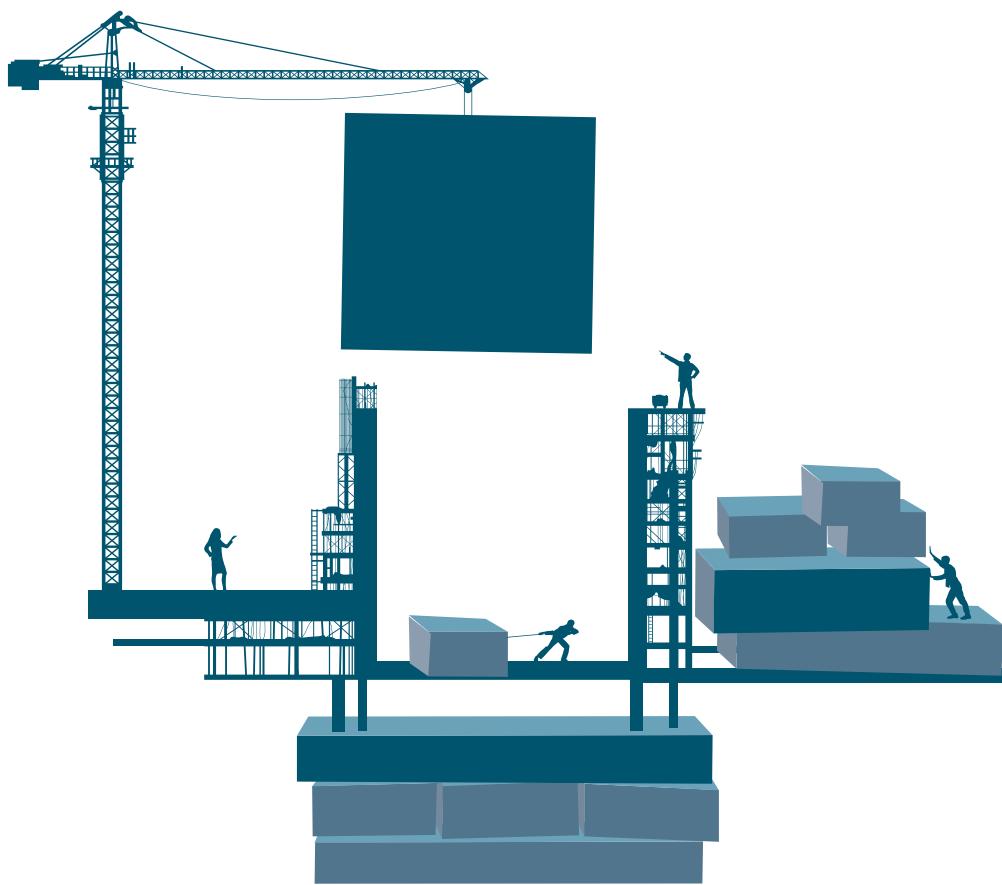


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## ARCHITECTS OF A BETTER WORLD

