

Institution: Durham University		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: The Sustainable Development Goals (SDGs) and value creation for organisations		
Period when the underpinning research was undertaken: Between June 2015 and September 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Carol Adams	Role(s) (e.g. job title): Professor of Accounting	Period(s) employed by submitting HEI: 2015 - present
Period when the claimed impact occurred: Between June 2015 and December 2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact <p>Professor Adams' research addresses two key problems that have resulted in impact:</p> <ol style="list-style-type: none"> 1. Achievement of the UN Sustainable Development Goals (SDGs) requires a shift in capital allocation (how finance is invested). 2. Sustainable development issues give rise to new risks (and opportunities) for businesses. <p>This research (leading to a 5-step approach outlined in section 2) examines and sets out the need to rethink value (and the value creation process), emphasising how integration of sustainable development into corporate reporting can lead to greater overall value creation.</p> <p>The direct impact has included:</p> <ul style="list-style-type: none"> • Changes in policy and regulatory body guidance e.g. through the work of the UK's Financial Reporting Council (FRC) that has led to increasing emphasis on SDG reporting and a broader view of value (beyond profit); • Changes in reporting practice and the strategy/approach of an Australian investor (Cbus Superannuation Fund) and a global asset manager (Baillie Gifford) both of which in turn influence the companies they invest in; <p>Adams' research has also had impact through take up by significant organisations including the Scottish Environment Protection Agency, KPMG, the International Integrated Reporting Council (IIRC), the Association of Chartered Certified Accountants (ACCA), the Chartered Accountants of Australia and New Zealand (CAANZ), Institute of Chartered Accountants of Scotland (ICAS) and the United Nations Development Programme (UNDP) in their SDG Impact Standards.</p>		
2. Underpinning research <p>Corporate reporting, corporate governance and the way organisations approach strategy and value creation influence the shift in capital allocation required to achieve the SDGs, and the risks and opportunities posed by sustainable development issues. Adams' recent Durham University (DU) research (2015 onwards), building upon her 25-year body of work, looks at these issues. R1 brings together disparate strands of prior literature (examining and theorising on subsets of the complex relationships involved) and primary research through interviews with non-executive directors and Board chairs from South African and Australian large, listed companies to develop a conceptualisation of contemporary value creation in the context of global social and environmental challenges. It particularly demonstrates that integrated reporting processes influence the way directors think, enhancing board oversight and their ability to handle increasing complexity. This change in reporting results in increased awareness of the impact of sustainable development issues together with a broader view of value creation.</p> <p>R2 finds that corporate annual reports are increasingly linking social investment activities with overall strategy for value creation, where value is broadly defined. This has occurred whether or not reporting companies have been involved in integrated reporting developments.</p> <p>The 5-step approach in R3 is informed by: the conceptualisation developed in R1; the finding in R2 that social investment activities are increasingly linked to value creation; and the finding in R1 that governance oversight of the reporting process leads to greater incorporation of sustainable development issues in decision making. The steps are: 1. Understand sustainable development issues relevant to the organisation's external environment; 2. Identify sustainable development</p>		

issues that are material to the organisation's ability to create value; 3. Develop strategy to contribute to the SDGs through the business model; 4. Develop integrated thinking, connectivity and governance; 5. Prepare the report. The steps encourage organisations to identify risks and opportunities arising from sustainable development issues, and to contribute to the SDGs whilst also creating value for the organisation and its stakeholders.

R4 draws on R1 and R2 to critique annual reporting by universities, emphasising the benefits of integrated thinking and reporting, particularly articulating how universities create value, including contributing to the SDGs.

