Columbia Center on Sustainable Investment
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND THE EARTH INSTITUTE, COLUMBIA UNIVERSITY

Aligning Corporations with the Sustainable Development Goals

September 25, 2019
Columbia University

PROGRAM

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Aligning Corporations with the Sustainable Development Goals
(Columbia International Investment Conference 2019)

Interest in the private sector's opportunities and responsibilities with respect to sustainable development and human rights has exploded in recent years, reflected both in the rise of environment, social, and governance (ESG) considerations in investment decisions as well as in the growth of voluntary initiatives and mandatory sustainability reporting by companies[1]. This interest has grown since the adoption of the 2030 Sustainable Development Agenda in 2015, which established 17 Sustainable Development Goals (SDGs) defining consensus areas needful of global action. For instance, in the United States sustainable and impact investing continues to grow and investors are considering ESG across $12 trillion of professionally managed assets, which represents a 38 percent increase since 2016.[2]

According to Bright Harbor Advisors, 81% of investors include some form of sustainability, impact, or ESG requirement as part of their formal investment policy.[3] "In Europe, total assets committed to sustainable and responsible investment strategies grew by 11 percent from 2016 to 2018 to reach €12.3 trillion ($14.1 trillion), but their share of the overall market declined from 53 percent to 49 percent of total professionally managed assets."[4] However, we are yet to distinguish between how companies manage their operations and how they actually add value to society as they contribute to wellbeing and to meeting the SDGs.

It is logical that real questions remain as to whether this increased recognition of the importance of non- financial variables has resulted or will result in sustainable and responsible corporate practices and improved outcomes on the ground. Indeed, the proliferation of sustainability initiatives and tools has coincided with a worsening of the world's problems, including the anthropogenic climate crisis,[5] water stress,[6] deforestation,[7] health crises and malnutrition

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[1] Assets under management screened for sustainability criteria has grown from $13.3 trillion in 2013 to $30.7 trillion in 2018, with more than one in every four dollars under professional management now screened. Global Sustainable Investment Alliance (GSIA), '2018 Global Sustainable Investing Review' (2019) 3, 9; 'Sustainable investment joins the mainstream' *The Economist* (New York, 25 November 2017). Meanwhile, where just 35% of the world's largest 250 companies reported sustainability data in 1999, 93% reported such data in 2017. KPMG, 'The Road Ahead: KPMG Survey of Corporate Responsibility Reporting 2017' (2017).
[2] US | SIF Foundation, 'Report on US Sustainable, Responsible and Impact Investing Trends 2018,' (2019).
[3] Bright Harbor Advisors, 'Global Limited Partner Sustainable Investing Report 2018,' (2019), 1.
[4] GSIA, '2018 Global Sustainable Investing Review' (2019), 6.
[5] Intergovernmental Panel on Climate Change, 'Global warming of 1.5 °C: Summary for Policymakers' (2018).
[6] UN Water, *Water Scarcity*, <https://www.unwater.org/water-facts/scarcity/> accessed 24 September 2019.
[7] Alina Bradford, 'Deforestation: Facts, Causes & Effects,' *Live Science* (3 April 2018) <https://www.livescience.com/27692-deforestation.html> accessed 24 September 2019.

epidemics,[8] and extreme inequality,[9] which have contributed to increased migration,[10] insecurity, wars and terrorism[11].

In the last 30 years, the use of sustainability standards, frameworks, and disclosure mechanisms has increased dramatically. According to the Global Reporting Initiative (GRI), 92% of the world's 250 largest corporations report on their sustainability performance and 74% use GRI standards[12]. Today existing standards, frameworks, initiatives and disclosure requirements to guide and evaluate company alignment to the SDGs provide a stepping stone to understanding the intersections of corporate activity and the SDGs, but it is not clear whether those approaches consider the right standards to promote appropriate practices or metrics to assess real world impact, or that they adequately measure progress along the scale and timeline the SDGs demand.

Recently the U.S. CEO's Business Roundtable released a new statement in which it is fundamentally committing to other stakeholders beyond shareholders: customers, employees, suppliers, and communities. It is still unclear, however, what this entails for overall sustainable development and how this will actually contribute to Agenda 2030, especially how it is operationalized, measured and reported. Some still worry that the nature of company self-reporting of sustainability performance and the diverse scope of the SDGs and associated targets has allowed companies to cherry pick their preferred reporting criteria while ignoring less convenient SDGs[13].

Lack of consensus around what evaluations should measure and how they should measure it has led to broadly different conclusions about the same companies' conduct, undercutting confidence in the utility of evaluation criteria altogether[14]. A recent paper showed that "in a data set of five

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[8] World Health Organization, *Obesity and Overweight*, <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight> accessed 24 September 2019.