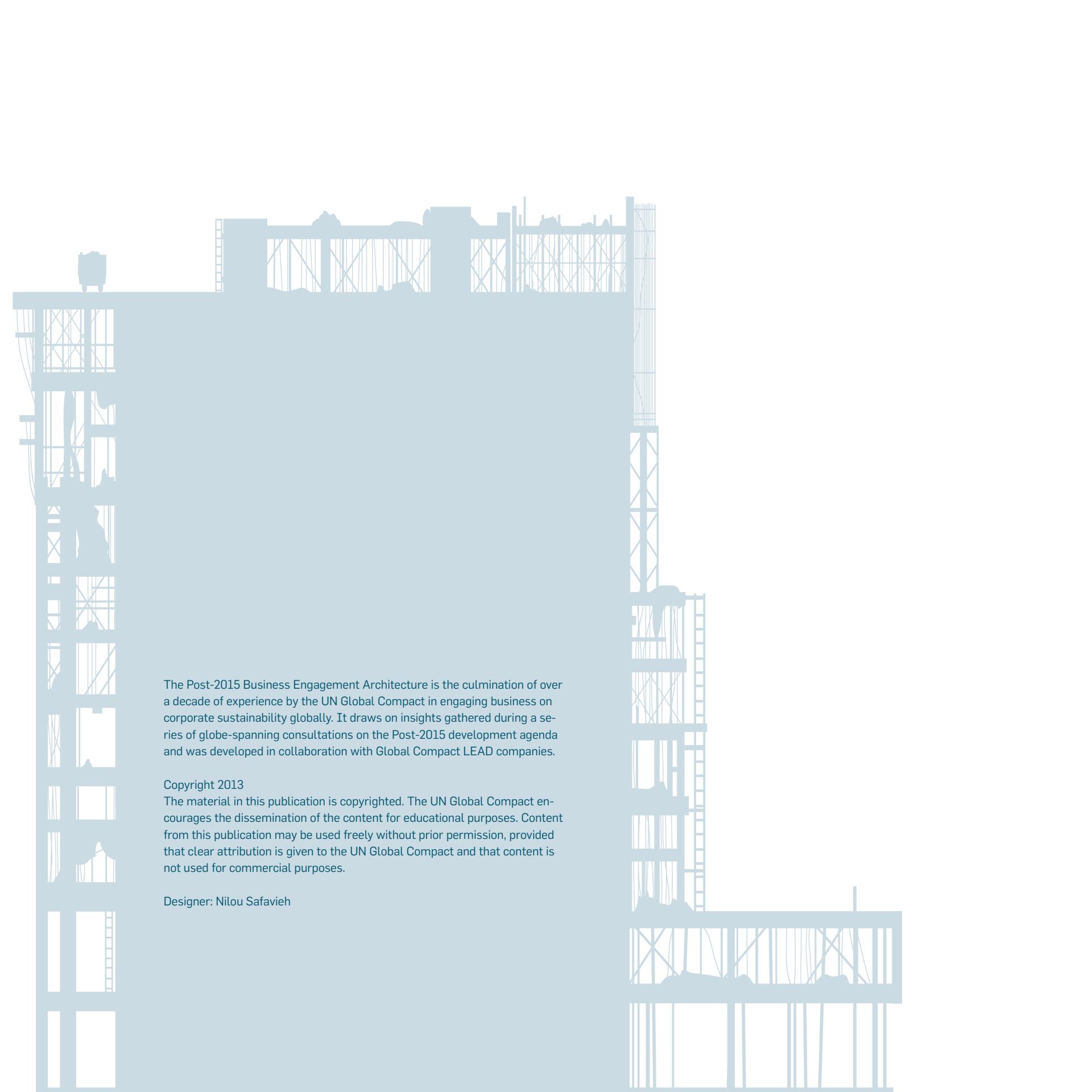
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# BUILDING THE POST-2015 BUSINESS ENGAGEMENT ARCHITECTURE



United Nations Global Compact



The Post-2015 Business Engagement Architecture is the culmination of over a decade of experience by the UN Global Compact in engaging business on corporate sustainability globally. It draws on insights gathered during a series of globe-spanning consultations on the Post-2015 development agenda and was developed in collaboration with Global Compact LEAD companies.

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Designer: Nilou Safavieh

## **AN OPEN INVITATION**

The Post-2015 Business Engagement Architecture is designed as an invitation to organizations, initiatives and networks working globally to engage business on sustainable development to join forces with the UN Global Compact, the World Business Council for Sustainable Development (WBCSD), the Global Reporting Initiative and other like-minded organizations to promote and support corporate commitments and actions that advance UN goals. This collaboration is based on a common understanding that i) corporate sustainability strategies must be rooted in respect for universal principles such as those advanced by the UN Global Compact in the areas of human rights, labour, environment and anti-corruption; ii) that companies must adopt transparent processes for communicating to their stakeholders, applying standards such as those developed by the Global Reporting Initiative; and iii) that corporate sustainability initiatives, platforms and networks, while focused on business, should also integrally involve key stakeholder groups.



