



Bridging the gap: CSR to SDGs



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List of abbreviations

Abbreviation	Full Form
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
N100	Top hundred listed companies as per market capital as on 31 March of respective financial year
SDGs	Sustainable Development Goals
UNICEF	United Nations International Children's Emergency Fund
UNGC	United Nations Global Compact
WBCSD	World Business Council for Sustainable Development

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SUSTAINABLE DEVELOPMENT GOALS



Source: UN, 2015

Introduction



Sustainable Development Goals (SDGs) took over the baton from Millenium Development Goals (MDGs) in 2015 to reduce poverty and inequality and simultaneously strengthen the discussion around equitable and sustainable growth. As the Global Goals were cultivated and communicated to global leaders by the UN, they have been adopted by 193 member states of the United Nations. Adopting Global Goals helps individuals, organisations, and governments worldwide to agree on the common direction of development, essentially, to focus on what really matters for our future¹ The integration of these goals globally into individual state policies is important to orient each country on the path of sustainable and equitable development. These goals, being more cross cutting and inter-dependent in nature, need a collaborative initiative from the private and public sectors alike. Businesses across the globe need to identify their role in this conversation and understand the points of their interaction with the SDGs.

Figure 1: Cross cutting themes of SDGs



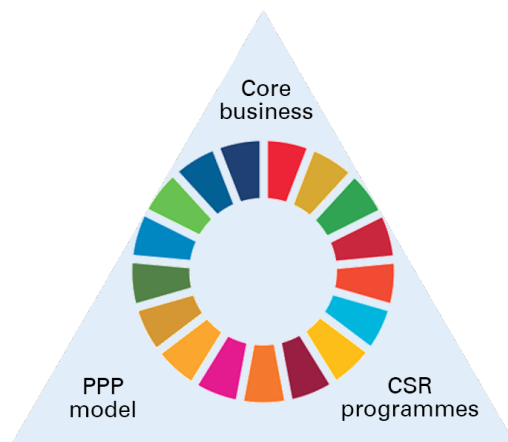
Source: GreenBiz

1. Why the sustainable development goals matter, World Economic Forum, 2015

The SDGs in the context of India, need to be understood through the prism of national priorities along with a detailed mapping of the stakeholders and institutions critical for the realisation of these goals. Apart from the national and state agencies, the civil society and the private sector need to be on the same platform to take onus of their individual roles and support each other through collaborative initiatives. In this process of shifting gears on the way we develop, the role of business communities is critical. These businesses, in order to strategically contribute towards the goals, need to identify the critical points of their interaction with the global goals. The following points can initiate the dialogue between the business and SDGs in a more strategic manner paving the way for a shared growth scenario:

1. Core business: Businesses can understand the relevance of SDGs to their business model and intend incorporating them, including the targets, in the long-term and short-term business strategy. This can span from technology shift for energy consumption, realigning the supply chain and product sourcing, drafting the internal policies and intervening at different levels of operations to embrace the philosophy of the SDGs.

For example, to contribute towards SDG 12: Responsible consumption and production, the manufacturing industry can target higher recycling rate for plastic, rubber and glass



in its manufacturing process as well as end-of-life products. These companies can also invest in handling and recycling products and collectively pioneer ways to establish resource recycling systems.

Similarly, for SDG 8: Decent work and economic growth, the industrial and manufacturing sector can focus on hiring, developing and retaining talent from local communities.² This can help ensure diversity and inclusivity in the work force trickling in.

2. Public-Private Partnerships: In India, the development model has provided flexibility to the private sector to partner with the public sector. This Public - Private Partnership (PPP) approach brings to the table the vision and outlook of the public sector along with the private sector's extensive resource pool and sector expertise. The PPP model is an extension of the call for collaboration which the SDGs make through SDG 17: Partnership for the goals. The collaborative value addition of the two sectors fuel the development trajectory with the underlying idea of creating shared value.

For example, several food, beverage and consumer goods companies constructively engage in internationally led processes including the four intergovernmental negotiations which took place in 2015 (i.e. the World Conference on Disaster Risk Reduction, the World Financing for Development Conference, the Summit to Adopt the Sustainable Development Goals, and the United Nations Climate Change Conference)².

