COMMENTARY

Business alignment for the “Decade of Action”

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Abstract

The SDGs and Paris Climate Agreement, taken together, constitute the best hope for charting a new course for the world’s politics and economics, to produce “the future we want.” This paper briefly explores the central environmental, social, and economic challenges; the pathways to sustainability; and the central role of companies in achieving our global goals. We are facing four very deep and interconnected global environmental crises: human-induced climate change, unsustainable land use, mega-pollution, and increased frequency and intensity of pandemic zoonotic diseases. At the same time, we face massive social crises, including increasing inequality. There are six necessary SDG Transformations that each requires a major change in the organization of societal, political, and economic activities – which delineates also the critical role of business. The paper specifies four key questions that companies and their stakeholders can ask to effectively align with the “Decade of Action” needed to achieve the SDG ambitions.

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INTRODUCTION

The adoption of the 17 Sustainable Development Goals (SDGs) by all 193 UN Member States on September 25, 2015, and the Paris Climate Agreement (PCA) on December 12, 2015, just a few weeks later, marked a pivotal moment for the business sector. Many businesses first learned about the concept of Sustainable Development and of the indispensable role of business in achieving sustainable development through the SDGs and the PCA. The SDGs define the world’s globally agreed goals for the period 2016–2030, and the PCA sets the framework for stopping human-induced climate change for the 21st century, with a focus on decarbonizing the energy system by 2050.

The concept of sustainable development dates back to the Brundtland Commission in 1987 and the Rio Earth Summit in 1992, which secured the adoption of the UN Framework Convention on Climate Change and the Convention on Biological Diversity.¹ Yet those early efforts failed to motivate the deep transformations needed to achieve sustainable development and climate safety, and were overlooked by much of the business

community. It's fair to say that the SDGs were adopted in 2015 as a new attempt to bring the challenges of sustainable development to global attention, after the attempt made at the Rio Earth Summit had foundered.

Sustainable development aims for a world that is prosperous, socially inclusive, and environmentally sustainable. It is conveniently summarized as society's quest for the triple bottom line: economic, social, and environmental sustainability. The core problem, of course, is that the world's economic and political systems do not achieve sustainable development. Far from it.

Prosperity itself is uneven, with around 1 billion people still trapped in abject poverty despite a world of wealth and advanced technologies. Social inclusion is even less evident. Almost every society is riven by deep divisions by class, race, ethnicity, gender, geography, and other social divides and injustices. And the world as a whole is hurtling rapidly and relentlessly towards environmental disasters – multiple and interconnected – made dramatic by the COVID-19 pandemic, itself a reflection of the disruption of the interface of humans with other species, in this case a virus originating in horseshoe bats, and transmitted in some way, from bats to humans.

There is nothing in a global market economy that by itself narrows income inequalities, attends to the needs of the poorest of the poor, or protects the environment. Inequalities of income and wealth are indeed a normal fallout of market forces, and must be narrowed through deliberate collective action, such as public provision of social protection and social services. Market processes are not powerful enough to overcome deeply entrenched social discrimination, whether by race, gender, or other categories, as some theorists had once predicted. Overcoming entrenched discrimination also requires deliberate collective actions to change social mores, behaviors, and laws. Markets certainly do not protect the natural environment, since markets do not, by themselves, properly price ecosystem services. Rather, markets tend to treat the environment as a global commons and a global dumping ground. It's no surprise that the atmosphere is filling with climate-changing greenhouse gases and the oceans with polluting plastics.

Our global economy and most national economies are indeed continuing to generate huge and growing inequalities.² And our combined global economic activity is leading us to unprecedented global environmental crises. The SDGs and Paris

Climate Agreement, taken together, constitute the best hope for charting a new course for the world's politics and economics, to produce “the future we want.” This short reflection briefly explores the central environmental, social, and economic challenges; the pathways to sustainability; and the central role of companies in achieving our global goals.