# REACHING THE FULL POTENTIAL OF BUSINESS

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The Corporate Sustainability movement is growing in every region of the world. Every year, more companies place responsible business practices and sustainability objectives at the heart of their business strategy. Companies are increasingly helping to tackle the world's most pressing problems through their core businesses, and realizing benefits and opportunities from doing so. There is a growing recognition that, in a globalized world, general prosperity can only be built on the foundations of collaboration between public and private sectors. Reflecting these developments, the UN Global Compact currently has nearly 8,000 business signatories, each of whom has made a public commitment to respect ten universal principles in the areas of human rights, labour, environment and anti-corruption and to take action in support of broader United Nations objectives – such as the Millennium Development Goals (MDGs).

**THROUGH  
PARTNERSHIPS AND  
CO-INVESTMENT,  
THE OPPORTUNITIES  
CAN BE FULLY  
REALIZED FOR THE  
BENEFIT OF ALL**

## A HISTORIC OPPORTUNITY

With the MDGs set to expire in 2015, a new global sustainable development framework is under construction, which is expected to define priorities and approaches for the next era. UN Member States are currently working on a new set of Goals to be adopted in 2015. Simultaneously the Secretary-General is leading the efforts for shaping the UN partnership agenda that will bring in a larger set of actors from business, the investment community, philanthropy, civil society and academia in support of the UN Goals. This Post-2015 development agenda presents a historic opportunity for the international community to mobilize companies to more effectively advance global priorities. And it presents a golden opportunity for the international business community to elevate their missions and strategies to align with the Post-2015 vision, producing outcomes that benefit the global society and economy – and drive business success. Indeed, it is unmet economic, environmental and social needs that are propelling this new agenda – creating new market opportunities for companies meeting these needs with sustainable products and innovative business models.

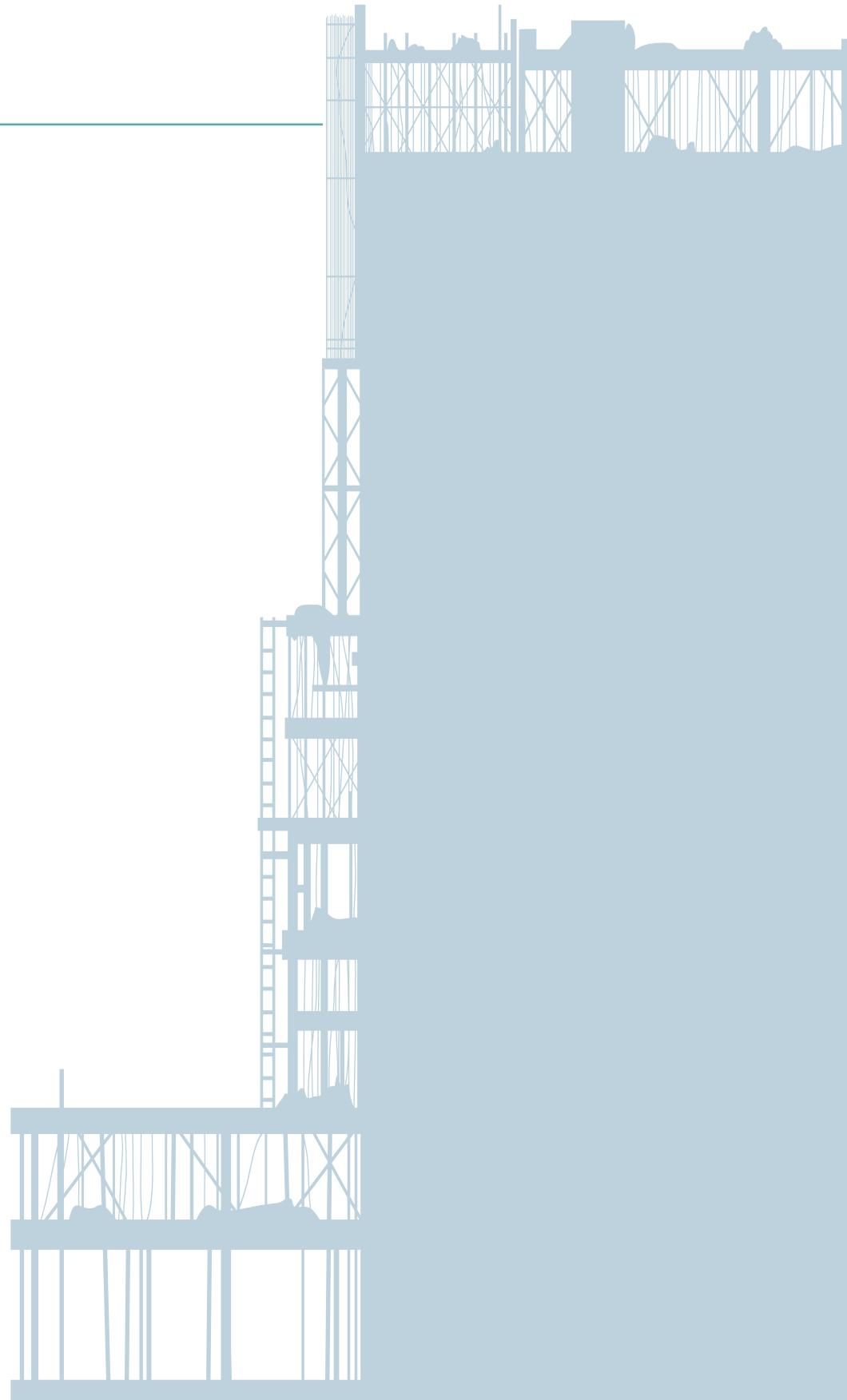
In a globe-spanning series of consultations, surveys and focused discussions conducted by the UN Global Compact over the past year, business participants identified a set of global priorities for the Post-2015 era – covering the economic, social and environmental realms of sustainable development. These suggested priorities are all areas in which there is enormous potential for the private sector to advance. However, it requires the scale and intensity of corporate sustainability globally to be significantly enhanced. And it demands a new leadership paradigm that places *collaboration and co-investment* at its core.

