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Tracking Performance against the UN SDGs

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UN Sustainable Development Goals: How Companies Can Work to Incorporate the UN SDGs in their Analyses

Businesses are wrestling with complexity as they embrace the United Nations' Sustainable Development Goals (SDG) framework to demonstrate how they are providing value to society.
The UN established the SDGs in 2015 to provide a "shared blueprint for peace and prosperity for people and the planet, now and into the future."

The goals are designed to be met by 2030 and include specific targets, giving companies clear corporate social responsibility objectives to aim for. That has led to widespread adoption of SDGs within companies' non-financial targets and reporting, with one study of 721 businesses finding 72% were using the framework.

UN Sustainable Development Goals: How Many Are There and What Do They Measure?

But with 17 goals ranging from eliminating poverty and hunger to improving gender equality and economic growth, there is also confusion over how best to measure and compare progress. One approach that is gaining traction is to map the impact of a company's operations and products and services to each of the SDG targets and quantify the social value that the company contributes to the SDGs.

This approach quantifies the contribution that companies make to each of the measurable SDG targets in uniform units of monetary value. The analysis of value involves considerations such as the impact that a company's products and services and operations have on an individual SDG target and how bottom-up measures of achievement against different targets add up to a measure of overall impact.

"There is no major company today that is not concerned about understanding its impact on the world and society," says Ángel Agudo, vice president of product at Clarity AI. "The way they do it can vary from one company to another. The SDGs provide a framework established by the United Nations, so it is neutral and standard. One of the problems in the industry is the definition of standards, so having a neutral standard like the SDGs helps."

Companies are moving to adopt the SDG framework not only for reputational reasons but also for financial motive. There is growing awareness of the need to address global sustainability challenges for long-term financial survival, says Agudo. Just as an example, according to the EU only 35% on average of the climate-related economic losses caused by natural catastrophes are currently insured, and as little as 5% or less in some parts of Europe . Although the movement to adopt the SDG framework is growing there is no consistent measurement on how to meet the framework goals, which leaves even more ambiguity in the market.

UN Sustainable Development Goals: Why Revenue-Alignment Isn't the Right Way to Measure Impact

However, the advantages of the UN framework are offset by the wide range of factors covered by the SDGs and the fact that addressing one SDG could potentially have a negative impact on another. "A company might have an impact on all of them, so they need a good assessment of how," says Agudo.

Early attempts to work with global SDGs have focused on revenue alignment. However, says Agudo, "We think that vision is very limited. Under this approach, if 10% of a companies' revenues are dedicated to electric vehicles, they have the same impact as 10% dedicated to vaccines." Clarity AI's methodology uses scientific resources to better understand the economic impact of different variables. "That methodology allows us to arrive at a common, comparable metric, which we call an economic unit, to measure impact," Agudo says. In addition to Clarity AI's methodology, the company's machine learning algorithms, which are used in concert with sustainability experts, review millions of data points each week and run reliability checks and estimation models to provide the most reliable data possible.

The results of these analyses are not always intuitively obvious. For example, "the fact that a cement maker reduces its CO 2 emissions by 10% might have a much greater impact than a healthcare company building 20 new hospitals" says Agudo.

A lack of understanding of such outcomes can negatively affect policy decisions and reduce progress towards achieving SDGs, Agudo says. With better data and a smarter approach to understanding it, companies can get on track and stay on track to achieve their goals related to impact and the UN Sustainable Development Goals.