² SDG Industry Matrix, KPMG and UNGC, 2017

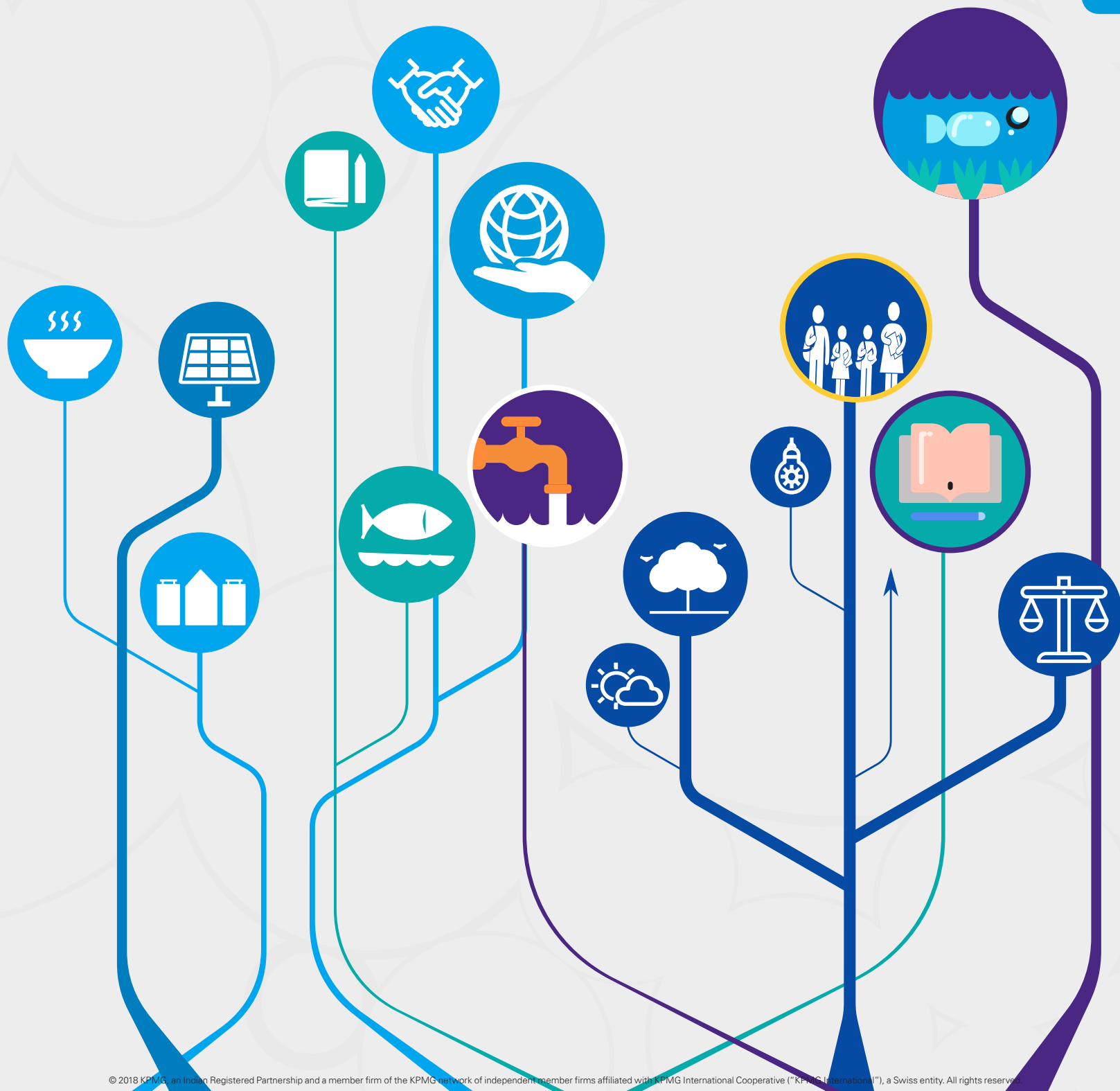


3. Corporate Social Responsibility (CSR) programmes: The third point of interaction for a business is pivotal to the discussion of realisation of SDGs. CSR can bring in change along with strategic channelisation of the financial resources which are envisioned to be spent towards social development under the directive of Schedule VII of the Companies Act 2013. The overlap, of goals and their subsequent targets with the Schedule VII thematic areas, provides flexibility for companies to a) align their CSR programmes with SDGs and b) define a SDG target oriented CSR approach in their policy.

