Are you across the UN General Assembly's 17 Sustainable Business Goals?

Business as usual is starting to look different as organisations rethink their corporate strategy. Can the UN General Assembly's 17 Sustainable Development Goals really change the world?

29 June 2018

It’s almost three years since 193 countries signed up to the **United Nations’ Sustainable Development Goals (SDGs) (https://www.un.org/sustainabledevelopment/sustainable-development-goals/)** and governments, businesses, NGOs and others began to grapple with how to meet 17 objectives — and 169 targets — to improve the lot of humanity and the planet by the year 2030.

No small ask. In their quest to promote global stability and more inclusive development, many of the goals address what were once termed “wicked problems”, like poverty, hunger, climate change, human rights and equality. At their most superficial level, they raise awareness, but serious action is also required.

Yet many of the key tools for reporting and metrics towards fulfilling the goals remain works in progress. Despite this, numerous businesses are seizing the SDG moment. In Australia, big business is leading.

“What’s been outstanding is that the goals have been embraced and articulated by business in Australia a lot faster and a lot louder than government,” says Andrew Petersen, CEO of the 60-member advocacy group, Sustainable Business Australia (SBA).

“Sustainability issues that would have typically been sidelined five years ago have now become key business issues and risks,” says Catherine Hunter GAICD, chair of Global Compact Network Australia (GCNA) and corporate citizenship director at consulting firm KPMG.

In 2016, more than 30 chief executives from top Australian companies — ranging from Australia Post to Yarra Valley Water — signed a public statement of support for the goals, saying: "…the SDGs provide points of focus around which we can innovate and collaborate in the search for solutions to critical global and local sustainability challenges, while at the same time positioning competitively for the future."

A trend soon emerged for companies to splash the colourful SDG icons in their annual (but only sometimes integrated) reports as they explained how their sustainability initiatives mapped the development goals.

Senate inquiry

A Senate inquiry into approaches to the SDGs is now evaluating more than 137 submissions and is due to report in November. Meanwhile, Minister for Foreign Affairs and Trade Julie Bishop has been collating stellar examples of Australian SDG business action to report to the UN in New York in July.

In its submission to the inquiry, the 83-member Global Compact Network Australia — local chapter of the world's largest sustainability initiative, the UN Global Compact — outlined "a pivotal shift" as organisations move beyond applying the SDG framework for retrospective mapping to using them "…as a strategic enabler; embedding the goals into their strategies, driving and shaping current and future purpose and action".

Mapping existing sustainability initiatives to the SDG framework is a way for businesses to see their current impact — and gives companies that operate in multiple jurisdictions the chance to unify messages, GCNA's Hunter suggests. However, a few stand out for using them to inform strategy in disparate ways, including Australia Post with its circular economy approach.

The goals could open US$12 trillion of opportunities in the food, cities, energy and health sectors alone.

Reasons for change

The strategic shift makes sound business sense. The Business and Sustainable Development Commission (launched at Davos, Switzerland, in January 2016) predicted the goals could open US$12 trillion of opportunities in the food, cities, energy and health sectors alone.

There is also increasing motivation in organisations to move beyond what many claim has become a tick-a-box approach to compliance on corporate social responsibility and sustainability.

Beyond the need for compliance or reputational enhancement, there are opportunities to boost sales by playing to rapidly growing consumer awareness of sustainability issues. Most immediately, there's a window to become a market leader in sustainable products and services. Talent attraction and retention are further reasons organisations are being active on SDGs, along with improved access to capital as investors increasingly use non-financial performance to evaluate and better inform decisions.

On the downside is a more extreme risk — losing the licence to operate, claims the SBA's Petersen. He argues that is a likely reality for those who continue to prioritise financial upside alone in their business cases for sustainability.

"Let's face it, business is in a public trust crisis," says Hunter. The revelations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry are a timely example. "What we're seeing now is that businesses can spend a lot of money on amazing sustainability initiatives and programs, but it's how a business makes its money that's fundamentally in question. That's why CEOs and boards need to own the SDG agenda and embed it in their businesses."

To date, in Australia, some goals have been more readily embraced than others. For example, SDG 13 on climate action is in focus due to directors' fiduciary responsibilities; while SDG 5 is in the collective consciousness due to recent emphasis on gender equality and the gender pay gap.

