The contribution of companies to the SDGs

The UN Sustainable Development Goals (SDGs) are an important compass to 'transform the world for the better'. It is therefore appropriate that the SDGs play an important role in the new Dutch Foreign Trade and Development policy note. Minister Kaag stated the following about the SDGs: *'The ambitions are as big as they are unavoidable. A liveable world is in all our interests: the public, businesses and governments. That requires an enormous combined effort.'*[1] Companies also contribute to this combined effort. This article focuses on what an effective contribution from companies would look like and concludes with recommendations for government policies that enhance such an effective contribution.

The Sustainable Development Goals

In 2015, the United Nations member states unanimously adopted Agenda 2030, which contains seventeen Sustainable Development Goals (SDGs). The goals focus on social issues, such as poverty and education, and environmental issues, such as climate change and biodiversity, but also target economic growth, reduced inequalities, and innovation. The goals are universal: they apply to all countries worldwide. Another innovation are the Agenda's explicit expectations from various actors to actively contribute to achieving the SDGs: states, but also civil society organisations and businesses.[2] Many of these actors now use the SDGs to design new (sustainability) policies.

Positive response from the private sector

The private sector seems to have enthusiastically embraced the SDGs: many large enterprises support the SDGs and use the goals in their sustainability policies, for example by indicating to which goals they (intend) to contribute to most significantly.[3] Business associations, such as the UN Global Compact and the World Business Council on Sustainable Development (WBCSD), also focus on the SDGs by organising conferences and publishing guidance documents. In addition, new knowledge platforms and other initiatives have been set up, such as the Dutch SDG Charter or the American Business for 2030 initiative.

Contribution of companies to the SDGs

Yet it remains rather unclear what shape this contribution of companies to the SDGs should take exactly. Merely considering the role of companies in stimulating economic growth and creating jobs is too simple an approach, as it is well-known that business activities can also create negative impacts, especially on those in the most precarious positions in the world. To achieve the SDGs, it is therefore crucial to consider *how* business is done. Companies generate employment, but the labour conditions of that employment determine whether there is a true contribution to the SDGs. It need no explanation that child labour and other forms of exploitation do not contribute positively to the SDGs.

Holistic approach

> *"People have criticised companies for cherry picking — basically profiling certain positive effects on a particular SDG and ignoring any negative impacts. Companies cannot compensate for doing harm on one SDG by doing well on another SDG."*
> – Roel Nieuwenkamp, Chairman of the OECD Working Party for 'Responsible Business Conduct', 25 september 2017.[4]

One of the challenges is how companies should deal with the strong interlinkages between different SDGs. The UN resolution about the SDGs is clear about the universal, integrated and indivisible nature of the goals. For this reason, companies should not focus on only one or a few SDGs, but also take into account their impacts on other goals. This has turned out to be rather complex: research by PwC[5] shows that companies will only focus on a small number of SDGs that are most relevant to their business operations or on those goals to which they already make substantial contributions (the "easy wins"), such as SDG 8 about economic growth. Professor Ruggie, author of the UN Guiding Principles (UNGPs), also warns for "cherry-picking" of the goals and emphasises that a positive contribution to one goal does not compensate for negative impacts in other regards, such as human rights.[6]

Corporate Accountability standards

The SDGs set clear goals, but in themselves do not provide clear guidance for how companies should contribute to achieving to these goals. The agenda does explicitly refer to the UN Guiding Principles and ILO Conventions.[7] The UNGPs, like the OECD Guidelines for Multinational Enterprises, are widely accepted and generally applicable guidelines which allow companies to analyse their impact, address their negative impacts, and enhance their positive contributions to sustainable development.

The concept of due diligence that is developed in these guidelines is particularly useful to develop a holistic understanding of all societal impacts a company may have. Implementing due diligence in accordance with the guidelines ensures that companies focus on the most relevant issues, and as such avoid contributing to some SDGs while significant negative impacts on other goals remain unaddressed.

Adhering to Responsible Business Conduct guidelines is the biggest contribution companies can deliver to the SDGs.

