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ISE B3 EXPERIENCE WITH THE 2030 AGENDA AND ITS SDGs



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Introduction

To B3, the launching of the 15th portfolio of its Corporate Sustainability Index (ISE B3) represents an occasion not only to be remembered for the celebration of a special anniversary, but also for the consolidation of legacies that perpetuate lessons learnt and contributions provided by that important journey, while guiding our way forward. As an integral part of a number of initiatives, this publication aims to register and share the experience of incorporating the 2030 Agenda and the SDGs (Sustainable Development Goals) into the methodology by which the companies that form this index portfolio are assessed and selected.

The focus on the 2030 Agenda and on SDGs can be justified by many reasons, among them we highlight the relevance of that agenda as guidance and common language for actors in all industries, all over the world. It is worth pointing out that the role played by ISE B3 as an articulator and trend indicator in the business sustainability area and promotion of SDGs was one of the components internationally recognized in 2016, when the UN Global Compact awarded the then B3 executive officer and ISE Chair of the Board, Sonia Favaretto, as a SDG Pioneer.

In this publication, we seek to present in a summarized and straightforward manner the concepts that support the incorporation of the 2030 Agenda and its SDGs into ISE B3¹ methodology, along with the most recent results on the practices adopted by respondent companies and, in the closing remarks, some thoughts about that scenario, that can guide the industry next steps in the exciting path of sustainable business and investments.

¹ For information on ISE B3 methodology, please visit: www.iseb3.com.br.

Executive Summary

This publication brings an updated perspective on the experience of incorporating the 2030 Agenda and the SDGs into the methodology used to select companies to ISE B3 portfolio. It includes a brief contextualization about the topic, an explanation about the perspective and framework adopted to apply that agenda to the organizations, the description of the questions included in the questionnaire, the results of their application in 2019, and an outlook for ISE B3 next steps on the topic.

Among the results observed in 2019, we point out the high level of adhesion of participating companies to the 2030 Agenda and its SDGs: 75% state they adopt them as a formal part of their strategic planning process, reflected in goals, metrics and targets; and 94% declare they use them to identify and integrate relevant sustainability aspects in their business. Among those, 88% say they can identify a direct and relevant relationship between their business practices and the 2030 Agenda, prioritizing the most relevant SDGs to their business, based on a materiality assessment.

Considering that analysis, 4 SDGs stand out as a priority for more than 3 out of every 4 companies: SDG 9 (industry, innovation and infrastructure, with 96%), SDG 8 (decent work and economic growth, with 83%), SDG 13 (climate action, with 77%), and SDG 7 (affordable and clean energy, with 75%). At the other end, we highlight the group of 4 SDGs that have not been analyzed or perceived as priorities by about 7 out of every 10 companies: SDG 10 (reduced inequalities), SDG 17 (partnerships for the goals), SDG 2 (zero hunger) and SDG 6 (clean water and sanitation), which have not been prioritized or analyzed by 71%, 71%, 69% and 67% of the companies, respectively.

Additional questions investigate to what extent the management practices adopted by companies as a function of the SDGs they prioritized show their alignment with key premises in the 2030 Agenda: urgency, scale, inclusion, integration and indivisibility. In this sense, a high level of adhesion is seen, but still facing challenges, specially when it comes to monitoring, assessment and communications of those practices.

Based on the lessons learnt, as registered here, ISE B3 will follow refining its approach on the topic, broadening its direct conversations with organizations, investors and other stakeholders, thus contributing in a responsible and transparent way to advance the sustainable development agenda and to enhance business sustainability practices in light of the 2030 Agenda.

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1. A NEW STAGE ON THE GLOBAL SUSTAINABLE DEVELOPMENT AGENDA

1. A new stage on the Global Sustainable Development Agenda

Over the past decades, the business environment has been increasingly characterized by commitments and initiatives led by governments, businesses and the civil society involving sustainable development. In the United Nations (UN), the launching of the Millennium Development Goalsⁱ and the Global Compactⁱⁱ, both in 2000, would anticipate the growing relevance sustainability and social responsibility topics have in the political and economic agenda at the international level.

In order to respond to current social and environmental challenges, the need to make the transition to an inclusive and sustainable economic model has been playing a central role not only in political discussions, but also in investment and business discussions. However, a new element was added; speed and scale to respond to those challenges are now critical factors, since adverse impacts on life conditions in the planet have severe effects in the present, in addition to compromise the ability of future generations to meet their own needs.^{iv}

Recognizing that need and following-up on one of the main decisions made during the United Nations Conference on Sustainable Development, Rio+20, a broad consultation process started in 2012, at the global level. Three years later, in September 2015, the 2030 Agenda was launched, approved by all 193 U.N. member states and also broadly supported by relevant representatives of the private sector and the organized civil society. Relying on unprecedented reach and support, that agenda reaffirms sustainable development goals and consolidates global commitments to achieve them. With a summary and a call to action, it also contains the Sustainable Development Goals (SDGs) and its 169 targets^v, creating a reference framework and a common language to articulate and engage governments, businesses and the civil society at a global scale.

ⁱ For information on Millennium Development Goals, please visit: <https://www.un.org/millenniumgoals/>

ⁱⁱ For information on the Global Compact, please visit Global Compact Brazil Network: <https://www.unglobalcompact.org/>.

ⁱⁱⁱ The Intergovernmental Panel on Climate Change published in August a report that highlights the need for urgent measures to combat climate change and promote society's adaptation to it. Available at: <https://www.ipcc.ch/reports/>.

^v For information on the 2030 Agenda and the SDGs, please visit: <https://sustainabledevelopment.un.org/post2015/transformingourworld>.



2. ISE B3, THE 2030 AGENDA AND SUSTAINABLE DEVELOPMENT GOALS

2. ISE B3, the 2030 Agenda and Sustainable Development Goals

Coherent with its pioneering history, ISE B3 has quickly incorporated into its assessment methodology the challenges posed by the 2030 Agenda and SDGs, and included them in its questionnaire as early as in 2016. The inclusion started with very specific aspects, and it has gradually been gaining relevance and increasingly becoming more directly related to the strategy and business model of the companies being assessed. In order to guide that process, ISE B3 adopted a set of guidelines to have it conducted in a consistent way, both when addressing business sustainability and the 2030 Agenda in its questionnaire:

- Keep and reinforce a systemic perspective about business sustainability.
- Reflect the 2030 Agenda essence and address SDGs not as a task list, but rather as an integrated and interdependent set of goals toward that agenda.
- Position the 2030 Agenda and SDGs as a strategic topic to companies.
- Focus specifically on policies and practices, observing ISE B3 current methodology.
- Emphasize the importance of business to achieve the goals in the 2030 Agenda and SDGs.

The first issue to be tackled, which is critical to implement those guidelines, was the fact that the 2030 Agenda and SDGs were created and negotiated to be applied at the international level, and then addressed at the country level. Obviously, it is impossible to apply them directly to a single company, or even to a single economic sector, or to a group of companies.

In that context, the guidelines adopted to integrate the 2030 Agenda into ISE B3 resulted in the creation of a reference framework specially designed to meet them, applying to the business action level the critical aspects of the agenda, which are clearly stated in its initial paragraphs:

Box 1 – Critical Aspects of the 2030 Agenda^{vi}

Transforming Our World: The 2030 Agenda for Sustainable Development

‘All countries and all stakeholders, acting in collaborative partnership, will implement this plan. We are resolved to free the human race from the tyranny of poverty and want and to heal and secure our planet. We are determined to take the **bold and transformative steps** which are **urgently needed** to shift the world on to a **sustainable and resilient** path. As we embark on this collective journey, we pledge that **no one will be left behind**.

The **17 Sustainable Development Goals and 169 targets** which we are announcing today demonstrate the **scale and ambition** of this new universal Agenda. They seek to build on the Millennium Development Goals and complete what they did not achieve. They seek to **realize the human rights of all** and to achieve **gender equality** and the **empowerment of all women and girls**. They are **integrated** and **indivisible** and **balance the three dimensions of sustainable development**: the economic, social and environmental.’

Source: UN A/RES/70/1, 2015. ‘Transforming Our World: The 2030 Agenda for Sustainable Development’, preamble, paragraphs 2 and 3. Emphasis added.

^{vi} For information on the 2030 Agenda, please visit: <https://sustainabledevelopment.un.org/post2015/transformingourworld>.



