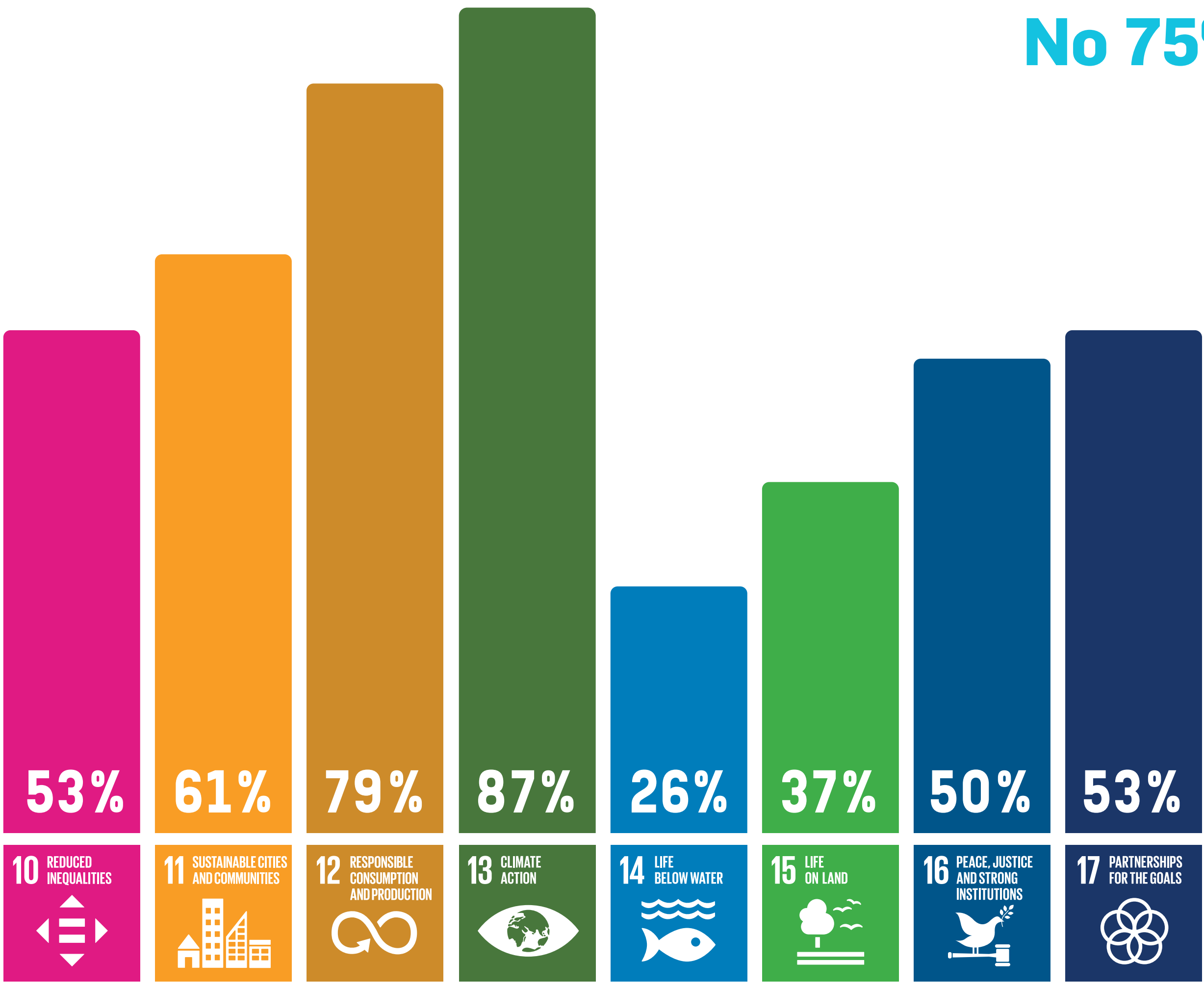
This study identified that 38 (25%) of the ASX150 disclose how they prioritise the SDGs. In other words, 68% of 56 companies that mention the SDGs also disclose the specific SDGs that they integrate into their business. Further, of the 38 companies, 28% prioritised between 1 and 5 goals, 37% of the companies prioritised between six to ten SDGs, 24% reported 11 to 16 goals, and four companies (11%) referred to all 17 goals. This finding indicates that majority of the Australian companies that prioritise SDGs are also fairly selective of the SDGs, suggesting a process of reflection and evaluation to commonly occur on the association between the SDGs and the business strategies. Figure 3 below depicts an example from Sydney Airport's sustainability report where prioritised SDGs are identified with selected business strategic themes.

Figure 3: SDGs prioritised by Sydney Airport as part of their Sustainability Commitments
Source: Sydney Airport, 2018 Sustainability Report, pp. 6-7.

COMPANY PRIORITISATION OF SDGS




Companies that prioritised SDGs at goal level
Yes 25%
No 75%


53%
10 REDUCED INEQUALITIES
61%
11 SUSTAINABLE CITIES AND COMMUNITIES
79%
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
87%
13 CLIMATE ACTION
26%
14 LIFE BELOW WATER
37%
15 LIFE ON LAND
50%
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
53%
17 PARTNERSHIPS FOR THE GOALS

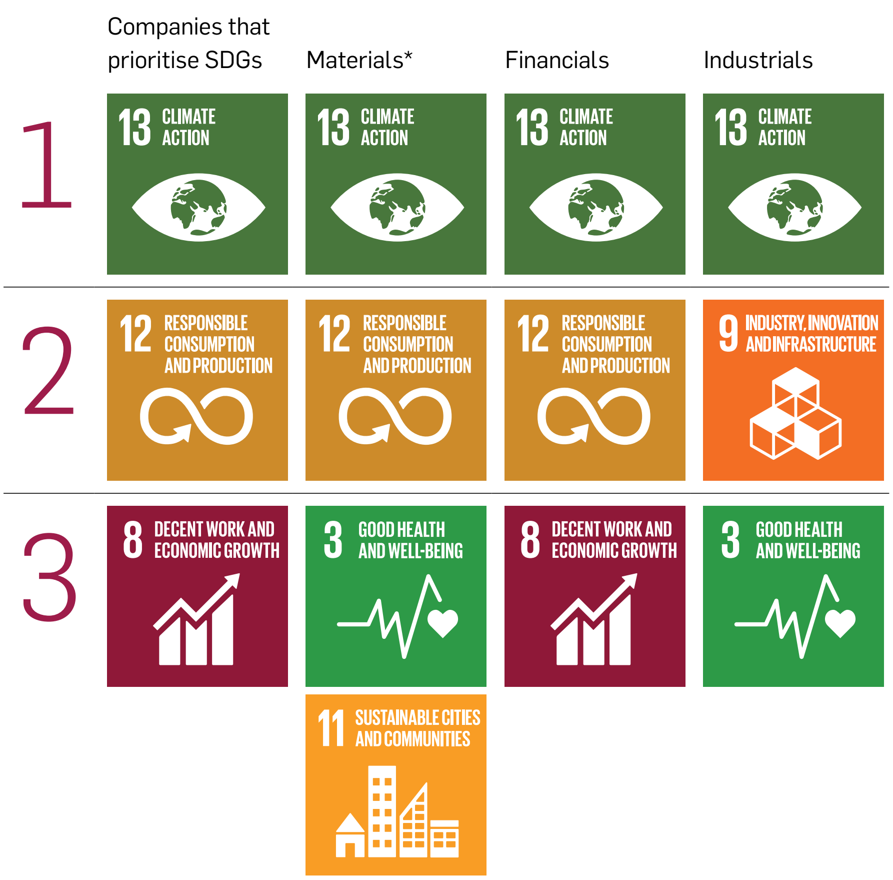
Sectoral Analysis: SDG Prioritisation

Figure 4 depicts the top three SDGs prioritised by all 38 companies, as well as the three sub-sector level (Materials, Financials and Industrials) where companies report disclose the prioritised goals. The main observations are:

1) The top three goals for all 38 companies are: SDG 13 Climate Action, SDG 12 Responsible Consumption and Production and SDG 8 Decent Work and Economic Growth;
2) SDG 13 Climate Action is also the most commonly prioritised SDG for each of the three sub-sectors;
3) SDG 12 Responsible Consumption and Production is the second most commonly prioritised SDG overall, as well as for the materials and financials subsectors, while SDG 9 Industry Innovation and Infrastructure ranked second within the Industrials sub-sector; and
4) SDG 8 Decent Work and Economic Growth and SDG Good Health and Well-Being were also commonly prioritised as well as SDG 11 Sustainable Cities and Communities within the materials subsector.

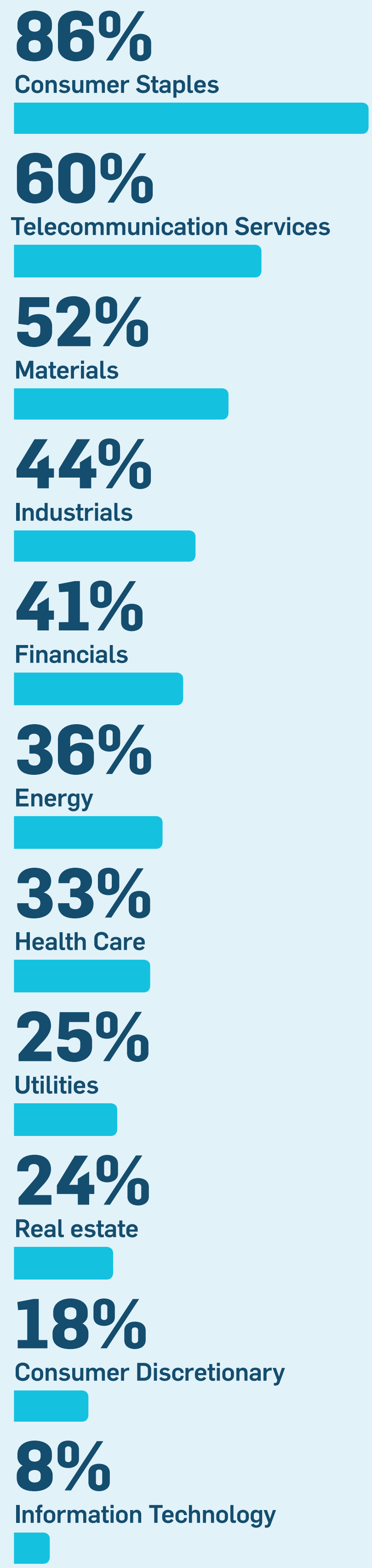
Figure 4: SDGs Prioritisation

Comparing all prioritising companies (n=38) and three key sub-sectors



* SDG3 and SDG 11 were the third most prioritised goals in the Materials sub-sector with equal number of companies prioritising the two goals.