For example, the healthcare industry in India through its CSR initiatives can contribute towards the health and nutrition of the population of the country. These programmes can be strategically mapped to the SDG 3: Good health and well-being and the impact of the programme can be measured through the targets and indicators set under this goal.

The interaction between SDGs and businesses can be further strengthened by implementing policy instruments and engaging industrial lobbies. The adoption of the universal language of SDGs by businesses is one of the most progressive and comprehensive ways forward in the current scenario.





Policy landscape



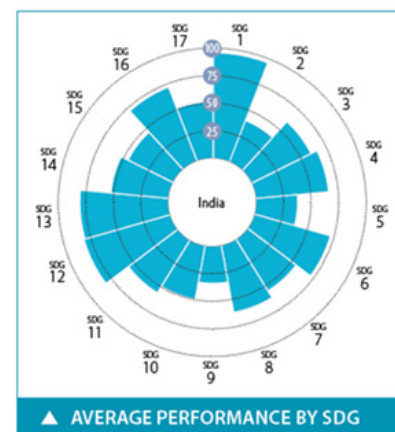
SDGs have been considered paramount to development in the last two years with nations adopting SDG targets as their base for developing their decadal plans and strategies. It has been recognised globally, that the goals cannot be achieved without getting all the stakeholders on board including civil society, communities and the industrial sector. Countries like the Netherlands have developed the SDG charter that brings all the relevant stakeholders on the same platform. This charter chalks out the roles and responsibilities of each and also opens a forum for innovation and collaboration for realisation of the goals. Countries are also seen encouraging the private sector to directly contribute to the SDGs. The Republic of Korea in collaboration with UN Global Compact (UNGC) is working with 280 public and private sector companies. In its initiative the government is focused on disseminating ideas that can help companies share good practices and actions to support the SDGs¹.

This global discussion has brought out the need for a robust policy level intervention and development of frameworks, comprehensive disclosure obligations for the private sector to start taking responsibility of their role. Germany notes, engaging the private sector, social and ecological standards, regulatory frameworks, disclosure rules and an enhanced sustainability risk analysis are needed.

In India, SDGs have been adopted and integrated into the national policies and plans. NITI Aayog in India, the primary policy planning institution, has communicated the need for realignment of state priorities and policies with that of SDGs². At the state level, traction has been observed to achieve the SDG targets. States like Gujarat, Telangana, etc. have already developed a vision document to incorporate their policies and institutional capabilities to realise the SDGs. NITI Aayog in India has mapped the national policies and plans to specific SDGs along with delineating

the roles and responsibilities to individual departments. India's overall performance is scored at 59.1 (index score) corresponding to a global rank of 112 out of 156. This can be improved through policy interventions and collaborative initiatives³.

Figure 2: Average performance of India on SDGs



Source: SDG INDEX AND DASHBOARDS REPORT 2018, Bertelsmann Stiftung, S. D., Sustainable Development Solutions Network. 2018

1. VNR Synthesis Report, United Nations, 2016

2. SDG Presentation, NITI Aayog, 2018

3. SDG INDEX AND DASHBOARDS REPORT 2018, Bertelsmann Stiftung, S. D., Sustainable Development Solutions Network. 2018

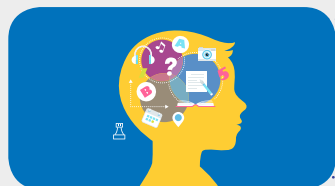
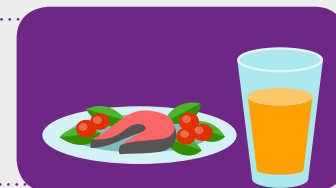


Poverty and urbanisation:

By 2022, institutions are to be strengthened to progressively deliver universal access to basic services, employment, and sustainable livelihoods in poor and excluded rural and urban areas.