Based on those critical aspects and considering the need to have a practical application to use in the elaboration of ISE B3 questionnaire according to the guidelines established and, also, to guide business actions, a practical reference framework was created, consisting of four pillars, which can be explained as follows:

- Identify direct connections between the business and the 2030 Agenda, mapping both positive and negative impacts the investment and/or business activities have on each SDG. Because of the focus on the most visible and easily understood aspect of the 2030 Agenda, identifying connections is usually the first step taken by companies willing to show adherence to it. This is a necessary and important step; however, if not carefully conducted, it may have adverse effects both on the company (due to poor consistent results and consequent reputational risks) and on the 2030 Agenda itself (because it would be perceived as commonplace and lose credibility). In addition to that, given the broad and interdependent nature of the SDGs, identifying those impacts can be challenging and become an excessively broad task. Therefore, to improve assessment focus and provide consistency and tangibility to the connections, careful criteria must be adopted in the mapping activity, identifying SDG aspects directly impacted by the business and prioritizing the most affected ones, taking into account the specific context where businesses operate. The aim is to look for connections with SDG specific focuses, at the most specific level possible (targets or metrics established globally or at the country level, whenever available).
- Consider both the integration of the SDGs with one another, and the integration of SDGs with the business. The former means that, when assessing business practices and projects or investments targeted at maximizing positive impacts (or minimizing negative impacts) of SDGs, companies should take into account the consequences on not only the targeted SDG, but also on all the others. Such practice – also known as trade-off and synergy evaluation – aims to ensure the focus on priority SDGs does not lose sight of its integrated and interdependent nature. The latter is about making it clear that the assessment of the business or investment relationship with the SDGs should focus on its core business, considering aspects such as strategy, business model, product portfolio, management practices, production processes and value chain. Even though companies have praiseworthy projects that offer important contributions, if those projects are not related to their core business (such as philanthropic practices, social responsibility initiatives or private social investment), they will not apply to the scope of this assessment.
- Consider the scale and the speed of advancements toward SDGs and their goals. The 2030 Agenda clearly states the transformation that must be made is urgent and needs an ambitious scale. Therefore, they are dimensions that the assessment of corporate alignment with that agenda cannot leave out. Although even small advancements in the right direction may be a positive contribution, one must have it clear that, small advancements by themselves will not be sufficient to achieve the goals established. Thus, only businesses or investments that show scale and speed compatible with that challenge should be recognized as significant contributors to SDGs. As official SDG targets and metrics are set at scale with the public sector in mind, it is necessary to establish metrics adapted to the circumstances of each business or investment. This can be done by combining, on one hand, aspects compatible with the business impact scale (such as its value chain, territory, sphere of influence, directly impacted stakeholders) and, on the other hand, significant ambition levels for the transformation desired (for instance, the magnitude of variation in the metrics chosen compared to a specific baseline or benchmark).

^{vii} Among other references, please refer to: PRADHAN, P, et al. *A Systematic Study of Sustainable Development Goal (SDG) Interaction*. 2017. Available at: <https://agupubs.onlinelibrary.wiley.com/doi/full/10.1002/2017EF000632>

- 'No one must be left behind': this is the motto of the 2030 Agenda, which requires considering the implications the assessed business (or propositions to advance toward a specific SDG) has on social aspects, such as income inequality or access to goods and services, gender inequality, women empowerment, respect to human rights, and protection of vulnerable groups. That assessment can focus both on impacts externalized by the business (benefits or losses affecting people who are not directly involved in the corresponding production process) and on its value creation and distribution model, throughout all links of its production and consumption chain. Ideally, solutions favorable to SDGs should be accessible to many people that still lack minimum consumption patterns for their well-being, and/or create opportunities to generate and distribute income that enable access to existing solutions.

Considering the magnitude and the complexity of the challenges posed above, cooperation with public and private actors is also an aspect to be taken into account by businesses committed to the 2030 Agenda and the SDGs, as well as management and communication of their efforts and results achieved.

Once that reference framework was established, the next step was to apply it in a practical manner to ISE B3 questionnaire, as described in the following section



3. INCORPORATING THE 2030 AGENDA INTO ISE B3 QUESTIONNAIRE

3. Incorporating the 2030 Agenda into ISE B3 Questionnaire

The methodology used to select and assess companies for ISE B3 portfolio relies on a critical element consisting of a structured questionnaire covering seven dimensions of the corporate sustainability agenda, six of which focus on specific topics (Social, Environmental, Economic-Financial, Corporate Governance, Product Nature and Climate Change), and the seventh one covers issues related to the macro strategy and to the corporate business model (General). Those dimensions are divided into criteria, each one consisting of many indicators, which include questions, sub-questions and alternatives. In an aggregate perspective, ISE B3 questionnaire contains 35 sustainability themes, transversally distributed along their dimensions, criteria and indicators^{viii}.

Figure 1: ISE Questionnaire: Dimensions and Criteria

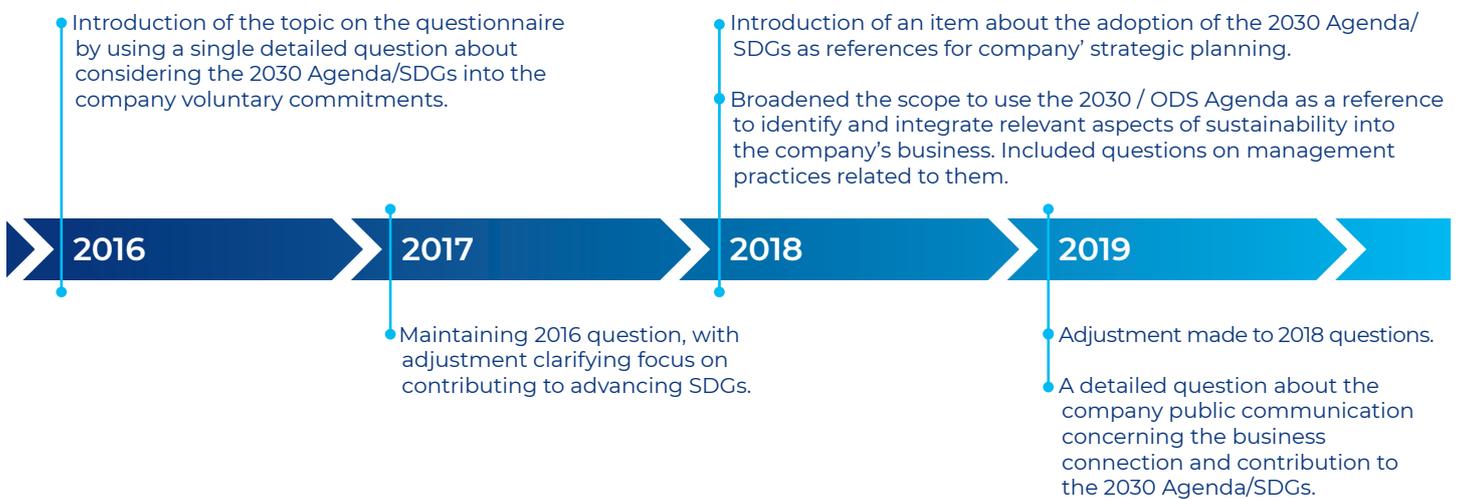


Aligned with that structure, the 2030 Agenda was incorporated into ISE B3 questionnaire as early as in 2016, with the addition of specific questions under the General dimension, which aims to identify to what extent companies have sustainability incorporated in a solid and structured way into their business models and future perspectives. For that purpose, the assessment checks, among other things, how companies address sustainability in the nature of the business they operate (core business), as well as in the organization strategy, culture and values. The timeline below shows how that integration process happened:

^{viii} For information on Mundo ISE, please visit: <http://iseb3.com.br/mundo-ise-1>.

To view ISE B3 questionnaire and the notebook introducing the dimensions, please visit: <http://iseb3.com.br/questionario-ise-b3-2019---versao-final>.