3. References to the research

R1. Adams, CA, (2017) *Conceptualising the contemporary corporate value creation process*, Accounting Auditing and Accountability Journal 30 (4) 906-931 <http://dx.doi.org/10.1108/AAAJ-04-2016-2529>

R2. Adams, C. A., Potter, B., Singh, P. J., York, J. (2016) *Exploring the implications of integrated reporting for social investment (disclosures)*, British Accounting Review 48 (3) 283-296 <http://dx.doi.org/10.1016/j.bar.2016.05.002>

R3. Adams, C A (2017) *The Sustainable Development Goals, integrated thinking and the integrated report*, International Integrated Reporting Council (IIRC) and Institute of Chartered Accountants of Scotland (ICAS). Awarded an UNCTAD-ISAR honours award in 2018.

R4. Adams, C A (2018) *Let's talk value: How universities create value for students, staff and society*, Advance HE.

R1 and R2 appear in internationally recognised peer reviewed journals, while R3 and R4 are published and recognised by highly regarded institutions. All 4 underpinning items for this case study have been reviewed and this body of work is deemed to be above the 2* quality level.

4. Details of the impact

This research has impacted on businesses, asset owners, an asset manager and policymakers, and been disseminated through pro bono work with standard/framework setting bodies. For example, Adams has served as Chair of the Stakeholder Council of the Global Reporting Initiative, is on the Technical Working Group of the Climate Disclosure Standards Board (CDSB), the Sustainability Panel of ICAS, the ACCA's Global Sustainability Forum (198,000 members and 486,000 students in 180 countries), has collaborated with the IIRC and is now part of the UNDP's SDG Impact Team.

Impact on pronouncements & guidance issued by the Financial Reporting Council

The FRC is the UK's regulator for the accounting profession and sets the corporate governance and stewardship codes. In recent years the FRC has broadened its consultation to consider the need for companies to take explicit account of sustainable development issues. Thus, R1 and R3 underpin submissions to FRC consultations on draft amendments to *Guidance on the Strategic Report: non-financial reporting*, and *Draft Revised Corporate Governance Code and on the current Stewardship Code*, and on the *Draft Revised Stewardship Code*; subsequently, the FRC's Feedback Statement (July 2018) on responses to the UK Corporate Governance Code [E2] specifically recognised the importance of considering risks and opportunities arising from climate change and other sustainable development issues, and the need to recognise the importance of stakeholders in creating value for shareholders. Paul Druckman, a former member of the FRC Board, testifies: "Your submission to the FRC on the revision to the corporate governance code last year was significant. Your narrative explained in very simple and yet insightful terms exactly why a broader understanding of the role of corporate governance and the responsibility of Boards was essential. I personally used some of your arguments within my direct contributions within the FRC at the Codes & Standards Committee and then at the FRC Board. The outcome of the revised code especially in principle 1A is pretty much as you devised...real impact on UK plc." [E1]. Principle 1A is consistent with the finding of R1 that where Boards are involved through reporting frameworks that takes a broader view of value aligned with contributing to society they make better decisions. Principle 1A states: "A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society." [E1]. It is applicable to all UK companies with a premium listing. Moreover, Adams' research was also utilised and cited by the CDSB and IIRC in their responses to the FRC [E2]; CDSB recommended that board skills' matrices include expertise in climate change and wider sustainability issues (citing R1), and that an investor's role in building a company's long-term success could be further encouraged through the stewardship

code by encouraging engagement with companies on their approach to addressing sustainability issues and contribution to the SDGs (citing R3); IIRC said that *“Every business should understand and actively play their role in achieving the SDGs....The FRC should therefore be encouraging this by providing support and signposting businesses towards practical tools and resources such as the IIRC’s ‘The Sustainable Development Goals, integrated thinking and the integrated report’ [R3] so that businesses have the ability to actively contribute to the SDGs”* [E2].

Impact on the recommendations of the Australian Senate to the Australian Government following its Inquiry on the UN SDGs.