THE GLOBAL ENVIRONMENTAL AND SOCIAL CRISES

We are facing four very deep and interconnected global *environmental crises*. The first is human-induced climate change. The Paris Climate Agreement calls on humanity to avoid the rise of the average Earth temperature beyond 1.5 °C relative to the pre-industrial average. Yet warming is already at 1.2 °C and rising by around 0.2–0.3 °C per decade on the current trajectory. The only hope to stay below 1.5 °C is to decarbonize the world's energy system no later than mid-century, and even that dramatic step may prove to be insufficient. In other words, decades of inaction on ending greenhouse gas emissions have left humanity in the grips of dangerous and perhaps disastrous human-induced climate change.

We are already witnessing extreme and devastating consequences of global warming. The massive fires in Australia, the Amazon, and western United States; the pervasive extreme storms in many parts of the world; the frequency and intensity of dangerous hurricanes and typhoons; the mega-droughts; and the disappearance of surface water in many dryland regions, are all a reflection of the relentless climate change that is occurring. Indeed, record heatwaves, still-drier drylands, more frequent high-intensity tropical storms, and extreme droughts and floods will continue to have devastating impacts around the world. The only hope is a decisive turn of all governments and businesses to slash greenhouse gas emissions to reach net-zero emissions by 2050, mainly through the decarbonization of energy and the shift to sustainable land practices that store biological carbon rather than release carbon into the atmosphere through deforestation and land degradation.

The second major environmental crisis is unsustainable land use, which not only exacerbates climate change but also causes catastrophic declines of biodiversity and species abundance. Despite decades of global commitments to conservation and preserving biodiversity, the global trend is

toward more precipitous declines in species abundance, deforestation, and unsustainable land use practices. Similarly, despite the critical importance of oceans to humanity – for livelihoods, communities, nutrition, trade, tourism, and myriad other environmental services – unsustainable marine resource management, including overfishing and marine pollution, is causing irreversible damage to marine environments.

The third environmental crisis is mega-pollution: of the air, oceans, lakes, streams, and on land. The pollutants are numerous and diverse: plastics, sewage, vehicle exhaust, solid fuels, toxic chemicals, pesticides, and so on. According to the Lancet Commission on Pollution and Health, pollution is “the largest environmental cause of disease and premature death in the world today,” and accounts for more than a quarter of the deaths in the most severely affected countries (Landrigan et al., 2018).

The fourth environmental crisis is the increased frequency and intensity of pandemic zoonotic diseases, which are triggered by changes in land use, climate change, and other human-induced disruptions of animal habitats. COVID-19 has been the most virulent, transmissible, and consequential zoonosis in modern history, but it is only the most recent in a series of increasingly frequent such pandemics, including SARS, MERS, Ebola, Zika, H1N1, Nipah, and other emerging zoonotic diseases.

These four environmental crises all reflect the basic fact that the global population and the extent of economic output per person have dramatically expanded over the two centuries since the start of the Industrial Revolution. As a very rough measure, both the population and the output per person have increased by a factor of around 10 since 1800, meaning a 100-fold rise of human economic activity on our finite planet. And even that estimated increase of human impacts may be too small. Humanity is commandeering an unsustainable proportion of the earth’s finite and fragile ecosystems, and doing so in a heedless and reckless way. The results are increasingly dangerous and devastating.

At the same time that these environmental crises continue unabated, we face massive *social crises* including those of poverty, hunger, preventable disease, homelessness, violence, and oppression. For the purposes of this summary, we emphasize the critical, pervasive, and underlying social crisis of inequality – within and across societies. Inequality is a crisis in itself and is inextricably linked to the

other social, environmental, and economic crises. As a general matter, unequal societies do not work as well as more equal societies. They are less stable, with more unrest and more unmet economy potential. The results are a greater extent of political populism and short-termism, as social and class conflicts mount. Notably, inequality has tended to widen over time, mainly because technological advances have favored those already with capital and with higher levels of education, and have been relatively or absolutely disadvantageous to lower-skilled workers, whose jobs are progressively replaced by automation, artificial intelligence, robotics, and other technological advances.