Nutrition and food security

By 2022, all children are to enjoy essential nutrition services; rural smallholders and other vulnerable groups to have improved livelihoods and greater access to a nutritionally adequate food basket.

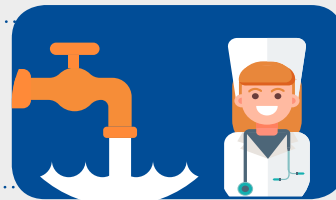


Education and employability

By 2022, more children, young people, and adults, especially those from vulnerable groups, to enjoy access to quality learning for all levels of education.

Health, water and sanitation

By 2022, there is to be improved and more equitable access to and utilisation of, quality, affordable health, water, and sanitation services.

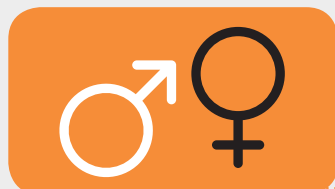


Skilling, entrepreneurship and job creation

Encouraging entrepreneurship stimulates innovation and domestic demand; people vulnerable to social, economic and environmental exclusion, to have increased opportunities for productive employment through decent jobs and entrepreneurship by 2022.

Climate change, clean energy and resilience

By 2022, environmental and natural resource management (NRM) is to be strengthened and communities have increased access to clean energy and are more resilient to climate change and disaster risks.



Gender equality and youth development

By 2022, women, children, and young people to have improved access to equal opportunities and an enabling environment, to advance their social, economic and political rights.

This dialogue of SDGs and national policies involves a direct and indirect interaction with the private sector. The role of the private sector is, thus, considered pivotal considering they govern a major part of the economic outlook of the country and have the capability of steering the consumerism in the nation. Secondly, the achievement of the SDGs requires a substantial amount of financial backing, part of which can stem from the private sector.

In 2016, France adopted a strategy entitled 'Let's Innovate Together' to prompt businesses to take Corporate Social Responsibility (CSR) to the next level and encourage social and cooperative economic initiatives

This can be done through direct financing of the programmes focused on SDGs or through sustainable interventions in the supply chain, business outlook and green investment strategies and also Corporate Social Responsibility (CSR). To channelise and regulate the same, there emerges a need of institutionalising this through policies and well defined governance. This can translate into reconsidering the current governance structures

and driving policies and disclosures like Companies Act 2013, Business Responsibility Reports, Integrated or Sustainability Reports along with other voluntary non-financial disclosures.

India's landmark CSR regulation rolled out in the form of Section 135 of Corporate Social Responsibility (CSR) under the Companies Act 2013 (Act), and provides an opportunity for businesses to contribute to social development and to SDGs. The Act lists out thematic areas under Schedule VII towards which CSR programmes of the company should be focused. The Act mandates that CSR be in project mode with strict monitoring mechanism and governance systems, so as to achieve maximum impact.

As a step forward towards the realisation of SDGs, CSR can be viewed as one of the greatest regulatory drivers in India. The Schedule VII activities when weighed against the SDGs seem to be

in line with each other moving towards the holistic vision of attaining sustainable development⁴. This can also be based on global trends observed with countries like France prompting the interlinkage of CSR and SDGs through national level strategies, and Finland urging the private sector to contribute significantly to SDGs through obligations of CSR and sector specific initiatives⁵.

CSR Regulation

Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more in the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board. The Board of the company, shall ensure that it spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