## A NEW LEVEL OF COLLABORATION

The pieces are in place for such coordinated action on a level never before seen. Over the past decade, all major stakeholder groups – including business, investors, Governments, UN entities, civil society, and labour – have developed orientations, strategies and capacities in relation to sustainable development in the broadest sense of the term. With respect to business, a very important development has been the creation of a large variety of global sustainability initiatives and platforms as well as local initiatives and capacities, which means that the opportunities and resources now exist to truly scale up efforts.

In order to fully realize the benefits and outcomes – and contribute to sustainable development in the most meaningful ways – companies will need to move beyond first-mover approaches and embrace partnerships and collective action initiatives that unite business peers, often for the first time, as well as other stakeholders. This collaboration requires engagement and co-investment by a broader group of business partners and key stakeholders to further strengthen the various global and local initiatives and platforms that have been developed. Through partnerships and the pooling and sharing of resources, these opportunities can be fully realized for the benefit of all. In other words, corporate leadership in the new era will mean working with others on an entirely new scale.

To that end, this publication presents a Post-2015 Business Engagement Architecture, laying out the priorities for how to motivate and support global business in realizing its full potential to advance sustainable development through action, collaboration and co-investment.



# POST-2015 BUSINESS ENGAGEMENT ARCHITECTURE

The Post-2015 Business Engagement Architecture illustrates the main building blocks necessary to enhance corporate sustainability as an effective contribution to sustainable development, creating value for both business and society. Each of these building blocks must be further strengthened and connected through a comprehensive and collective effort if they are to help take corporate sustainability to scale and turn business into a truly transformative force in the Post-2015 era. Individual companies, corporate sustainability organizations, Governments, investors, business schools, civil society, labour and consumers all have a role to play in scaling up business action, and should be able to identify those areas in which they need to do more.

## DRIVERS AND INCENTIVES

The "business case" for corporate action on sustainability issues has been significantly strengthened over the last decade, driven by very important developments in a number of areas. These include the strengthening of society-based drivers, reflecting changing norms and expectations for responsible business transmitted through community groups, Governments and business education initiatives, for example. Similarly, market-based drivers have been strengthened as sustainability increasingly impacts a company's ability to attract and retain customers, investors, employees and business partners. A new global development agenda provides opportunities to further enhance the interplay of drivers that are fostering enlightened business leaders genuinely motivated to formulate and implement new-era corporate sustainability strategies.