Figure 2: Timeline of Incorporation of the 2030 Agenda into ISE B3 Questionnaire



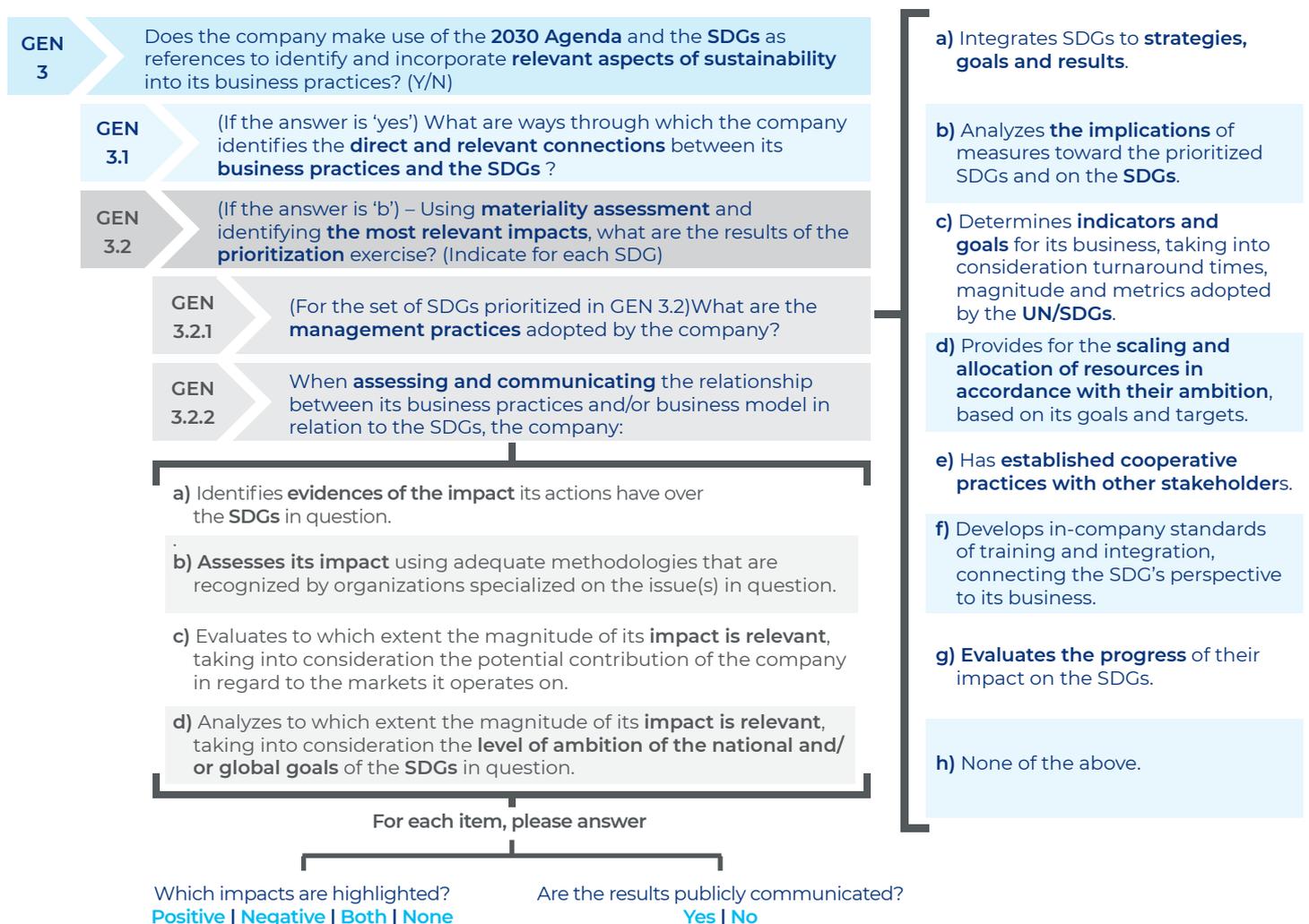
In the period to which this publication refers (15th annual cycle of consultation and responses, in 2019) a generic question was asked in the indicator related to strategic planning, through an alternative where respondent companies could indicate that 'commitments considered relevant and priority according to the assessment of the 2030 Agenda and SDGs are among the items formally included in the company's institutional strategic planning, and reflected in goals, with their corresponding metrics and targets'.

In addition to that more generic question, ISE B3 questionnaire also included a specific series of questions related to the 2030 Agenda and the SDGs. They are extensive questions that should be interpreted not only based on the stem, but also on the protocols that explain them and the corresponding terms listed in ISE B3 glossary. In order to better understand them, we recommend reading their full version, found in the Appendix of this publication. Moreover, to facilitate the reading, Figure 3, in the next page, summarizes those questions and offers an overview of the questionnaire overview.

It is worth noting those questions should not be interpreted separately, but rather as a set of questions, where the greatest emphasis lies not on the generic intention of using the 2030 Agenda and the SDGs as a reference framework to incorporate sustainability into the business planning and strategies, but actually on the practices that make such intention effective and reflect alignment with the reference framework adopted by ISE B3 and other management best practices, such as transparency and result monitoring.

It is also worth pointing out that one key aspect of that narrative is the use of a **materiality assessment to identify priority SDGs to the companies, based on direct connections and on the most relevant impacts of their operations**. In addition to being the essential requirement for companies to answer more detailed questions about their actions regarding the 2030 Agenda/SDGs (accessible only when the answer is 'yes' to question GEN 3.2, item 'b'), that analysis determines the set of priority SDGs, based on which the companies will plan their efforts to improve their impacts, and will also evaluate the implications of those efforts on the set of SDGs (either priority or non-priority).

Figure 3: Summary of Questions on the 2030 Agenda/SDG – General Dimension/2019 ISE B3 Questionnaire



The concept of materiality, which plays a central role in that and other corporate sustainability management processes, has been a topic of intense debate both in the academia and among practitioner organizations, responsible for initiatives that strongly influence business operations. The reason for the debate is that, although it is such a key concept, there is still no consensus about its accurate meaning, and there are even international fora especially dedicated to get a consensus^x. Consistent with its practice in cases like that, ISE B3 added a term to its glossary explaining how the word should be understood in the context of the questionnaire^x. It is an ad hoc solution to meet the needs of its selection process and, coherent with the inclusive approach that guides ISE B3, it is not intended to oppose or support propositions advocated by any organizations.

^x For information on the *Corporate Reporting Dialogue* initiative, and on the document entitled *Statement of Common Principles of Materiality*, please visit: <https://corporatereportingdialogue.com/publication/statement-of-common-principles-of-materiality/>.

^x To view the glossary of ISE B3 questionnaire, please visit: <http://iseb3.com.br/questionario-ise-b3-2019---versao-final>.



4. RESULTS IN 2019

4. Results in 2019

In 2019, ISE B3 questionnaire was filled out by 63 companies (including listed and controlled companies, which, combined, account for at least 80% of its revenue). The answers are self-declared and close-ended (the companies answer marking the applicable alternatives). In order to foster accuracy and care in the answers, two main actions have been taken:

- (i) Check the answer to a question in each dimension of the questionnaire (we draw a random number to set priorities in the list of questions to be checked, and it is applied equally to all companies); and
- (ii) We publish all answers provided by the companies selected for the portfolio on ISE B3 transparency platform^{x1} where, after the portfolio is announced, anyone interested can see their answers, and potential comments they have added (optional for the companies, with no influence in the selection process).

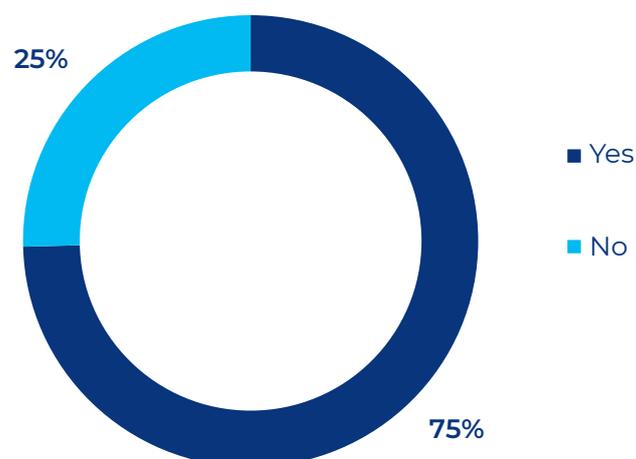
As for the more generic question, 47 out of the 63 respondents (74.6%) stated they consider the 2030 Agenda and SDGs in their strategic planning, as shown in the chart below :

Figure 4: Considering the 2030 Agenda/SDGs in the Strategic Planning

CONSIDERING THE 2030 AGENDA/SDGs IN THE STRATEGIC PLANNING

GEN 15.1-f: Commitments considered relevant and priority according to the assessment of the 2030 Agenda / SDGs are among the items formally included in the company's institutional strategic planning, and reflected in goals, with their corresponding metrics and targets?

(Base: all 63 respondent companies in the General dimension in 2019)



Although there is no reference framework for comparison yet, the high percentage – three out of every four companies – shows high penetration of the topic among candidates during ISE B3 selection process, and solid inclusion in the formal process of strategic planning, also reflected in the goals, with metrics and targets.