Proportion of companies that mention SDG by Sector



SDG13 Climate Action

According to the World Economic Forum, climate change is one of the "truly existential risks to our world"[12]. Anthropogenic (i.e. man-made emissions of carbon-dioxide (CO2) and other greenhouse gases) are seen to contribute to climate change phenomena such as extreme weather events, large natural disasters and rising sea levels. Expectedly, we find the most common SDG prioritised by the ASX150 is SDG 13 Climate Action.

Of the 33 companies prioritising SDG 13, 70% had undertaken a materiality review of their activities with 90% of them linking SDG 13 to a specific program of business activity or operations. Further, within the sample of companies that had prioritised SDG 13, about 76% had adopted GRI as their sustainability reporting framework and had a sustainability committee, and about 60% of companies had their sustainability report assured. Overall, these findings suggest supportive governance processes around sustainability management and SDG 13 within the sample of companies prioritising SDG 13.

Companies can contribute to this SDG by decarbonising their operations and supply chains through various ways including investing in the development of innovative low-carbon products and services, committing to carbon footprint reduction of their products, services and processes, and improving energy efficiency. However, further content analysis of the reports in relation to how company report on their strategies, goals and actions on climate change actions reveals that, while all 33 companies prioritising SDG 13 report on having some type of climate change action, only nine companies link their performance to the SDG13 targets and indicators.

Further, we find carbon emissions reduction commitments or targets as goals or performance targets offered by many companies as evidence of action on climate change action. Many of these companies are also required to report their carbon emissions under The National Greenhouse and Energy Reporting (NGER) scheme, established by the National Greenhouse and Energy Reporting Act 2007 (NGER Act), a national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption. Thus, it can be argued that reporting on carbon emissions targets and reduction outcomes may seem an easy option to show alignment with SDG 13.

Top three Commonly Prioritised SDGs

12. World Economic Forum (2017), https://www.weforum.org/agenda/2017/01/global-risks-in-2017

For example, the 2018 Sustainable Development Report of Rio Tinto disclosed that the company had reduced its greenhouse gas (GHG) emissions by 43% over the past decade, including a reduction in their GHG intensity by 29%. The report also commented on how the company contributes to a low-carbon future through the minerals and metals that it mines and how they are critical to a net zero economy. Rio Tinto also discloses its strategies and actions pertaining to climate change in four specific areas: supplying the materials essential to building a low-carbon economy; managing its own footprint; building resilience to the physical impacts of climate change; and being a partner and advocate for policies that advance climate goals.

Our analysis also shows that besides carbon emissions reduction, there are many other initiatives reported by companies that are aligned with SDG 13. For example, Woolworths, in its 2018 Sustainability Report, identified SDG 13 as a material issue under the strategic pillar of 'Planet'. Their action on SDG 13 is focused on implementing waste management strategies and reducing packaging in their own activities, but also working with their customers to assist them with managing their own waste and recycling. The Report also discloses actions taken by Woolworths through their carbon emissions reduction programme, for example, reporting that their installation of solar panels on roofs of stores has offset around 13% of the energy consumption of a store and, when combined with the installation of LED lighting across 42 stores, has resulted in a 15-20% energy savings for the company.

Company reporting on SDG 13 should also be viewed in the context of changing regulatory environment and ongoing pressure on companies to account for their climate risk. For example, whilst implementing the recommendations of the Taskforce on Climate related Financial Disclosures (TCFD)[13] is voluntary, there is mounting pressure on companies to adopt the TCFD as it provides a consistent framework for stakeholders to understand how a company is managing its climate change risks.

Provided below is a case illustration on how company goals and targets can be measured and reported in both quantitative and qualitative terms, drawing on examples from the Sydney Airport Corporation Limited's 2018 Sustainability Report.

"The SDGs provide points of focus around which we can innovate and collaborate in the search for solutions to critical global and local sustainability challenges, while at the same time positioning competitively for the future. Through our participation in the UN Global Compact and the incorporation of the SDGs into our strategies, we will continue to invest in these priority areas and work together with Governments, civil society, academia, and other businesses to realise the opportunities the SDGs offer to all, and we call on other business leaders to join us."

Australian CEO Statement of Support for the Sustainable Development Goals

13. TFCD Disclosure Report https://www.fsb-tcfd.org/wp-content/uploads/2019/06/2019-TCFD-Status-Report-FINAL-053119.pdf

ILLUSTRATION

SYDNEY AIRPORT CORPORATION LIMITED

Notable Features: Sydney Airport acknowledges the strong association between its business carbon emissions and the SDGs. On SDG 13 Climate Action, the 2018 sustainability report states: *"We are building resilience in our assets and transitioning to a low carbon future",* and lists two specific SDG Targets: Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries; Target 13.3 Improve education, awareness-raising and human and institutional capacity around climate change mitigation, adaptation, impact reduction and early warning. Sydney Airport also confirms their commitment to the TCFD recommendations, including disclosing their TCFD roadmap to 2020. They also discuss the introduction of a new commitment to achieve carbon neutral operations by 2025, and as having entered into a Power Purchase Agreement (PPA) to contract up to 75% of our current electricity load from renewable energy.

Sydney Airport discloses a staged approach for enhancing their actions to support climate change risk assessment and management. First by clearly stating the setting of goals and targets associated with different SDGs, followed by actions associated with the targets. Further, their roadmap to 2020 highlights the adoption of a climate change resilience strategy informed by the SDGs, which they believe helps them to address risks and leverage opportunities associated with climate change. To support gathering evidence on achievement of these targets, the company has a rigorous accounting mechanism for managing carbon emissions and progress towards targets.

Another climate action programme disclosed is the storm water drainage improvement works, which involves several flood management and prevention initiatives to improve surface drainage of runways and other infrastructure in anticipation of climate-related rainfall increases. These improvement works have allowed better control and management of rainfall runoff, which have resulted in:

1. Reduction in flood and ponding potential;
2. Reduction in extent of soil erosion and sediment entering the natural water system; and
3. Protection of a secure airside boundary and reduction of erosion along the Cooks River through embankment stabilisation works.

Businesses recognise the benefit of partnerships with other businesses, civil society, government and others in driving sustainable development outcomes. They are increasingly looking to the SDGs as a framework for identifying and catalysing collaborative opportunities that take companies beyond "business as usual"...

Australia's Report on the Implementation of the SDGs, 2018

SDG12 Responsible Consumption and Production

Responsible Consumption and Production (SDG 12) is the second most prioritised goal, which highlights the significance of resource and energy efficiency for businesses - particularly for establishing sustainable infrastructure that not only benefits the environment but society as a whole. According to the UN (2019), Responsible Consumption and Production refers to:

> **"the use of services and related products, which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of further generations".[14]**

The ranking of SDG 12 as the second most prioritised goal indicates some of Australia's largest companies' commitment towards more responsible consumption and production strategies. The analysis of company reports indicates a variety of such strategies including investments and uptake of emerging concepts such as circular economy and sharing economies. For example, Brambles, in their 2018 Sustainability Review report illustrates their commitment with a sustainable business framework premised on the circular economy concept.[15] Their sustainability framework organises the sustainability activities and goals of the Group under three broad programmes: Better Business; Better Planet; and Better Communities. The report also expressly declares that the company goals and sustainable business model are aligned to the SDGs, in particular SDG 12; depicting with specific links with the goal of 'Better Supply Chains' under the Better Business programme. The company further provides their performance metrics in relation to environmental improvements in the supply chain – for instance, 2.6 megatons of CO2 saved (4% improvement to previous year), 4,100 megalitres water saved (9% decline); 1.6 million m3 of wood saved (3% improvement) and more. Interestingly, the report did not disclose how these company performance indicators related to the specific indicators associated with SDG 12.

14. https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/sustainable-consumption-and-production-policies
15. See 2018 Brambles Sustainability Report https://www.brambles.com/Content/cms/sustainability-2018/Sustainability_Review_2018.pdf

Greater transparency on SDG 12 in future reports would be helpful as such information may have the potential to help companies leverage economic benefits derived from reducing waste, developing long-term sustainable strategies while enriching their social capital and economic competitiveness. Furthermore, public awareness of sustainability is growing and with it an interest in where our products come from and how they are produced. For instance, there is increasing interest in the developing a circular economy and how business can contribute to principles of production based on produce, use, reuse/remake/recycle to eliminate waste and the continual use of resources. Business moving towards a circular model must develop new approaches to packaging, adopt new technologies and shift their investment mindset towards longevity, renewability, reuse, repair and, ultimately, de-materialisation. Embracing these principles will allow businesses to maximise the useful life of products and materials while minimising waste, the extraction of raw materials and impact on our environment.

INTEGRATING SDGS INTO STRATEGIC MATERIALITY ANALYSIS

Having a set of prioritised sustainability goals at the organisational level directly linked with the SDGs signals to a company stakeholders that it is serious about its commitment to sustainable development. However, prioritisation of the SDGs alone does not mean that a company is actively actioning or having an impact on sustainable development.

To be most effective, the sustainability goals of a company should be an integral part of its full set of financial, strategic and operational goals, and reflected in the vision, mission and/or purpose statements of the company, resulting in the future success of the company to be intrinsically tied to sustainable development.

Further, a clear disclosure of the rationale and means by which the SDGs are prioritised is also important as it will provide greater clarity on the commitment of the company to the SDGs and the potential for investors, civil society and other interested stakeholders to understand what the approach of the company to sustainable development involves. Goal clarity and transparency also helps to attract and strengthen relationships with business partners including suppliers and customers in the value-chain who share similar goals.

The process of identifying and selecting SDG-related performance goals nevertheless needs to be undertaken in a systematic and careful manner. A materiality review is a systematic process available to companies for identifying the important issues for the business, often from the eyes of both internal and external stakeholders. Such an approach not only helps to select impactful SDGs, but also helps management discharge accountability and enhance transparency in business reporting.

A materiality review can start in several ways. It can begin with an internal self-assessment on potential issues that are material to the company, and to internal stakeholders in consultation with managers, employees, as well as use of internal performance records. Alternatively, it may begin by engaging with external stakeholders, as well as a media scan and industry trend analysis. The outcomes of these procedures can then be brought together to develop a more holistic view of materiality of different issues such as through a materiality matrix.

48%

of companies that mention the SDGs have embedded SDGs in the materiality analysis

There is a wide variation in how material issues are identified and in the extent of stakeholder engagement in materiality analysis.

Are SDGs considered in the materiality analysis?