## CORPORATE SUSTAINABILITY

Central to the Architecture is a new corporate sustainability philosophy and orientation rooted in three dimensions – i) respecting universal principles; ii) taking action to support broader UN goals; and iii) engaging in partnerships and collective action at the global and local levels. Maximizing the business performance in these three domains will require a level of corporate leadership and governance not yet realized. This new global orientation for business also encompasses an expanded definition of corporate sustainability to mean a company's delivery of long-term value in economic, social, environmental and ethical terms.



Advances  
Motivates



Drives



Scales up



Builds Trust

**SUSTAINABLE DEVELOPMENT GOALS AND LONG-TERM BUSINESS GOALS**  
Businesses contribute to the advancement of sustainable development goals by implementing corporate sustainability strategies that advance inclusive economic growth, social equity and progress, and environmental protection. Those same strategies and practices are increasingly understood to contribute to revenue growth, resource productivity and the mitigation of operational, legal and reputational risks. Consequently, businesses that integrate sustainability into their strategies and operations are increasingly finding themselves in positions of long-term strength. Enhancing this understanding of the overlap between public and private interests is key to motivating more companies to engage and take action.

**TRANSPARENCY AND ACCOUNTABILITY**  
Building on more than a decade of experience of engaging business around UN priorities, it is clear that the Architecture must incorporate a set of robust accountability measures in order to make business commitments transparent and to ensure that progress towards them is real. The availability of public repositories for commitments, relevant standards and certification schemes, and appropriate reporting mechanisms will be important in order to transparently and accurately track progress.

## PROGRESS REVIEW

To keep the Architecture dynamic and relevant, it will be important to periodically review the achievements made by the business community, identify gaps and redefine priorities and strategies with respect to all the main building blocks.

## PLATFORMS FOR ACTION AND PARTNERSHIP

An especially promising component of the Architecture is the Platforms for Action and Partnership, which can help optimize and scale up corporate sustainability efforts as well as contribute to corporate participation in the broader multi-stakeholder efforts to achieve UN goals. These supporting elements include various forums and platforms that enable companies and other stakeholders to work together – by geography, sector and/or issue. Such initiatives are key to facilitating the type of partnerships and collective action without which systemic challenges cannot be overcome. Country-level sustainability networks and initiatives, are growing rapidly (the UN Global Compact now counts 100 such Local Networks and 65 WBCSD Regional Networks exist), offering compelling engagement opportunities and facilitating collective action at the local level where many sustainability challenges play out.

# ADVANCING GOALS FOR BUSINESS AND SOCIETY



As companies, markets and economies become more global and interdependent, businesses are becoming more cognizant of the growing overlap between public and private interests. Companies realize that their ability to prosper and grow depends on the existence of a prosperous and sustainable society, and that social deprivation and ecological destruction can have negative material impacts on supply chain, capital flows, and employee productivity.

In other words, there is a growing understanding of the convergence between the priorities of the United Nations

and those of the international business community on an ever-widening range of global issues and challenges. Helping to manage shared risks through responsibility strategies and collective action will thus deliver positive outcomes for both society and business.

