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SDGs as the driver for future business strategy

Insights from Lise Kingo CEO at UN Global Compact



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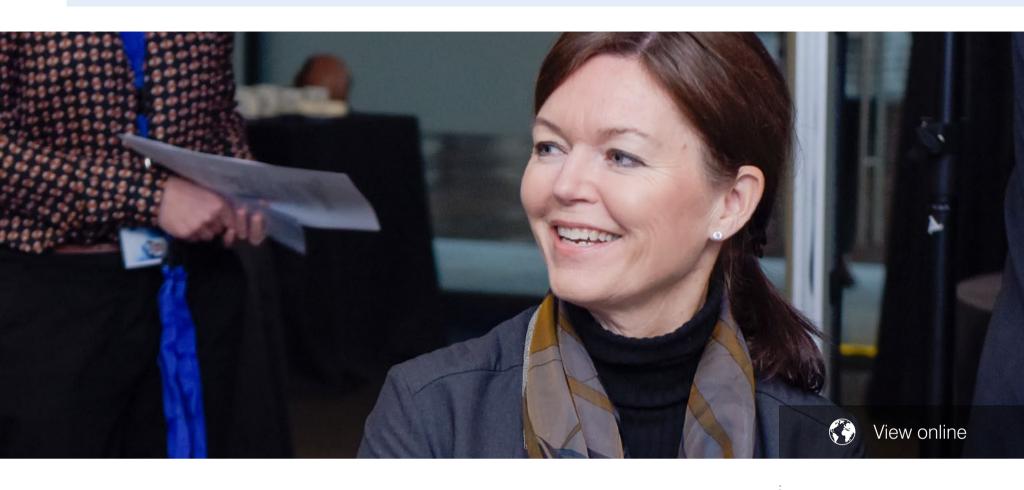












'There is no Plan B': Lise Kingo urges greater action on SDGs

The UN Global Compact chief tells Terry Slavin that 2030 may seem a long time off, but there is not a moment to waste to tackle the greatest transformation challenge the world has ever faced

When UN Global Compact chief Lise Kingo spoke at Ethical Corporation's premier European conference in June she she argued the case for companies to take urgent action on the Sustainable Development Goals.

In a phone interview from her office at UN headquarters in New York, Lise Kingo said 2030 may seem a long time off, but there is not a moment to waste. "My message is one of urgency. We only have 4,500 days left. It is the biggest transformation challenge the world has ever faced and it will take all stakeholders to pull it off: governments, the private sector, civil society as well as all of us as consumers. ... There is no plan B and it would be so embarrassing if we had to tell our children and grandchildren that we had this amazing plan with 17 very clear goals but we couldn't get our act together. I think that would be unbearable."

Helping companies align with the SDGs, or Global Goals, is a primary focus for the UN Global Compact, an agency of the UN that describes itself as the largest corporate sustainability initiative in the world, with more than 9,500

I see that many companies are picking up the Global Goals agenda. But the challenge is to go to scale



companies and 3,000 non-business signatories pledging to abide by its 10 principles covering human rights, labour, environment and anti-corruption.

Ethical Corporation's recent Responsible Business Trends report 2018 highlighted that the 17 SDGs, agreed upon by UN-member states in 2015,

are increasingly serving as a strategic signpost for businesses, with some 69% of corporate brands saying they are integrating them into business strategy. But it also highlighted the potential for "SDG-wash", with 56% of respondents saying that their company isn't actually measuring its contribution to the SDGs.

The findings echo recent studies by KPMG and WBCSD, both of which found that while a large majority of companies refer to the SDGs in their reporting, fewer than 10% actually have targets that measure their contribution to the SDGs.



UN Global Compact CEO Lise Kingo is calling on companies to take urgent action on the SDGs.

Asked whether the 17 Global Goals, with their 169 separate targets, are too unwieldy an agenda for companies to get to grips with, Kingo said the preponderance of targets actually gives companies "very good clarity" on what needs to happen over the next 12 years. "I see many companies pick up the agenda. [But] the challenge is to go to scale. We need to involve many more companies. We need to have many more partnerships that take all the good projects and programmes and implement them on a big scale."