4. Leveraging CSR for SDGs, KPMG and UNGC, 2017

5. VNR Synthesis Report, United Nations, 2016



CSR to SDGs

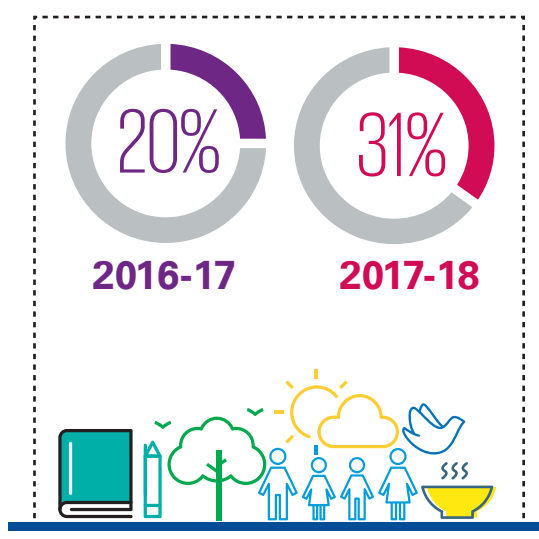


SDGs, globally, call for socially inclusive and environmentally sustainable economic growth¹. In India, however, CSR as a concept had institutionalised the idea of inclusive social and environmental development aiming at a shared growth scenario. Currently, over INR7000 crore is being channelised towards Schedule VII activities and thematic areas by N100 companies. The overlap of SDGs and Schedule VII activities as CSR programmes can be mapped to SDGs which are now becoming the universal language of sustainable development².

Some companies, in India, have begun to map SDGs relevant to their CSR projects and are slowly moving towards setting targets and measuring their contribution towards the same. Such mapping is

communicated through their CSR reports, sustainability reports, and/or annual reports. SDGs are becoming increasingly important aspects in the reports of these companies which can be based on the analysis of data from the N100 companies. There is an encouraging trend of companies reporting on SDGs relevant to their CSR programmes showcasing an increase to 31 per cent in 2017-18 as against a 20 per cent in 2016-17, which is illustrated in the figure below (Fig. 2)³

Figure 3: Reporting related to CSR in annual reports



Source: CSR Survey KPMG, 2017, Primary research

1. Sustainable Development Goals, World Economic Forum, Jeffrey Sachs, 2014
2. Leveraging CSR for SDGs, KPMG and UNGC, 2017
3. CSR Survey, KPMG, 2017

Creating a blended fabric- Interweaving CSR and

SDGs: CSR is integral with reference to how businesses interact with SDGs. The blend of the two connects the national regulatory landscape to the global narrative for sustainable development. The following can be recognised as the drivers to incorporate the blend in the current ways of CSR operations, monitoring and reporting by the private sector.

1. Consistency and comparability:

The adoption of SDGs in CSR reporting brings about consistency across the private sector not just at a national level but also with global peers. The universal language of SDGs that is now being emphasised upon brings with itself consistency. This is observed not just in goal setting but also in the indicators that are used across the spectrum making an inter-sector as well as intra-sector peer review more profound and concrete.

2. Scope for sector-specific

contribution: SDG mapping brings out a unique opportunity for businesses to strategically align their CSR not just to their business strategy but also to the most material SDGs for their sector helping them share the load of the identified sector specific contributions.

3. Investor interests: Investors are now viewing Environment, Social and Governance (ESG) factors to be as important as the financial health of the company while taking decisions. A company's CSR reporting with SDG mapping gives the investor a forward looking approach of the company and tends to create more visibility at a global and national level.

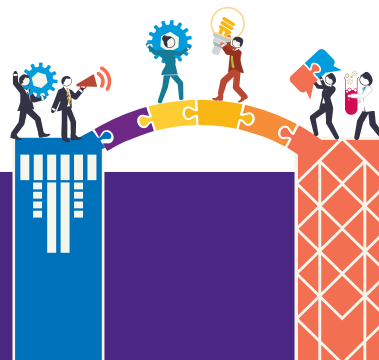
The traction at the national and state level to realise SDGs also brings in the accountability of the private sector about its role towards the same. The mapping of CSR to SDGs and reporting the impact of the same through various disclosures and platforms not only helps the company measure its target achievement but also sets the stage for the national

and state agencies to take their initiatives ahead. Owing to the consistency and uniformity of SDG targets, the national and state agencies can aggregate the contribution of the private sector towards SDGs. This can be further leveraged to holistically view the impacts and the targets achieved by the private sector from a public-private collaboration and public policy perspective.

Hence, the above listed drivers present a strong case for the private sector to incorporate SDGs as an integral part of the CSR policy, monitoring and evaluation framework, and ways of working.