The implementation of a sound due diligence process is therefore an essential tool for a holistic approach to companies' societal impacts. There are more advantages to guiding companies' contributions to the SDGs by using existing guidelines for responsible business conduct. Companies have gained experience with these guidelines, sectoral guidance documents have been developed for the implementation of these guidelines, and governments and investors worldwide acknowledge these guidelines as the primary standards for the societal responsibility of companies. In addition, implementing the guidelines is an obligation that all companies should fulfil. Companies may also contribute to the SDGs in other ways, but in any case cannot neglect this obligation.

Due diligence

Due diligence concerns the efforts from companies to prevent violations of human rights and environmental damages in their operations and supply chains. Companies should analyse their impacts on society, identify current and potential risks of their operations to society, and should prevent and reduce violations through targeted efforts. Due diligence by definition concerns a company's "core business" and is part of a company's internal processes and systems. A sound due diligence analysis should lead to actions regarding the most salient risks, while continuing to take other issues into account too.

Impact on the SDGs

Due diligence can help to assess a company's broader impact on society. For example, a company can contribute to climate action by investing in sustainable technologies, but at the same time may be involved in human rights violations and ecological degradation through the extraction of minerals for wind turbines or electric cars. In this case a company focuses on SDG 13 (Climate action), but simultaneously has a negative impact on SDGs 8 (Decent work) and 15 (Preserving ecosystems and biodiversity).[8]

Interventions following a due diligence process can not only prevent negative impacts, but in many cases can also have positive impacts on several SDGs simultaneously. For example, a garment company can discover different risks in its supply chain by conducting a due diligence analysis, such as the underpayment of employees, discrimination of female employees or a lack of freedom of association. The subsequent company actions have various positive impacts, as is shown in Figures 1, 2 and 3.

Figure 1. The example of living income.[9]

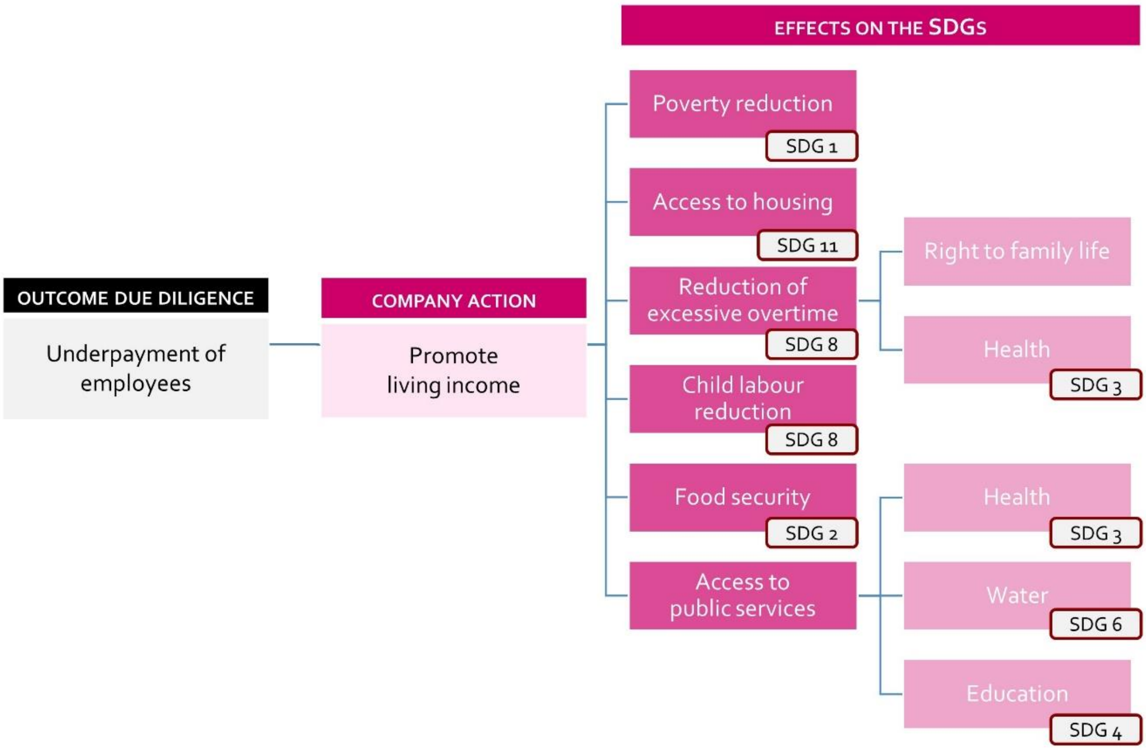


Figure 2. The example of the position of women.