She pointed to research by the Business and Sustainable Development Commission (BSDC) identifying \$12trn in new market value that is awaiting to be unlocked by companies committed to achieving the Global Goals. "We have to show companies how we can turn risk into business opportunities and how the Goals are an amazing lighthouse [showing] where companies that want to be successful in the future need to go."

Kingo says one goal that should be on the radar of every company is Goal Five on gender equality, at a time when the gender pay gap is widening. The World Economic Forum's latest annual gender gap report found that it will take 100 years to close the gender gap at the current rate of progress, compared with 83 years previously.

"That's not even in the coming generation," said Kingo, who is also an International Gender Champion. Of course, it is not all down to companies. In some parts of the world there are huge cultural factors barring women's progress. "In many regions of the world not enough is being done to remove legislation that is preventing women from owning land or starting their own businesses. These are fundamental barriers to creating gender equality," Kingo says.

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Worryingly, there is also little progress in parts of the world where there are no such barriers, despite the increased media attention to women's rights being garnered by movements such as #MeToo. "You have the number of women

sitting on boards moving backwards. We are seeing the number of women in executive management moving backwards. And I think that is very sad. ... Companies really need to reflect their customers and their markets."

There is a solid business case for companies to redress the gender balance. The BSDC's Women-Rising2030 initiative, launched this year, quotes research from McKinsey Global Institute showing that if women were to participate in the economy identically to men, they could add as much as \$28trn to global annual gross domestic product by 2025.

It cites evidence that businesses that have more women in senior positions are better able to shift their focus from short-term profit maximization

to longer-term growth, with one international study finding that companies with gender-balanced boards were more likely to offer goods and services to communities with limited or no access to financial products. They also tend to prioritize environmental issues and to invest in renewable power, low-carbon products, and energy efficiency. (See Why women can lead the way on achieving the Global Goals)

"The WomenRising2030 report makes so many good observations about how a female mindset is perfect for driving the Goals," said Kingo, a Dane who prior to joining the Global Compact in 2015, spent 13 years as the only woman in the executive management team of Danish pharmaceuticals company Novo Nordisk.

"In my mind it would be impossible to make the Goals by 2030 if we don't manage to empower women across the world."

In 2010 the UN Global Compact, in partnership with UN Women, launched the Women's Empowerment Principles, a seven-point guideline for how companies can promote gender equality in the workplace. To date more than 1,800 CEOs from around the world have pledged to uphold the principles, which include appointing women to corporate leadership roles, and promoting education and training for women.

Last year, the UN Global Compact provided more guidance in the form of a Women's Empowerment Principles Gap Analysis Tool, a series of multiple-choice questions allowing companies to assess their own performance on women's empowerment and gender equality. The UN Global Compact recently published a trends report aggregating data from 100 companies that



Gender equality in supply chains is weak

It's important
that companies
focus on
female
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chains



have used the tool in the first year, and the results illustrated how early companies are in the journey, with fewer than 15% of businesses in the "achiever" or "leader" categories.

Kingo points out that one of the biggest surprises for the 100 companies was how poorly they scored on female empowerment in their supply chains, with only 5% setting procurement and/or percentage spend targets with women-owned businesses, and 12% including gender equality criteria in supply chain management tools.

"Many have come back to us and said it was a real eye-opener," said Kingo. "It's really important that companies focus on female empowerment not only in their own compa-

nies, but in society and their supply chains, because ultimately that's what will drive economic opportunities for women."

The US is one country where the number of female entrepreneurs is growing fastest, Kingo says, though as Ethical Corporation's research shows, North American companies are lagging the rest of the world in terms of embracing the SDGs.

This is also reflected in membership of the UN Global Compact, with its latest progress report showing only 378 North American corporate members, compared with 1,344 in Asia, 4,722 in Europe and 2,116 in Latin America, where participation is growing fastest.

"Brazil is one of our biggest countries in Global Compact participation," Kingo says. "We did a data analysis of how companies are faring on the 10 principles and the Global Goals and we had 80% of companies in Latin America say they have begun integrating the Goals," compared with an average 75% globally.

Latin American companies have also been most enthusiastic in using the Women's Empowerment Principles gap analysis tool, accounting for 42% of take-up, compared to 23% in Europe, 7% in Asia and 10% in North America.