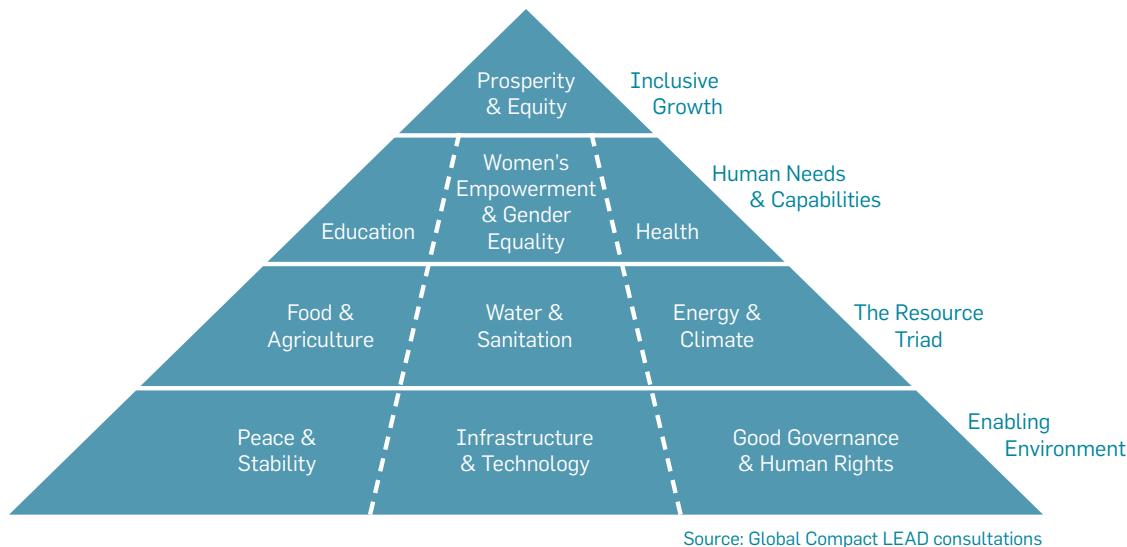
## MOTIVATED BY POSITIVE OUTCOMES FOR BUSINESS AND SOCIETY

At the same time, it is increasingly clear to many companies that helping to address the unmet needs in the economic, social and environmental spheres of sustainable development is both the “right thing to do” and the way to venture into new markets and create new business opportunities. Already today, business solutions exist to address issues such as climate change, energy and water access, sanitation, agriculture, education and health in a profitable way, and leading companies are developing new business models with the potential to lift millions of people out of poverty while building new markets.

Understanding the opportunity to advance sustainable development goals remains in itself a strong motivation for business to integrate sustainability into strategies and operations. But increasingly, those same strategies are motivated by a conviction that they are key to the realization of the long-term business goals of the individual corporation by contributing to revenue growth, resource productivity and risk management.

For inspiration on how to better understand, measure and communicate how corporate sustainability strategies advance long-term business goals by contributing to growth, productivity and risk management, see the **“Value Driver Model”**. A guidance document was developed by Global Compact LEAD in collaboration with the UN-supported Principles for Responsible Investments (PRI), which includes a detailed look at the Value Driver Model as well as examples of companies that have made significant progress in their efforts to quantify the financial value of corporate sustainability.

[http://www.unglobalcompact.org/Issues/financial\\_markets/esg\\_investor\\_briefings.html](http://www.unglobalcompact.org/Issues/financial_markets/esg_investor_briefings.html)



## POST-2015 ISSUE AREA PRIORITIES

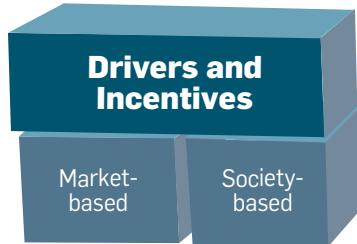
In a globe-spanning series of consultations, thousands of UN Global Compact participants offered their views on global development priorities they consider central to any future development agenda. The illustration above reflects a series of highly focussed discussions within Global Compact LEAD which identified recommendations on issue prioritization and framed the themes into four overarching categories: Inclusive Growth, Human Needs and Capabilities, the Resource Triad and the Enabling Environment.<sup>1</sup>

Another illustration of active business involvement to achieve global priorities is WBCSD's Action2020.<sup>2</sup> Informed by science, Action2020 provides a framework for delivering business solutions at scale and outlines nine priority areas of natural and social capital: climate change, nutrient elements, ecosystems, harmful substances, water, basic needs and rights, skills and employment, sustainable lifestyles, and the 4Fs (food, feed, fiber and biofuels). The overlap between Action2020 and the Post-2015 Issue Priorities emphasizes the potential of business to bring about meaningful change.<sup>2</sup>

<sup>1</sup> This set of issues was included as part of UN Global Compact's Post-2015 Development Agenda submission to the United Nations Secretary-General in June 2013.

<sup>2</sup> <http://www.wbcsd.org/action2020.aspx>

# STRENGTHENING THE BUSINESS CASE



A number of factors in recent years have helped motivate more and more corporate leaders to take action that advances sustainable development, continuously strengthening the "business case" for corporate sustainability.

