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AUSTRALIA + NEW ZEALAND

29 March 2018

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

via email fadt.sen@aph.gov.au

Dear Sir or Madam

Inquiry into the United Nations Sustainable Development Goals (SDG)

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission to Foreign Affairs, Defence and Trade References Committee on their Inquiry into the United Nations Sustainable Development Goals (SDGs). Appendix A provides our detailed comments on the terms of reference. Appendix B provides more information about Chartered Accountants Australia and New Zealand.

Key points

- Awareness of the SDGs within the Australian community is low and we consider the Australian Government has an important role to play in raising this awareness. This will also assist businesses in their contribution to the SDGs, as stakeholders will better understand the value proposition.
- The Accounting Profession has a vital role to play in contributing to towards the achievement of the SDGs as we act in the public interest, promoting strong economies and a prosperous society.
- We have released several research publications which detail the costs of Australia's inaction on areas related to the SDGs. Likewise, there are significant benefits to business and the wider community of contributing towards the achievement of the SDGs.
- We encourage the Government to publicise Australia's Voluntary National Review to facilitate a deeper understanding of Australia's progress in a broader, more holistic way and the areas for development. We recommend that the SDGs become the basis for reporting more broadly to the Australian community on our nation's progress.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact Karen McWilliams via email at karen.mcwilliams@charteredaccountantsanz.com or phone (612) 8078 5451.

Yours sincerely,

Liz Stamford
Head of Policy
Chartered Accountants Australia and New Zealand

Australia: 1300 137 322
New Zealand: 0800 4 69422
service@charteredaccountantsanz.com

Outside of Australia: +61 2 9290 5660
Outside of New Zealand: +64 4 474 7840
charteredaccountantsanz.com



Appendix A

Terms of Reference

The United Nations Sustainable Development Goals (SDGs), with particular reference to:

a. the understanding and awareness of the SDGs across the Australian Government and in the wider Australian community;

Understanding and awareness of the SDGs within the wider Australian community is very limited. In particular, this also flows to the awareness and understanding within the business community. At the launch of the SDGs, the contribution from businesses was cited as being critical to achievement of the goals by 2030. The limited awareness and understanding has two negative consequences, which will impact on business's ability to contribute towards the achievement of the goals.

Firstly and simply, if business leaders and the wider business community are not aware or don't understand the SDGs, they will not be able to contribute towards their achievement. Secondly, where businesses are aware of the SDGs and have considered how they can contribute towards them through their strategy, the low level of awareness within the wider Australian community makes it difficult for these businesses to demonstrate why their contribution to the SDGs provides value to their stakeholders.

We are not in a position to comment on awareness and understanding within the Australian Government. We note that information on the SDGs is located on DFAT's website under Aid > aid topics > development issues. This would give the impression that the focus of the SDGs is about foreign aid and development. However, as the page states, the 2030 Agenda has both a domestic and international agenda. We note that DFAT have partnered with the UN Global Compact Network Australia to 'enhance their capacity to engage with businesses whose interests align with advancing the SDGs.' This is a positive step however, engagement from Government with Business should not be limited to DFAT.

We consider that the Australian Government has an important role to play in communicating the purpose, aims and value of the SDGs to the wider Australian community. The Australian Government needs to clearly articulate the value of the SDGs in contributing to both our nation's and our region's continued prosperity. The inter-relations between the SDGs themselves are also important and by demonstrating how different Government agencies are partnering to deliver on the SDGs would assist in communicating this message. The Government could also showcase examples from businesses who are sharing how they are contributing to the achievement of the SDGs.

The Accounting Profession has a vital role to play in contributing to towards the achievement of the SDGs. We act in the public interest, promoting strong economies and a prosperous society. This aligns to the aims of the 2030 agenda for sustainable development. The International Federation of Accountants (IFAC) released a paper in November 2016. [The 2030 agenda for sustainable development – a snapshot of the Accountancy profession's contribution](#). This paper identifies three key roles Professional Accountancy Organisation's can play to contribute to the 2030 Agenda for Sustainable Development. These are mainstreaming, implementing and monitoring the SDGs.