At the suggestion that low participation of US companies may have something to do with Americans' historic ambivalence about UN institutions, Kingo says it is not something she has encountered in her three years in the job.

When she attended a sustainable business conference in the US earlier this year, she said, "I was amazed to see how many companies were there, and how interested they are in the [Global Compact] agenda and the 10 principles. ... I see a really positive trend [in terms of new US members] and a wish from many US companies to show they feel sustainability is a really important agenda. They want to be principle-based, and vote with their feet."



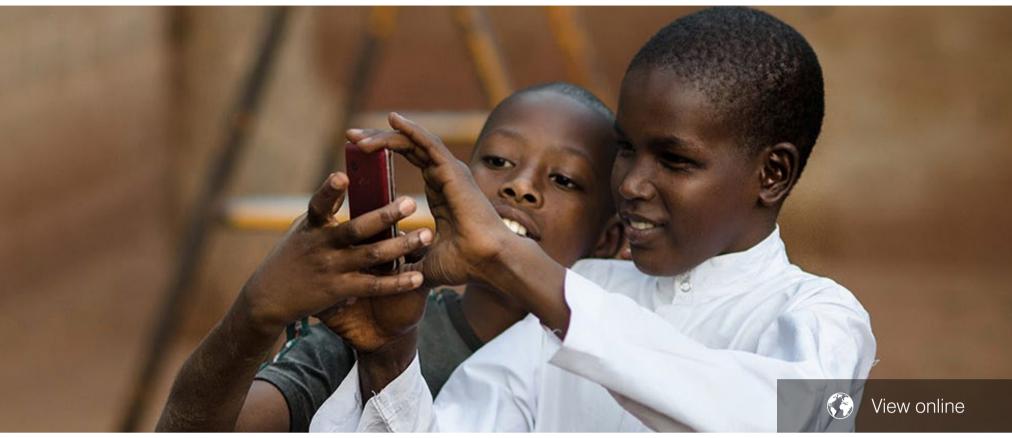
The number of women sitting on boards is moving backwards



Terry Slavin is editor of Ethical Corporation and a former correspondent for Guardian Sustainable Business.

terry.slavin@ethicalcorp.com @tslavinm





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Huawei's strategy to connect the world – and take on Apple

The Chinese smartphone giant's latest CSR report hopes to convince western consumers it is serious about sustainability, writes Oliver Balch

A s reports go, it was no Panama Papers or "dodgy dossier". Not a single politician was forced to fall on their sword. No night editor had to re-write the next day's leader column.

But then Huawei Technologies' recent report on sustainable development was not written with global scandal in mind. Its ambitions are greater than that. The 69-page document, released quietly last June, is a mark in the sand. It's one of China's largest tech companies saying to the world, in effect, "take note: we're here".

The fact that the report was released in Geneva, not Huawei's global headquarters in Shenzhen, China's high-tech capital, tells you something right off the bat. For much of its early history (the firm was only founded in 1987), Huawei was focused almost exclusively on its domestic market and business-to-business clients.

That's all now changed. An ambitious growth strategy based on rapid expansion overseas now sees the company operating in 170 countries around the world – with revenues of nearly \$100bn, Huawei currently employs over

As the South
China Morning
Post spells
out, Huawei is
putting itself
forward as the
'poster boy for
sustainability'



170,000 people. The firm recently surpassed Ericsson to become the largest provider of telecommunications equipment in the world: its products help connect three billion people, the firm likes to boast.

In the smartphone sector, meanwhile, it hopes to knock Apple and Samsung off their perch in the lucrative US and Europe markets with its compelling combination of value and innovation (The Guardian's review of Huawei's newest P20 Pro model called it "the three-camera iPhone killer").

If the global ambitions of Huawei (pronounced 'WAH-Way') are clear, then the question turns to what kind of global company it aspires to be.

To date, China's globalizing firms have tended to head south, rather than west. Across Africa, Asia and Latin America, Chinese multinationals are known for their quick turnarounds, low costs and efficient delivery – a reputation often assisted by cheap credit from Chinese state banks and bilateral trade deals. They are less famed, it has to be said, for their environmental concerns or care for social rights.