Written and verbal evidence submitted by Adams in 2018 to the Australian Senate Inquiry on the SDGs, and evidence submitted by the Chartered Accountants of Australia and New Zealand (CA ANZ) and the Responsible Investment Association of Australasia (RIAA), suggest the use of R3’s 5-step approach. Adams’ verbal and written evidence was quoted 10 times in the Senate Committee’s report to the Australian Government and, although out of the scope of the initial consultation questions, the report included a recommendation (no. 17) that comes specifically from the 5-step model *“that the Australian Government...assess opportunities to encourage... impact investment and business practices that support the Sustainable Development Goals.”*[E3]

Impact on the recommendations of the UK Government’s Implementation Taskforce on ‘Growing a culture of social impact reporting in the UK’

Adams served on the Better Reporting Working Group (BRWG) of the UK Government’s Implementation Taskforce on ‘Growing a culture of social impact reporting in the UK’, commissioned by the then Prime Minister in March 2018. The first BRWG report [E4] to Government names Adams as both a BRWG member and one of a smaller number of *“key representatives [who] were interviewed as an input to the exercise...chosen on the basis of their influence and use of impact report (sic) related to investments”*. The report cites R1 and uses several of Adams’ research-based assertions as headlines about the need for mandated/regulatory interventions, including: *“It is urgent. Companies will respond as soon as it [reporting on impact on sustainable development] is mandatory and enforced and some will not respond before then”*. The Taskforce’s final report (July 2019) [E4] cites R1 and names Adams as a member of the Phase 1 Working Group and one of five project advisers for Phase 2. The impact of Adams’ work is demonstrated by the Taskforce’s recommendations to Government, one of which (the 25th) is as follows: *“Government and Financial Reporting Council – Explore sustainability and SDG reporting: The Department for Business, Energy and Industrial Strategy should explore, with the FRC, how best to encourage UK business to increase transparency on the contribution business makes towards the achievement of the UN SDGs. Separately, in regard to the FRC consultation on corporate strategic reports, the FRC should explore ways in which material information, useful to wider stakeholders, can be reported in the context of the UN SDGs.”* The impact of Adams’ research (R1, R3) on this recommendation and the FRC’s Corporate Governance and Stewardship Codes (cf. above) is confirmed by Olivia Dickson, Taskforce Steering Committee member and FRC Board member [E4]. Dickson also notes *“One of the conclusions of the Landscape report [E4], influenced by Carol’s research was that coalescence in environmental and social reporting would be accelerated if it was anchored in the SDGs. Carol’s research had shown how this might be approached in practice”* and *“Carol’s evidence...led the group to identify ‘legal and regulatory measures’ as one of seven key drivers”*.

Impact on the recommendations of UK Parliament’s Environmental Audit Committee

Adams’ submission concerning the urgency of mandatory reporting on social issues to a House of Commons consultation, was referenced (para. 78) in the Environmental Audit Committee’s *‘Greening Finance: embedding sustainability in financial decision making’* (2018) [E5].

The SDG Disclosure (SDGD) Recommendations and UNDP SDG Impact Standards

The research in R1 and R3, and a consultation process with high profile global respondents (including 3 of the ‘Big Four’ accounting firms) led to the development of the Sustainable Development Goal Disclosure (SDGD) Recommendations, published in January 2020. This led to substantial business/accounting press coverage (including an article by Adams in the Financial Times), Adams’ contributing to a BEIS study *on Frameworks for standards for non-financial reporting*, and her appointment to the UNDP’s SDG Impact Team, contributing to their SDG Impact Standards [E6]. Organisations will be able to gain certification against these new UNDP standards. The UNDP Impact Standards for Enterprises (first public consultation draft, October 2020) require

organisations to use Adams' SDGD Recommendations in order to demonstrate transparency, while Adams has also contributed to the other Standards, for Private Equity (now finalised) and SDG Bonds. The IFRS (International Financial Reporting Standards Foundation) have referenced the Recommendations' approach to determining material matters in their recent Consultation Paper on Sustainability Reporting, with consultation respondents from HSBC Bank Pension Trust and the Johannesburg Stock Exchange both also recommending the use of Adams' work to inform the IFRS' approach to Sustainability Reporting.