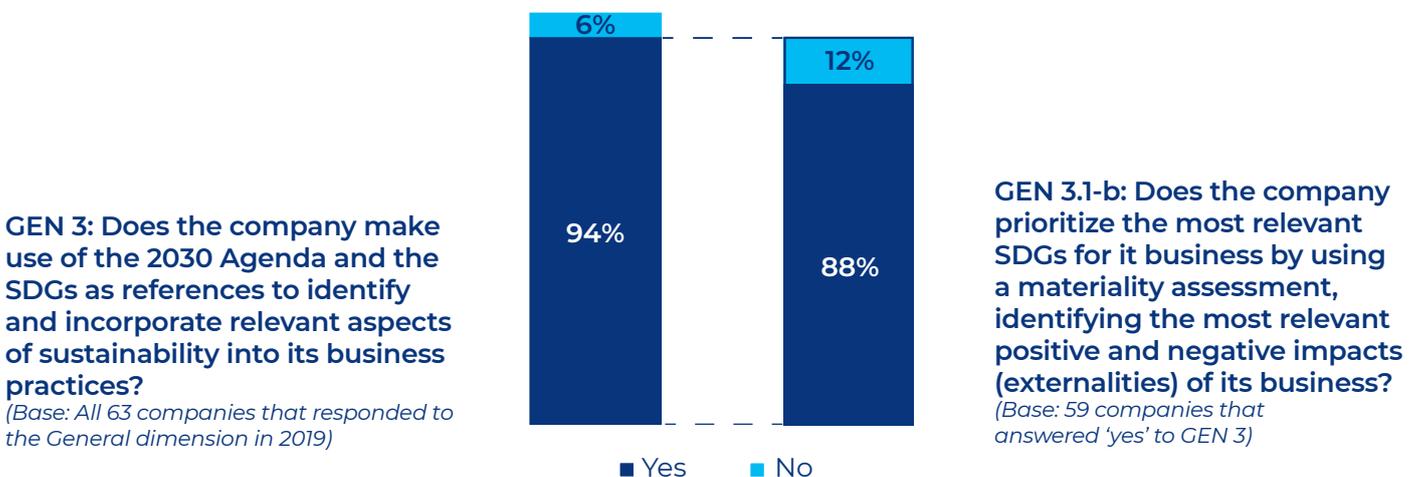
^{x1} To view ISE B3 transparency platform, please visit: <http://iseb3.com.br/respostas>.

Prioritization: Connecting Business Activities to SDGs

Concerning the set of more comprehensive and detailed questions about the 2030 Agenda and SDGs, as illustrated in the chart below, 59 out of the 63 respondents declared using those documents as references to identify and incorporate relevant sustainability aspects into their business. Out of those, 52 respondents stated they identify the direct and relevant relationship between their business practices and the 2030 Agenda, by prioritizing the most relevant SDGs to their business, based on a materiality assessment that captures where the most relevant positive and negative impacts are.

Figure 5: Using the 2030 Agenda as Reference to Integrate Sustainability into Business

USING THE 2030 AGENDA AS REFERENCE TO INTEGRATE SUSTAINABILITY INTO BUSINESS, AND PRIORITIZING SDGs BASED ON MATERIALITY ASSESSMENT



Those two questions are particularly important, because it is not just about the interest companies have on the 2030 Agenda and its SDGs, but also about using them as reference to take measures in sustainability matters. In addition to that – assuming the answers in fact reflect the reality of the respondents –, there is a very important aspect here, which is prioritizing the themes/SDGs not based on the company's preferences, but rather after identifying the most relevant impacts of the company, both positive and negative. And the identification must be performed using the appropriate methodology, which is the materiality assessment.

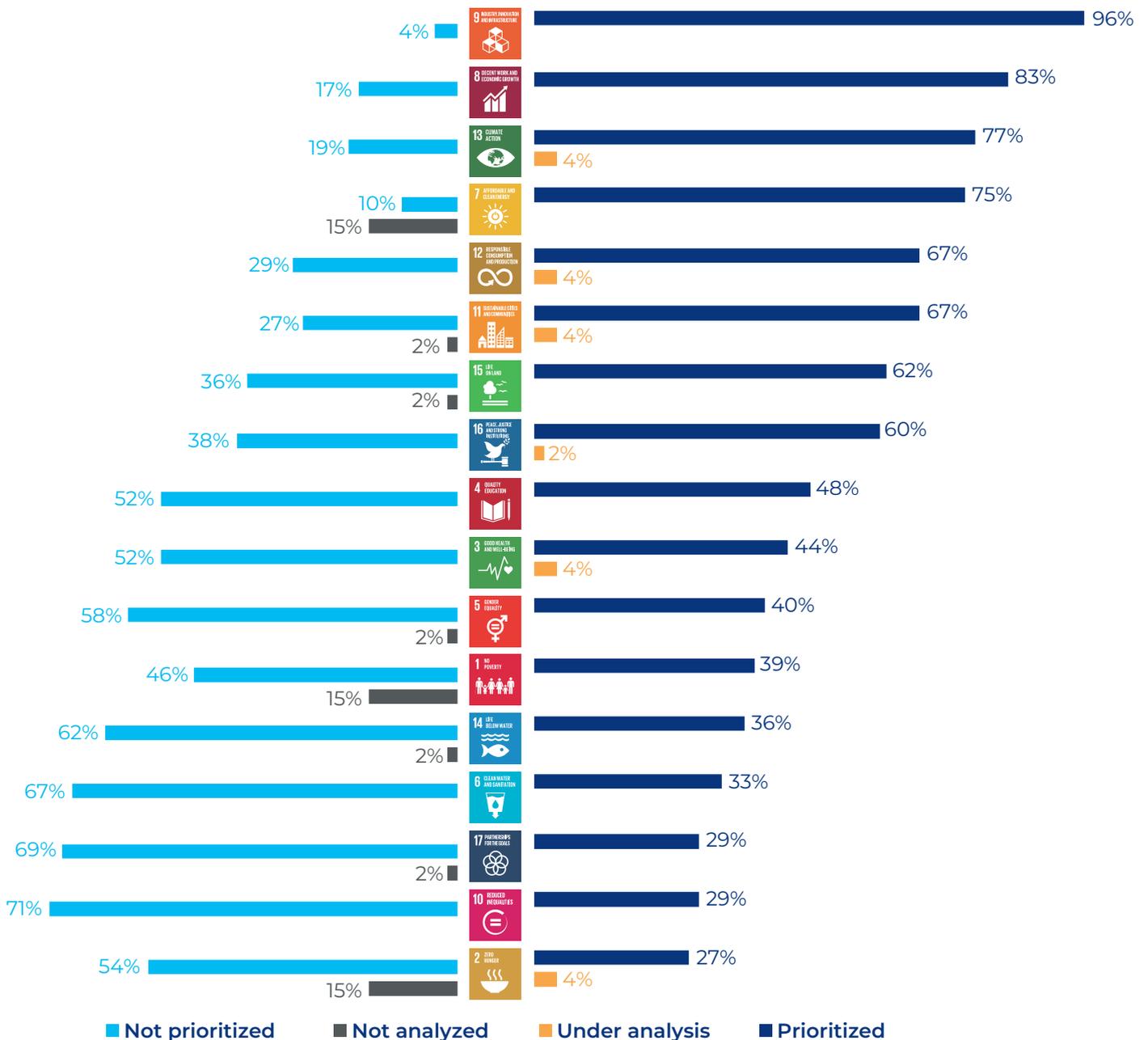
Moving on with the results analysis, it is worth noting those 52 companies are the ones who had the chance to answer more detailed questions about their practices concerning the 2030 Agenda and its SDGs. From the answers provided by that group, it was possible to learn more about the way the reference framework adopted by ISE B3 has been incorporated by the companies.