Our findings indicate that 27 (48%) companies out of the 56 that mentioned the SDGs had embedded the SDGs in their materiality review. Further analysis indicates 22 (81%) of the companies undertaking a materiality review also employ the GRI reporting framework, indicating the strong influence GRI has on enhancing SDG accountability and reporting. Among the 27 companies, six are from the materials sector, another six from financials and five from the industrial sectors. Given that less than half (48%) of the 56 companies that mention SDGs have embedded SDGs in their materiality review, there appears to be a room for improvement for the current practices to take on SDGs at a strategic level.

Further content analysis of the different materiality matrices adopted by the 27 companies suggest the materiality review process often starts with setting up anchoring guidelines stipulated by the SDGs, GRI or integrated reporting (IR). However, there is a wide variation in how material issues are then identified and the extent of stakeholder engagement. In some cases, distinct stakeholder groups are listed, and formal surveys and interviews conducted to capture their views. Data is then analysed, validated and ranked to reflect the degree of importance of the issues. In other companies, there is less explanation of the process and stakeholders simply identified as external versus internal. No doubt, clear descriptions of the ranking of the material issues relative to the impact of such issues on the business can better inform strategic decision-making on the areas a company can minimise risks and leverage opportunities. Provided in the next illustration is an example of the development and disclosure of processes related to materiality drawn from Worleyparson's 2018 sustainability report.

Companies that link SDGs with business strategy by sector

26% Materials

18% Financials

18% Industrials

9% Real estate

9% Energy

6% Telecommunications

6% Health Care

6% Consumer Staples

3% Utilities

0% Consumer Discretionary

0% Information Technology

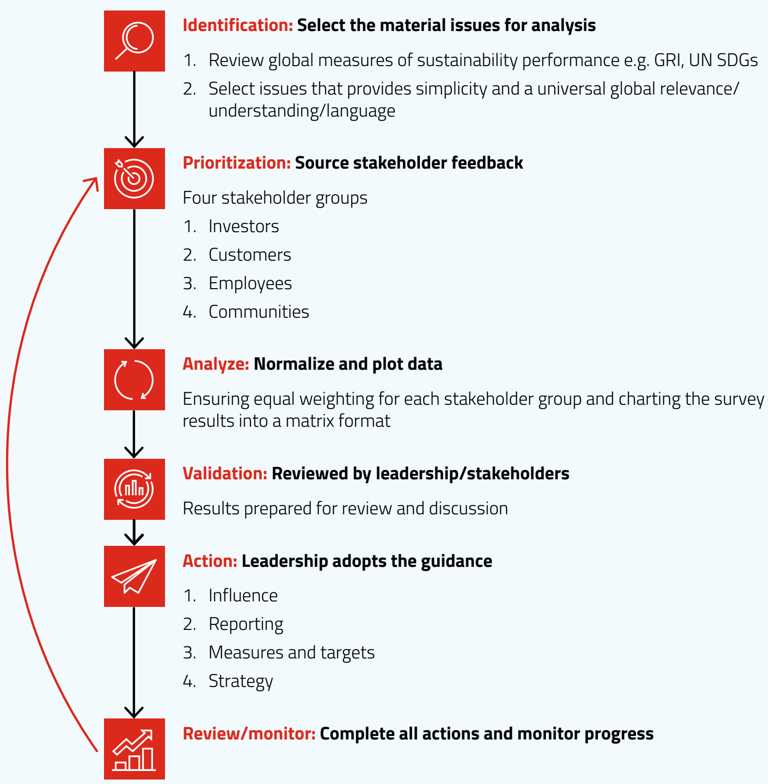
ILLUSTRATION

WORLEYPARSONS

Background: WorleyParsons is a global provider of professional project and asset services in the energy, chemicals and resources sector. They help develop full project lifecycles from guiding customers with pioneering projects to finding innovative ways of sustaining and enhancing their existing assets.

Notable Features: WorleyParsons' *Corporate Responsibility Performance Report* (p.11) is a good example of documenting how WorleyParsons embedded the SDGs into the 'materiality study process'.[16] The Report dedicates a separate section titled "Corporate Responsibility Materiality" with an opening message that states: "We developed a corporate responsibility materiality process that embraces the Sustainable Development Goals, as they are adopted by our business and are becoming universally recognised, across all industries" (p.9).[17] The report presents a six-step review process, namely *identification, prioritisation, analyse, validation, action* and *review/monitor*, as shown in Figure 5(a) below. A feedback loop among the last five steps indicates the recursive nature of the review process and how the actions andoutcomes based on the review can be later evaluated and re-evaluated to further inform future prioritisation in responding to the constant changing business environments. The fifth step, 'Action' specifically sets out the actions to be undertaken within the company in relation to the outcome of the materiality review which includes the strategic goals, expected influence, performance measures and targets and reporting.

Figure 5(a): Materiality Study process



16. WorleyParsons' Corporate Responsibility Performance Report (p.11) See https://www.worleyparsons.com/~/media/Files/W/WorleyParsons/documents/cr/2018-corporate-responsibility-report.pdf
17. WorleyParsons' Corporate Responsibility Performance Report (p.9) See https://www.worleyparsons.com/~/media/Files/W/WorleyParsons/documents/cr/2018-corporate-responsibility-report.pdf

Materiality Matrix: A materiality matrix is an effective way to visualise the ranked materiality issues from both the viewpoint of the organisation and key stakeholders. Setting up a matrix can contrast the relative importance of selected activities and programmes of the company against its business strategy or impacts on the business. SDG Compass suggests considering 'The influence on stakeholder assessments and decisions' along the horizontal-axis and the'significance of economic, environmental and social impacts' along the vertical-axis.[18] In a similar vein on developing a materialty review matrix, the GRI 101 (p.11) suggests plotting issues related to 'Influence on stakeholder assessments & decisions' along the horizontal-axis and 'Significance of economic, environmental, & social impacts' along the vertical-axis.[19]

Notable Features: WorleyParsons' Report presents the outcome of its materiality review, both in a table and a visualised matrix, as shown in Figure 5(b). Together, they present a succinct and visually appealing communication of various issues that are identified from the perspective of SDGs, thus resulting in the integration of SDGs aligned with stakeholder views and the concerns of the company itself. The table goes further to delineate the top material SDGs with examples of progress by including specific page references. Material SDGs are plotted within the matrix to enhance readability of the report. These SDGs are categorised into 'Communities', 'Supply Chain', 'Economic', 'Environment' and 'Our People', reflecting the strategic business themes of the company.

Figure 5(b): Presentation of Materiality Review

Corporate responsibility materiality review

Materiality matrix

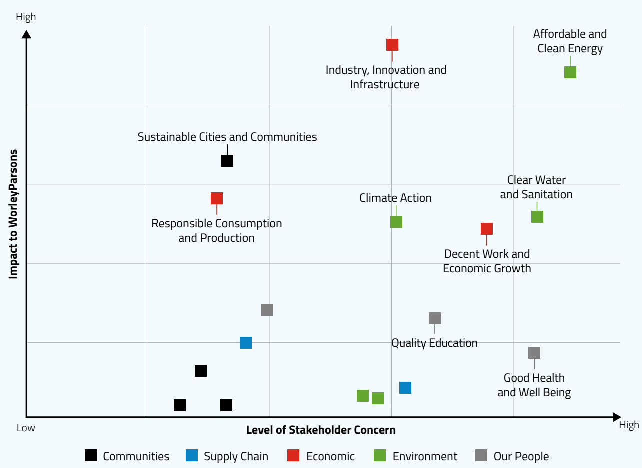
Our 2018 corporate responsibility materiality review is represented in the matrix opposite. The vertical axis represents our stakeholders' views on which issues will have the most impact to WorleyParsons. The horizontal axis represents our stakeholders' views on which issues are most important to them.

We analyzed the data and reviewed the top material issues to determine if we are sufficiently addressing them within our processes, policies and overall strategy. The table below shows how we are progressing the SDGs by linking to some of the key actions we are taking:

Top material issues	Examples of progress in FY2018
Affordable and Clean Energy	Climate change program (p44), New Energy (p46)
Good Health and Wellbeing	Health and safety (p60)
Quality Education	Education with a diversity and inclusion lens (p69)
Climate Action	Climate change strategic actions (p45), Greenhouse gas emissions (p49)
Clean Water and Sanitation	Our water expertise (p47), Sanitation solutions in Papua New Guinea (p51)
Decent Work and Economic Growth	Social and economic benefits of a megaproject (p36), Development of sustainable supply chain partners (p27)
Industry, Innovation and Infrastructure	Nurturing a culture of innovation (p35), Supply chain innovation (p28)
Responsible Consumption and Production	Energy performance (p48), Requis – trading surplus supplies (p28)
Sustainable Cities and Communities	Socio-environmental project in the Brazilian Amazon (p73), Improving social infrastructure (p70), WorleyParsons Foundation projects (p71)

WorleyParsons 2018 materiality matrix – impact vs concern

Mapping the issues that are most important (across all of our stakeholders including our people) against the issues with the most impact to our business (as determined by our people).



18. See the SDG Compass. https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf
19. See GRI 101 https://www.globalreporting.org/standards/media/1036/gri-101-foundation-2016.pdf

Disclosing stakeholder engagement process, outcome and impacts

Stakeholder relationships are critical for business when carrying out their activities. While our analysis of the annual reports reveals company disclosures on general stakeholder engagement to be common, and is often described in detail in relation to community and social activities, much of the evidence on the level of stakeholder engagement vis-à-vis the SDGs by the ASX150 is limited. Only four (7%) companies of the 56 companies that mentioned SDGs were found to clearly report on how they have integrated the interests of stakeholders in the analysis of the SDGs.

Nevertheless, demonstrating accountability to stakeholders is central for companies for building social capital and for corporate responsibility. We provide an illustration from AGL Energy Limited on how stakeholder engagement is undertaken systematically with the support of external consultants and internal experts.

"Despite the fact that many businesses have sustainability strategies, policies and codes of conduct in place, it is no guarantee for measurable impact. Being an impactful sustainable business means fully integrating sustainability into core business strategy, operations, supply chain management and stakeholder engagement."

Lise Kingo; CEO and Executive Director of UN Global Compact, SDG Business Forum, September, 2019

ILLUSTRATION

AGL ENERGY LIMITED

Background: AGL Energy Limited (AGL) is a leading integrated energy business. In its 2018 Sustainability Report, AGL provided a detailed description, step-by-step of how stakeholders were identified and engaged in their materiality assessment process that enabled the integration of SDGs in the business planning of the company.

