



**The key challenges to 2030/2050:  
mapping out long-term pathways to sustainability and highlighting  
solutions that should be scaled up**

Background paper for the  
High-Level Panel of Eminent Persons on the Post-2015 Development Agenda

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16 January 2013

## **Introduction:**

The scale and complexity of the sustainable development challenges of our Planet are such, that it is clear that no single group of actors or institutions can make a decisive difference. Game-changing progress towards sustainable development demands a multi-stakeholder approach. The international community, multi-lateral institutions, national governments, academia, civil society and business have got to work together towards a common agenda.

Within the Sustainable Development Solutions Network (SDSN), Business will play a role in almost all of the 12 identified thematic working groups. The innovations, management skills and financial resources of Business will be a major provider of solutions to most areas. In the 12th thematic working group we will develop suggestions for the role of Business in the transition towards a sustainable economy. This paper outlines the direction of our working group under the following headings:

- A) The state of the art of responsible business,
- B) The required (r)evolution in the role of business or long-term pathway to Sustainability,
- C) The mechanisms to scale up solutions,
- D) The link between SDG's and Business
- E) The action agenda for the Role of Business working group.

Within the space of sustainable development the Role of Business working group will take the following elements into account:

1. How to incentivize and support sustainable **economic development**,
2. How to ensure that future economic growth and technological progress aim to be **socially inclusive**, achieving poverty eradication, youth unemployment reductions and more equal societies,
3. How to achieve **environmental sustainability**, aimed at developing low carbon solutions, reducing stress on all Planetary Boundaries as well as scaling up resource productivity and agricultural improvements,
4. How to ensure **good governance**, which is essential for sustainable development. This applies to national and international governments as well as to corporate governance.

### **A) The state of the art of responsible business:**

Twenty years ago - in the first Rio summit - business had only a very marginal presence. Twenty years later a lot has changed. The awareness for sustainability in business has increased; an ever larger group of businesses is joining the "standard for responsible business" that is defined by the principles of the UN Global Compact; leading companies are integrating sustainability in the core of their strategies and more and more business solutions for a sustainable world are developed. Partnerships with the UN and other elements of civil society are now considered normal and so is business representation in major meetings.

Business has traditionally focused on providing goods and services that meet customer demands, can be sold at competitive prices, in a profitable way, while adhering to law and regulation. Successful entrepreneurship is the most important driver of economic growth and hence improvement of living standards. However in a world that is resource constraint; where climate change is now clearly linked to human activity and where growth has so far been unable to include all citizens on our planet, this traditional role of business is not good enough to achieve a sustainable world. Nor can it be expected that - without any additional intervention - entrepreneurship will be able to solve all our challenges.

Over 10.000 corporate participants worldwide have joined the UN Global Compact, through which its ten principles have de facto become the standard for "responsible business behavior".

An expansion of these principles is developed in the LEAD initiative of the Global Compact where companies are encouraged to undertake more outward oriented actions to increase their positive impact in society. Examples of such actions:

- Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company
- Coordinate with other organizations and initiatives to amplify efforts
- Strive for partnerships with UN entities, governments, NGO's and industry peers.

WBCSD - a group of 200 forward thinking companies - developed a Vision 2050, which outlines a pathway to reach a sustainable global society by 2050, in which the earth's 9 billion people live well and within the limits of the planet. The pathway will enable us to live within the limits of one planet limiting the destruction of key ecosystem services – including climate, forest, fisheries and farmlands – and easing human hardship through inclusive growth.

The most progressive companies have begun a full integration of sustainability in the operations and strategy of business, not as social investment or philanthropic contribution, but integrated in the strategy and operations of its core business.

## **B) The required (r)evolution in the role of business or long-term pathway to Sustainability:**

In Vision 2050 a call for a new agenda for business is included: to work with government and society worldwide to transform markets and competition. Prices must be rationalized to include such externalities as key ecosystem services so that sustainability can become a true competitive advantage across all industries and regions. Such pricing of externalities will also allow more conscious consumer choices and support the launch and sales of more sustainable products and services.

The transformation that capitalism has to go through to align with a sustainable development of the economy will not be achieved through mere incremental change, but requires a radical transformation of the way markets work. Like every journey, such transformation will most likely happen in a numbers of steps:

1. More companies are to be inspired to not do harm and compete with integrity and sign up to the UN Global Compact standards for responsible behavior; and report their sustainability performance annually. Through partnerships and strategic philanthropy the positive impact on society by companies can be further enlarged
2. Companies should be integrating sustainability in their core-business strategies so that their core business becomes the engine of solutions for the challenges in the social and environmental impact of their business and products. Solutions that are reality-based will take of first. These have viable business cases today as a result of lower costs (fuel efficiency etc) or new business (sales) opportunities. Additionally an exploration of quick bold simple remedies for the most pressing sustainability challenges that can buy us time will be in this step as well.
3. Business and capital markets need to formalize the way that sustainability challenges are reflected in the long-term risk assessment of a company. It is important that these risk-

assessments are well-grounded in the scientific outlook on social and environmental boundaries.