Measuring impact



The incorporation of SDGs into the CSR framework demands more than just acknowledgement of the Global Goals. This creates a need for contextual understanding and connect of the programmes undertaken and their relevance to the realisation of SDGs. Going beyond contextually mapping the goals to CSR programmes, SDGs are relevant to CSR in terms of measurement of output, outcome and impact. SDGs have specific goals and targets with exhaustive indicators to measure the progress made against each. In a nutshell, SDGs have the potential to bring in a paradigm shift in the monitoring and reporting practices involved in the CSR programmes. Thus, an objective and focused approach for measuring the impact created through these strategic CSR interventions needs to be adopted and derived from these goals.

The SDG compass developed by UNGC, GRI and WBCSD, can be used by the companies to align the CSR programmes and monitor the progress against the same¹. The SDG compass explains how the SDGs can be incorporated into the CSR strategy. The five step approach of the compass helps companies to relook and redesign their strategy in alignment

with SDGs.

A brief understanding of the five steps is presented below:

Figure 4: SDG compass



1. SDG Compass, UNGC et al., 2015

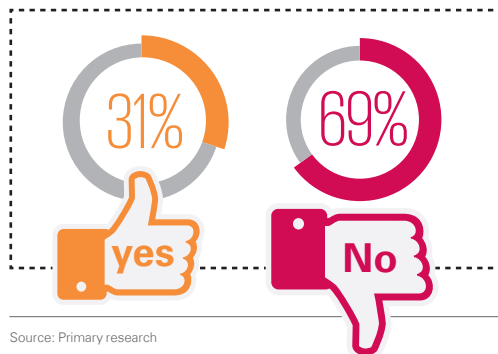
Source: SDG Compass, UNGC et al., 2015

1. Understanding SDGs: The first step, as defined in the compass, helps companies understand the cross linkage of their chosen Schedule VII thematic areas and the relevant SDGs².

Considering the current landscape of SDG mapping to CSR programmes out of the N100 companies analysed for this study 31 per cent of them are reporting on SDGs via disclosure like CSR reports, sustainability report, and annual reports.

The companies are found to be adhering to the reporting statutory template/structure prescribed in the Companies Act 2013. Considering that the template does not include the SDG mapping yet, a primary study for the N100 companies shows only 31 per cent of the companies have voluntarily reported on SDGs.

Figure 5: Percentage of companies reporting on SDGs in their annual report/sustainability report/ CSR report



Source: Primary research

A better understanding of the interlinkage of the Schedule VII thematic areas and the SDGs should also encourage companies to publically disclose their alignment with relevant goals.

2. Defining priorities: CSR programmes, often, simultaneously contribute towards multiple SDGs. To develop a focused and objective impact measurement tool it is imperative to define prioritised goals.

The second step of the compass aims to help a company prioritise SDGs they would want to work towards through the CSR programme out of a larger set of SDGs identified in step 1. Prioritising the SDG entails a deeper understanding of the targets set under the prioritised goals and their relevance to the CSR strategy and programme. In the current reporting scenario, there are only two companies out of a selected sample of N100 reporting at a target level.