If Huawei's public communications are to be believed, then the world's third-largest smartphone maker is determined to set a different course.

The very title of its recent report says as much: "ICT Sustainable Development Goals Benchmark". Okay, so it hardly trips off the tongue, but the intent is clear. As The South China Morning Post commented, Huawei is putting itself forward as the "poster boy for sustainability".

That may sound like over-excited journalese, but it's actually a fairly understated summary of the company's own language. Writing in the forward of the report, Kevin Tao, chairman of the company's corporate sustainable development committee, says the firm is devoted to building a better connected world. "Every day, everywhere", he adds, the company is working to deliver sustainable development.



30 SECOND READ

- In a country not famed for its environmental and social rights credentials, Huawei is denting perceptions. The Chinese tech giant, which employs 170,000 people across 170 countries with revenues of US\$100bn, recently released a 69-page report on sustainable development.
- As a major player in computing and smartphones, Huawei says it is well placed to make a positive contribution, and has linked with the UN's SDGs. Social investments have been made in disaster relief and healthcare, and it has signed up with several major CSR alliances.
- With human rights abuses and conflict associated with raw materials used in electronics, supply chain transparency is an issue and Huawei lags behind competitor Apple on this, and on investments in renewable energy.
- However, the ground it has covered is impressive and in some areas, such as in its work on e-waste, it is demonstrating sustainability leadership. Huawei operates over 700 recycling stations for consumers in 40 countries and has sophisticated internal re-use systems.

'We saw that the SDGs were a framework we could use to reposition our strategy and maximize the role of technology in addressing the goals'





Such a vision sounds very laudable – and it is. Despite the ever-lower cost of information and communications technology (ICT) services, four billion people still have no access to the internet, according to the World Economic Forum.

In Africa, fewer than one in six households (15.4%) is online (compared with 84% in Europe).

Bridging this so-called digital divide is vital to a host of development goals, from full access to education and health services through to achieving liveable cities and delivering economic opportunity for all.

As a major player in internet connectivity, cloud computing and smartphone manufacturing, Huawei argues that it is ideally set to make a positive contribution in its sustainability strategy, drawn up in 2008.

It's not just rhetoric, either. Huawei has built up an impressive list of social investments over the last decade.

Among the list is a communications base-station kit that disaster relief

agencies can use in emergency situations. The kit takes just 15 minutes to set up and can fit into a standard-sized backpack. Another relates to digital healthcare. The tele-medicine service has so far enabled 200,000 residents in rural Kenya to get access to medical advice and treatment.

Huawei decided to make an explicit link to the SDGs in late 2015, following a day-long "salon" meeting on the theme at its Shenzhen headquarters. The kind of global sustainability pioneers that the Chinese company appears to be modelling itself on – the likes of Coca-Cola, Unilever and BASF – were all invited along.

"We saw that it [the SDGs] was a framework that we could use to reposition our strategy a bit and maximize the role of technology in addressing the goals," says Holy Ranaivozanany, Huawei's head of corporate social responsibility.

Linking the company's brand to the best-known, most widely publicized global development initiative also promises reputational gains.

For Huawei, which is far from a household name outside China, a hefty dose of brand building is timely. If it's going to take on the likes of Apple and Samsung, it needs to convince western consumers that its products aren't



Huawei launches its 5G product line in Barcelona in February.

'We operate in 170 countries so we're very open to see what's happening out there within the industry'





just the latest in style and sophistication. It must prove that its ethical credentials and sustainability commitments are spot-on as well.

Nor is it just consumers that need persuading. At a time of growing trade tensions between the US and China, North American regulators are on high alert for anything that hints at unfair (read: lower-cost) competition, or risks to national security.

With respect to the latter, Huawei has made no secret of its ambitions to become a world leader in artificial intelligence automation, an ambition it shares with the Chinese government. This synchronicity may cause some eyebrows to be raised.

Collusion with the communist ruling party is a charge that Huawei has faced before, most notably in an infamous US House Intelligence Committee report back in 2012. And it's one that the Chinese electronics giant has always strenuously denied.

Recent years have seen it sign up to at least half-a-dozen major CSR alliances, from the generic (the UN Global Compact, CSR Europe

and Business for Social Responsibility) through to the industry-specific (such as the Global e-Sustainability Initiative and the UN Broadband Commission).