COVID-19 has dramatically laid bare inequalities within and across societies. Vulnerable, low-income communities, front-line workers, and other disadvantaged and poor populations have borne the disproportionate impact of the pandemic, through job losses, more exposure to the virus, and higher death rates due to pre-existing health conditions, secondary to poverty. During the pandemic, many millions of lower-wage workers have lost their jobs and livelihoods, and food insecurity has soared nationally and internationally. During 2020, the richest 500 people in the world experienced a rise in their combined wealth of some \$1.5 trillion. Roughly 650 billionaires in the United States saw their wealth grow by more than \$1 trillion since March 2020, and 47 individuals in the United States became billionaires over the same time.³ Our political systems are not well designed to address the growing crisis of inequality, since they tend to cater to the richest individuals who are the large campaign donors. Nor do they address the consequences of massive and pervasive inequality.

The SDGs and Paris Climate Agreement provide an indispensable, globally agreed upon roadmap for national action and international cooperation in the recovery from COVID-19. These shared goals can help to ensure that the world doesn’t end the pandemic merely by restoring an ill-functioning economic system that was relentlessly generating rising inequality, social instability, and environmental degradation.

THE SDGS AND PCA AS THE ROADMAP FOR RECOVERY FROM COVID-19

The 17 Sustainable Development Goals and 169 targets are linked and interdependent; critical policy interventions can contribute to multiple goals, and progress on certain goals impacts on others. In

order to guide the operationalization of the SDGs, and to organize the necessary SDG interventions in a modular approach achievable by discrete but interacting parts of government, the United Nations Sustainable Development Solutions Network describes six necessary SDG Transformations: (1) Education and skills for all, (2) Healthcare and well-being for all, (3) Zero-carbon energy and circular economy, (4) Sustainable resource management and food systems, (5) Sustainable cities and communities, and (6) Digital societies (Sachs et al., 2019).

Each Transformation describes “a major change in the organization of societal, political, and economic activities that transforms resource use, institutions, technologies, and social relations to achieve key SDG outcomes” (Sachs et al., 2019). Organizing such transformations will require directed, timely, and coordinated actions by governments, business, finance, civil society, and science. Governments must set the policy framework that creates a coherent action plan for all sectors of the economy.

The most notable such policy framework is the European Green Deal, which is Europe’s detailed plan to make the European Union’s economy sustainable.⁴ The European Green Deal provides a detailed action plan, proposed legislation, plans for public investment and other financing mechanisms, and detailed sectoral strategies to support achievement of the SDGs. Leading political candidates and leaders in other countries and regions have announced similar green deals, such as the Korean Green Deal, and the proposed Green Deal in the United States supported by many democratic members of the US government.

As elaborated in the EU Green Deal, the policy framework is subsequently implemented through a series of public laws and regulations, and financing mechanisms including public investments in key sectors, infrastructure, well-being, education, and so on. The Transformations also require technological ‘missions’ that accelerate technological innovation, development, and deployment across critical sectors and functions, including energy systems and storage, health systems, connectivity, and so forth. And they require public debate and education, engaging civil society in informed discussion about sustainable development pathways.

THE CRITICAL ROLE OF BUSINESS

The transformations to sustainable development and climate safety require the deep engagement of the private sector. Although both the SDGs and the PCA recognize the critical role for the private sector in achievement of the SDGs, the business sector still lacks clarity and consistency on what SDG-alignment looks like for the business sector. Since the SDGs were agreed in 2015, there has been a proliferation of frameworks and guidance documents that aim to align business activity with the SDGs and to identify and assess the environmental, social, and governance (ESG) practices of companies. The proliferation, however, has contributed to confusion as well as at least some increased alignment.

Most major companies boast of their sustainability performance in now-common sustainability reports. And yet many major businesses are still contributing to worsening environmental and social outcomes and widening economic inequality. There are many factors contributing to this disconnect. In part, company self-reporting of sustainability performance, matched with the diverse scope of the SDGs and associated targets, and the vast range of sometimes-inconsistent ESG metrics and criteria, has allowed companies to cherry-pick their preferred reporting criteria while ignoring the less-convenient SDGs. Many ESG frameworks and criteria also overlook critical aspects of business engagement with companies’ stakeholders, value chains, and policymakers that are decisive for understanding their overall influence and impact on the SDGs.

