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

Summary of Conference Proceedings

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This is a summary of the Conference proceedings of the 14th Annual Columbia International Investment Conference: Aligning Corporations with the Sustainable Development Goals, hosted at Columbia University on September 25, 2019. The views recorded in this document are ones expressed by the panelists, and are not necessarily the views of CCSI. The Conference was organized by the Columbia Center on Sustainable Investment (CCSI) with support from the Swedish Ministry of the Environment, the Consulate General Sweden in New York, and the Swiss Agency for Development and Cooperation (SDC). More information about the Conference is available at: http://ccsi.columbia.edu/2019/09/25/14th-annual-columbia-international-investment-conference-aligning-corporations-with-the-sdgs/.

14th Annual Columbia International Investment Conference
Aligning Corporations with the Sustainable Development Goals (SDGs)

The Columbia Center on Sustainable Investment (CCSI)'s 14th annual Columbia International Investment Conference focused this year on the corporation: how to understand whether a corporation is contributing to and not undermining the sustainable development goals (SDGs), and how to shift business conduct in line with those global goals. Answering those two questions requires input and engagement from a wide range of stakeholders -- notably, corporate boards, their investors, the financial services sector, policy makers and regulators, employees, consumers, civil society, and others.

Appropriating a Charles Dickens quote, with respect to corporate sustainability, this seems to be the best of times and the worst of times. On one hand, it is now generally accepted that corporations have core responsibilities to act sustainably. Today, every major corporation and more has a sustainability report; the vast majority of large corporations know about the SDGs and accept their relevance for the private sector; almost all large investors and financial institutions have sustainability or environmental, social and governance (ESG) policies, practices and products; and there are a plethora of initiatives, frameworks and tools to define, monitor and assess ESG criteria.

On the other hand, this omnipresent conversation on sustainability has not produced the change required to ensure that business activities do not come at the expense of our natural environment or a safe climate, and do not create or exacerbate intra- and inter-national inequality. Many firms, including those with sustainability policies and reports, continue to engage in conduct that, while technically legal, may undercut social, economic, environmental, or governance dimensions of sustainable development. Companies that are committed to meaningful transformations indicate that they have trouble distinguishing their activities and commitments from their peers, and get conflicting signals from policy makers and others in their value chains, which impede their own progress.

At CCSI we hypothesize that one reason that changed practices and improved outcomes have not yet materialized might be **a lack of conceptual clarity about what responsible corporate conduct *actually* entails**, particularly in light of the SDGs - and the transformations they require.

While existing standards, frameworks, initiatives and disclosure requirements provide vital stepping stones to understanding the intersections of business activity and the SDGs, it is not clear whether or which approaches include the right standards to guide meaningful and critical change along the scale and timeline the SDGs demand, or which are the best metrics, tools and processes, to assess – and act on- real world impacts.

The first panel of the Conference discussed the role of corporations in advancing the SDGs. It reflected on the enormous challenges faced today by capital intensive companies and energy-intensive sectors and activities to meet growing demand, how investors perceive the SDGs as a complex roadmap, and how there is still not enough pressure to align corporate activity with Agenda 2030.

Panelists identified various challenges: One is the persistent demand for short-term shareholder value maximization which takes precedence over other key aspects of business, especially social and environmental impacts, and where "long term is just a series of short term increments." This short-termism is at odds with the long term vision and planning required for corporate alignment with the SDGs. Internal targets and external reporting frameworks are focused on issues deemed material from a short-term profit-maximizing perspective, and not from a long-term, SDG-consistent perspective. Companies need to move beyond their focus on financial results and, as said by one panelist, investors cannot be enablers of problematic corporate behavior. Given their resources and levers, investors and other upstream actors in the financial sector have the responsibility to become a more active part of the solution.

Second, some panelists noted that some large corporations may doubt whether consumers are willing to pay more for products produced sustainably, based on the (contested) assumption that more sustainable practices necessarily imply higher costs of production. Another panelist suggested that transparency and disclosure make companies more credible for consumers, but that gathering and communicating all relevant information can be a big task.

Third, panelists discussed that it is important to identify how to manage and share financial risks that are associated with taking bold steps to advance the sustainability agenda. Companies investing in new technologies, production methods, and approaches may be taking disproportionate risks in trying to drive change. How can public and private sector actors work together to encourage such action and address challenges of financing and risk sharing?

Fourth, panelists identified a decisive role for policy and regulation. First, the panel argued that the legal duties of companies and investors need to be clarified. Second, policy could create and incubate pilot projects to facilitate steps in a direction more aligned with the SDGs that foster positive trends and exponential solutions. Policy makers can also use regulation, incentives and subsidies to ensure that prices -- which are impacted by government regulation, incentives, subsidies -- better reflect the true environmental and social costs of goods and services. Finally, disclosure requirements could help ensure that consumers can access the information necessary about the environmental, social, and economic implications of the products they buy so as to make informed purchasing decisions.

Overarchingly, the panelists noted that it is still unclear what upstream, investment-level change for more SDG aligned performance would look like. The panel highlighted that it would be useful to have a more defined standard for SDG performance for companies, but acknowledged that it might be impossible to have an index that covers all dimensions of sustainability.