The first result of that more in-depth analysis shows the SDGs that – according to the companies judgement – are more directly affected by their activities and, thus, managing and incorporating them into their business strategies should be a priority:

Figure 6: Prioritization of the SDGs by companies

HOW THE COMPANIES PRIORITIZED THE SDGs IN AGGREGATE RESULT, in %

GEN 3.2: Please inform the results of the prioritization exercise performed by the company:
 (Base: 52 companies that answered 'yes' to GEN 3.2, alternative 'b')





Analyzing the results presented in the chart – and keeping in mind the prioritization should have been performed by the companies based on a materiality assessment and on the direct and relevant impacts of their businesses – some aspects should be highlighted:

- Four SDGs stand out as priorities for more than 3 out of every 4 companies: SDG 9 (industry, innovation and infrastructure, with 96%), SDG 8 (decent work and economic growth, with 83%), SDG 13 (climate action, with 77%) and SDG 7 (affordable and clean energy, with 75%). This is an expected result, since business activities are essentially related to economic activities and the building of the infrastructure necessary to society. The impact of business activities on climate change (and vice-versa) is also broadly recognized and noticeable, which justifies the high priority allocated to SDG 13, which, in turn, is directly related to SDG 7.
- Among the SDGs listed as highest priorities by the companies, these two follow the same economic rationale: SDG 11 (sustainable cities and communities) and 12 (responsible consumption and production), both prioritized by 67% of the companies.
- At the other end, we highlight the group of four SDGs that have not been analyzed or perceived as priorities by about 7 out of every 10 companies: SDG 10 (reduced inequalities), SDG 17 (partnerships for the goals), SDG 2 (zero hunger) and SDG 6 (clean water and sanitation), which have not been prioritized or analyzed by 71%, 71%, 69% and 67% of the companies, respectively.
- Other three SDGs that stand out for the high percentage of companies that did not prioritize them are: SDG 14 (life below water), SDG 1 (no poverty) and SDG 5 (gender equality), which have not been prioritized or analyzed by 63%, 62% and 60% of the companies, respectively.
- Finally, the four remaining SDGs include two social goals (SDG 3, good health and well-being, and SDG 4, quality education), one environmental goal (SDG 15, life on land) and one political-institutional goal (SDG 16, peace, justice and strong institutions). The first two have not been prioritized or analyzed by 52% of the companies (same percentage for both), and the other two have been prioritized by 62% and 60% of the companies, respectively.

Given those numbers, it is worth stressing out – according to the stem of the question – that this prioritization exercise is about ranking the importance of the topics or the company preferences. In other words, if a topic has not been prioritized by the companies, it does not mean it is deemed less important. It just means companies *see no direct and relevant relationship* between the impacts of their activities and that topic.

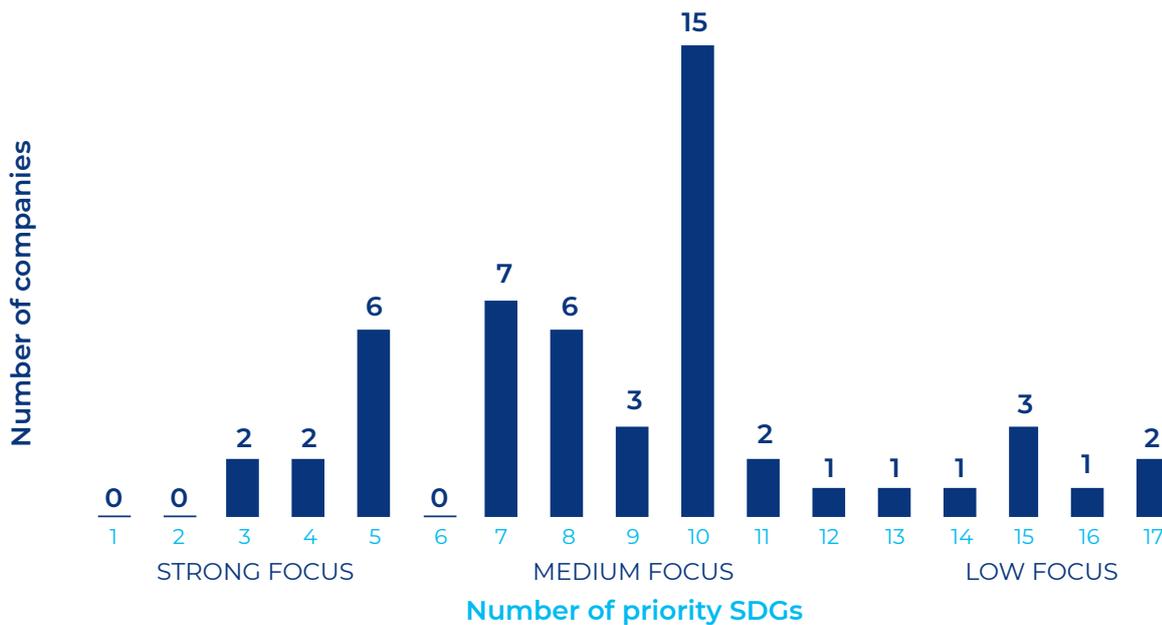
That finding underscores the importance of the framework adopted by ISE B3, particularly when it comes to the combination between identifying priority SDGs to the company and the integrated view of SDGs with one another. This happens because, even though companies focus their attention on a priority group of SDGs, when they take into account the synergies and trade-offs between those SDGs and the others, they will adjust their actions and also promote advancements to non-priority SDGs. Therefore, it is an approach that, without losing focus on the priorities identified by the companies, contributes to an action consistent with the 2030 Agenda and to make sense of SDGs as a whole.

The chart below shows a summary of the results of the company focus, having as a metric the number of SDGs prioritized by each one:

Figure 7: Number of SDGs prioritized by each company

NUMBER OF SDGs PRIORITIZED BY EACH COMPANY

GEN 3.2: please specify in the illustration below how the company prioritized the SDGs in the activity
(Base: 52 companies that answered 'yes' to question GEN 3.2, alternative 'b')



As can be seen, most companies identified a set of 7 to 12 SDGs as priorities, focusing their attention to a certain extent. Only a small group (three companies) prioritized 16 or 17 SDGs, indicating they see a *direct and relevant relationship* between the impacts of the activities they perform and just about the entire agenda. At the other extreme, ten companies had a strong focus, prioritizing only 3 to 5 SDGs^{xii}.

Given that result, it is important to consider that the greatest differences observed among the companies may be due either to actual differences between the impacts of their activities or to different interpretations about the prioritization criteria (how they understand the meaning of a *direct and relevant relationship*), or even the use of different methodologies to assess materiality.

When it comes to the assessment performed at the ISE B3 selection process, those differences are irrelevant, because what really matters to score in that question is not the number of prioritized SDGs, but rather the prioritization activity itself and the management practices adopted for that purpose. According to the framework adopted, the group of SDGs set as priorities act not as a limitation to analyzing the impacts caused by the companies, but rather as a focus on a 'entry door' to the whole set of SDGs.

^{xii} For further information about ISE B3 experience on the 2030 Agenda and SDGs incorporation, please visit: <http://iseb3.com.br/>.

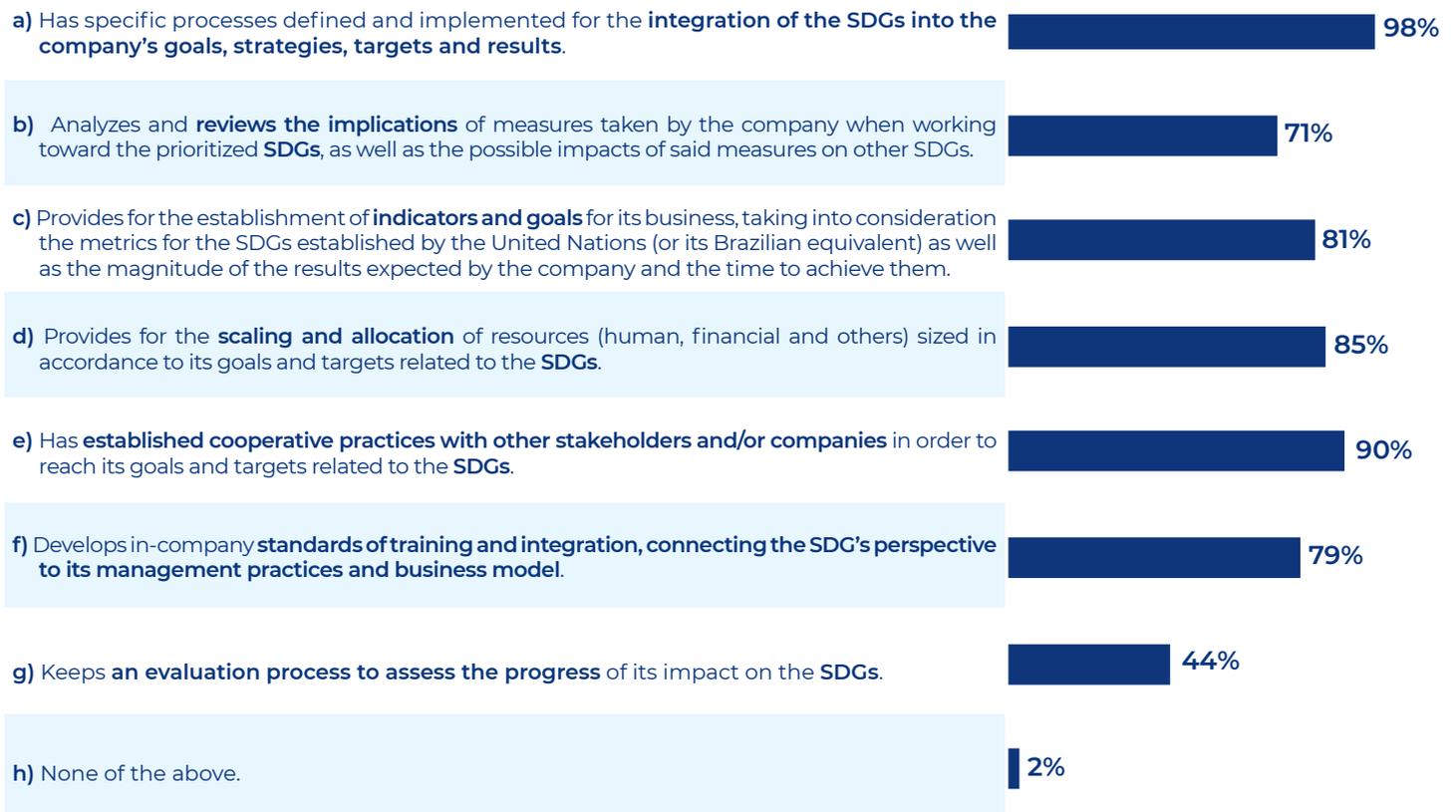
Management: Incorporating SDGs into the Business Practices