4. The last step is systemic change aimed at creating a better way to measure and value the true performance of business. It seems now clear that change will not be sufficient if business, or the capital markets supporting it, will continue to only focus on a (short-term) return on financial capital. Business uses not only financial capital, but also natural capital (resources, ecosystems) and social capital (humans) and must begin to optimize the “returns of business” in a balanced way across all three of these capitals, recognizing that all three capitals have a cost of capital associated with them.

The most progressed example of this true costing has been implemented by Puma in its E-P&L, in which all ecological impacts throughout its value chain were measured, monetized and taken as a charge against its financial profit. The E-P&L is now being developed to more sectors and geographies through a newly launched initiative, called the B-team. Other initiatives like IIRC (Integrated Reporting), TEEB for Business, GRI and SASB will develop the concept of pricing externalities for inclusion in the accounting framework of business. Using pricing as a mechanism to come to better (business and consumer) decisions and valuations is relatively well-developed for key elements of Natural Capital. However some significant hurdles for implementation remain in stranded assets and re-alignment of the tax systems.

When it comes to including Social Capital in the way business will manage its performance and impact on societies, the tools and methods are generally more scattered and less developed. Within SDSN the link to the academic world will be used to make progress in this field towards standards that can be linked to and support the SDG achievements

### **C) The Mechanisms to scale up solutions:**

Business has and will be the major provider of solutions for many of the sustainability challenges. New technologies will bring alternative solutions forward, new business models will emerge and continued close cooperation with governments will bring regulations that will incentivize the development and deployment of new solutions and behavior.

In generic terms there are five ways that - if embedded within an incentivizing framework of public policies - will allow for fast scaling up of business solutions:

- Get more companies into sustainability:
  - encourage more companies to accept the ten principles of the UN Global Compact (“do not harm and compete with integrity”) and encourage more companies to partner with the UN entities and other NGO’s (“strategic philanthropy”),
  - communicate why sustainability makes good business sense (the business case).
- Get leading companies to do more:
  - share the best practices of the leading companies to further enhance the business case for sustainability (“story telling”),
  - inspire the leading companies to push the boundaries of innovation.
- Sector based solutions:
  - share best practices within each sector,
  - elevate the best practices to the standard of operation for the sector.

- Cross-sector innovation:
  - bring leading companies from different sectors together to create innovative solutions for complex system challenges (like cities, buildings, water nexus etc.),
  - develop indexes for ranking these solutions to encourage speed of implementation (i.e. sustainable city index).
- Systemic changes:
  - develop the universal accounting and valuation framework for balancing financial, social and natural capital,
  - develop the curriculum for future business leaders education.

Even though the scaling mechanisms above are all business based solutions, it remains of pivotal importance to state that only through close collaboration aimed at aligning the objectives of all actors (governments, civil society and academia), the full impact can be achieved. In this context is important that SDSN also reviews opportunities where governments can better tap into the financing, innovation and expertise from the private sector.

Within the SDSN working group on the Role of Business each of the solutions coming out of the other working groups will be reviewed against the above mentioned scale-up mechanisms, in order to recommend actions by business and public policies for accelerated implementation.

#### D) **The link between the SDG's and Business:**

The HLP and other UN processes are moving towards the formulation of the Sustainable Development Goals, that ought to apply to all actors in society including Business.

For Business to be truly engaged it is important to create a framework for the translation of the SDG's in a way that the required business contributions become quantified, actionable and time-bound. Furthermore it could be considered to create some SDG's that specifically target behavior and or contribution of Business.

The SDSN Role of Business working group can offer the following support in the creating this framework:

- SDG's could include specific targets for number of companies to sign-up to principles of "do no harm and compete with integrity",
- SDG's can be aimed to be implemented through specific partnerships between Business and UN entities. SDSN could work with the UN Office for Partnerships to create specific proposals,
- Each SDG should be broken down to relevant Business sectors and regions so they can provide solution for the achievement of that goal. Each sector should be invited to make proposals for the (social, environmental, economic and governance) contribution specific to that sector and the SDG.
- For each of the SDG's a specific set of measurement tools should be reviewed so that Business can include these in their management information systems that drive actions towards achievement,

- A specific SDG for the transformation of markets to include pricing of externalities for both Natural and Social Capital could be considered as a way to accelerate acceptance of these concepts.

**E) The action agenda for the Role of Business working group:**

As is clear from the paragraphs above the SDSN “Role of Business” working group will focus on the following elements:

- detailing of the long-term pathway to Sustainability through Business solutions,
- creating recommendations for scaling up all business solutions recommendations out of all SDSN working groups,
- creation of a framework to translate the SDG’s into actionable, quantified and time-bound objectives for business contributions.

Next to these main topics the working group will review the impact of a number of other topics:

- responsible advertising aimed at promoting more responsible product choices by existing customers as well as the creation of a more sustainable lifestyle in emerging markets,
- responsible lobbying that will ensure companies do not lobby against positions that they express in their sustainability or general business strategies,
- responsible tax optimization code that will review possibilities to eliminate unfair tax avoidance,
- review of first-mover incentive mechanisms.