Impact on universities and Advance HE

Adams has worked with Advance HE on their 'Integrated Thinking – Let's Talk Value' project; she has *"met with key stakeholders to give feedback to help institutions move towards integrated reporting"*, sat on its Steering Group, facilitated at a 2018 workshop, produced R4 and contributed to a further conference in 2020. Following this, Advance HE highlighted Adams' SDGD Recommendations in their post-conference update, and announced that their next Let's Talk Value collaborative programme will focus on this area, *"Putting the strategy into sustainability and sustainability into the strategy"* [E7]. Adams has worked with Durham's University Secretary, Jennifer Sewell, and in February 2019 gave a presentation to the University Executive Committee on how to define value creation, linking it to the SDGs, integrated thinking, what it means for the University strategy and changes that could come about from preparing an integrated report. Sewell noted Adams' *"contribution to the production of the value creation diagram for the 2019 Report"*, and in the 2020 Annual Report DU announced they had *"established an SDG group"* with their approach *"guided by the Sustainable Development Goals Disclosure Recommendations, lead author (our own) Professor Carol Adams"* [E7].

Impact on asset owners and asset managers

Adams has acted as an adviser to **Cbus Superannuation Fund**, which manages AUD34billion for 732,000 members (as of 30 June 2016). From 2015 to 2020, Adams advised on their development of integrated reporting. Referring to Cbus's 2016 Annual Integrated Report, which is informed by Adams' work (R1-R3), Cbus' CEO states: *"The report... provides an easy reference point and explanation of the organisation's rationale and strategy, assisting employees to understand what they are contributing to and creating a cultural focus for them. This alignment has contributed to productivity and performance dividends which is demonstrated by the continued organic growth in the fund as measured by increasing member numbers in a contracting market; [...] increased funds under management; [...] and improved employee engagement scores"* [E8]. After initial work with Cbus in 2015, in 2016, Adams *"had a much bigger involvement in the report development... significant input into our value creation statement, identification of key activities which create value and lead to outputs and outcomes"*, incorporating the SDGs and linking Cbus' strategy development with the Integrated Reporting framework. Consequently, Cbus won best corporate reporting award for their Annual Integrated Report in both 2016 and 2017 at the Australian Institute of Superannuation Trustees Awards for Excellence. In June 2018, the Cbus Annual Integrated Report 2017, which explicitly used the 5-step approach in R3, was also one of 12 reports awarded/commended out of 2,500 researched by Responsible Investor [E8]. Cbus' success has undoubtedly influenced other investors and reporters to adopt integrated reporting approaches which consider sustainable development issues: Cbus CEO David Atkin has spoken to the IIRC's Business Network about the approach, and attributes their being invited to make presentations to a range of Australian pension funds, and advocate integrated reporting in other organisations, to their work with Professor Adams (Cbus CEO, E8). Multiple award-winning Keith Ambachtsheer (KPA Advisory Services) was invited by the IIRC to speak on the importance of integrated reporting by pension funds, using the Cbus example to encourage asset owners to adopt integrated reporting. Using R3's approach, Adams assisted global asset manager **Baillie Gifford** (approximately GBP80billion under management) in developing an approach to reporting on the social impact of their Positive Change Fund. The resulting Impact Report [E9], included the (positive and negative) impact of companies in the fund on the SDGs, and cites Adams as a core collaborator.

Impact through the UN's Conference on Trade and Development (UNCTAD)

Adams has worked on an Issues Note by the UNCTAD Secretariat for discussions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR, the UN's focal point on accounting and corporate governance matters) 32nd session (November 2015), and a research paper on the '2030 Agenda' used by UNCTAD to

advance its agenda on companies reporting on sustainability and SDG implementation issues. Adams was awarded an UNCTAD-ISAR honours award in 2018 [E10] for R3. The Awards are made for impact on enhancing the quality and comparability of companies' reporting on sustainability issues and on the 2030 Agenda for Sustainable Development and SDGs.