Notable Features: Stakeholder engagement at AGL starts with using an expert stakeholder in assisting identifying internal and external stakeholders as well as the potential material issues of concern to those stakeholders. A survey is then utilised to obtain stakeholders perceptions on the SDGs most relevant to AGL. This is followed by one-on-one interviews to obtain in-depth understanding of stakeholders' perspectives. This approach allowed AGL to better embed the SDGs in its materiality test from their key stakeholders' perceptions which in turn enriches company actions, and stakeholder relationships by mutually creating value in relation to the SDGs. Involving a cascading set of steps, as illustrated below in the vignette, AGL provided a detailed description on how the SDGs were integrated in their materiality assessment process.

Excerpt from AGL Energy Limited[20]

At the end of 2017, we undertook an independent review to gauge what issues mattered most to our stakeholders. In addition, the Safety, Sustainability and Corporate Responsibility (SSCR) Committee elevated the issue of 'Energy prices and affordability' to reflect ongoing customer feedback, and the issue of 'Power station transition and closure' to reflect broader community feedback. The output of these processes was a list of 12 'material issues' that were used to shape our sustainability reporting framework for this year. We've provided some detail below on the process that we undertook in FY18 to complete our materiality review.

Step 1: Identification of sustainability challenges and stakeholders

- An independent consultant was engaged to assist with refreshing AGL's approach to materiality to produce an outcome that is consistent with the requirements of both the GRI Standards and the International Integrated Reporting <IR> Framework, and that further aligns the material issues presented in the Sustainability Report with the key business risks presented in the Annual Report and recorded in AGL's internal risk management processes.
- 20 potential material issues were identified through a consideration of AGL's business risks, AGL's scenario planning drivers, AGL's strategy and key policies, consumer sentiment, stakeholder views expressed through a survey which was a preliminary component of the materiality review, industry analysis and global megatrends.
- 15 internal stakeholders and 15 external stakeholders were selected to ensure balance and coverage between themes and issues.

Step 2: Ranking of challenges by internal and external stakeholders (independently–facilitated review)

- Stakeholders completed a detailed survey ranking the 20 identified sustainability issues from 1 to 5 in order of importance from the perspectives of value creation, impact and performance across different time horizons. Stakeholders were also asked to identify which of the Sustainable Development Goals (SDGs) were of most relevance to AGL.
- Stakeholders also participated in detailed one-on-one interviews with the independent facilitator which enabled discussion of the issues ranked as most significant by each stakeholder. An important purpose of the interviews was to ensure that all stakeholders had a comparable understanding of the ranking criteria, a comparable interpretation of each of the issues that they were asked to rank, and to ensure that there were no further issues of concern that were missed from the list of sustainability issues.

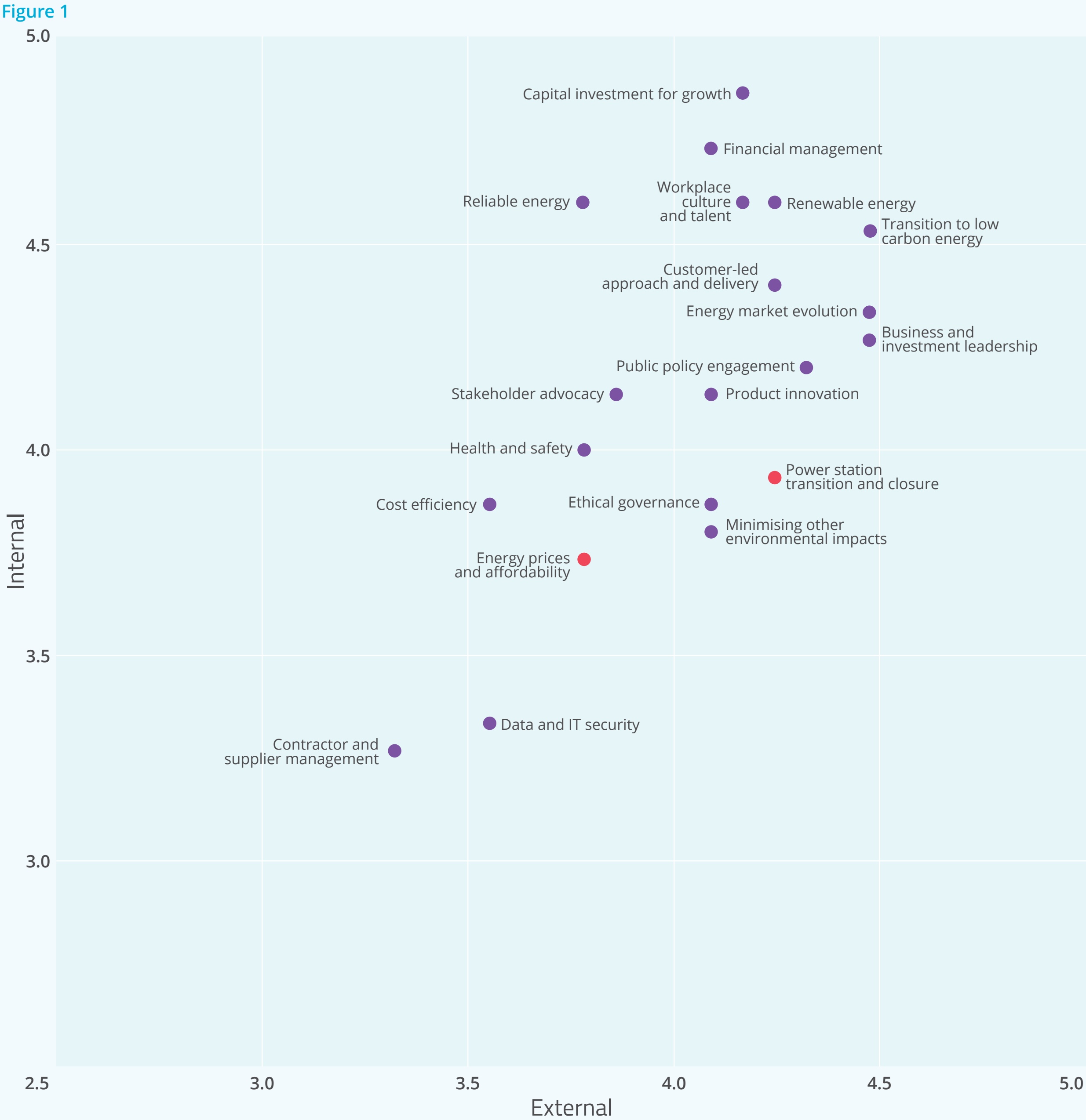
20. AGL Sustainability 2018 Sustainability Report, pp.10-13. See: https://www.2018sustainabilityreport.agl.com.au/xmlpages/resources/TXP/agl_energy/susrep/pdf/AGL_Energy_2018_Sustainability_Report.pdf

Step 3: Analysis of stakeholder feedback

- The survey and interview results produced a rich data set showing internal and external views of the importance of issues over multiple time horizons (short (1-2 years); medium (3-5 years); and long (5+ years)), and through several lenses (value creation/erosion; impact on society, the environment and the economy; and current performance).
- The results were specifically analysed to take into account both internal and external stakeholders' views, and to assess their consistency with AGL's strategy. In order to capture as broad a viewpoint as possible, internal and external stakeholders' rankings were added together and viewed from the perspectives of both value creation and impact, and across all timeframes.

Figure 1, below, shows the internal and external perspectives of how each sustainability issue may influence AGL's ability to create value over the short-, medium- and long-term. Our consideration of all time frames ensures that longer-term perspectives are captured and prioritised. As noted above, the high-priority issues of Energy prices and affordability and Power station transition and closure were elevated as material issues by the SSCR Committee (as highlighted in the graphs below).

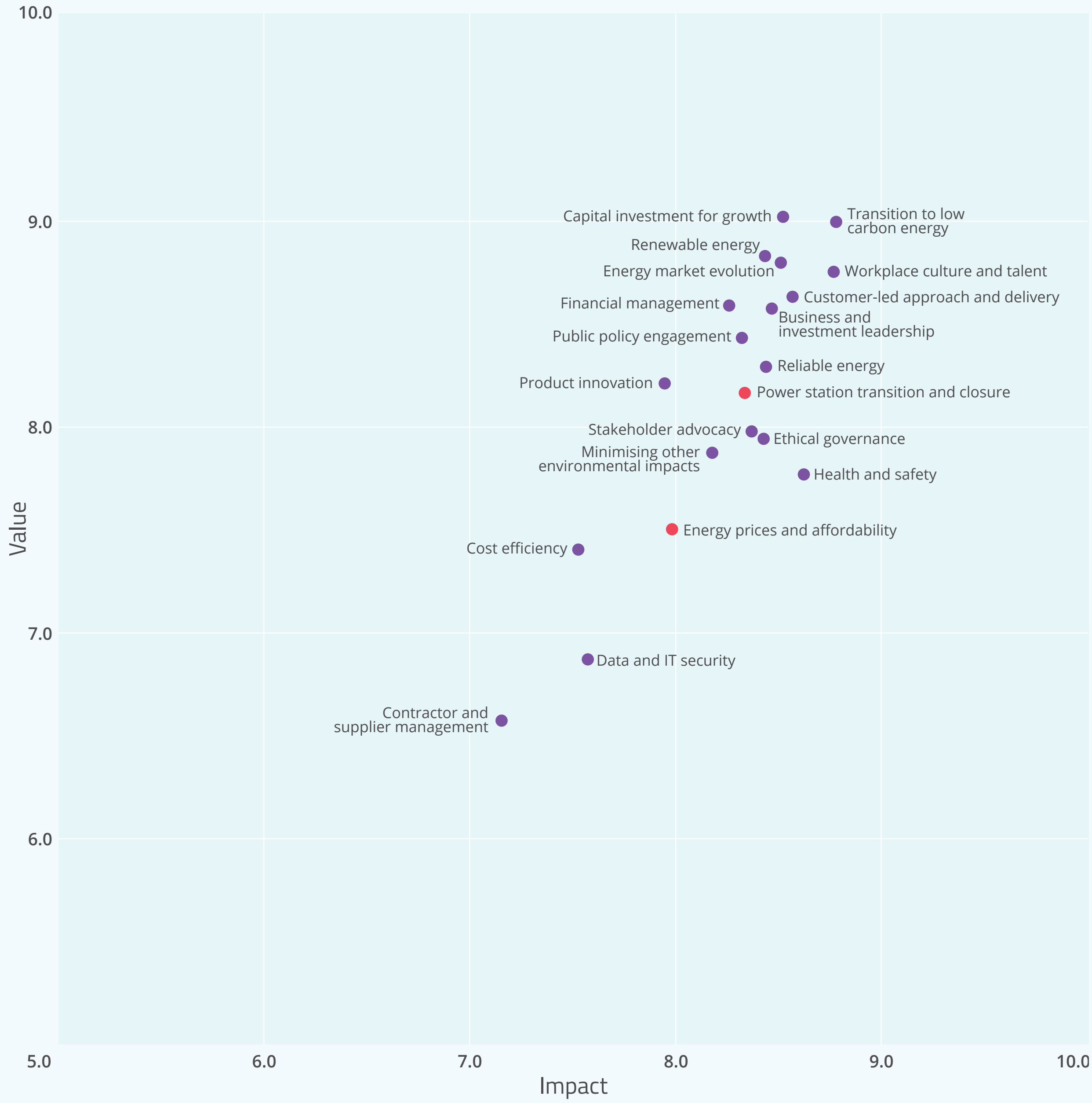
Figure 1



1. This figure plots the maximum score allocated across all time horizons (short, medium and long).

Figure 2, below, demonstrates1 the alignment between stakeholders' views of the impact an issue may have on the environment, society and the economy with the likely effect on AGL's ability to create value into the future.

