

The UN Sustainable Development Goals: What boards should do

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The historic 17 Sustainable Development Goals (SDGs) adopted in September 2015 by the governments of the world provide a template for best corporate practices in a new phase of global capitalism. It is now incumbent upon boards to include, within the due care parameters of their fiduciary duties, reasonable measures to align corporate vision and mission with those SDGs materially relevant to the business of the enterprise.

The United Nations (UN) may have something of a checkered past (and present, if you look hard enough), but it was established with the best intentions. And there is a long line of successes that it should be proud of.

One of the UN's most recent grand endeavours was the Millennium Development Goals (MDGs). The MDGs were announced in 2000 by then UN Secretary-General Kofi Annan in response to widespread perceptions that the process of "globalisation" was unfairly distributing its advantages of wealth creation across the world.

The eight development goals – which were to be achieved by 2015 – were focused on poor and developing nations with the primary objective of reducing by half, the number of persons living in poverty. As a result mostly of robust economic growth in China and India, some one billion people were lifted out of extreme poverty. Other MDGs set targets for improving health, the status of women and girls, and educational achievement.

The SDGs

In September 2015 and as the MDGs were about to expire, the UN General Assembly adopted 17 new Sustainable Development Goals (SDGs), officially known as "Transforming our World: The 2030 Agenda for Sustainable Development" (see box on page 22).

17 Sustainable Development Goals

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|  | <p>No Poverty. End poverty in all its forms everywhere.</p> |  | <p>Reduced Inequalities. Reduce inequality within and among countries.</p> |
|  | <p>End Hunger. Achieve food security and improved nutrition, and promote sustainable agriculture.</p> |  | <p>Sustainable Cities and Communities. Make cities inclusive, safe, resilient and sustainable.</p> |
|  | <p>Good Health and Well-being. Ensure healthy lives and promote well-being for all at all ages.</p> |  | <p>Responsible Consumption. Ensure sustainable consumption and production patterns.</p> |
|  | <p>Quality Education. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.</p> |  | <p>Climate Action. Take urgent action to combat climate change and its impacts.</p> |
|  | <p>Gender Equality. Achieve gender equality and empower all women and girls.</p> |  | <p>Life Below Water. Conserve and sustainably use the oceans, seas and marine resources.</p> |
|  | <p>Clean Water and Sanitation. Ensure availability and sustainable management of water and sanitation for all.</p> |  | <p>Life On Land. Sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.</p> |
|  | <p>Renewable Energy. Ensure access to affordable, reliable, sustainable, and modern energy for all.</p> |  | <p>Peace and Justice. Promote just, peaceful and inclusive societies, and build effective, accountable and inclusive institutions at all levels.</p> |
|  | <p>Decent Work and Economic Growth. Promote inclusive and sustainable economic growth, employment and decent work for all.</p> |  | <p>Partnership For The Goals. Revitalise the global partnership for sustainable development.</p> |
|  | <p>Innovation and Infrastructure. Build resilient infrastructure, promote sustainable industrialisation and foster innovation.</p> |  | |

The SDGs are grandiose goals for humanity to provide for the sustainability of our well-being by protecting our planetary home from degradation and providing all people with higher standards of living. These two goals bring environmentalism together with aspirations for economic development. This confluence of objectives arose as an intentional merger of the environmental concerns of the Rio+20 conference with the need to build upon the MDGs for poor nations after 2015.

The suggestion of this new multifaceted ideal of sustainable development was floated and accepted without much opposition or fractious debate with the objective of setting the same goals for all nations – poor and rich – around standards of social justice and for protection of the environment, which are common callings for all of humanity.

Roughly speaking, the SDGs align with international covenants on human rights, with a sustaining environment assumed to be a human right as well. It is a vision of entitlement to good living conditions in this life on this planet for each person.

Implementation

In many respects, the SDGs are critical for continuing life on the planet. As then UN Secretary-General Ban Ki-moon said, "We don't have plan B because there is no planet B".

The 17 global goals are supported by 169 targets (or sub-goals) among them. Over the next 15 years, efforts are being mobilised to achieve them.