The drivers – dynamic and always changing – can be understood in two broad categories: society-based drivers and market-based drivers. Society-based drivers, such as policies established by Governments and expectations created by civil society, continue to provide a strong motivation for corporations to reduce the negative impacts they may have on society and on the environment and to adopt more responsible business practices.

Increasingly, some of the most important drivers of corporate sustainability are to be found within the markets themselves. The sustainability-related requirements and preferences expressed by business partners and investors, as well as the increasing engagement of employees and consumers, directly effect and relate to a company's core business and related strategies. These drivers are poised to gather greater force in the coming era.

With an understanding of these drivers – and in the construct of the Architecture – comes the opportunity for different stakeholder groups to enhance and strengthen their efforts in ways that further bolster the incentives for companies to become more responsible and sustainable. To that end, the Post-2015 development agenda

– and the momentum this may provide for global efforts to fight poverty and advance sustainable development – can be leveraged. It may, for example, provide a timely opportunity for Governments to further spread policies that create positive incentives for companies to become more sustainable. Additionally, it may provide a unique opportunity to further educate and empower consumers around the world to advance sustainable development.

The following summarizes the eight principal society-based and market-based drivers and, importantly, how they are, or may be, evolving:

## CIVIL SOCIETY EXPECTATIONS

This driver is growing and evolving in sometimes unexpected ways. First, groups and even individuals representing civil society and communities are vastly more networked and organized via technology. Second, rising expectations are coming not just from large international non-governmental organizations (NGOs), but increasingly from linked-in grassroots organizations and highly localized communities. Third, there is a growing willingness to partner and engage with the business community -- i.e., a shift to solution-finding. This last element reflects, in turn, an expectation that business will proactively seek out and address stakeholder concerns, recognizing that benefits flow to both society and to business when concerns are anticipated and mitigated through dialogue and collaboration.

## NATURAL RESOURCE SCARCITY

Humankind's growing pressure on the natural environment and related resources has been made abundantly clear in recent years, and include the effects of climate change; water stress; and general ecosystem and biodiversity deterioration. At the same time, business has begun to understand the extent to which they rely on such resources either directly or via their supply chains – which is resulting in new efforts to value natural capital and to also better understand the linkages between environmental resources.

## **GOVERNMENT POLICIES**

One of the most significant trends in relation to corporate sustainability is the increasing involvement of the public sector, both in terms of regulation and soft policies to require or encourage better business practices. These actions include national laws requiring sustainability disclosure and incorporating international instruments on corporate conduct; retooling procurement and investment policies; embarking on new forms of public-private partnerships; and encouraging and recognizing enlightened business practices. As well, Governments are increasingly adopting or considering pricing and other policies – especially in relation to natural capital – to create incentives for more responsible corporate behaviour.

## **ENLIGHTENED BUSINESS LEADERS**

There is perhaps no better example of this driver than the UN Global Compact, which began with the endorsement of approximately 40 companies and today includes the commitment of nearly 8,000 chief executive officers. Increasingly, these enlightened leaders are spurring a race-to-the-top in terms of encouraging the fence-sitters to act, while also provoking the competitive spirit of even the most advanced corporate performers. At the same time, rising numbers of business schools, through the Principles for Responsible Management Education (PRME) are unleashing a new generation of business managers, steeped in global issues and stakeholder concerns.

## **REQUIREMENTS FROM BUSINESS PARTNERS**

As corporate sustainability has gone mainstream, more and more companies are scrutinizing their supply chains and business partners to ensure that commitments to principles of sustainability are shared within their own business ecosystem. This helps align policies and practices in order to mitigate the risk of poor performance –and possibly social and environmental harm – by business partners. At the same time, such harmonization is likely to present new collective action opportunities – uniting like-minded organizations in solutions-oriented partnerships.

## **CUSTOMER PREFERENCES AND EXPECTATIONS**

In markets around the world, more and more consumers are voicing their concerns around the policies and practices of the companies whose products and services they purchase. "Ethical consumerism" is undoubtedly a growing force, and will certainly present challenges – and business opportunities – for companies across a range of industries. How companies design and develop products and services, and communicate this to consumers, are sure to be critical questions in the coming era. As well, consumers will undoubtedly expect companies to demonstrate that they are going beyond do-no-harm policies – i.e., contributing to the achievement of global goals.