[9] Larry Elliot, 'Inequality gap widens as 42 people hold same wealth as 3.7bn poorest,' *The Guardian* (21 January 2018) <https://www.theguardian.com/inequality/2018/jan/22/inequality-gap-widens-as-42-people-hold-same-wealth-as-37bn-poorest> accessed 24 September 2019.

[10] See, e.g., Michael Clemens, 'Why Today's Migration Crisis Is an Issue of Global Economic Inequality,' *Center for Global Development* (2 August 2016) <https://www.cgdev.org/blog/why-todays-migration-crisis-issue-global-economic-inequality> accessed 24 September 2019.

[11] Tim Krieger & Daniel Meierrieks, 'Does Income Inequality Lead to Terrorism?' CESifo Working Paper Series 5821 (2016).

[12] Global Reporting Initiative, *GRI and Sustainability Reporting*,' <https://www.globalreporting.org/information/sustainability-reporting/Pages/gri-standards.aspx> accessed 24 September 2019.

[13] UN Global Compact, 'Integrating the SDGs into Corporate Reporting: A Practical Guide' (August 2018), 8; Antonio Vives, 'Businesses' SDG Contributions: Legitimate or Greenwashing?' *Triple Pundit* (19 December 2017) <https://www.triplepundit.com/2017/12/businesses-sdg-contributions-legitimate-greenwashing/> accessed 24 September 2019; Sebastien Smith, 'Business' Approach to the Sustainable Development Goals: Self-Interest and Cherry Picking,' *Medium* (22 November 2016) <https://sustainabilityx.co/businesss-approach-towards-sustainable-development-goals-self-interest-and-cherry-picking-752ace93351e?gi=13d07a25119> accessed 24 September 2019.

[14] The Economist, 'Ethical Investing is Booming. But What Is It?' (New York, 21 September 2017); Jon Sindreu & Sarah Kent, 'Why It's So Hard to Be an 'Ethical' Investor.' *Wall Street Journal* (1 September 2018).

different ESG raters, the correlations between their ratings were on average 0.61. This versus credit rating from Moody's and Standard & Poor's correlation at 0.99."[15]

This conference aims to clearly and rigorously define SDG-aligned corporate activity. One goal of such a conceptual framework is to bring coherence and rigor to SDG measurement, reporting, and tools, helping to avoid the divergence and incoherence that has undermined the usefulness of ESG criteria and tools to date. A robust and holistic framework should not allow for cherry-picking and should underscore the incompatibility of continuing business-as-usual with the achievement of the SDGs, particularly in sectors or behaviors that require meaningful change. Such a framework should also ensure that progress is measured against specific SDG-based outcomes (as opposed to company-established policies), and should include issues beyond those considered financially material by investors. It will enable highly responsible SDG-oriented companies to differentiate themselves clearly from peer companies that aim to pursue business as usual behind a thin veneer of SDG engagement. This conference will take stock of what has already been achieved in terms of identifying relevant metrics and indicators, and in ensuring meaningful reporting and assessment in accordance with those indicators, so that new voluntary and regulatory efforts can build on optimal approaches, and fill gaps where they exist.

[15] Florian Berg, Julian Köbel &Roberto Rigobon, 'Aggregate Confusion: The Divergence of ESG Ratings,' (2019) MIT Sloan Research Paper no. 5822-19.

September 25, 2019, Wednesday

8:30 – 9:00 *Breakfast and Registration*

9:00 – 9:15 *Introductory Remarks*

9:15 – 11:30 *The role of corporations in advancing sustainable development: Is there real progress?*

It's now been nearly three decades since the emergence of the concept of corporate sustainability.[16] In that time, the field has grown impressively, informing legislation in places,[17] entering the mainstream, and changing the ways that companies and the public conceive of private sector responsibilities. Nevertheless, significant questions remain as to what that responsibility specifically entails, and consensus among the dozens of institutions thinking about corporate sustainability remains remote. This panel therefore aims to take stock and make sense of the last 30 years of evolution in the field of corporate sustainability, with a focus on identifying strengths, weaknesses, and lessons learned since the field's inception. Guiding questions might include: How are cutting edge initiatives conceiving of corporate sustainability and how has this changed over time? Where do the approaches of existing frameworks align and where do they diverge? What are the benefits and drawbacks of the field's sprawl? How have these efforts moved investor and corporate practice, where have they fallen short, and what are the reasons for those successes and failures?