In terms of financial products, “SDG-aligned investing” or even “ESG investing” – and the corresponding tools and funds – take very different approaches to definitions, function, and even purpose. Investors and banks continue to push for profit over responsibility; indeed, responsible investing is still widely seen as a way to mitigate financial risks and increase long-term profits, rather than as a means to mitigate impact on people and planet. Some of the major initiatives include the Global Reporting Initiative; the Carbon Disclosure Project; the Sustainable Accounting Standards Board; the Financial Stability Board’s Task Force on Climate-Related Financial Disclosure; the World Benchmarking Alliance; and the IBC Disclosure Project (with the World Economic Forum and the Big 4 accounting firms). These are worthy efforts, but they are not yet mutually consistent, harmonized, or comprehensive. Achieving a more

coherent framework for business behavior, reporting, and accountability remains an unmet challenge and high priority.

In our view, the right starting point for business is the following. First, businesses need to understand and adapt to the deep transformations. They must recognize the fundamental need for the world to decarbonize the energy sector, adopt sustainable land-use practices, reduce inequalities of wealth and income, and achieve the specific targets of the SDGs such as universal access to healthcare (SDG 3) and education (SDG 4), and gender equality (SDG 5). Businesses that bet against the SDGs and the PCA will be betting the companies against powerful and needed forces of change.

Second, and crucially, businesses need to adopt the principle of *Do No Harm*, perhaps the most basic ethical precept (sometimes stated as the Golden Rule: Do not do onto others what you would not have them do to you). Businesses should make profits only by adding to true social value, not by imposing costs on others in the form of pollution, monopoly power, cheating and fraud, tax evasion, land grabs, or other anti-social actions, even if they might be legal or achievable without getting caught.

Third, businesses should recognize that by aligning with the SDGs and PCA, and by committing to do no harm, they can also build companies and new strategies that help the world to fulfill the goals of sustainable development. The path to both the SDGs and climate safety depends on new technologies (such as renewable energy and digital services), new global business strategies, new job opportunities, and cutting-edge business management that conserves resources while enlarging the supply of goods and services. The sustainable development agenda is not a straitjacket on business; it is the opportunity of the century to build world-class enterprises.

As recently advanced by the Columbia Center on Sustainable Investment (CCSI), the Sustainable Development Goals and the six SDG Transformations thereby provide a powerful framework for internal corporate strategizing, self-assessment, and external reporting on business alignment with the SDGs. We recommend that businesses and their stakeholders ask themselves the following four key questions:

- (1) What is the company producing? Are its products contributing to societal well-being? What are the impacts of the goods and services that it

markets today and plans to market in the future?

- (2) What are the environmental and social impacts of production, and what are the implications of avoiding such impacts? These impacts include strict limitations to impacts on the natural environment (including water pollution, greenhouse gas emissions, and waste) and on human settlements; responsible engagement with affected communities, especially marginalized communities; and the protection of human rights, including rights to health, living wages, and worker representation.
- (3) How sustainable is the company's value chain, considering both upstream sources and downstream users? Does the company understand and share co-responsibility with other companies in its value chain, including impacts from energy sources, transportation, business relationships, and consumer products?
- (4) How does the company engage externally with citizens, lawmakers, and communities? This reflection might include a company's tax strategy and practices; engagement in litigation with communities, consumers, or host governments; engagement in direct or indirect lobbying; and so on.

These four areas of concern – product lines, production processes, value chains, and corporate citizenship – constitute the main arenas for business action for sustainable development. We believe that companies will prosper by examining their strategies, performance, and metrics along these four lines. Our own current goal is to work with businesses to help sharpen these questions and thereby create consistent and useful tools for reporting on SDG-related practices and alignment (see, e.g., Sachs et al., 2020; Toledano, Shah, Maennling, & Lasnick, 2020).

NOTES

¹For a history of Sustainable Development, see Sachs (2015).

²<https://inequality.org/facts/>.

³<https://inequality.org/great-divide/u-s-billionaire-wealth-surges-past-1-trillion-since-beginning-of-pandemic/>.

⁴https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en.

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