Chartered Accountants Australia and New Zealand are active members of the UN Global Compact Network Australia and [submit a bi-annual communication of engagement to the UN](#). We have continued to raise awareness and provide guidance on the SDGs through our member newsletter, acuity magazine and opinion pieces including: [Future risk – how to measure your exposure](#), [Can accountants save the world](#) and [incorporating the SDGs into your business](#).

We hosted events in Melbourne and Sydney in December 2017, which shared the paper by Professor Carol Adams [The Sustainable Development Goals, integrated thinking and the integrated report](#). At the events, we explored how organisations can use the principles of Integrated Reporting to report their contributions towards achieving the SDGs. The SDGs were also the theme for a Chartered Accountants Worldwide event held in London in May 2017 and our Australian 2016 Leadership in Government Awards, where Kofi Annan provided the key note address.

b. the potential costs, benefits and opportunities for Australia in the domestic implementation of the SDGs;

Chartered Accountants Australia and New Zealand have produced several thought leadership papers which cover the costs of inaction, benefits and opportunities for Australia in relation to some of the SDGs through our work around maintaining future prosperity for Australia.

Our publication [The Quest for Prosperity: Shaping Australia's future](#) analyses Australia's performance over the last ten years in the Legatum Prosperity Index™. Australia had declined from second place in 2007 to sixth place in 2016. In the 2017 index, Australia has declined further to ninth place. The analysis noted Australia's strong performance in areas such as the business environment, education and social capital. However, we noted that it has been one of only a few high ranked nations to see a decrease in its actual prosperity score. This is both the result of a lack of progress in some areas compared to other countries as well as actual declines in the scores for other areas. Our analysis identified four challenges to keeping future prosperity growing for all Australians, which align to some SDGs as indicated:

- A less open economy in a competitive global environment, which means Australia may miss out on the benefits of a globalised economy and on the benefits of trade and competition. (SDG 17- Partnerships for the goals)
- A decrease in trust in political institutions that might limit the effectiveness of government, reduce the willingness of citizens to participate in public life, and reduce certainty for businesses about the government's regulatory agenda. (SDG 16 peace justice and strong institutions)
- A lack of economic opportunities for some Australians that mean they do not share in the outputs of the economy. (SDG 10 reduced inequalities)
- Environmental pressures that reduce economic growth and harm Australia's environment. (SDG 13 climate action, SDG 14 life below water and SDG 15 life on land)

[The Future of Talent](#) publication looks at the skills needed for our workforce in the future (SDG 4 – quality education). [Are Australia and New Zealand corrupt?](#) analyses Australia's decline in the global corruption index rankings and ways to address this (SDG 16). Our 2014 publication [Risk-wise and a fair go - A plan for Australia's continued prosperity](#) looks at the challenges for Australia's of declining equity (SDG 10) and the opportunities for addressing it.

The benefits and opportunities for Australia are significant. A report by the Business & Sustainable Development Commission estimates that achieving the SDGs could open up \$12 trillion of market opportunities globally in food and agriculture, cities, energy and materials, and health and wellbeing and create 380 million new jobs by 2030. Therefore, contributing towards the SDGs represents real opportunities for business develop solutions and if only some of that \$12 trillion of market opportunities is in Australia, this is still significant.

At our SDG and Integrated Reporting event in December 2017, members heard how business as usual will not be enough to achieve the SDGs alone and the need for business to have a long term focus. The SDGs are important to institutional investors as they help create a functional society and a productive

economy, they also have the ability to unleash capital and help businesses thrive in the changing business environment. Communicating to business the potential costs to the economy associated with inaction and the benefits and opportunities of contributing to the achievement of the SDGs will help increase engagement.

We understand that currently businesses find it difficult to identify with the SDGs as the targets and measures are output based and focused at a national level. Research has been performed by the Global Reporting Initiative (GRI) and UN Global Compact to analyse all 169 targets and align these to existing relevant business reporting frameworks as an aid to business in reporting on their contribution to achieving the SDGs. We consider it is also important for business to be aware of their negative impacts on goals, not just those they have identified for positive contribution.