Impact via take up by influential mediating organisations

R3, which draws on R1 and R2, has been utilised by accounting bodies advising organisations on their reporting: (i) the report by ACCA on *'The Sustainable Development Goals: redefining context, risk and opportunity'* incorporates Adams' five-step approach; (ii) the KPMG Global report 2018 entitled *'How to report on the SDGs: What good looks like and why it matters'* acknowledges internal KPMG insight and only 2 external sources, one of which is R3, to identify nine criteria for quality reporting on the SDGs; and (iii) R3 is the focus of KPMG's 6-page Accounting and Auditing update issue 19/2018. David Nussbaum, Chief Executive of The Elders, an independent group of global leaders who work together for peace and human rights, founded by Nelson Mandela and chaired in the past by the late Kofi Annan, drew attention to R3 in delivering the ICAS Annual Lecture 2017. The CEO of ICAS said "*the report [R3] was instrumental in the establishment of the Scottish SDG Reporting Working Group, a collaboration between ICAS, SEPA (the Scottish Environmental Protection Agency), Standard Aberdeen Investments Limited and Diageo*" [E10]. A diagram developed by Adams (p 14, R3) has been reproduced (for example, by PWC) and adapted versions have appeared in multiple corporate reports (for example by Unilever, the Dutch bank Van Lanschot Kempen, DSM, and Sanford). Eumedion's letter to Dutch listed companies recommended using R3 [E10]. Reference to R3 was also made in a paper considered by the International Accounting Standards Board [E10].

5. Sources to corroborate the impact

- E1. Email from Paul Druckman (27 February 2019); UK Corporate Governance Code (2018).
- E2. Submissions in response to FRC consultations (3 by Adams, on a) Draft Amendments to Guidance on the Strategic Report: Non-Financial Reporting, b) Draft Revised Corporate Governance Code and on the current Stewardship Code, and c) Draft Revised Stewardship Code; d) CDSB's response to Proposed Revisions to the UK Corporate Governance Code and future direction of the UK Stewardship Code, citing R1 and R3; e) IIRC's response Proposed Revisions to the UK Corporate Governance Code citing R3) and FRC responses (f) FRC feedback statement on Amendments to Guidance on the Strategic Report: Non-financial reporting (July 2018); g) FRC document: Guidance on the Strategic Report (July 2018)).
- E3. Submissions to Australian Senate Inquiry on the SDGs by Adams (a) written and b) oral), c) CA ANZ and d) the RIAA, plus e) the Senate report (February 2019).
- E4. Letter from Olivia Dickson (16 July 2019); BRWG report *Growing a culture of social impact investing in the UK: Better Reporting* (October 2018); Implementation Taskforce's final report, *Growing a culture of social impact investing in the UK* (28 June 2019).
- E5. House of Commons Environment Audit Committee report *Greening Finance: embedding sustainability in financial decision making* (4 June 2018); Adams' submission (11 February 2018)
- E6 Adams, Druckman & Picot (2020), Sustainable Development Goal Disclosure (SDGD) Recommendations; Adams (2020), Feedback on consultation responses; BEIS *Frameworks for standards for non-financial reporting* Final Report (April 2020); UNDP SDG Impact Standards (Enterprises, Private Equity Funds & SDG Bonds) (2020); IFRS Consultation (September 2020) and responses from Johannesburg Stock Exchange and HSBC Bank Pension Trust (UK).
- E7. Letter (26 April 2018) and blog post (20 March 2020) from AdvanceHE; letter from Durham University Secretary (5 March 2020) and Durham University Annual Report 2020.
- E8. Letter from CBUS CEO (16 January 2017); evidence of CBUS winning Responsible Investor 2018, and AIST 2016 and 2017 awards; CBUS 2016 and 2017 annual integrated reports.
- E9. Baillie Gifford Report 2017.
- E10. Letter from UNCTAD's Enterprise Branch Head (3 October 2018); letter from ICAS CEO (26 March 2019); 2 KPMG documents; ACCA report; PwC report; Eumedion letter (9 October 2017); IASB Board papers; diagrams produced by Unilever, Van Lanschot Kempen, Sanford, and DSM.