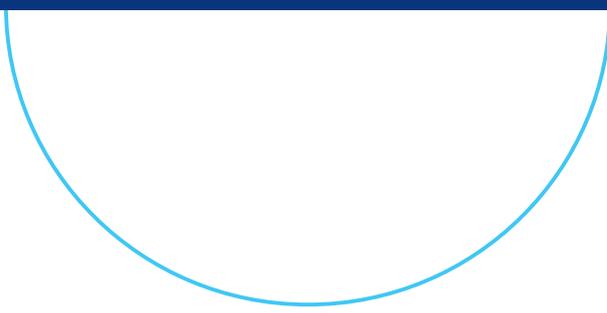
In the following block of questions, the companies that performed the prioritization activity as requested in question GEN 3.2, alternative 'b', answer about the management practices they adopt concerning the set of prioritized SDGs, aligned with the reference framework, as explained in Section 2. As can be seen in the chart below, many of them declare adopting practices that aim, on one hand, to have their operation increase the positive impacts and/or decrease negative impacts when it comes to prioritized SDGs, and, on the other hand, ensuring that, by while doing so, the whole set of SDGs and other critical aspects of the 2030 Agenda are taken into account.

Figure 8: Management Practices Adopted Concerning the Set of Prioritized SDGs

GEN 3.2.1 – Management practices adopted concerning prioritized SDGs (%)

(Base: 52 companies who declare using materiality assessment to identify their business most relevant positive and negative impacts (externalities))





What immediately calls attention in Figure 8 is the high percentage of companies that answered 'yes' to all questions, except for the last two. The alternative 'h – None of the above' (2% answered positively) refers to businesses that have not advanced in management practices required as progress metrics to effectively incorporate SDGs into their activities. As for the results regarding alternative 'g- Keeps an evaluation process to assess the progress of their impact on the SDGs' (44% answered 'yes') it's an indication that respondents are aware of and declare their commitment with a challenging approach to the incorporation of the 2030 Agenda guidelines into their management practices, but they still do not rely on a structured process to measure the effectiveness of that commitment.

One important aspect to be explored is how companies understand the challenges posed by the practices outlined in this question. In a nutshell, it is about a set of practices that start with the creation of processes aimed to incorporate SDGs into their management (alternative 'a', with 98%) and moves on to a 360° view of the trade-offs and synergies that actions targeting prioritized SDGs have on the other SDGs (alternative 'b', with 71%). Then, they make plans on how to align their metrics and targets with the global and national metrics, regarding its themes, as well as its scale and speed (alternative 'c', with 81%). It also includes the measures concerning the means to achieve those targets, both when it comes to resources (alternative 'd', with 85%) and cooperation (alternative 'e', with 90%), as well as training their teams and organizational structures (alternative 'f', with 79%).

Upon checking evidence for the selection process in 2019 (defined by a randomic process, as described in ISE B3 methodology^{xiii}) question 3.2.1 – alternative (d) was allocated to 2 companies, and question 3.2.1 - alternative (e) was allocated to other 24 respondents. Due to the sensitive nature of evidence analysis, information of specific companies can't be disclosed. Nevertheless, aggregated comments on the documents analysed can be shared. Analyzing evidences provided by the companies made it clear that, except in rare "cases", companies have actually adopted practices related to the alternatives chosen, properly backing up their answers. However, there were great differences among them, whether concerning the breadth and depth of the practices they adopt, whether concerning the concepts, criteria and methodologies used. That is an expected result, especially because it addresses a new and challenging topic, which will remain in ISE B3 agenda, that will seek to develop more effective ways to identify best practices and take them into account in their assessment process.

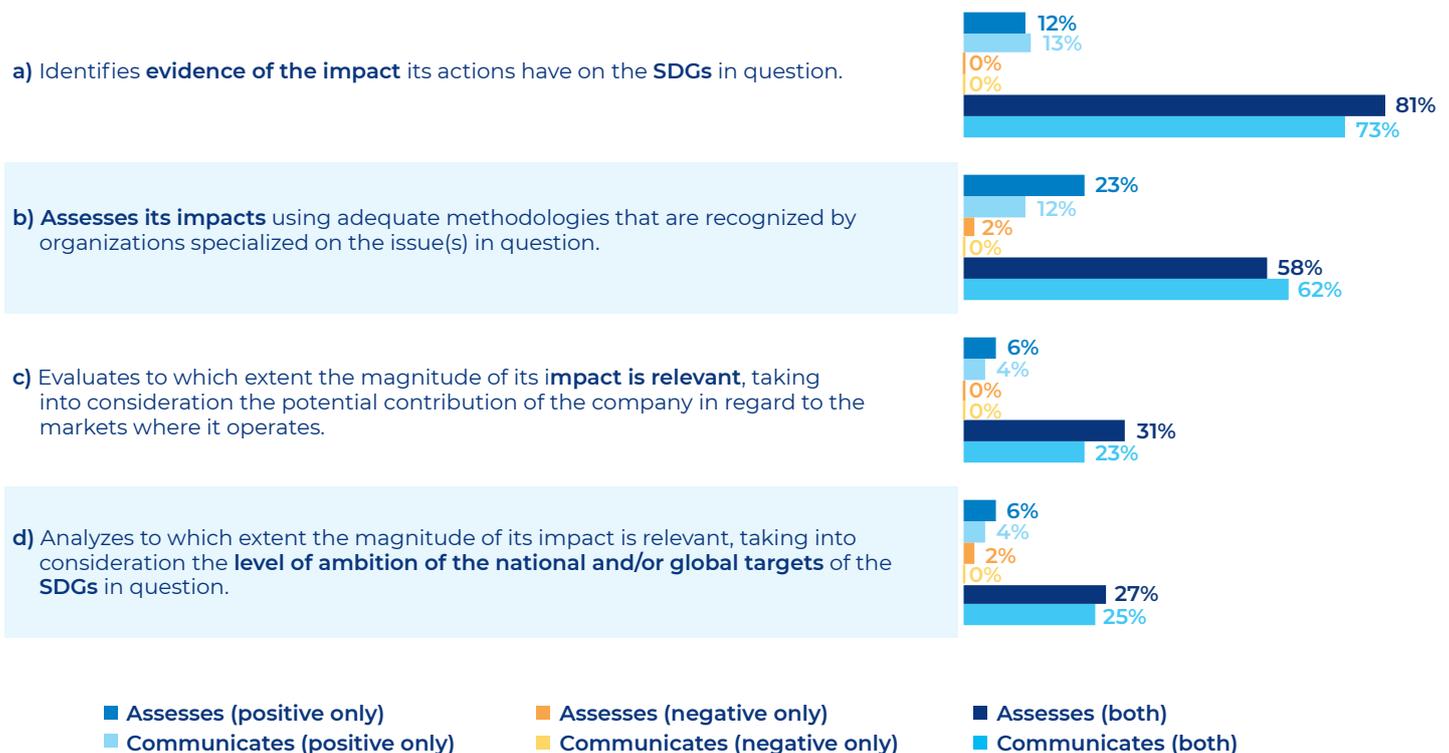
^{xiii} For information on ISE B3 methodology, please visit: www.iseb3.com.br.