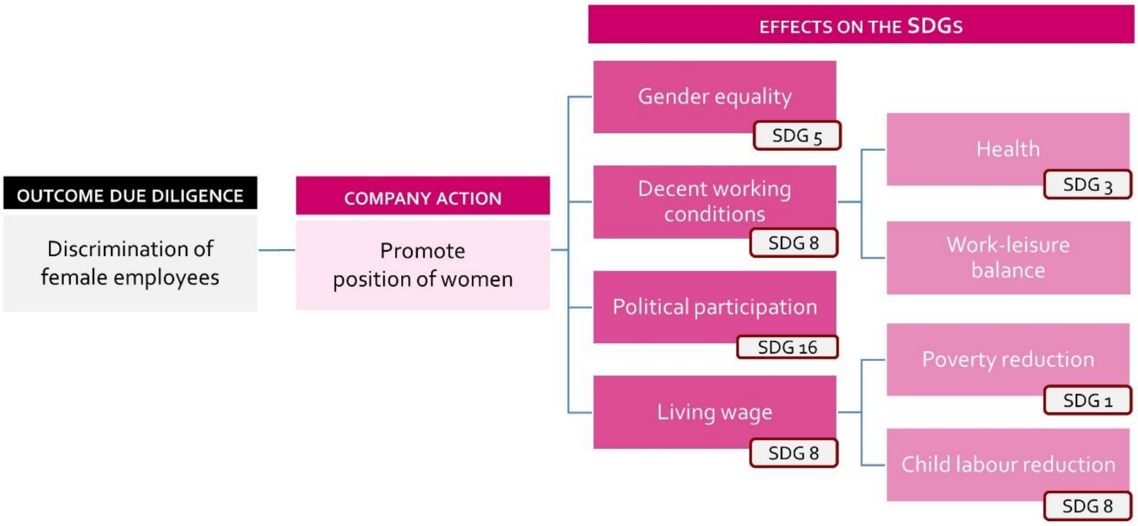
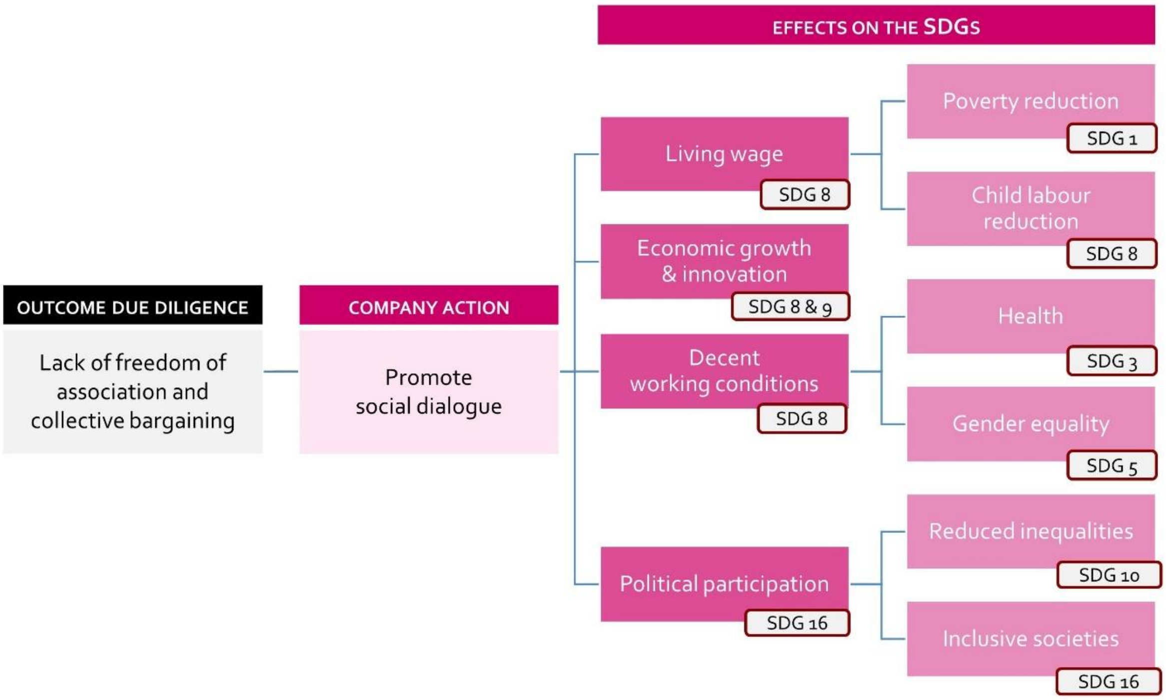