We also note that many SDGs interconnect to deliver on the objectives of the forthcoming Modern Slavery Act and the legislation for organisations to report on modern slavery in their supply chains. This represents an opportunity for the Australian Government to communicate the SDGs when publicising the Act and reporting requirements.

c. what governance structures and accountability measures are required at the national, state and local levels of government to ensure an integrated approach to implementing the SDGs that is both meaningful and achieves real outcomes;

All levels and areas of government will need to report on their contributions to relevant SDGs. To determine which are relevant, they will need to assess their positive and negative impacts on the SDG targets. [The Sustainable Development Goals, integrated thinking and the integrated report](#) by Professor Carol Adams sets out a framework for contributing to the SDGs. The paper includes outlines five steps to help organisations align their value creation process with sustainable development:

1. understand sustainable development issues relevant to the organisation’s external environment
2. identify material sustainable development issues that include value creation
3. develop a strategy to contribute to the SDGs through the business model
4. develop integrated thinking, connectivity and governance; and
5. prepare the integrated report.

We consider these steps represent a useful framework for government to ensure an integrated approach to SDG implementation.

d. how can performance against the SDGs be monitored and communicated in a way that engages government, businesses and the public, and allows effective review of Australia’s performance by civil society;

[In our pre-budget submission to Treasury](#), we noted that in the quest for measuring progress and being able to compare this progress with other nations, welfare has become synonymous with Gross Domestic Product (GDP). Yet GDP is not a welfare measure – rather it is a measure of economic activity. Interest is growing in communities, governments and internationally as to how a more complete picture of progress can be shown, one which recognises environmental and social outcomes (inequality, intergenerational equity) as well as economic aspects.

In our publication “[Is policy making measuring up? Rethinking how we measure the success of a nation](#)”, we compared GDP per capita against various alternative measures of national progress. Our analysis indicated that alternative measures of progress are now poorly correlated with changes in GDP for Australia. Yet these alternative measures of progress are a closer reflection of the aspects

that society values most. These results are consistent with international findings that the correlation between an increasing GDP per capita and other measures of national progress tends to be strongest at lower GDP levels, with the rate of change in welfare tending to decrease at higher GDP per capita levels.

In Australia, recognition of the importance of a more holistic view of national progress led to the development and revision of Measures of Australia's Progress (MAP) by the Australian Bureau of Statistics (ABS). In 2013, ABS published "*Is Life Getting Better in Australia, Measures of Australia's Progress*" to explore precisely this question. The multiple indicators of MAP were published in addition to GDP data, allowing a deeper understanding of the successes, and areas of improvement. However, due to funding cuts this was discontinued. The loss of MAP raises an important question: how can the evolution of long term national progress measurement be best supported in an environment focussed on short term economic change?

The 2030 agenda for sustainable development represents a broad global perspective of what our future looks like and covers aspects from poverty and climate change to innovation and economic growth. The SDGs explicitly call on all nations and businesses to help solve these sustainable development challenges. Australia will deliver its first Voluntary National Review on the 2030 Agenda at the High Level Political Forum (HLPF) in New York in July 2018. In the absence of MAP, we recommend the Government publicise Australia's Voluntary National Review in July 2018 to facilitate a deeper understanding of Australia's progress in a broader, more holistic way and the areas for development. We also recommend that the SDGs become the basis for reporting more broadly to the Australian community on our nation's progress.

e. what SDGs are currently being addressed by Australia's Official Development Assistance (ODA) program;

This question would be best addressed by the relevant government departments.

f. which of the SDGs is Australia best suited to achieving through our ODA program, and should Australia's ODA be consolidated to focus on achieving core SDGs;

g. how countries in the Indo-Pacific are responding to implementing the SDGs, and which of the SDGs have been prioritised by countries receiving Australia's ODA, and how these priorities could be incorporated into Australia's ODA program; and

Questions f and g would be best addressed once question e has been answered and in consultation with key stakeholders in this area.

h. examples of best practice in how other countries are implementing the SDGs from which Australia could learn.

In our responses to earlier questions, we have provided links to some publications relating to the accounting profession and Australia's prosperity. These include examples of activities related to the goals from other countries.

We also note that Australia could learn and share best practice examples not just from other countries, but also leading businesses, education institutions and professions, such as accounting. The recent Australian SDGs Summit 2018 included presentations from a number of organisations sharing their implementation examples.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 117,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.