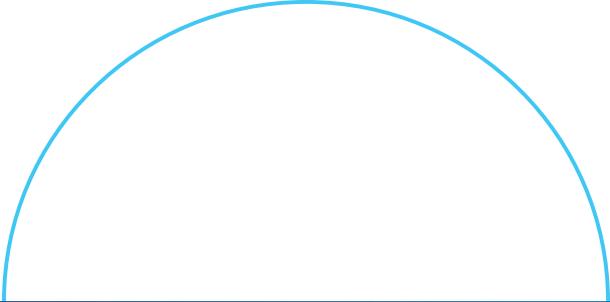
Monitoring and Communicating Impacts on prioritized SDGs

Finally, the last block of questions about the 2030 Agenda addresses transparency and SDGs reporting. As mentioned previously, this is a critical aspect, both for the quality of practices adopted by the companies and to protect the credibility and reputation of respondent companies, as well as of the 2030 Agenda and its SDGs. Figure 9, below, summarizes the answers provided by the 52 companies:

Figure 9: Monitoring and Communicating Impacts on Prioritized SDGs

GEN 3.2.2 – Monitoring and communicating business impacts on SDGs (%)
Attitudes of the company when publicly monitoring and/or communicating the relationships between its business practices and/or business models and the SDGs
(Base: 52 companies that answered 'yes' to question GEN 3.2-b)





Questions in that case divide practices into two ways; on one hand, they check whether they only refer to *assessing and monitoring* specific aspects (the business acquires knowledge, but uses it internally only), or if they also include the *communication* of those results to stakeholders. On the other hand, they try to find out the type of impact included in those practices: positive only, negative only, or both. On Figure 9, that double approach is shown, respectively, in the group of answer bars corresponding to each alternative and by the hues in each bar (a darker hue for assessment, and a lighter hue for communication).

Generally speaking, it can be seen that assessment and communication practices refer mainly to both positive and negative impacts (data about 'both'). The percentage of companies declaring that they focus on positive aspects only (data on 'positive only') is much lower, and the percentage of companies which focus on negative impacts only (data on 'negative only') is close to zero.

Regarding the practices themselves, it can be seen that identifying evidences of their impact on the prioritized SDGs (alternative 'a') is a practice adopted by virtually all organizations, both when it comes to assessing (12% + 81% = 93%) and when it comes to communicating those impacts (12% + 73% = 85%). There is also a high percentage of organizations declaring they use proven methodologies to size their impacts (alternative 'b'), using those results internally (23% + 2% + 58% = 83%) as well as communicating them externally (12% + 62% = 74%).

In regards to the magnitude of their impacts, less than half of the organizations state having faced that challenge, whether taking as reference ad hoc baselines, related to their own context (alternative 'c'), or making use of applicable national or global targets (alternative 'd'). In the first case, 37% of the organizations state they conduct assessments (6% + 31%), and 27% state they also communicate their results (4% + 23%). In the second case, 35% assess their impacts using those criteria (6% + 2% + 27%) and 29% (4% + 25%) communicate the results of those assessments. This is no surprise because, as largely known, one of the greatest issues for companies and other organizations to adopt the 2030 Agenda and the SDGs is to scale them down, adapting that reference framework to their level of operation targets and metrics, whereas the 2030 Agenda and the SDGs have been designed for the global and national scale.

Generally speaking, the chart on figure 9 shows a broad effort from the organizations to both know their impacts concerning SDGs and support their communication about them, along with their relevant willingness to face the challenge to do this with the necessary urgency and magnitude.

5. CLOSING REMARKS AND WAY FORWARD

By incorporating the 2030 Agenda and its SDGs in its questionnaire, as an integral part of an instrument to assess business sustainability performance, ISE B3 aims to advance gradually and consistently, keeping in mind the need to preserve and communicate to all stakeholders, particularly businesses and investors, the key premises on which the SDGs are based: urgency, scale, inclusion, integration and indivisibility.

Although SDGs are positioned and recognized as the main global reference in the sustainable development agenda, their deployment occurs in very diverse environmental, social, political, cultural, corporate and economic contexts, which requires increased complexity to understand and adopt them. In this sense, using proper language is a critical aspect to disseminate that agenda, as well as building narratives and perspectives that are understood, relevant and able to mobilize different audiences.

Simultaneously advancing in the incorporation of the 2030 Agenda and its SDGs into its methodology, ISE B3 also works to have effective ability – with the required consistency and confidence – to incorporate into its analysis and selection process the great volume of public data and information currently available about the organizations. In this sense, ISE Lexicon (LISE) project will use innovative technologies (via artificial intelligence and big data) to create tools capable of monitoring sustainability-related corporate practices and policies, available in many accessible channels of information production, capture and distribution. Synergistically, the 2030 Agenda and SDGs reference framework will be key for comparison purposes and connection of ISE B3 with other instruments and methodologies.

For the coming years, committed to seek methodology enhancement and alignment with the 2030 Agenda and its SDGs, ISE B3 expects to increasingly broaden its direct conversations with organizations, investors and other stakeholders, contributing in a responsible and transparent way to advance the sustainable development agenda and to enhance business sustainability practices in light of the 2030 Agenda.



APPENDIX

**ISE B3 Questionnaire and Glossary on the
2030 Agenda and SDGs (2019 Cycle)**

ISE B3 Questionnaire and Glossary on the 2030 Agenda and the SDGs (2019 Cycle)

ISE B3 2019 Questionnaire – General Dimension

Question GEN 3

GEN 3. Does the company make use of the **2030 Agenda**^{xiv} and the **SDGs (Sustainable Development Goals)** as references to identify and incorporate relevant aspects of sustainability into its business practices?

(P) This question aims to identify if the company applies the framework established by the **2030 Agenda** and its **SDGs**, approved by the United Nations (UN) in September 2015 with the aim to guide and accelerate the movement of governments, companies and society in general toward sustainable development, on a worldwide scale. The adherence to voluntary commitments that are explicitly oriented by or guided toward the **SDGs** and **2030 Agenda** allow answering 'Yes' to this.

a) Yes

b) No

Question GEN 3.1

GEN 3.1. If the answer is YES to **QUESTION 3**, what are the ways through which the company identifies the direct and relevant connections between its business practices and the **SDGs**:

(P) The identification of the existence or absence of the aforementioned relevant direct connections must be done through a **materiality** assessment applied to the business practices in question. With that in mind, it is important to note that the same practice can have a positive relationship with one of more of the **SDGs** (it helps toward the achievement of these objectives), and, simultaneously, have a negative relationship with other **SDGs** (posing challenges to achieving these objectives). For example, there are practices that can be helpful in terms of cost and productivity, but simultaneously bring negative implications to the environment or the health and safety of workers.

(^PTransforming Our World: The 2030 Agenda for Sustainable Development' – United Nations A/RES/70/1)

a) **Qualitative analysis of the implications and impacts of the business practices being analyzed, when placed in relation to all the SDGs**

b) **Prioritizing the most relevant SDGs for the business by using a materiality assessment, identifying the most relevant positive and negative impacts**

c) **None of the above**

^{xiv} Bold text in the questions indicates terms that must necessarily be considered as defined in the ISE B3 glossary.

Please see in the end of this section terms used in question GEN 3 and its related questions.

^(P) The indication (P) refers to the existing protocol in the questionnaire, which clarifies and / or contextualizes the question.

Question GEN 3.2

GER 3.2. If the answer is YES to item (b) of **QUESTION 3.1**, please mark in the grid below how the company prioritized the **SDGs** in the activity:

(P) Respond taking into careful consideration the glossary definitions for **SDGs** and **2030 Agenda**.

(‘Transforming Our World: The 2030 Agenda for Sustainable Development’ - United Nations A/RES/70/1 and ‘Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators’, March/2016, UN/Statistical Commission E/CN.3/2016/2).

- I: SDGs not included in the evaluation process**
- II: SDGs still being analyzed**
- III: SDGs analyzed but not considered a priority for the company**
- IV: SDGs analyzed and considered a priority for the company**

SDGs – SUSTAINABLE DEVELOPMENT GOALS	I	II	III	IV
a) 1: End poverty in all its forms everywhere				
b) 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture				
c) 3: Ensure healthy lives and promote well-being for all at all ages				
d) 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all				
e) 5: Achieve gender equality and empower all women and girls				
f) 6: Ensure availability and sustainable management of water and sanitation for all				
g) 7: Ensure access to affordable, reliable, sustainable and modern energy for all				
h) 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all				
i) 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation				
j) 10: Reduce inequality within and among countries				
k) 11: Make cities and human settlements inclusive, safe, resilient and sustainable				
l) 12: Ensure sustainable production and consumption patterns				
m) 13: Take urgent action to combat climate change and its impacts*				
n) 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development				
o) 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss				
p) 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels				
q) 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development				

* Acknowledging that the United Nations Framework Convention on Climate Change (UNFCCC) is the primary international, intergovernmental forum for negotiating the global response to climate change

(D) For the alternatives chosen on columns II, III or IV, evidence of studies that substantiate the stated conclusions shall be provided.