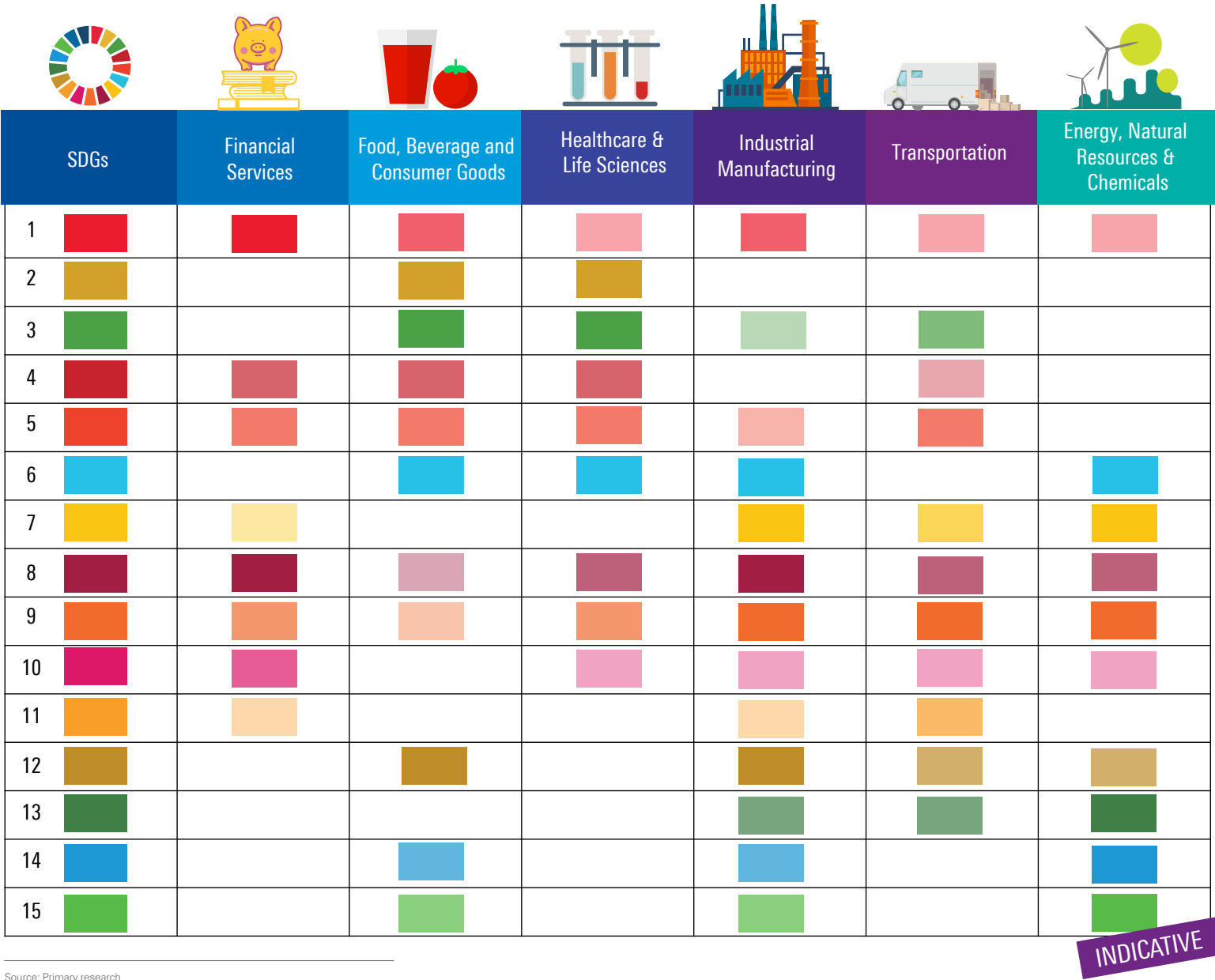
However, a forward looking approach for this step should encompass key aspects like prioritised thematic areas in the CSR policy, the needs of the community the company operates in, any sector specific goals/priorities adopted, etc.

The following matrix illustrates the sector specific material that can be considered to strategically realign the CSR policy to incorporate SDGs. The matrix, however, is only an example that is based on the interlinkage of the sector specific knowledge that the private sector can bring and the thematic need as projected in the SDG and the corresponding targets. SDG 16 and SDG 17 have not been included SDG 16: Peace, justice and strong institutions and SDG 17: Partnership for the goals remain relevant for all the sectors and equally important to contribute towards.



2. Leveraging CSR for SDGs, KPMG and UNGC, 2017

Figure 6: Materiality Matrix: Sector aligned SDGs



Source: Primary research

3. Setting goals: Depending upon the prioritised SDGs, companies must set goals that each CSR project could contribute towards in line with the 169 targets. These goals can be short-term in nature owing to the current business outlook as well as be a long-term goal with greater impact and larger footprint owing to the projected need of the communities and the growing footprint of the business. The goals must interact with the vision and mission of the CSR strategy as well as current and anticipated national priorities.

4. Integrating: As a part of the realisation of the internal goals feeding into the Global Goals, it becomes imperative for a company to define a road map with milestones and targets to be achieved. These targets will be further defined by a set of key performance indicators which shall be in alignment with the indicators of the prioritised SDGs. For example, in a CSR project that has SDG 4: Quality education as a prioritised SDG, the following KPIs could be included in their monitoring reports.