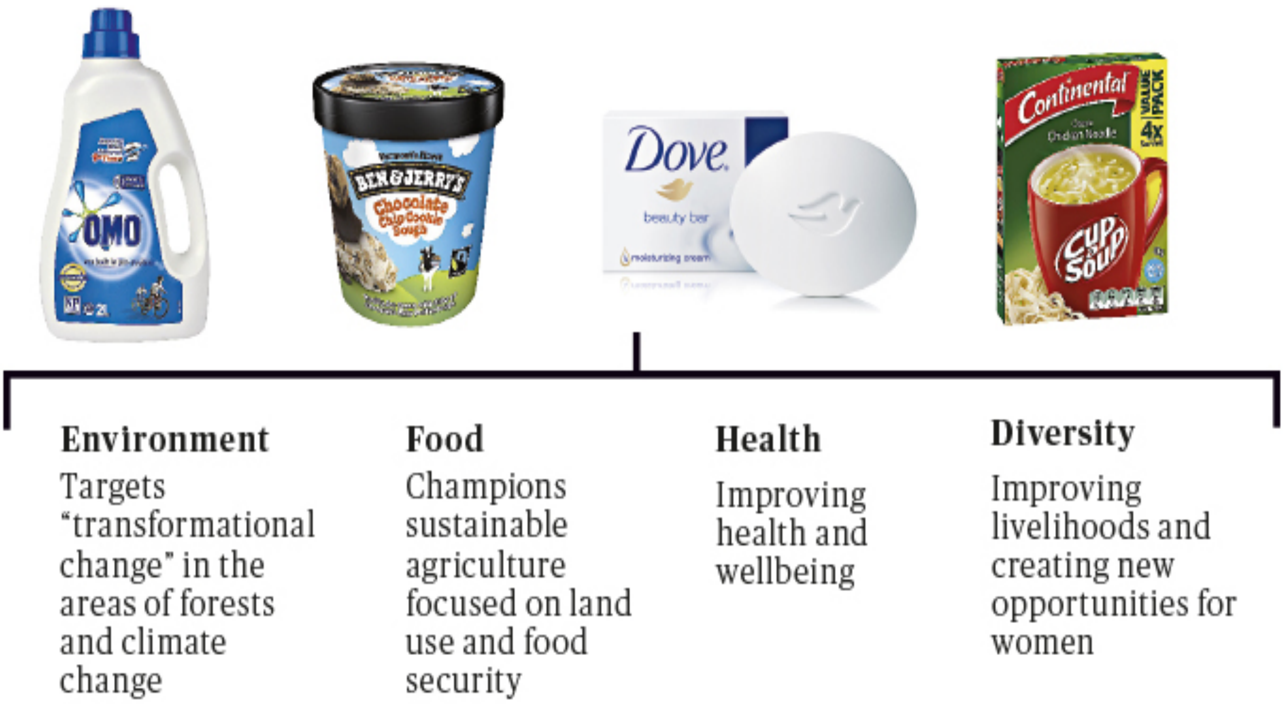
Petersen, who describes “a new narrative” around the SDG value creation, believes a radical change is on the way to how businesses interact with the goals over the next 18 months. There’s a resounding message in submissions to the Senate inquiry about the need for the government to see the goals as a platform for growth “rather than as an aid and development program”, he says.

“You’ll start to see companies breaking down one of the goals against targets and indicators and promoting technologies, products or services to meet demand towards that goal, rather than delivering a checklist of compliance to show it’s not doing anything wrong.”

New approaches to sharing of knowledge and expertise, as well as technology and resources are also expected, not least as SDG 17 zooms in on the importance of partnerships to collaborate on systemic transformation as the only way to meet the aims of such massive goals.

Case studies

Unilever aims to use its scale and influence to help transform four key areas where it can have the biggest impact — and which represent significant market opportunity for the company.



Brands of purpose

Global consumer goods company **Unilever** is seeing significant benefits from pursuing the SDGs, most publicly through its brands. Household names like Omo, Ben & Jerry's, Dove and Continental are all having a tilt at goals in different, brand-relevant ways.