Moderator, **Aniket Shah**, Senior Fellow, Columbia Center on Sustainable Investment and Senior Advisor, UN Sustainable Development Solutions Network

Panelists:

- **Anthea Kelsick**, Chief Marketing Officer, B Lab
- **Jan Moström**, President & CEO, LKAB
- **Carlos Sallé Alonso**, Senior Vice-President of Energy Policies and Climate Change, Iberdrola
- **Raj Thamotheram**, Founder & Chair, Preventable Surprises

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[16] See, e.g., John Elkington, 'Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development,' (1994) California Management Review; John Elkington, '25 Years Ago I Coined the Phrase 'Triple Bottom Line.' Here's Why It's Time to Rethink It,' (2018) Harvard Business Review; Donna J. Wood, 'Corporate Social Performance Revisited,' (1991) 16 The Academy of Management Review 4.

[17] See, e.g., 'Proposal for a Regulation of the European Parliament and the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 (Brussels, 24 May 2018); European Coalition of Corporate Justice 'French Corporate Duty of Vigilance Law,' (2016).

11:30 - 11:45 *Keynote Remarks:* **Minister Isabella Lövin**, Minister for Environment and Climate, Sweden

11:45 – 12:45 *Lunch*
Keynote Presentation: **Jeffrey D. Sachs**, Director, Center on Sustainable Development, Columbia University

12:45 – 2:45 *Measuring deep alignment: Designing frameworks to capture the range of corporate impacts*

Despite the diversity of existing corporate sustainability initiatives, the private sector continues to contribute to myriad social and environmental crises. There therefore seems an urgent need for a more holistic and practical understanding of how companies and their stakeholders can ensure business operations align with the SDGs. CCSI proposes a four-dimension framework to capture the spectrum of corporate impacts on achievement of the SDGs:

1) **Products**: Are the products offered by organizations contributing to social and environmental wellbeing, or do they present risks of negative outcomes?
2) **Processes**: Are production processes identifying and mitigating negative environmental and social impacts, and generating positive spillovers?
3) **Value-Chain**: Does the company understand and address the socio-environmental impact of its supply chain, from input to consumer and even post-consumption (e.g., disposal)?
4) **Good corporate governance**: Is the company being a good corporate citizen, paying its fair share of taxes and limiting lobbying and activities that might unduly influence regulation and decision-making in ways that undermine environmental, social, and governance ideals?

These dimensions go beyond those captured in many existing frameworks to assess deep corporate alignment not only of core business but also, among others, political expenditures, materials sourcing, lobbying and tax payments.

This panel aims to workshop this framework and brainstorm strategies for effective implementation. Guiding questions might include: Do these pillars capture the full range of corporate impacts on the SDGs, including human rights-related impacts? How might impacts related to these four pillars be measured and evaluated? Can existing standards be productively integrated into this framework? What data collection challenges might impede evaluation by these standards, and how might they be overcome? What would it look like to apply the framework to specific industries or sectors?

Moderator: **Carolina Ocampo-Maya**, Project Lead, Food Sector and the Sustainable Development Goals, Columbia Center on Sustainable Investment

Panelists:

- **Tim Mohin,** Chief Executive, Global Reporting Initiative
- **Martin Pei**, Executive Vice President & CTO, SSAB, Initiator and Chair of Development, HYBRIT-Project
- **Fiona Reynolds,** Chief Executive Officer, UN Principles for Responsible Investment
- **Vicky Sins,** Lead on Climate and Energy Benchmarks, World Benchmarking Alliance
- **Diana Tidd,** Head of Index and Chief Responsibility Officer, MSCI

2:45 – 3:00 *Coffee Break*

3:00 – 5:00 *From measurement to impact: Using corporate sustainability frameworks to change practice*

While evaluating the right criteria is essential to understanding corporate impacts on sustainable development, the field's struggle to change practice is not for lack of standards. Indeed, beyond conceptualizing what meaningful corporate alignment with the SDGs looks like, changing conduct will require the disclosure and analysis of substantial corporate data, not to mention use of that analysis by other private sector peers, governments, and civil society actors to create incentives for improved practice. Guiding questions include: What information must be disclosed (and by whom) to better understand SDG alignment? Which metrics can help us measure impacts and progress? How can disclosures be improved to yield this information? Can new technologies support this assessment? How significant are the gaps on the different issues, sectors and firms, and how will we fill gaps? Where is there alignment among financial actors to encourage improved performance in lending? What do investors need in order to better harness this alignment?

Moderator: **Lise Johnson**, Head, Investment Law and Policy, Columbia Center on Sustainable Development

Confirmed Panelists:

- **Diana Best,** Senior Finance Campaigner, The Sunrise Project
- **Emily Chasan**, Sustainable Finance Editor, Bloomberg
- **Henrik Henriksson**, President and CEO, Scania Group
- **Bartlett Naylor,** Financial Policy Advocate, Public Citizen
- **Luiza Nunes Ferreira Junqueira**, Senior Sustainability Analyst, B3
- **Gabe Rissman,** Co-founder and President, Stake
- **Adam Zurofsky,** Former Director of State Policy and Agency Management for the State of New York

5:00 – 5:15 *Concluding Remarks*