^(P) The indication (D) refers to documentation that must be presented by the company as evidence to support its responses, if required.

Question GEN 3.2.1

GEN 3.2.1. With respect to the group of **SDGs** specified on column IV of **QUESTION 3.2**, the company:

(P) Reply taking into close consideration the definitions present in the glossary for SDG and the 2030 Agenda, as well as references for their implementation on a global level, as defined at <https://unstats.un.org/sdgs/indicators/indicators-list/> and http://www.ipea.gov.br/portal/images/stories/PDFs/livros/livros/180801_ods_metas_nac_dos_obj_de_desenv_susten_propos_de_adequa.pdf

Take note that the options below do not refer to the impacts of the company's actions in regard to a specific SDG, but rather to the way in which the company manages the integration of the 2030 Agenda and all the relevant prioritized SDGs, which are used as references to identify and integrate relevant aspects of sustainability into its business.

(**'Transforming Our World: The 2030 Agenda for Sustainable Development'** - United Nations A/RES/70/1 and "Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators", March/2016, UN/Statistical Commission E/CN.3/2016/2).

- a) Has specific processes defined and implemented for the integration of the SDGs into the company's goals, strategies, targets and results.
- b) Analyzes and reviews the implications of measures taken by the company when working toward the prioritized SDGs, as well as the possible impacts of said measures on other SDGs.
- c) Provides for the establishment of indicators and goals for its business, taking into consideration the metrics being studied for the SDGs by the United Nations (or its Brazilian equivalent) as well as the magnitude of the results expected by the company and the time to achieve them.
- d) Provides for the scaling and allocation of resources (human, financial and others) sized in accordance to their goals and targets related to the SDGs.
- e) Has established cooperative practices with other stakeholders and/or companies in order to reach its goals and targets related to the SDGs.
- f) Develops in-company standards of training and integration, connecting the SDG's perspective to their management practices and business model.
- g) Keeps an evaluation process to assess the progress of its impact on the SDGs.
- h) None of the above.

(D) Evidence of studies and/or management tools (such as policies, plans, goals, descriptions of the evaluation process or monitoring data) that substantiates the options chosen, in relation to the group of SDGs marked on column IV of question 3.2 shall be provided.

Question GEN 3.2.2

GEN 3.2.2. Regarding the group of **SDGs** marked on column IV of QUESTION 3.2, when publicly communicating the relationship between its business practices and/or business model in relation to the **SDGs**, the company:

(P) One of the fundamental roles of the **SDGs** is to establish a common agenda in regard to challenges related to sustainable development and to facilitate communication about the impact that different activities and social actors have on these challenges. It is expected that companies, when making use of the **SDGs** in their communication, take care and share consistent and relevant knowledge, thus contributing to the information of relevant parties, and avoiding the loss of credibility that misuse of this information would bring, both to the **SDGs** and to the company in question.

As the targets related to the **SDG** were established with either a global or national scale in mind, and as there are no rules yet for their application within the business landscape, it is up to each company to evaluate the relevance of their impact on each goal. References that can be used for this evaluation are the current standards of the company’s sector (for example: how different is this company’s impact, when compared to other companies in the same sector), or the magnitude of the impact, when compared to the potential of the company (that is, if the impact caused can be considered relevant when paired with the size and/or power of action of the company).

In the answer grid below, mark the relevant answer in each line, taking into consideration the criteria below:

- I: Yes, but only in regard to positive situations, in which the impact of the company is favorable to the SDGs**
- II: Yes, but only in regard to negative situations, in which the impact of the company is unfavorable to the SDGs**
- III: Yes, both in regard to positive and negative situations**
- IV: None of the above**

When assessing and communicating the connection between its business practices and/or business models and the SDGs, the company:	I	II	III	IV
a) Identifies evidence of the impact its actions have on the SDGs in question.				
b) Assesses its impact using adequate methodologies that are recognized by organizations specialized on the issue(s) in question.				
c) Evaluates to which extent the magnitude of its impact is relevant, taking into consideration the contribution potential of the company in regard to the markets where it operates.				
d) Analyzes to which extent the magnitude of its impact is relevant, taking into consideration the level of ambition of the national and/or global goals of the SDGs in question.				
e) Includes in its SDG-related communication the information mentioned on alternative 'a' above.				
f) Includes in its SDG-related communication the information mentioned on alternative 'b' above.				
g) Includes in its SDG-related communication the information mentioned on alternative 'c' above.				
h) Includes in its SDG-related communication the information mentioned on alternative 'd' above.				

(D) Add evidence of internal documentation or public communication utilized by the company that substantiates the options chosen.

Glossary (ISE B3 2019)

The 2030 Agenda and the Sustainable Development Goals (SDG)

One of the main results of the 2012 UN Conference on Sustainable Development, Rio+20, was the ignition of a global process looking to create a document that gathered, in a summarized and articulated way, the aspirations, proposals and responsibilities enclosed in the many existing international conventions focusing on the pursuit of social and environmental sustainability. In the conference, it was also agreed that such document would include a set of objectives and goals summarizing these aspirations, looking to inspire and guide public and private actors from across the globe in their path toward sustainable development. The result of this process was the declaration 'Transforming Our World: The 2030 Agenda for Sustainable Development', approved on the 25th of September 2015 by the plenary assembly of the United Nations (A/RES/70/1). The name, 2030 Agenda, was decided based on the fact that the time frame considered safe and desirable to reach meaningful advances within the changes proposed is of 15 years, thus setting the year 2030 as a deadline.

As expected, this document contains – amongst other agreements, aspirations and recommendations – a set of 17 goals, with 169 targets, which have become known and widely publicized as the Sustainable Development Goals (SDGs). Going beyond the SDGs, the 2030 Agenda contains a series of other information that contextualizes the SDGs and triggers actions both inside and outside the UN system. Within the context of ISE B3, we highlight the fact that, when using the SDGs to guide public or private practices and strategies, it is essential to recognize that these goals were established not as an isolated list of objectives and targets, but as part of a wider context, the 2030 Agenda. Because of that, they represent a framework through which proposals and actions should be evaluated. When emphasizing that the SDGs should be viewed in an integrated manner, the 2030 Agenda proposes that, when assessing the adherence of business practices to these goals and targets, one should consider both their positive and negative implications toward the SDGs as a whole. The change of current organizational practices is desirable as long as it brings advance of positive impacts toward one or more SDGs, together with decrease or steadiness of negative impacts on all other SDGs.

The 2030 Agenda makes it very clear that – considering the magnitude of the changes necessary and the short time available, as well as the complexity of the factors involved – significant progress toward the SDGs will depend on the collective action of different actors and sectors of society, as well as the allocation and successful management of public and private resources within the predicted deadline, and taking into consideration the amount of change expected. One of the key elements necessary for this alignment is the creation and monitoring of representative indicators of the established goals, which are, simultaneously consistent with the global goals and in connection with the reality of each country.

In May 2019, the most recent version of the indicators established for the successful implementation of the SDGs on a global and national scale could be found at:

<https://unstats.un.org/sdgs/indicators/indicators-list/> e http://www.ipea.gov.br/portal/images/stories/PDFs/livros/livros/180801_ods_metas_nac_dos_obj_de_desenv_susten_propos_de_adequa.pdf

Source: <https://sustainabledevelopment.un.org/post2015/transformingourworld> and <https://nacoesunidas.org/pos2015/agenda2030/>

Materiality

Materiality is a term originated from accounting. Within a sustainability context, it is the basic criterion for a company to identify its priority agendas and decide how to deal with them, in terms of operations, investment and managing potential risks, opportunities and externalities. It is necessary that an organization knows and manages relevant information about issues that, because of their impact (positive or negative), are its priorities, and therefore should be considered essential during strategic decision-making as well as managing, operating, communicating and reporting proceedings.

An aspect that can impact or significantly influence evaluations and decisions of a company's decision makers or stakeholders is considered 'material'. The materiality of an issue varies according to context, business profile and the interests of the audience with whom the company deals. Materiality assessment should be done with methods and tools that are structured and should include the identification and prioritization of issues according to both internal and external criteria. When establishing internal criteria regarding socio-environmental aspects, one could consider the results of risk assessments studies, life cycle analysis, socio-environmental impact evaluations and other related methods. When it comes to external criteria, one could consider consulting stakeholder groups that are relevant to the business, as well as relevant legislation.

[B]³