“Our ‘brands of purpose’ that do more than just provide a functional benefit, either because they are making a statement to their consumer groups or because of the way they source or are manufactured, are growing about 50 per cent faster than the balance of the Unilever portfolio,” says Clive Stiff, CEO of Unilever Australasia and chair of the Australian Food and Grocery Council (AFGC).

The company had a head start through its Sustainable Living Plan launched in 2010, which emphasises environmental and people-focused initiatives. Loud advocacy from its global CEO Paul Polman hit a crescendo with the advent of sustainable development goals.

Unilever made a cross-portfolio commitment to apply a gender-balanced lens to its advertising and participates in initiatives such as the UN Unstereotype Alliance. Men now cook in Continental food brand ads, while men’s fragrance brand Lynx has left the male locker room. “How that maps Goal 5 on gender balance is interesting,” Stiff says.

“It works upstream through the supply chain for how we expect suppliers to act and is relevant in our workplace.” In Australia, 53 per cent of Unilever managers are female.

Setting clear, sometimes lofty targets is producing outcomes. For example, in 2010 the company committed to sourcing all agricultural raw materials sustainably by 2020, a nice fit with SDG 2 and is well on the way to achieving it, Stiff reports.

Now it’s looking to partnerships with competitors and others to work on the recycled plastics supply chain to meet a target for 25 per cent post-consumer recycled plastic in packaging by 2025.

Delivering the SDG message out company-wide has been critical. Initially, employees were asked to literally kick a goal with a soccer ball or share selfies of themselves holding up the SDG with which they felt the most affinity. But hard-core financial incentives also come into play.

Across all levels and functions, many employees have sustainability-related KPIs that impact annual bonus and pay review levels, according to a company statement. Performance to sustainability targets also applies to Unilever’s long-term share incentive program, with a 25 per cent weighting.

Heat from investors

David Atkin, CEO of $44b Australian superannuation fund **Cbus**, sees adopting the SDG framework as a natural fit for super funds with long-term investment strategies, due to the ongoing imperative to stamp out short-termism. “The current investment [supply] chain has a whole lot of intermediaries, and a lot of the products and investment solutions are more about the product providers than the beneficiaries, asset owners or our members,” he says. “Investing members’ capital should be an opportunity to create stable economies, employment and the conditions on which our members can live and work.”

The fund already ticked many of the right boxes by working with the Principles of Responsible Investment and producing an integrated report. It released a climate change position statement in 2016.

However, Cbus chose not to wait for a settled international approach around SDG impact for institutional investors. It mapped and measured its contribution to the 169 targets and 230-odd indicators by focusing on three areas: investing, engagement with companies and advocacy.

“We’re incubating the SDGs inside our responsible investment strategy,” says Alexandra West, portfolio head, strategy and investment innovation.

In April, Cbus took a $100m equity stake in a portfolio of wind and solar renewable generation assets in WA — an investment that "certainly contributes to SDG 7, and probably to 11 and 13", suggests West, who admits some assets are easier than others to map. "For our energy generation assets, it's difficult to get sufficient data around the proportion of renewable energy distributed through networks to determine how they are contributing." Property developments, like 171 Collins Street, Melbourne, which has 6 Green Stars and contributes to SDG 7, are simpler.

The fund recently surveyed fund managers to gauge their levels of SDG awareness and is currently surveying its staff. It's also contributing to the development of a taxonomy with European pension funds PGGM and APG in an effort to translate the SDGs into investing opportunities.