Figure 2



Looking at the results through both these lenses meets the materiality principles of both the GRI Standards and the International <IR> Framework.

1. This figure plots the maximum combined stakeholder scores over all time horizons (short, medium and long). The combined stakeholder score is the addition of internal stakeholder score and external stakeholder score.

Step 4: Validation

- Results were presented to the SS&CR Committee for validation and approval.
- The Directors of the SSCR Committee considered that the issues of Energy prices and affordability and the planned closure of the Liddell Power Station warranted special consideration in this report given ongoing customer feedback and the community and government concern surrounding these issues over FY18. Accordingly, the priority of these issues was elevated this year.

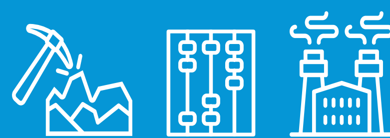
SDGS AND PERFORMANCE MEASUREMENT

Performance measures for the SDGs in terms of targets and outcomes facilitate comparison of planned and actual outcomes. At the business level, a company may not only identify goals but set targets in relation to those goals and associate one or more indicators with the set targets.

It is important that companies not only link their existing activities and business performance indicators with SDGs, but new activities with the potential to contribute to the SDGs should also be further explored, identified and measured. In this context, companies should adopt an approach that addresses both the reduction of negative impacts and identification of opportunities to maximise positive outcomes and create value.

Aligning business performance indicators and targets allows company stakeholders, including business partners, shareholders and future investors, to understand what impact companies are having on achieving the SDGs and clearly recognise the contribution that they are making to national and local targets – for example, Australia's targets and commitments to the SDGs[21]. Capturing these contributions both in quantitative and qualitative terms becomes critical for demonstrating impact on the SDGs in a transparent and rigorous manner. When setting targets and designing performance measurement processes for the SDGs, companies should consider relevant SDGs according to their stakeholders' expectations, their materiality tests and their business and sustainability strategies.

There are sectoral differences in how the SDGs are prioritised. The material, financial and industrial sectors more actively mention and prioritise SDGs



> **"89% of Global CEOs said commitment to sustainability is translating into real impact in their industry, and 87% believe the SDGs provide an opportunity to rethink approaches to sustainable value creation."**
>
> UNGC-Accenture CEO study, 2016

21. Department of Foreign Affairs and Trade's 2030 Agenda for Sustainable Development, accessed 15/10/2019.

Linking Business Performance with SDGs

Having business performance indicators associated with the SDGs is an important practice for companies committed to furthering societal goals and, more broadly, having a positive impact on sustainable development. To ensure transparency regarding key objectives, the key performance indicators of the company should be designed to quantitatively and/or qualitatively measure business and sustainability performance. Indicators should be specific, measurable, achievable, relevant and time-bound (SMART). It Is also important to adjust data management strategies and review indicators regularly to assure ideal measurement and reporting.[22]

In this study, most of the ASX150 that mentioned SDGs, including those that prioritised the SDGs, did not appear to link their business performance targets and indicators with the SDGs. Only nine (16%) companies have set and aligned business performance targets and indicators with the SDGs. This observation is not sector-specific as there was a spread of the companies in financial, materials and industrial sectors.

The findings demonstrate that there is possibly a need for fostering greater awareness, knowledge and skills in SDG measurement and reporting through professional training. Provided below is an illustration on how Telstra had measured and reported on its prioritised SDGs.

18%

of companies disclose integration with business strategy

"Over half (55%) of CEOs say that they are facing a key trade-off: pressure to operate under extreme cost-consciousness versus investing in longer-term strategic objectives which are at the heart of sustainability. Not content with that status quo, CEOs agree the business community could and should be making a far greater contribution to achieving a sustainable global economy and societies by 2030."

UNGC-Accenture CEO study, 2016

A majority of companies also consider standardisation of SDG performance indicators and/or the emergence of SDG investment indices as having a high impact.

A survey of World Business Council for Sustainable Development (WBCSD) members and Global Network Partners, 2018.

22. Integrating the SDGs into Corporate Reporting: A practical Guide, p.21

ILLUSTRATION

TELSTRA

Background: Telstra is an Australian telecommunications and technology company. It provides a range of telecommunications and information products and services through its Australian and offshore operations.

Notable Features: Telstra highlights in their Bigger Picture 2018 Sustainability Report how companies can effectively align their sustainability targets with the SDGs. The Report demonstrates how its seven sustainability strategic focus areas and their respective sustainability targets are aligned with the SDGs. This is a very effective way to clearly inform stakeholders about the sustainability commitments and targets of the company and how these commitments and targets contribute to the SDGs. Figure 6 demonstrates how Telstra succinctly relates its strategic focus areas, with sustainability targets, and systematically links them with one or more prioritised SDG. Another notable feature of their approach to measuring SDG performance is providing short descriptions of the progress made, combined with quantitative data related to each of the sustainability targets of Telstra.[23]

For example, environment and resource efficiency is one of the strategic focus areas where the goal of Telstra is to use resources efficiently while minimising environmental impacts across its value chain. This goal is aligned with the SDG 9 which focuses on building resilient infrastructure, and promoting inclusive and sustainable industrialisation and fostering innovation. On page 9 of the Report, a clear explanation is provided on the approach of Telstra to SDG 9, stating, "We are making significant investments in our network infrastructure to extend our coverage across rural and regional Australia, improve network resilience, and ensure we are able to meet the rising demand for data and content, while also minimising our environmental impacts". This is followed by a statement on a more specific target, disclosing the 2020 target set for the company is to recycle 60 tonnes of mobile phones and accessories over three years. On the same page, the progress to date is reported, whereby a collection of 23.7 tonnes of mobile phones and accessories is reported, with additional information given on page 64 of the report in the form of short descriptions of different programmes and initiatives on resource efficiency.

Our content analysis of information provided in this section led us to another interesting and noteworthy outcome from their mobile phone and accessories recycling initiative – which was linked to another scheme under, 'Re-using customer equipment'. As explained by Telstra on page 65 of their report:

Figure 6: Example from Telstra

FY18 performance

Strategic focus area

Responsible business

Ethics and governance
Being ethical, responsible and transparent in how we do business

Culture and capabilities
Creating a world-class workplace where our people can thrive

Digital futures

Networks
Delivering leading telecommunications networks

Everyone Connected[4]
Ensuring everyone can enjoy the benefits of being connected

Tech for good
Using the power of technology to enable all young people to thrive

Environmental solutions

Climate change and energy
Mitigating climate change impacts and helping our customers and communities to do the same

Environment and resource efficiency
Using resources efficiently and minimising environmental impacts across our value chain

> **When we upgrade our business and enterprise customers' equipment we collect redundant equipment for reuse, repurposing, recycling or sale. This year we worked with 297 Enterprise customers to collect and reuse 2,406 devices. We worked with National Australia Bank to keep 486 kilograms of old video conferencing equipment out of landfill, reusing 86 per cent of the collected equipment (by weight). The value of the reused material was donated to Australia's largest fresh food charity, SecondBite, contributing over 4,000 meals for vulnerable Australians.**

This is a clear and succinct alignment between company and national goals on SDG 9 but also a case that reflects innovative solutions with social impacts inspired by the SDGs.

23. Telstra Bigger Picture: 2018 Sustainability Report, p.10

2020 target	SDG priority	Progress	More info
100 per cent completion of our new enterprise-wide values-based conduct training	Goal 8	Rolled out updated business-wide ethics and compliance training, which was completed by 88% of Telstra Group employees and contractors.	See page 17
Achieve a sustainable engagement score that is in line with the global high performing norm by 2022[1]	Goal 5[2] Goal 8	Achieved a sustainable engagement score of 74 per cent, up three per cent from FY17	See page 29
Achieve commercial deployment of 5G in all major cities and high demand regional centres[3]	Goal 9	Conducted a number of Australian and world-first 5G trials	See page 40
Provide tailored support, products and services to enable 1.5 million people to connect or thrive online	Goal 9	Helped around one million vulnerable customers to stay connected	See page 43
Invest $18 million over three years in Telstra Foundation funded initiatives designed to support young people to thrive in a digital world	Goal 8 Goal 9	Invested $6 million in Telstra Foundation funded initiatives to help young people to thrive in a digital world	See page 52
Reduce carbon emissions intensity (tCO_2e per petabyte) by 50 per cent by 2020, from a baseline year of FY17	Goal 13	Reduced carbon emissions intensity ($tC0_2e$ per petabyte) by 24 per cent, from a baseline year of FY17	See page 59
Reuse or recycle 60 tonnes of mobile phones and accessories over the next three years	Goal 9	Collected 23.7 tonnes of mobile phones and accessories for reuse or recycling	See page 64

Historic performance data associated with SDGs

Historic performance data allows businesses to monitor and manage progress over time. Such an approach permits companies to identify trends and measure the effectiveness of their actions in attending pre-established targets. From a sustainability reporting perspective, this is an indicator of transparency. Demonstrating historic information about sustainability and how a company has contributed to the SDGs strengthens confidence in the accountability of the company to stakeholders who have vested interests in a sustainability performance and outcomes of the company. In the context of the SDG agenda, historical data is necessary to demonstrate trajectory, manage actions and periodically track performance that will lead to the achievement of the 2030 SDG targets.

Our analysis, however, identified that only six (11%) ASX150 that have provided historic performance data associated with the SDGs in their sustainability reports. Results demonstrate that the majority of the ASX150 are still in their early stages of SDGs performance measurement and there is significant space for improvements. The case illustration chosen for showcasing good reporting of historical performance is derived from the National Australia Bank (NAB) 2018 Sustainability Report.

