

WALKING THE TALK

Assessing companies' progress from SDG rhetoric to action

Three years after the adoption of the Sustainable Development Goals (SDGs), reliable information on how companies are working to contribute to the SDGs remains sparse. The paper that accompanies this note uses five general themes (prioritization; integration; ambition; human rights and gender equality; and reporting) to review the SDG engagement of 76 of the world's largest companies. It finds that while uptake of the SDGs by companies is high, there is little evidence of the SDGs changing companies' sustainability strategies with regards to priorities, ambition or transparency. The paper points to good practice for how business can more effectively engage with the SDGs. This methodology note explains how the analysis of the 76 companies was conducted.

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INTRODUCTION

The analysis for this paper aimed to provide an aggregate picture of engagement with the SDGs by a set of large companies. It did not aim to assess the performance of individual performance (or to compare them with each other). We assessed companies' SDG engagement based on the latest publicly available information. The main data sources were company websites and sustainability reports. For reasons of scope we chose to focus our analysis on particular regions and sectors. We recognize the diversity of companies across sectors and contexts and thus also recognize limits to generalizing the findings from this analysis.

COMPANY SELECTION

Company selection was based on the objective of balancing the relevance and breadth of our sample. Relevance was ensured by selecting the largest companies in sectors with a high impact on sustainable development. Breadth was ensured by 1) selecting a diverse set of industry sectors, and 2) including companies at a global scale and at the regional level in Asia. The six largest companies for each sector were selected by US dollar revenue (using Fortune 500 and the Forbes Global 2000 list for 2018).¹

Our analysis started with 48 global companies across a set of eight industry sectors (energy, banking, technology, agribusiness, garment, mining, food/beverage, pharmaceutical) which have a sizeable impact on sustainable development issues.² We selected the six largest companies in these eight sectors in order to also draw sector-level conclusions about companies' SDG engagement. To account for the important role that Asia plays as the world's fastest-growing economic region,³ we also analysed 30 of the largest companies headquartered in Asia in some of these sectors.

Two companies overlapped across the two samples, leaving a total of 76 companies assessed for this report. Overall, there was a high degree of consistency with regards to our findings across the two groups of companies; we have therefore aggregated these findings below (while highlighting variations in findings between the two groups where they exist).

Our final sample comprised 76 companies and included two groups:

- The first group of companies included the world's largest six companies across a set of eight industry sectors (energy, banking, technology, agribusiness, garment, mining, food/beverage, pharmaceutical).
- The second group included the largest six companies across five industry sectors (banking, technology, garment, agribusiness, and construction/infrastructure) with headquarters in Asia.

Across the two groups, 47 companies have made a public commitment to the SDGs. When discussing the actions of the companies which have committed to the SDGs, we benchmarked a subset of 47 (as benchmarking against the total figure (76) would have skewed the impressions).

Our analysis is focused on the SDG engagement of the private sector. We therefore only included companies in our sample where private sector actors have a 70% or higher stake and are beneficial owners.⁴ State-owned companies require a different analytical lens, as they operate on different incentives and are driven by national agenda. The exclusion of state-owned companies changed the sample composition for the Asian companies in a couple of sectors. Most importantly, we excluded energy companies in Asia, which are either state-owned or very small. Instead we included construction and infrastructure as another capital-intensive, fast growing, high-impact sector.