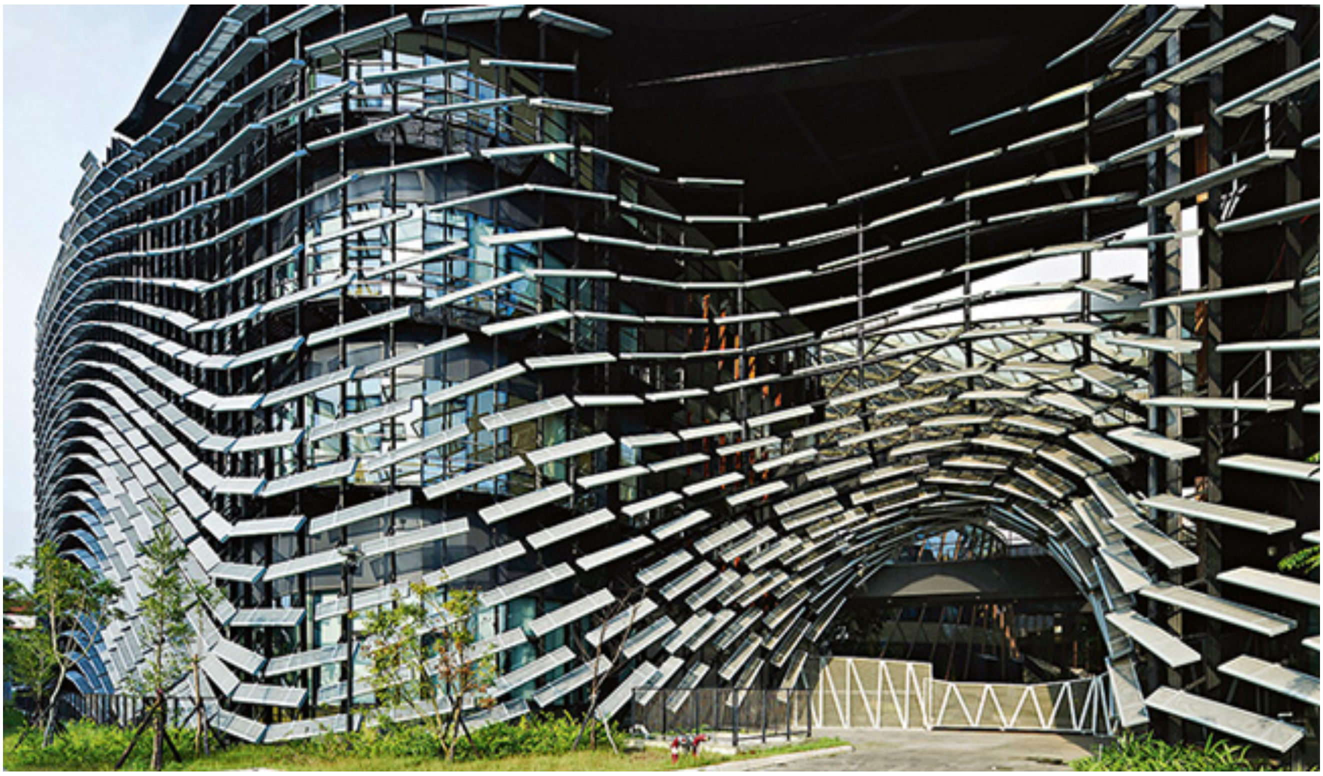
"Getting the message through from our end beneficiaries to companies is a problem we can't solve on our own," Atkin says. "And familiarity with the SDGs is not really where we'd like it to be in the Australian marketplace."

While Cbus recorded its engagement with 140 companies in the 2017 tax year working on climate change, gender diversity and supply chain issues, it's looking to further lift their games.

A whole-of-business rethink

Peter Bailey's move from CEO and chair of **Arup Australasia** to become the firm's global director of sustainable development in April is all about refocusing Arup's disparate sustainability initiatives and delivering a global overarching strategy to align with the SDG framework. "It's a rethink from the ground up," he says. "Sustainability in the corporate context lost its broader meaning. It became about businesses being sustainable rather than contributing to a sustainable world and better social outcomes. The SDGs force thinking on negative and positive outcomes."

Since Arup's global board last year supported adoption of the common language of the SDGs, the firm has been building staff awareness through Arup University's e-learning modules, reshaping business thinking through workshops internally and with clients, and partnering with organisations such as the C40 and the Ellen Macarthur Foundation around the circular economy.



The hot-button issue for clients is the licence to operate, says Bailey, and that, ultimately, may lead to hard decisions. Some clients may have to be fired in the new context. "Public accountability on business being self-serving, operating at the expense of the society, is only going to ramp up in the future."

Bailey's sights are on the massive emerging market for sustainable products and services (as identified by the Business & Sustainable Development Commission) as a positioning opportunity for both Arup and its clients to be "market-leading in something serving a purpose *and* making money".