ILLUSTRATION

NATIONAL AUSTRALIA BANK (NAB)

Background: NAB is one of the top four financial institutions in Australia that provides a comprehensive and integrated range of banking and financial services throughout Australia and New Zealand. NAB serves 9,000,000 customers at more than 900 locations in Australia, New Zealand and around the world with more than 30,000 people in their workforce.

Notable Features: NAB's *Sustainability Report 2018* is a good example of the disclosure of historical information linked to the SDGs. The Report provides a scorecard demonstrating progress against specific sustainability targets and how they are linked to the SDGs.[24] Each one of the nine sustainability targets outlined by NAB is linked to one or more SDGs and have quantitative performance data from 2017 and 2018. In addition, the scorecard demonstrates the progress of the company in terms of whether its sustainability targets have increased, decreased or remained. This is shown in Table xxx below. For example, the employee engagement of NAB had decreased in 2018 when compared to 2017, but environmental financing had increased. Another interesting feature of the approach taken by NAB is the contextualisation of each sustainability target and respective performance, provided throughout the sustainability report.

2018 SCORECARD – PROGRESS AGAINST OUR TARGETS

We've set targets and commitments to help us achieve better business and social outcomes. These targets support the United Nations Sustainable Development Goals (SDGs) pathway to a stronger future – for people and the planet. More information about the SDGs is **online here**. In this table, we've outlined how our targets and commitments align with the SDGs, and our progress towards them.

TARGET/COMMITMENT	SUSTAINABLE DEVELOPMENT GOALS	2017	2018	PROGRESS
NPS priority segment scores: To be #1 major Australian bank and net positive	8 DECENT WORK AND ECONOMIC GROWTH	-12 #1 Aust major bank[1]	-16 #2 Aust major bank	↓
Employee engagement: To be in the top quartile globally, with a 68% engagement rating	3 GOOD HEALTH AND WELL-BEING	59%	54%	↓
Environmental financing: To provide $55 billion in environmental financing over 10 years (from 2015-2025)	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION	$13.4bn	$22.9bn	↑
Our Group environmental operational targets (from 2015 base year): **a)** Science-based GHG emissions (tCO_2-e) – 21% reduction by 2025 **b)** Energy use (GJ) – 5% reduction by 2020 **c)** Office paper (tonnes) – 10% reduction by 2020 **d)** Customer eStatements – 50% of all statements by 2020 **e)** Water use (kL) – 10% reduction by 2020 **f)** Waste to landfill (tonnes) – 5% reduction by 2020 **g)** Data Centre Power Usage Effectiveness – average below 1.5 by 2020.	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER	**a)** 7% reduction **b)** 5% reduction **c)** 20% reduction **d)** 54% uptake **e)** 3% reduction **f)** 8% reduction **g)** 1.48	**a)** 12% reduction **b)** 8% reduction **c)** 36% reduction **d)** 59% uptake **e)** 6% reduction **f)** 23% reduction **g)** 1.40	◀ ▶
Our Group supplier sustainability targets: 90% of material suppliers[2] comply with our Global Supplier Sustainability Principles (GSSPs) and 100% of new/re-contracted suppliers assessed for Environmental, Social and Governance (ESG) risks each year	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	GSSP 90% ESG 100%	GSSP 88% ESG 100%	◀ ▶
Gender equality: 40 – 60% of either gender represented at all levels of the business by 2020	5 GENDER EQUALITY	54% female overall 31% female in executive management	52% female overall 31% female in executive management	↓
Volunteering: 50% increase in volunteering days on prior year (2017)	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES	16,115 days	15,397 days	↓
Microfinance: 100,000 microfinance loans for low income Australians per year by 2019[3]	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	27,147 loans	31,743 loans	↓
Indigenous Inclusion: 70 Indigenous Australian traineeships per year	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	86	84	◀ ▶

1 Home Owners priority segment changed to HL@bank in 2018. It was previously customers with a Home Loan at any bank. 2017 figure has been restated.
2 Refer to Glossary for definition of material suppliers.
3 Delivered in partnership with Good Shepherd Microfinance (Australia).

24. NAB Sustainability Report 2018, p.5

Contributions to SDG Targets and Indicators Levels

Measuring contributions against the SDG targets and indicators is considered to be good practice that also displays accountability. As each one of the 17 SDGs has a specific set of targets and indicators, it is important for companies to be transparent about how they are contributing to the SDGs and considering their impact on the goals, targets and indicators. This also assists with stakeholders being able to understand exactly how a company is contributing to the SDGs and helps companies to identify opportunities that could not be identified when looking only at the SDGs goal level. Although this is considered a good practice, our study found that only four (7%) of the companies demonstrated how they link their performance against the prioritised SDGs in relation to specific targets and indicators. This is alarming low, calling for further inquiry into the efficacy of SDG diffusion into governance and reporting practices and processes.

Furthermore, although referencing SDGs at the goal level is important to increase awareness, the lack of clear information about how companies contribute to specific SDGs targets and indicators can undermine the credibility sustainability reports in long term, as well as mislead sustainability report readers. In this respect, providing higher levels of transparency is a timely issue to avoid overclaiming and confusing stakeholders. Each SDG has a wide set of targets and indicators and linking companies' performance with SDGs only at the goal level might not provide stakeholders with an accurate understanding of companies' real contributions to the SDGs. Albeit, we also acknowledge that the majority of the SDG target and indicators were designed to measure governments' sustainable development impacts and progress, and at times this may present difficulties for businesses to more directly align their actions with SDG target and indicators.

In the illustration, we provide an excerpt from ANZ Banking Group to which highlights how such alignment can be made.

3%

Only four companies have aligned their targets with SDG targets and indicators

"The SDGs are a reflection of our values and ambitions. They are the contemporary manifestation of the 'fair go'."

Senator the Hon Concetta Fierravanti-Wells, Minister for International Development and the Pacific at the 2nd Australian Sustainable Development Goals Summit, 13 March 2018

ILLUSTRATION

ANZ BANKING GROUP

Background: Australia and New Zealand Banking Group Limited (ANZ) is a financial services group that provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. It operates globally in 34 markets, and provides banking and financial products and services to around eight million individual and business customers.

Notable Features: ANZ's 2018 Sustainability Review report is a good example of how a company can present a comprehensive overview of its contributions to the SDGs by linking their key material themes with their sustainability targets and performance indicators that are aligned to the SDG targets. As shown below, ANZ has linked its own sustainability quantitative targets with specific SDG targets. For example, reducing paper consumption at the company level by 40% in 2020, and SDG target 12.5 to substantially reduce waste generation by 2030 are clearly well-aligned and easily understood. Additionally, explanation of the results achieved and the context where the SDG target is applicable are presented. For instance, a 37% paper reduction in paper consumption is made explicit.

RENEWABLE ENERGY

Target

Increase renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline).

Performance

We have entered into a Power Purchase Agreement to 'off-take' power from a wind farm under development in Murra Warra (Victoria), due for completion in 2019.

Relevant United Nations Sustainable Development Goals

7.3 By 2030, double the global rate of improvement in energy efficiency.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

In December 2017, we announced our participation in a Telstra-led collective to execute a renewable energy power purchase agreement (PPA) for the Murra Warra Wind Farm, located near Horsham in north-west Victoria. Coca-Cola Amatil and the University of Melbourne have also joined this collective. The multi-year deal with the wind farm developers underpins construction of the first phase of the wind farm and helps to shield us from rising power prices due to long-term pricing guarantees that are well below current wholesale prices. We will retire the renewable energy certificates (LGCs) we receive from the project to ensure we retain the environmental benefit from the project and can deliver against our environmental sustainability targets.

The project is expected to deliver an array of co-benefits during both the construction and operations phases, including those below.

PAPER

Target

Reduce paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline).

Performance

Paper consumption has decreased by 37%, tracking ahead of the required reduction to meet our target.

Relevant United Nations Sustainable Development Goals

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Customer preference to receive electronic statements and communications, an increased level of digitisation across the Group and employee awareness programs on printing behaviours, continue to drive the reduction in paper consumption.

Increased utilisation of digital print technologies, combined with the adoption of online tools, has reduced New Zealand paper envelope usage by 19 tonnes.

25. ANZ 2018 Sustainability Review, p.44

TOP20 PERFORMING COMPANIES – ADDITIONAL ANALYSIS

This study identifies twenty top performing companies based on the 14 criterion items related to the level of awareness and commitment, integration of SDGs with strategic materiality analysis and SDG performance measurement. As shown in Figure 7 (next page), the Top20 report on having a strong commitment to sustainability, with there being a high level of awareness and engagement on the SDGs by senior management, including the Chair, CEO and board members. The findings also demonstrate that the Top20 differ markedly on several dimensions when compared with both the full cohort of 56 companies that mention SDGs in their reports and the full ASX150 sample.

We found that 90% (18 out of 20) of the Top20 report against the GRI framework, compared to 68% (38 out of 56) of the companies that mentioned SDGs in their report. This data suggests that the GRI provides a strong framework from which companies can demonstrate their alignment to the SDGs and their targets and indicators which, in turn, can increase the level of disclosure and transparency on the SDGs. However, GRI reporting is not necessarily indicative of a company actioning their commitments towards the SDGs.