While the SDGs are not legally binding, governments are expected to take ownership

and establish national frameworks for the achievement of the 17 Goals. Countries have the primary responsibility for follow-up and review of the progress made in implementing the SDGs, which will require quality, accessible and timely data collection. Regional follow-up and review will be based on national-level analyses and contribute to follow-up and review at the global level.

Enter the corporates

Should and how do corporations play in the SDG arena?

Many business leaders I know were put off by the number of goals – 17 with 169 sub-goals – on the very sound management principle that if one tries to be a jack-of-all-trades, one is master in none, and nothing very impressive will be accomplished. Better shoot a rifle at a target, it is said, than blast a blunderbuss into the air.

But the goals were designed as a political programme, not as a business undertaking. The goals were announced as applicable to governments, businesses, civil society organisations, and citizens everywhere.

Cross-sector collaboration will be necessary for their implementation. Each goal contains complexities and its implementation demands activation of causal systems within larger causal systems. No one sector has sufficient competence to accomplish them without the engagement of the other sectors. No one company can, on its own, do much to bring us closer to goal implementation.

So what are companies to do with this new list of noble aspirations and desirable entitlements?

The SDGs are important just as any ideal or goal, vision or mission, is important. They give reason to set priorities and justify unequal allocation of resources. They shape our conduct.

The SDGs nonetheless are important for business but not only for business. They are an invitation for business to partner with government and civil society in good causes which will help people. The SDGs denominate a common good. From a business perspective, the SDGs present the private sector with an opportunity to function for society more as social entrepreneurship than as rent extraction for exclusive private gain.

Moreover, the SDGs bring to the fore the standard of sustainability. Not of the environment alone but of an enterprise. The capital value of a business needs sustainability too. The ability of a business to generate quality income in the out years makes it sustainable. Taking care of stakeholders lowers risk and contributes to the sustainability of enterprise.

With the SDGs in hand, the older management and consulting disciplines of business ethics and corporate social responsibility are shifting over to champion the vision and vocabulary of sustainable development.

Stakeholders of the enterprise

Under sustainable development as a theory of global business, the firm is given over to a new understanding of who it serves. Who it should serve is a multitude of stakeholders, not just the investor, and certainly not the short-term investor.

While preservation of capital for investors is still important, it no longer has exclusive claim to the attention of boards. Sustainability links

investor/owners in a virtuous circle of mutual dependency with customers and employees, and the environment and community.

In most countries, corporate law and corporate governance regulations impose fiduciary duties on the board of directors. These include duties of due care and to ensure the long term success of the company. Fulfilling these fiduciary duties requires boards to look not just at the needs of investors, but other stakeholders (customers, employees, suppliers, community) who rely on the long term profitability and continuing existence of the company.

The SDG paradigm for capitalism thus adds support for a re-alignment of share rights with important rights given to those who have a stake in the corporation's long-term capital value and the sustainability of its profitability.

Over time, businesses will more and more transform themselves into benefit corporations with private owners making profits from the company's output but also with business models having merit in the eyes of society.

Aligning with the SDGs

What then should boards do in the light of the SDGs?

First, they should assess the quality of their companies' management of their stakeholder relationships. One tool which they can use is the CRT Arcturus Corporate Responsibility Assessment metric for The Arcturus questionnaire uses the seven CRT principles for responsible business as the baseline for measurement of how a company more or less succeeds or fails in its care of stakeholders.

The SDG Compass



Note: The SDG Compass is developed by GRI, the UN Global Compact, and the World Business Council for Sustainable Development. Further information can be found at <http://sdgcompass.org>.

Second, they can use the UN Global Compacts compass as a planning tool to reflect on the company's business model.

The objective of the SDG Compass is to guide companies on how they can align their strategies as well as measure and manage their contribution to the SDGs. The guide presents five steps that assist companies in maximising their contribution to the SDGs.

While the SDG Compass is developed with a focus on large multinational enterprises, SMEs and other organisations are also encouraged to

use it as a source of inspiration and adapt as necessary. The SDG Compass is designed for use at entity level, but may be applied at product, site, divisional or regional level as required.

A call to action

The SDGs usher in a new era of sustainability management for boards of directors. While not legally binding on boards through the fiduciary duties imposed by corporate laws, they nonetheless provide a vision and mission correction for boards to consider when executing their responsibilities to "manage and direct" the business and affairs of a corporation. ■