Arup is slightly ahead of the game due to the vision of founder Sir Ove Arup, who advocated social usefulness and humane organisations in the 1960s.

SDG-aligned projects are emerging, particularly in Arup's community engagement and international development work. "The water business has been trying to measure outcomes — how many lives were they affecting? The energy business has also been looking at it — we have a policy to migrate any business out of fossil fuels," says Bailey. Projects such as the planned Cultana pumped hydroelectric scheme, an Arup-Energy Australia co-development on the shores of South Australia's Spencer Gulf, map SDGs 7, 9 and 12.

Bailey has convened a guiding coalition of influencers within the business. "If I can get 10 per cent of people behind this, it will seep through the whole of Arup."

Small business, big goals

"It's absolutely plausible for SMEs to integrate the SDGs into their businesses," says Katherine Teh-White, managing director of Melbourne communications and sustainability strategy consultancy, **Futureye**. "Smaller businesses need to focus on where they have the most impact."

Founded 16 years ago by former journalist Teh-White, Futureye has 20 full-time staff that flexes to 70 globally. Among its projects have been developing a human rights framework for BHP Billiton and improving community relationships for Boral and OneSteel. For Futureye, SDGs start at home — paperless, recycling, running on renewable energy and offsetting flights.

Smaller businesses are time-short and tend not to think strategically, says Teh-White, but they can focus on key areas of impact. "We've tackled SDGs in various ways. One is promotional. We held a series of seminars in Melbourne and Sydney with the UN

Global Compact Network and UN Sustainable Development Solutions Network, which covered universities and businesses.

“We also produced a paper which details how to use the SDGs to innovate. If you did a risk-based analysis on our most significant impact, it’s on the businesses and governments we work with.”

Teh-White has witnessed several sustainability epiphanies among small businesses. Melbourne family dry-cleaning business, Bancrofts, became a market leader by introducing a green dry-cleaning solvent to deflect rising costs for toxic waste.

Austral Fisheries moved along its climate change agenda to drive a new carbon-neutral market for fish, landing a 13 per cent price premium in the process.

“Currently, sustainability sounds threatening to smaller businesses, but by helping them to think strategically, to engage with the SDGs, massive productivity improvements can occur. Directors must be asking: where does business strategy aid or put at risk the SDGs?” Teh-White says.

Some questions boards can ask

1. How can we strengthen our value creation strategy to identify the business opportunity in addressing economic, social and environmental challenges?
2. Have we considered whether our procurement and employment strategies are aligned to the Global Goals?
3. How are we managing our company’s exposure to water, energy, food, climate and social risks?
4. Have we issued a statement on human rights and developed a strategy to “do no harm” and also proactively uphold human rights across our sphere of influence?
5. What opportunity do the emerging middle classes in high-growth markets represent for our business?
6. How will progress towards the Global Goals affect market opportunities and the competitor landscape?

7. How can we innovate to reach customers/clients on low incomes in our home country and/or overseas?
8. How do we collaborate with other organisations in our industry to develop and adopt good-practice principles and standards to drive positive change?
9. How are we fostering a culture of innovation and collaboration to seize new multi-stakeholder partnership opportunities?
10. Does our workforce have the diversity, skills and attributes to innovate and succeed in our changing world?
11. Do we have the right systems and processes in place to more effectively tell our value-creation story?

Source: KPMG

(/education/courses-for-the-director/foundations-of-directorship)

Essential skills when starting out (/education/courses-for-the-director/foundations-of-directorship)

This three-day program will provide you with a comprehensive overview of the main components of directorship - governance, finance, strategy and risk.

READ MORE (/education/courses-for-the-director/foundations-of-directorship)

(/education/courses-for-the-director/company-directors-course)

The flagship program in directorship (/education/courses-for-the-director/company-directors-course)

Gain a greater understanding of your duties and responsibilities with the essential course for directors. Immediately improve your board performance and decision-making with pragmatic professional development that will have a long-lasting impact on your director career.

READ MORE (/education/courses-for-the-director/company-directors-course)

(/educati
director/

For the
(/educa
directo
boardro

Masterin
residenti
the perfo
experien

READ MO
the-direc