In brief remarks following the first panel, Swedish Minister for Environment and Climate, Isabella Lövin, described the UN Action Summit on Heavy Industry Transition and the work of countries like Sweden and India to create solutions and "fix the bicycle while bicycling." She spoke about Sweden's plan for carbon neutrality by the year 2045 and of the industry leaders who have been stepping up to make a change in their sectors. In total, 13 branches of the Swedish economy were responsible for drafting their own roadmaps to neutrality, identifying the paths forward and barriers that needed to be overcome.

Jeffrey Sachs followed Minister Lövin, sharing insights from CCSI's recently-released report on sustainability of the food sector and from discussions during the UN General Assembly week. Sachs outlined CCSI's proposed four dimensions for thinking comprehensively about business alignment with the SDGs:

1. Products: Are a company's products aligned with social and environmental wellbeing, or do they present risks of negative outcomes and externalities?
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 full value chain, from inputs through to post-consumption processes (e.g. disposal)?
4. Good corporate citizenship: Is the company a good corporate citizen, paying its fair share of taxes, refraining from lobbying and other efforts to influence regulation and decision-making, using litigation responsibly, and adopting corporate governance practices aligned with the SDGs?

The second panel looked more closely at how these proposed four dimensions could be used to influence practices, improve disclosure and influence the measurement of business impacts, in line with the SDGs. One panelist argued that although diverse frameworks for guidance, reporting and measurement are collaborating to facilitate harmonization, there is still a ways to go in terms of harmonizing, including to make data comparable among initiatives or frameworks. Moreover, most frameworks still do not robustly capture the actions and attributes needed to align with the SDGs, nor require disclosure or information that would allow for more informed and sustained decision-making. The panelist argued that mapping the contents of frameworks to the SDGs is not enough. Further steps would include analyzing for each of the 169 targets the actions needed to meet the Goals, and to connect country agendas with companies' commitments and performance; and translating the Goals and their targets into a language, tools and metrics that are more familiar to and resonate with investors. Panelists also cautioned that 'SDG integration' not follow in the footsteps of 'ESG integration,' which has focused more on risks facing the business rather than on outcomes and impacts of the business on SDG achievement.

The panelists agreed that to start down the road of real improvement and impact, there must be radical transparency, clarity and alignment when it comes to disclosure of SDG information by companies, moving away from ambiguity and allowing comparability. As expressed by a panelist, to date, the practice of corporate self-reporting on sustainability has been more of a reputational contest than a substantive process that is helpful and informative for investors, managers, and other stakeholders. Companies have to start recognizing, assuming, and addressing the core transformational challenges faced by companies and their industries as they evaluate more rigorously their impact on the SDGs. The panel argued that these considerations should be incorporated in business strategies and operations; impacts and outcomes should be embedded in key performance indicators (KPIs) and compensation frameworks.

The third and final panel of the day shifted to a discussion about levers and channels for changing corporate practice, the information needs of relevant change agents, and ways of closing those information gaps. Panelists looked, for instance, at policy developments relating to lobbying disclosures, which can provide a better understanding of how even when companies are playing within the "rules", they might be shaping the rules in ways that are not consistent with various dimensions of sustainable development. Panelists also looked at how new technologies and initiatives can be used to give individual shareholders greater voice and power to advocate for better environmental, economic, social and governance practices by the companies in which they invest. In this context, panelists further discussed how regulations can close the information gaps that often impede corporate change (or drivers for it) by, for instance, requiring greater disclosures on SDG-related issues even if the information disclosed is not generally considered financially material. They highlighted how big data and other new technologies may be making it easier for stakeholders inside and outside firms to understand and shape corporate conduct; but also raised flags regarding how trends, such as concentration in the asset management industry, raise new challenges in terms of who is able to influence or direct corporate conduct, and whether those actors will seek to more closely align companies with the SDGs. Panelists also discussed how, in order to effect necessary shifts, the very purpose of a corporation - a legal entity created by society for society - needs to be reconsidered and potentially reimagined.

The 2019 Columbia International Investment Conference had record registrations, which confirms that there is broad demand by actors inside and outside companies to better understand what it means for firms to align their policies, practices, and impacts with the SDGs. It is no longer a discussion of whether or why corporations (and their investors) should be thinking about sustainability, but how practice, disclosure, and measurement should be designed and implemented in order to produce comparable and reliable information for action by managers, regulators, investors, consumers, and others. This is an ongoing conversation that requires the active participation of all stakeholders, especially companies and investors. At CCSI we will continue to work on these issues through extensive research and stakeholder engagement, with a particular focus, initially, on the food and utility sectors.

Columbia Center on Sustainable Investment (CCSI)

The Columbia Center on Sustainable Investment (CCSI), a joint center of Columbia Law School and the Earth Institute at Columbia University, is a leading research center and forum dedicated exclusively to the study, practice and discussion of sustainable international investment (SII) worldwide. Through research, advisory projects, multi-stakeholder dialogue and educational programs, CCSI constructs and implements an investment framework that promotes sustainable development, builds trusting relationships for long-term investments, and is easily adopted by governments, companies and civil society. http://ccsi.columbia.edu.