For Ranaivozanany, a French citizen who has been with the company for six years, Huawei's global outreach efforts are straight from the CSR textbook: collaborative learning, the sharing of best practices, exploring opportunities for joint action, and so on.

"We operate in 170 countries so we're very open to see what's happening out there within the industry, and even beyond that, to try and understand what would make sense for our business ... and how to go beyond compliance," she says.

But if Huawei really wants to take on the Apples of this world as far as sustainability is concerned, then it can't just content itself with following the herd. It needs a distinctive play, a means of standing apart (and preferably above) the pack.

The company's work on e-waste may allow it to do just that. Huawei currently operates over 700 recycling stations for consumers in 40 countries. It also has sophisticated internal re-use systems to ensure that as



Huawei's sustainability report indicates the strength of its global ambitions.

While Huawei
has issued
independently
assured CSR
reports for a
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its activities
remains in
question





Huawei's Shenzhen headquarters. The tech giant now employs 170,000 people across 170 countries.

many waste materials are recovered during its research and manufacturing stages as possible.

Ranaivozanany also references Huawei's input into the development of circular-economy related standardization procedures by the UN-backed International Telecommunications Union, as well as support for a universal eco-rating scheme for mobile phones.

For several years now, Huawei has also been working with BT as part of the UK telecoms company's Better Future Supplier Forum to develop eco-product innovations. In a similar vein, it agreed a deal that would see it produce hardware for the Dutch telecoms brand KPN with close to 100% reused or recycled materials. The agreement, which excludes mobile phones, has a delivery deadline of 2025.

One area where Chinese firms are not renowned, and where Huawei's aspirations for global sustainability leadership may come unstuck, is around transparency. While Huawei has issued an independently assured CSR report every year for the last decade (stamped with a Global Reporting Initiative compliant symbol), how bright a light the company is willing to shine on its activities remains in question.

Transparency is one area where Huawei's aspirations for global sustainability leadership may come unstuck

With human rights abuses and conflict associated with cobalt and some of the other common metals used in the electronics industry, supply chain transparency has become a critical issue in recent years. Apple has been publishing data on its supply-side risks and audits for 12 years now. Six years ago, it went further and provided information on which specific factories it sourced from.

Huawei isn't standing still. In 2016, it audited 938 suppliers for sustainability risks, although only 53 of these audits were on site. The report reveals that two supply contracts were cancelled, but doesn't divulge the reason. But disclosing the names of its suppliers, remains a step too far, Ranaivozanany confirms.

"It's step by step. We want to make sure first that all our suppliers have our [sustainable procurement] policy and ensure full compliance," she says.



Holy Ranaivozanany, Huawei's head of CSR.

Renewable energy is another area where Huawei is lagging. Apple has stolen a march by massively investing in clean energy projects around the world.

The California-based tech giant currently boasts 626 megawatts of zero-carbon generation capacity, enough to power all its facilities around the world. It has another 15 more renewable projects under construction, plus 23 suppliers who have committed to manufacturing Apple goods using only clean electricity.

While Huawei is making steps to improve the energy efficiency of its products and operations, its latest figures show an installed renewable energy capacity (mostly solar) of a mere 19.3 megawatt hours. Ranaivozanany calls these figures "obsolete" and promises updated ones in June, but, bar a revolution behind the scenes, it's unlikely the numbers will change very significantly – or at least not enough to match Apple's carbon neutral claims.

Commercially, Huawei has shown itself to be a determined and ruthless operator. Transferring those same attributes to its sustainability activities would be beneficial for its brand, for Chinese business more generally – and, most importantly of all, for the world at large.



Oliver Balch is a freelance journalist and writer, specialising on the environment, international development and business. He is a regular contributor to Ethical Corporation





ZELIJKO RADOJKO/SHUTTERSTOCK

Five steps to taking the Global Goals to the heart of business

Alexandra Britton of positive impact consultancy Palladium says firms should focus on creating value in their core business if they want to make a meaningful contribution to the Sustainable Development Goals

tr's inevitable. A few times a week, I come across new statistics supporting the fact that for companies to remain competitive, they must pay attention and respond appropriately to evolving consumer demands for sustainability. According to one survey, 81% of millennials believe business has "a key role to play" in achieving the Sustainable Development Goals (SDGs); in another survey, 66% of respondents were willing to pay more for brands committed to making a positive social and environmental impact.