Figure 3. Social dialogue.[10]



Recommendations for corporate policies

- Contribute to the SDGs by integrating a sound due diligence process into the company's management operations and processes, which focuses on the company's core business.
- Use the most recent insights and instruments to implement the due diligence process, such as the *OECD Due Diligence Guidance* or the guide on *'Doing business with respect for human rights'*.[11]
- Report transparently about both the company's positive and negative impacts on society, for example by using the *UN Guiding Principles Reporting Framework*.

Recommendations for government policies

- Encourage and enhance companies' contributions to the SDGs by propagating due diligence in all government policy and legislation that concerns companies. These policies include transparency rules, sustainable public procurement, and responsible business conduct conditions for all types of (financial) support to companies.
- Increase requirements on transparently implementing due diligence for those companies that receive financial support for realising the SDGs or partake in SDG partnerships.
- Retain unabated focus on the implementation of the UNGPs and update National Action Plans on the implementation of the UNGPs.
- Actively inform and guide companies on the government's expectations regarding the implementation of Responsible Business Conduct guidelines. These should be based upon recent insights and instruments, such as the *OECD Due Diligence Guidance*.
- Impose a legal obligation to implement due diligence in sectors which are known for their high risks on negative societal impacts.
- Independently assess the private sector's efforts regarding the implementation of the SDGs. Progress reports on the private sector's role in the implementation of the SDGs should not only

be based on information that has been supplied by companies, as was the case in the Netherlands in 2017 and 2018.[12]

- Assess both positive and negative contributions of companies to the SDGs, rather than only focusing on the private sector's positive contributions.
- Promote the implementation of the OECD Guidelines and the UNGPs as instruments and assessment criteria for companies' contributions to the SDGs at an international level.

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[1] Government of the Netherlands (2018), Minister Sigrid Kaag: Prevention the priority in foreign trade and development cooperation policy document.
[2] United Nations (2015), Transforming Our World: The 2030 Agenda for Sustainable Development, p. 16, clause 52.
[3] World Business Council for Sustainable Development (WBCSD) (2017), Reporting Matters - WBCSD 2017 report, p. 18 & PwC (2017), SDG Reporting Challenge 2017. Exploring business communication on the global goals, p. 10.
[4] R. Nieuwenkamp (2017), BLOG - Ever heard of SDG washing? The urgency of SDG Due Diligence.
[5] PwC (2015), Make it your business: Engaging with the Sustainable Development Goals, pp. 12-13 & PwC (2017), SDG Reporting Challenge 2017. Exploring business communication on the global goals, p. 12.
[6] Ruggie, J. (2016), Making Globalization Work for All: Achieving the Sustainable Development Goals Through Business Respect for Human Rights. Shift.
[7] United Nations (2015), Transforming Our World: The 2030 Agenda for Sustainable Development, p. 34, clause 67.
[8] See for example: ActionAid & SOMO (2018), Human rights in wind turbine supply chains & L. van der Ploeg (2018), Business and human rights: Addressing the challenges of respecting, protecting and fulfilling the human rights of project-affected peoples. PhD Thesis, University of Groningen.
[9] Based on: Shift (2016), Business, Human Rights and The Sustainable Development Goals. Forging a Coherent Vision and Strategy, p. 26.
[10] Based on: ILO & ITUC (2017), Social dialogue as a driver and governance instrument for sustainable development.
[11] The OECD has also developed sectoral guidances ontwikkeld, amongst others for the minerals and garment and footwear sectors.
[12] See the SDG progress reports 'Nederland Ontwikkelt Duurzaam' of 2017 en 2018.