Columbia Center on Sustainable Investment
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Promoting private sector alignment with the SDGs: developing corporate standards and benchmarks for impact

Interest in socially responsible corporate conduct 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 sustainability reporting by companies, especially with respect to the sustainable development goals (SDGs) and the Paris Climate Agreement (PCA).

However, it is unclear whether this increased interest has translated into improved outcomes on the ground. One reason that these improvements have not materialized yet might be a lack of conceptual clarity about what responsible conduct actually entails, particularly in light of the SDGs.

The exponential growth of interest in sustainability benchmarks and standards has led to a corresponding surge in ESG/SDG investment products and corporate reporting, with companies and the financial sector increasingly seeking to align with the SDG Framework, including the PCA. But it is not clear (or consistent) whether those approaches consider the right standards or metrics to promote (or assess) real world impact. Some 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.[1] In terms of financial products, "SDG-aligned investing," and the corresponding tools and funds, take vastly different approaches to definitions, function, and even purpose.

There is therefore an urgent need to develop a **robust conceptual framework to clarify concepts and definitions to clearly and rigorously define SDG-aligned business practices and investing**. One goal of such a conceptual framework is to bring coherence and rigor to SDG-aligned industry standards, reporting and disclosure, and measurement/assessment, avoiding the divergence and incoherence that has undermined the usefulness of ESG criteria and tools. Another goal is to ensure that such frameworks do not allow for cherry-picking or the continuation of business as usual, particularly in sectors or behaviors that require meaningful change to align with the SDGs.

[1] UN Global Compact. "Integrating the SDGs into Corporate Reporting: A Practical Guide." (Aug. 2018). 8. https://www.unglobalcompact.org/docs/publications/Practical_Guide_SDG_Reporting.pdf; Antonio Vives. "Businesses' SDG Contributions: Legitimate or Greenwashing?" Triple Pundit. (Dec. 19, 2017). https://www.triplepundit.com/2017/12/businesses-sdg-contributions-legitimate-greenwashing/; Sebastien Smith. "Business' Approach to the Sustainable Development Goals: Self-Interest and Cherry Picking." Medium. (Nov. 22, 2016). https://sustainabilityx.co/businesss-approach-towards-sustainable-development-goals-self-interest-and-cherry-picking-752ace93351e?gi=13d07a25119.

Such a conceptual framework will complement the work of other socially responsible investing initiatives by serving as a reference case for responsible conduct, promoting broader private sector alignment to the global goals, and SDG-alignment in the financial sector.

This conceptual framework will consider business sector alignment with sustainable development based on four pillars:

1. Product lines are beneficial for society: What does the company produce? What are the impacts of these goods and services on consumers and the planet? Are the products conducive to wellbeing, supportive of the living standards and life goals of individuals?
2. Production processes are socially and environmentally sustainable: How does the company produce its goods and services? What are the resulting social, environmental and economic impacts of production? Considerations include greenhouse gas emissions, resource use (land, water, energy), human rights and decent work conditions for the employees.
3. Value chains are socially and environmentally sustainable: Where are the company's raw materials sourced from, and how are its products used downstream? How does the organization collaborate to promote and incentivize more sustainable practices and better livelihoods in its value chain?
4. Good corporate citizenship: Does the company behave responsibly in society on matters of transparency and disclosure, lobbying and political engagements, use of litigation, compensation practices, gender equality at all levels of business, worker representation in decision making, taxes paid and tax havens avoided, and respect for domestic and international law?

A team of Columbia University researchers are developing the methodology, in close coordination and consultation with leaders from the private sector, financial sector, ESG rating agencies, policy makers, and civil society. The research team is analyzing and collaborating with existing initiatives, efforts, frameworks, and tools that focus on responsible corporate and SDG-aligned practices more generally, to capture current perceptions, measurements and frameworks for corporate alignment to the SDGs, and to identify gaps and needs regarding corporate alignment to the SDGs.

Based on these investigations and further desk research and analysis, CCSI is

- Creating a conceptual framework to guide our understanding of what it means for companies to be SDG-aligned, with an initial focus on key sectors. We are focusing at the outset on the utilities and food sectors.
- Analyzing and presenting the applications of that framework for both corporations and their range of stakeholders, and financial institutions and asset managers;
- Developing implementation principles and guidance for corporate stakeholders, including policy-makers, consumers, employees, and host communities, to more effectively engage with the private sector and financial sector around their policies, practices and products.

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