As a millennial, these statistics sometimes frustrate me – why is this even a question? That is why I'm excited to see more and more companies recognize the importance of SDGs and work to find new ways to support the goals. For instance, the World Business Council for Sustainable Development recently released a study that found 79% of corporate sustainability reports it reviewed acknowledge the SDGs in some way. At the same time, it found only 6% of companies are aligning their strategy to specific target-level SDG criteria and measuring their impact.

Focusing outside of a company's core business means creating projects that don't have clear feedback loops



Dutch dairy company Friesland Campina is one company that does a good job of this, connecting its corporate initiatives with SDG targets. So, what's stopping more from making these connections?

A major reason is that companies are struggling to meaningfully incorporate SDGs into their core business strategies. Some businesses that undertake

sustainability initiatives use the SDGs as a starting point rather than starting with problems faced by their business. Rather than look at their unsustainable supply chains or shortage of skilled labour, for example, and ask, "How can we solve these problems while advancing the SDGs?", they may create a new social corporate responsibility program to expand access to clean water.

That is not to say that helping to expand access to clean water is a bad thing, but focusing on programs outside of a company's core business means creating projects that don't have clear feedback loops, and also don't advance corporate objectives.

So, what should companies do instead? They should focus on creating value and transforming the systems in which they operate. Here are five steps that can help companies boost their profits and contribute to the SDGs:



Alexandra Britton: 'Companies should focus on value and transforming existing systems.'

1. Start with major problems plaguing the operations and long-term viability of a business

Ask yourself what is threatening the sustainability and future of my operations? For instance, chocolate companies are facing sourcing issues. Their cocoa farmers are aging, impoverished, and operating on tiny plots of land. Younger generations are choosing not to enter the profession in favour of more lucrative opportunities. Simultaneously, volatile weather patterns are affecting farm yields. This means multinational corporations face major issues in their operations if they don't create a sustainable supply chain of resilient farms that offer opportunities for farmers. Mars, Inc is addressing this with its \$1bn Sustainable in a Generation plan, which it announced last year.

2. Document which SDGs relate to specific business challenges

The next step is to compare these business challenges with the SDGs and their top-line objectives. Critically think about which SDGs are affected by the problem you're facing.





This may involve mapping your value chain to the SDGs and defining priorities for your company. For instance, in the context of the previous example of the cocoa supply chain and farmers, the most relevant SDGs are around

the areas of poverty, food security, economic growth, climate change, and partnership. Specifically, Goals 1, 2, 8, 12, 13, 15, and 17

3. Map the existing ecosystem and stakeholders

Prioritizing and target-setting starts with understanding the system in which you operate. One reason many CSR initiatives and one-off projects don't move the proverbial needle is because they fail to answer "What's in it for me?" for each stakeholder.



To create enduring impact, companies need to find ways to move beyond short-term performance pressures that can prevent progress on sustainability. Ask what changes needs to happen across it (in the form of new or strength-ened relationships, new business models, etc.) to generate more value. Look for points in the system that can lead to behaviour change and have the potential to scale. For example, in the case of cocoa, this can involve creating new organizational models around nucleus farming, aggregators, and supply chain managers to drive productivity, increased efficiency and higher quality.

5. Build the solution around these value drivers

Once you have identified the areas where you can create added value for your company and the areas where your company can improve its sustainability, design a solution that brings the commercial and sustainability goals together. A key piece of this is finding the right metrics to measure progress and aligning incentives to specific indicators that cover the business challenges and SDGs. For more guidance on this, refer to the SDG Compass and an analysis published by GRI.

Coupling clear reporting with an ecosystem approach makes it more likely for companies to positively contribute to the SDGs while driving long-term business growth. More importantly, though, it creates meaningful value for all players and delivers positive impact for both business and society.



Chocolate companies must create a sustainable supply chain.



Alexandra Britton is manager of global thought leadership at positive impact consultancy Palladium.





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