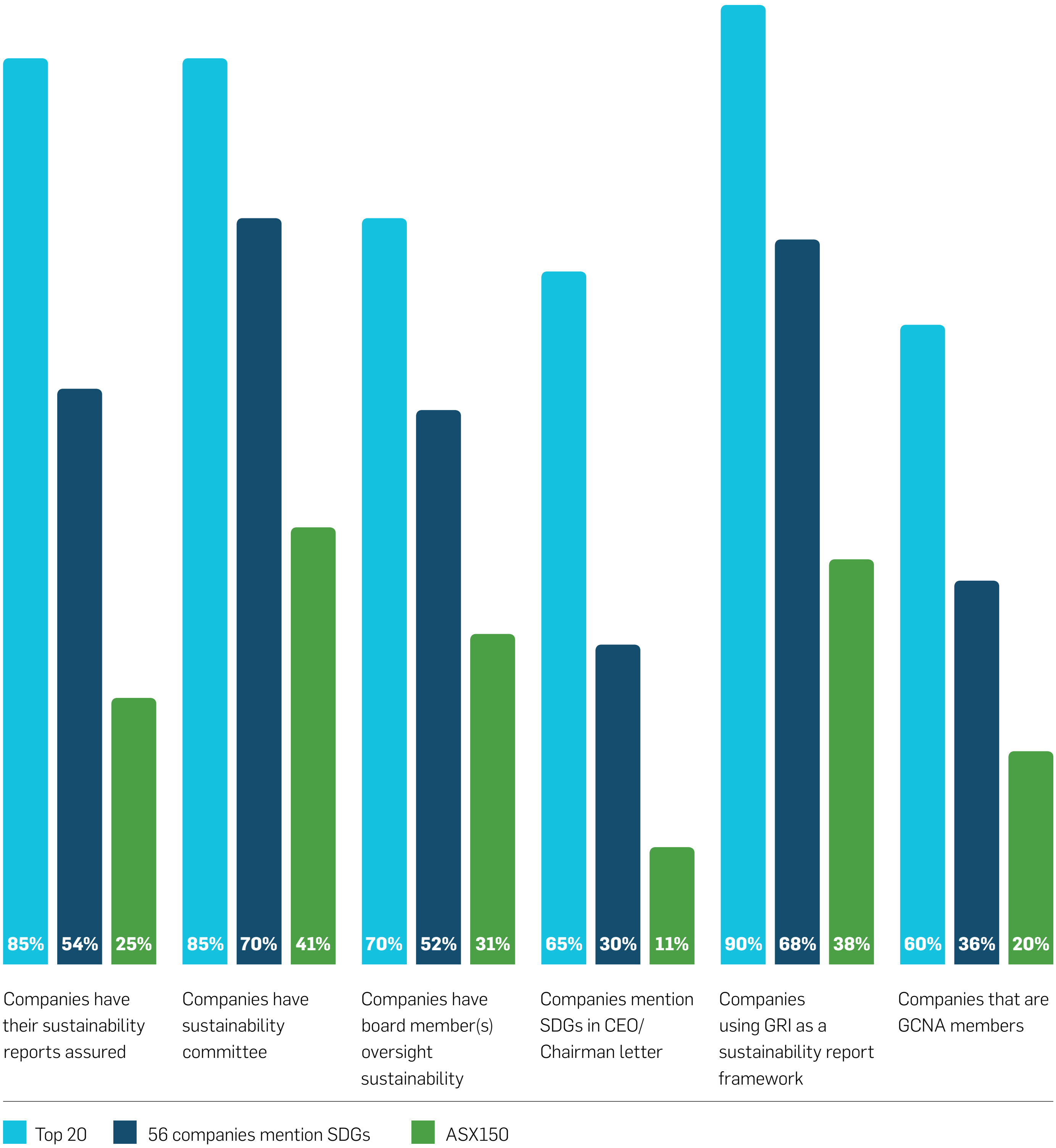
Around 60% of the Top20 performing companies are participants of the UN Global Compact, while only 37% of the total cohort are participants. As such, reporting on the SDGs might be higher from UN Global Compact participants because participation in sustainability initiatives, like the UN Global Compact and the Australian chapter, the Global Compact Network Australia, provide opportunities for knowledge sharing and access to thought leadership on responsible business practices, including the SDGs.

85%

of the Top20 have their sustainability reports assured

GRI provides a strong framework from which companies can demonstrate their alignment to the SDGs and their targets and indicators which, in turn, can increase the level of disclosure and transparency on the SDGs.

Figure 7: Comparative Analysis of the Top20 with companies that mention SDGs and ASX150



CASE STUDY

TRANSURBAN

Background

Transurban is one of the largest toll-road operators in the world. As at July 2019, it held 17 toll roads in Sydney, Melbourne and Brisbane, Australia, as well as in the United States and Canada. Transurban was listed on the ASX in 1996 and has been a UN Global Compact (UNGC) participant since 2009.

The vision of the company is to deliver efficient and integrated transport networks that support productivity and community wellbeing. Its sustainability strategy, comprising three pillars – be good neighbours, use less, and think long term - are seen as fundamental to the day-to-day business activities and long-term objectives of the company. The strategy also aims to consistently deliver tangible benefits to communities, customers, employees and business partners.

In our analysis of Transurban's 2018 Sustainability Report, we found that the approaches undertaken by Transurban to measure and disclose their engagement with the SDGs to be comprehensive and well-integrated. We highlight various aspects of SDG measurement and disclosure by the company where an extensive and in-depth account is provided on their commitment, business strategy integration and performance on SDGs.

Awareness and Commitment

The opening message in the 2018 Sustainability Report from the CEO,[26] Scott Charlton, provides a clear and succinct message of on how the SDGs function as a guiding philosophical framework for the company in conducting its business:

> **"Everything we do from our multi-billion dollar development projects to our grants programs for grassroots community groups considers the lasting benefits that we can deliver to make our cities better places in which to live and to work. In this, our approach is aligned with the United Nations' Sustainable Development Goals (SDGs), and we remain committed to the United Nations Global Compact".**

Whilst there is a requirement on UNGC participants for the CEO to restate their commitment to the UNGC and its Ten Principles annually, the message from the CEO communicates which SDGS are relevant to Transurban, where the company is contributing to the SDGs, and how it is doing so, rather than simply acknowledging the goals. The message identifies that the company has been working to bring their operations in line with nine relevant SDGs, and details key sustainability achievements of the company in accordance with six specific SDGs. The message from the CEO also details that Transurban is refreshing its sustainability strategy to further align business activities and performance targets with the SDGs.

26. Transurban FY18 Sustainability Report, p.02

FY18 Sustainability Report
Transurban

02 Message from the CEO

Image:
Scott Charlton
Chief Executive Officer

As we were preparing this year's Sustainability Report, the NSW Government chose a Transurban-led consortium as its partner to deliver the new 33 kilometres WestConnex motorway.

With the acquisition of WestConnex in September 2018, we now operate 17 motorways across five geographical markets and have nine development projects under way.

As a world-leading toll-road operator, we must set the highest standards in everything we do—and particularly in how we are contributing to a more sustainable future for people and our planet.

Everything we do from our multi-billion dollar development projects to our grants programs for grassroots community groups considers the lasting benefits that we can deliver to make our cities better places in which to live and to work.

In this, our approach is aligned with the United Nations' Sustainable Development Goals (SDGs), and we remain committed to the United Nations Global Compact. These two global initiatives aim to address the world's pressing social, environmental and economic challenges. Of the 17 SDGs, we have identified nine that are particularly relevant to us—and we've been working to bring our operations further in line with these goals.

Some of our key sustainability achievements for FY18 include:

- implementing a major program to meet the needs of customers experiencing financial hardship (SDG 11)
- making considerable progress towards sustainable procurement processes, including considering modern slavery (SDG 8)
- continuing to prepare for the arrival of connected and automated vehicles, and in particular, testing how these vehicles interact with our existing infrastructure (SDG 9)
- extending and enhancing our gender diversity and inclusion initiatives, including a pay equity review (SDG 5)
- launching a carpooling challenge in partnership with the Banksia Foundation (SDG 11)
- achieving Infrastructure Sustainability ratings for two major Australian projects (SDG 11)
- leading an industry push towards sustainable construction materials (SDG 12).

This work is helping to provide more equitable access to mobility and employment across communities, and minimising the impact our motorways and projects have on the environment.

Looking ahead to the 2018–19 financial year, we are refreshing our sustainability strategy to more clearly align our activities with the SDGs and create new momentum for our own ambitious sustainability goals. We are also setting new performance targets to report on over time. Importantly, we are looking to build and grow partnerships in our sector, both nationally and globally, to drive and accelerate progress towards achieving these goals.

Scott Charlton
Chief Executive Officer

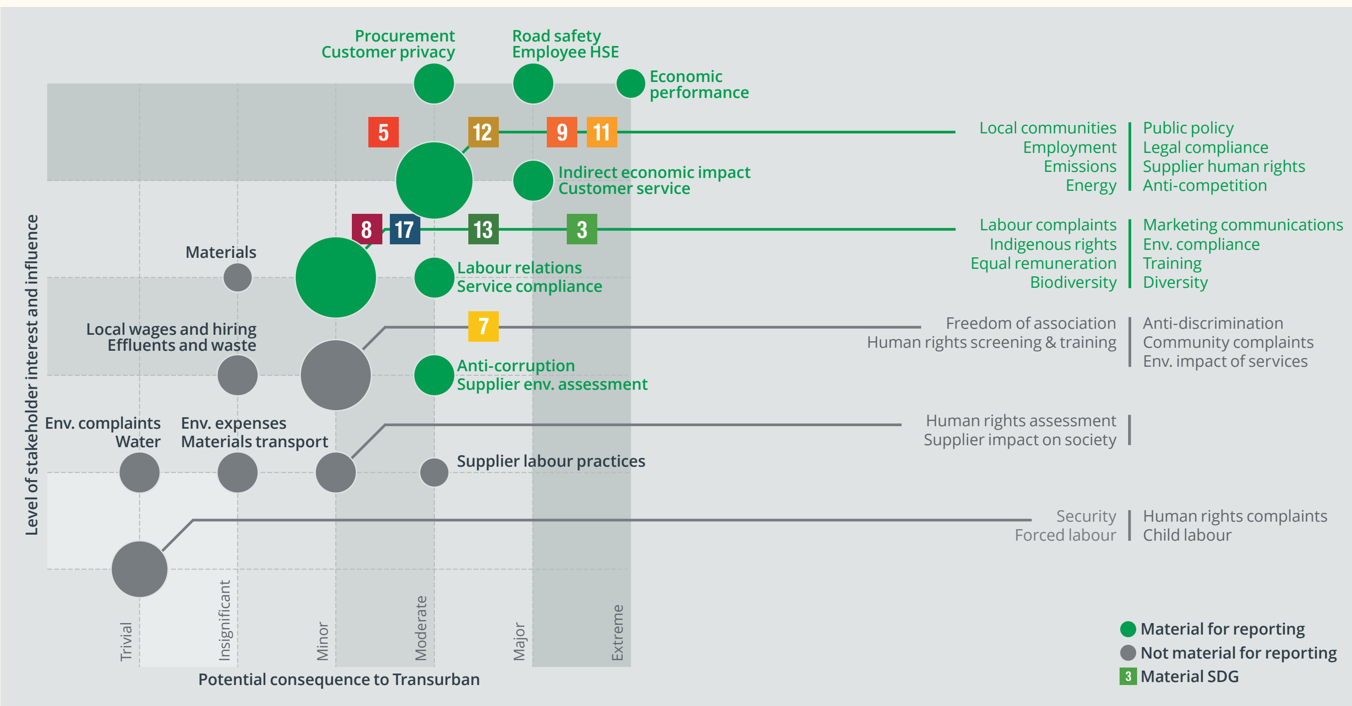
In terms of governance oversight, board leadership with skills and knowledge on the links between business strategy, responsible business practices and the risks and opportunities associated with implementing sustainability practices is critical for companies to demonstrate accountability to sustainable development. Their commitment to sustainability is led by the board (and senior management) and includes non-executive directors with experience in sustainability, diversity, risk management and not-for-profit sector.[27] Another good example of transparency and good governance is the existence of important sustainability, accountability and corporate governance policies in place. These policies are publicly available and are described in detail within both the Transurban 2018 Sustainability Report and 2018 Annual Report. Among the governance documents publicly available there is the Sustainability Policy and Commitments, Code of Conduct, Diversity Policy, Health, Safety & Environment Policy, Transurban Supplier Sustainability Code of Practice, Security Holder Communication Policy and Whistleblower Service.