ASSESSMENT CRITERIA

Category	Leading question	Assessment
<i>Commitment</i>	Does the company have a value statement about the SDGs?	<ul style="list-style-type: none"> • Yes/no • Evidence of a public statement in support of the SDGs on company websites and sustainability reports?
<i>Prioritization</i>	Does the company prioritize a subset of specific SDGs?	<ul style="list-style-type: none"> • Yes/no • Evidence of a subset of SDGs the company is prioritizing?
	Which SDGs does the company prioritize?	<ul style="list-style-type: none"> • Yes/no for SDGs 1–17
	Does the company provide a rationale for how priority SDGs were chosen?	<ul style="list-style-type: none"> • Yes/no • Qualitative analysis of justification (e.g. existence of documentation for materiality or impact assessments, stakeholder consultations, etc.)?
<i>Integration</i>	Does the company map its sustainability efforts across the SDGs?	<p>Scale:</p> <ul style="list-style-type: none"> • Not linked: company does not mention the SDGs in its sustainability strategy. • Loosely linked: company mentions the SDGs in its sustainability report or on its website (e.g. mentions how a certain project contributes to an SDG). • Strongly linked: company maps its sustainability actions across the SDGs and reports on activities and/or progress for each. • Integrated: company adopts the SDGs as its primary framework to guide its sustainability strategy
	Does the company's SDG engagement concern its core business?	<ul style="list-style-type: none"> • Yes/no • Assessment of whether company's SDG engagement is relevant for its core business.
<i>Ambition</i>	Has the company set new targets and/or undertaken new initiatives relevant to the SDGs?	<ul style="list-style-type: none"> • Yes/no • Assessment of evidence for new sustainability targets/initiatives that 1) were launched after 2015, and 2) were linked to at least one SDG.

<i>Human rights</i>	Does the company have a human rights policy?	<ul style="list-style-type: none"> • Yes/no • Evidence of a stand-alone human rights policy on the company's website? Cross-reference with other databases where possible (e.g. Business and Human Rights Resource Centre website; Corporate Human Rights Benchmark).
	Does the company emphasize human rights as part of its SDG engagement?	<ul style="list-style-type: none"> • Yes/no • Reference to human rights in the company's communications on the SDGs?
<i>Reporting</i>	Does the company report on its SDG engagement?	<ul style="list-style-type: none"> • Yes/no • Evidence for SDG-specific information in the company's sustainability disclosure? • Qualitative analysis of the quality of the available information with regards to transparency and level of detail?

DATA COLLECTION AND ANALYSIS

The data was collected by research consultants with expertise in corporate sustainability. Following the development of an initial assessment framework, a few companies were selected to test the applicability of the framework across sectors and the availability of information. Initial results validated our assessment approach and criteria (see above) and were thus applied to the rest of the sample. Accuracy of findings was ensured by double-checking the assessments of all companies internally.

A key challenge that emerged during the research process was how to identify SDG-relevant actions, as companies do not necessarily label all relevant actions under the SDGs. Similarly, it proved difficult to identify what actions by companies are actually new contributions to the SDGs, as companies can group pre-existing initiatives under the SDG umbrella.

We managed these two challenges by 1) adding a control question that assessed the existence of corporate social responsibility/sustainability actions even in the absence of a public commitment to or link with the SDGs, and 2) adding two qualifying criteria to assess if an action by a company qualifies as 'new SDG action' (see table above).

ON DISCLOSURE

The full list of companies was not released as this may have had the inadvertent effect of distracting from the purpose of this report, which aimed to provide an aggregate picture of a set of high-impact companies' engagement with the SDGs. We did not aim to assess the performance of individual companies (or to compare them with each other).

NOTES

- 1 Forbes (2018). Global 2000. Available at: <https://www.forbes.com/global2000/#688470d9335d>;
Fortune (2018). Global 500. Available at: <http://fortune.com/global500/list/>
- 2 Global Commission on Business and Sustainable Development and Corporate Citizenship (2016). *SDGs & Sectors: A review of the business opportunities*. Retrieved from: <http://s3.amazonaws.com/aws-bsdc/SDG-Sectors.pdf>
- 3 World Bank (9 April 2016). *South Asia Remains World's Fastest Growing Region, but Should Be Vigilant to Fading Tailwinds*. Retrieved 28 August 2018 from: <http://www.worldbank.org/en/news/press-release/2016/04/09/south-asia-fastest-growing-region-world-vigilant-fading-tailwinds>
- 4 Beneficial ownership is defined as a natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. See Financial Action Taskforce (2014). *Transparency and Beneficial Ownership*. FATF Guidance. Available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>

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