These indicators, can help a company develop a robust monitoring criteria to measure its progress as and when the milestone timelines approach. Going beyond internal monitoring, the progress against these indicators can be compared against national industry peers, global competitors and national targets.

An integration into the CSR strategy also allows a company to be part of a collaborative system of measuring the shared value of the private sector made towards realising the goals.

5. Reporting and communication: Companies Act, 2013 dictates that all CSR projects should have very specific reporting frameworks which need to be monitored by the CSR committee. Currently, of the N100 companies, 11 per cent discuss the impact they have on SDGs. While 4 per cent of the companies report performing impact assessment for their initiatives to measure the performance against impact on SDGs.

Adopting SDGs in CSR helps a company not only furnish the statute of the Companies Act but converses with the national and global business community through the same platform. The companies are likely to have an active voice in the dialogue of sustainable development once their efforts are channelised in the form of CSR programmes which are projected through the lens of SDGs.

By incorporating a universal language in the CSR evaluation and reporting framework, companies may be able to establish a consistent and comparable measure for their collective contribution and impact towards the SDGs at an industry, state and national level. Measuring impact by incorporating SDGs brings forth global recognition to a local (national) regulation of CSR which paves the way forward for developing nations across the globe.

SDG	Key Performance Indicator
SDG 4: Quality education	Proportion of children and young people: (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, to be sorted by gender
	Proportion of children under 5 years of age who are developmentally on track in health, learning and psychosocial well-being, to be sorted by gender
	Participation rate in organised learning (one year before the official primary entry age), to be sorted by gender

INDICATIVE

Way forward



The CSR regulation and its convergence with Global Goals can be leveraged to realise these goals. With the large quantum of available funding through CSR, SDGs can be realised in a more efficient and effective manner. The call for business communities to align their CSR with SDGs at this stage is critical considering these to be the formative years of integrating both CSR and SDG in the mainstream board room discussions and policy structures. Some of the ways which would lead to better integration of SDGs with CSR are as follows:-

1. Strategic CSR for SDGs: CSR in India is increasingly becoming strategic with defined thematic areas, alignment with business strategy, focus on geographies near the operations of the business, robust monitoring frameworks and leveraging of the company's skill to have more impactful activities. SDGs can be integrated into the CSR policy or strategy so that there is a long-term focus for maximum effectiveness. The flagship CSR projects of companies can integrate SDG targets into their long-term vision.

2. Updating M&E frameworks, setting targets and measuring impact towards SDGs: Once the SDGs are strategically aligned with CSR, the M&E framework would have to be updated to include targets and measure achievement at the output, and impact level- that is, in the short-term, medium-term and long-term with respect to SDGs. Referring to the 169 SDG targets would be beneficial while conducting this exercise. In the long-term, companies should aim to quantify their contribution to each SDG through Key Performance Indicators (KPIs).

3. Institutionalising SDGs in corporate reporting and in CSR reporting frameworks: Reporting on Schedule VII activities is standardised, robust and highly visible in the public domain. However, despite having common themes, the quality and depth of SDG reporting does not match. Considering the upward trend, a formal linkage of the two could lead to better leveraging of CSR to achieve SDGs. It could be beneficial to include impact of CSR on SDGs in corporate reports. Stakeholders such as MCA and Civil

Society have an important role in bringing SDGs to the forefront of the discussion in relation with CSR reporting.

4. Strategic investments: Innovative financial instruments should be explored to directly channel investments to specific SDGs. These financial instruments have to be focused on social development and explore the possibility of investments via CSR.

5. Championing SDG through CSR: Industry associations and sector specific industrial lobbies can take the onus of championing certain SDGs through CSR interventions. This can be goal specific and/or target oriented. For example, the healthcare and life sciences sector can focus on SDG 3: Good health and well-being and urge its industry players to strategically devise their CSR programmes to contribute to the targets under this goal.

This is important considering championing a particular SDG involves getting the best in class expertise which can be channelised and realised through the means of CSR.



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