Integration of SDGs with Business Strategy

The six key stakeholder groups identified by Transurban include community, customers, employees, government, investors and business partners. They provide a generic description on their approach to stakeholder engagement, stating:

> **"We engage each of these stakeholder groups through a variety of means to confirm our understanding of key issues and opportunities and introduce practical responses".**

Transurban also provide a matrix for their materiality assessment, where material issues are seen to be initially identified based on two dimensions: the level of stakeholder interests and/or influence; and the potential consequences for Transurban, classified along six levels of severity ranging from trivial to extreme. The matrix, shown below, clearly identifies issues that are material for reporting (such as road safety, procurement, customer privacy), those not material, and those deemed material issues are identified with the relevant SDGs.



27. 2018 Transurban Annual Report, p.18.

SDG and Performance Measurement

Transurban is one of the very few companies that have embedded SDG into its sustainability progress report and business performance indicators. SDG targets and SDG indicators were drawn from a systematic materiality analysis where input from several stakeholders were sought. The process was comprehensive with the selected SDG targets and indicators also logically associated with the broader business targets and performance data (both quantitative and qualitative data) of Transurban.

Figure 8 below, illustrates how Transurban identified specific and relevant SDG 3 Health and Well-being targets and indicators and linked these targets and goals with its own sustainability targets and performance data.

For example, one of the SDG targets used to demonstrate contributions made by Transurban to the SDG 3 is the SDG target 3.6. 'halve the number of global deaths and injuries from road traffic accidents' by 2020. In this case, Transurban adopted the SDG Indicator 3.6.1 "death rate due to road traffic injuries" to measure its performance. Again, with details of the initiatives in place to address the SDG target 3.6, their own indicators and targets associated with the SDG target 3.6, and respective performance data to measure contributions to the SDG target 3.6 are provided. In this case, Transurban measures its contributions to the SDG 3 through the Road Injury Crash Index (RICI), Implementation of Road Safety Action Plans (RSAP) and crash analysis for each Australian market.

Figure 8: Excerpt from 2018 SDG Progress Report

FY18 UN Sustainable Development Goals progress report SUSTAINABILITY REPORT FY18

SDG 3
Good Health and Wellbeing

Relevance to Transurban, and SDG targets	SDG indicators relevant to Transurban FY18 performance	FY18 initiatives and commentary	Additional Transurban indicators and targets	FY18 performance data
Safety and wellbeing of employees and suppliers 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	No directly relevant SDG indicators for Transurban	A Wellbeing program is in place and we encourage the same for major project partners There are significant measures and programs in place to address mental health including a network of Mental Health First Aid officers (MHFA). We also encourage our partners to take action in this area	Mental Health First Aid Officers in Transurban (no target set)	95 MHFAs
Road safety 3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents	**3.6.1 Death rate due to road traffic injuries** 3 fatalities on Transurban roads in FY18	We are working diligently towards eliminating fatalities and injuries associated with the use of our roads Major FY18 initiatives included: • Road Safety Strategic Framework • road design and optimization to reduce safety risks • Road Safety Action Plans for each geographic market where we operate • NeuRA partnership • road safety awareness activities	Road Injury Crash Index (RICI): injury crashes per 100 million vehicle kilometres	RICI – 4.82 (target 4.04)
			Establish and implement Road Safety Action Plans (RSAP) in each market where we operate (100%)	Road Safety Action Plans completed for all regions
			Monash University Accident Research Centre (MUARC) - crash analysis for each Australian market	MUARC results: • NSW – 80% lower • VIC – 81% lower • QLD – 53% lower

The same approach linking SDG targets and selected SDG indicators with Transurban's actions, indicators and data to measure contribution to the SDGs was provided by each one of the relevant SDGs identified during the materiality assessment. This is a good example of high level of accountability with a clear and transparent approach to demonstrate the contribution of the company to the SDGs. In its report, Transurban disclosed its contributions to nine SDGs and presented links to specific targets and indicators, respectively which are summarised and shown in Table xx below.

SDG	Targets	Indicators
3	3.4 & 3.6	3.6.1
5	5.1 & 5.5	5.1.1 & 5.5.2
7	7.2 & 7.3	7.2.1 & 7.3.1
8	8.1, 8.3, 8.4, 8.5, 8.7, 8.8 & 8.b	8.4.1, 8.5.1, 8.8.1, 8.8.2, 8.b.a
9	9.1, 9.4 & 9.5	9.4.1 & 9.5.1
11	11.6.2	11.6.2;
12	12.2, 12.5, 12.6 & 12.7	12.2.1, 12.5.1, 12.6.1 & 12.7.1
13	13.1, 13.2 & 13.3	13.1.3 & 13.2.1;
17	17.16.	

In mapping the various company initiatives and activities with the SDGs, targets and indicators in such a comprehensive manner, readers of such reports gain clearer and fuller understanding on the impact of a company on a given SDG.

Another notable feature of Transurban's approach to SDG measurement and reporting is the production of a separate progress report on Transurban's performance on the SDGs which brings together succinctly the Official UN SDG targets and indicators, and identifies their relevance to Transurban and its own targets and performance data. This progress report is additional to the 2018 annual Sustainability Report.[28]

A final aspect to note about Transurban's sustainability reporting is the accompaniment of an assurance report. Verification by an external, independent assuror of sustainability reports (i.e. an aassurance statement) can provide report users with increased confidence in the information provided in such reports. When the SDGs make part of the sustainability report, and if assurance statements accompany such a report, there is greater likelihood of trust and reliance in the information on SDG which can affect decision-making.

Transurban's 2018 Sustainability Report was accompanied by an assurance statement by KPMG providing limited assurance over selected disclosures such as Road Injury Crash Index, Recordable Injury Frequency Rate, Scope 1 and 2 GHG emissions (tCO2 e), customer vehicle GHG emissions (tCO2 e), and community investment (in dollar spend). A separate sustainability data report with historic performance information was also produced with the assurance statement with clear information about the scope of activities assured.[29]

28. See: to https://www.transurban.com/content/dam/transurban-pdfs/01/sustainability-reports/FY19-Sustainability-SDGs.pdf
29. See: https://www.transurban.com/content/dam/transurban-pdfs/01/sustainability-reports/FY18-Sustainability-Report-Data.pdf

CONCLUDING REMARKS

Australian companies have, for many years, invested in sustainable development either directly through their own operations, or through projects, community initiatives and business innovations. The SDGs now provide both a common lens through which businesses can disclose their contribution to sustainable development. Furthermore, they provide commonality in language which transcends sectoral boundaries and enables for more coherent and transparent reporting. The SDG framework strengthens and expands the organisational disclosure pathway started by reporting frameworks, such as the GRI, by cutting through and making more apparent what companies are doing across a multitude of sectors. Nevertheless, recent studies suggest that SDG measurement and reporting practices by businesses globally is still developing.

The findings of this study indicate that the level of public disclosure and reporting on the SDGs by the ASX150 has room for improvement. While it is encouraging to see a number of companies displaying high quality reporting, the extent of awareness and commitment to the SDGs, and their integration with business strategies remains relatively limited. Not surprisingly, we found that very few of the ASX150 disclose measurable business performance targets related to the SDGs and that there weren't many good examples of companies that directly linked their own performance to the SDGs targets and indicators. Yet, there are some strong examples of actions and contributions to the SDGs. Some of these are also found at knowledge sharing sites such as the GCNA's SDG website sdgs.org.au

The results of this study amplify the need for more robust measurement and reporting systems that can support Australian companies take advantage of the many opportunities presented by the 2030 Agenda. It is timely that companies review and reflect upon their approach to strategy-making and their business models in order to enhance their impact on the SDGs and to take the opportunities presented in developing a more sustainable economy and society. We also acknowledge that many more ASX150 are likely to be are spending time and resources ensuring that their reporting is in alignment with the SDGs, but may have not fully disclosed their activities and impact. The wide variation in SDG measurement and reporting may also be because the SDGs did not come with a reporting framework, and thus some companies may have approached it from different perspectives. Furthermore, we also find many companies adopt the GRI, which continues to serve as a popular and well-accepted framework for sustainability reporting. Nevertheless, not all businesses have the resources to meet the reporting standard of the GRI.

Finally, there are several caveats related to this study, and the results need to be interpreted with care. First, the study did not include a review of company websites or any other social media outlets. The review involved annual reports and sustainability reports for one year (year ending 31 December 2018) and did not report on any systematic changes in trends over time. It is likely that since the formal announcement of the SDGs, the interest and uptake in supporting the 2030 Agenda has increased; however, this is yet to filter through to disclosure in annual reports or sustainability of reports in a common manner. Albeit, such information will provide information investors and other stakeholders, including the Australian Government who need to report on its progress against their commitment to the SDGs.

Looking Ahead

There are just over ten years left for the UN member states to reach the 17 Goals. Australian businesses have an opportunity to strongly contribute to Australia's progress against the SDGs, including disclosing publicly how they have implemented the SDGs in their strategy, and operationalised the Goals. Our aim is that this report will further encourage dialogue, action and transparency on the SDGs so that businesses and a wider set of actors — civil society, government, investors and academic - can better engage with the SDGs and contribute to the overarching goal to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

"The SDGs define a common framework of action and language that will help companies communicate more consistently and effectively with stakeholders about their impact and performance. The goals will help bring together synergistic partners to address the world's most urgent societal challenges"

SDG Compass, 2018

Abbreviations

ASX	Australian Securities Exchange
ASX150	The top 150 Australian public-listed companies on Australian Securities Exchange (by market capitalisation, as at 1 July 2019)
CO2	Carbon-dioxide
DFAT	Department of Foreign Affairs and Trade
G250	The world's 250 largest companies by revenue based on the Fortune 500 ranking
GCNA	Global Compact Network Australia
GHG	Greenhouse Gas
GICS	Global Industry Classification Standards
GRI	Global Reporting Initiative
NGER	National Greenhouse and Energy Reporting
PPA	Power Purchase Agreement
RICI	Road Injury Crash Index
RSAP	Road Safety Action Plans
SDGs	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound
TCFD	Taskforce on Climate related Financial Disclosures
UN	United Nations
UNGC	United Nations Global Compact


RMIT
UNIVERSITY
UN GLOBAL COMPACT
Network Australia