## **EMPLOYEE DEMANDS/MOTIVATIONS**

Consumers are employees, and vice versa. Closely linked to the growth of ethical consumerism is the rising chorus of employees and workers placing expectations – and, in some cases, demands – on the policies and practices of their employers. These motivations range from employees in search of better immediate working conditions and wages, to employees seeking "pride of association" in working for a company that is a sustainability leader. Such passionate employees can also be a force for change beyond the immediate workplace walls.

## **INVESTOR REQUESTS**

A new generation of "responsible investors" is already beginning to alter the corporate landscape, and promises more of this in the coming years and decades. Initiatives such as the UN-supported Principles for Responsible Investment and Carbon Disclosure Project have mobilized institutional investors representing many tens of trillions of US dollars in assets. These long-term oriented investors are requesting more and more information on how investee companies are managing environment, social and governance issues.

# RENEWED RESPONSIBILITIES AND OPPORTUNITIES



Corporate Sustainability refers to a company's delivery of long-term value in economic, social, environmental and ethical terms. This focus on long-term value carries with it both responsibilities and opportunities.

## ENSURING RESPECT FOR UNIVERSAL PRINCIPLES

Fundamentally, all companies have a responsibility to operate in accordance with universal principles such as those of the UN Global Compact. In practice, this

means making sure that a company identifies, prevents, mitigates and accounts for any negative impacts it may have on society and the environment by incorporating these universal principles into the appropriate corporate strategies, policies and procedures, and by establishing a culture of integrity and compliance. In particular, risk assessment processes should consider risks to society and environment arising from company activities, rather than solely risks to the company itself, albeit mitigating such risks can often also mitigate reputational, legal and financial risks to the company. Responsibility for implementation of universal principles must be integrated throughout the organization, with efforts also made to secure the same high standards among suppliers and other business partners.

## TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES

In addition to the baseline responsibility to respect human rights and other universal principles in the areas of labour, environment and anti-corruption, companies are increasingly realizing opportunities to utilize their core competencies in support of global sustainability goals in ways that also contribute to the profitability and viability of the business. To understand the full potential of corporate sustainability, the exciting developments occurring within leading compa-

### THE CASE FOR PUBLIC COMMITMENTS TO PRINCIPLES AND GOALS

Annually, thousands of chief executives participating in the UN Global Compact publicly confirm and reconfirm their commitment to universal principles. This sends a strong message of integrity and responsibility to business partners and other stakeholders. Internally, commitments help shape and define a company's sustainability strategy, and can provide an anchor even through changes at the leadership level.

While goal-setting is standard business practice in areas such as production and sales, only a minority of the most committed and advanced corporations apply the same practice to sustainability issues, and even fewer make such sustainability goals public. Establishing specific and time-bound targets for the company can, however, be an effective tool to drive performance and can facilitate the integration of sustainability priorities into performance evaluations and performance-based remuneration structures. Externally, it complements a principle-based approach by illustrating to stakeholders how the company is committed to support the advancement of specific sustainable development goals.

nies must be taken into account – whereby sustainability is placed at the core of business strategy, R&D and business development. Examples include companies focused on developing energy efficient solutions, as well as those that are looking to deliver affordable life-improving products to the poor. As a fully integrated approach to doing business and generating profit, corporate sustainability is a significant part of the solution to poverty, risk of catastrophic climate change, and other global challenges that the world currently faces.

### A NEW LEADERSHIP AGENDA

For sustainability to be deeply integrated into a company's strategy and operations, its prioritization must be driven from the very top of the organization. Without the firm belief of executive management that adopting sustainable corporate practices is not only the right thing to do from a compliance and business ethics perspective, but also the best thing to do from a financial perspective, corporate sustainability typically remains isolated from core business activities and is, at best, considered a necessary cost of doing business.

Whereas the importance of chief executive commitment to sustainability is often well understood, the focus on the critical role of Boards of Directors is a newer phenomenon. Corporate boards, or equivalent governance entities, must take responsibility for the implementation of and reporting on corporate sustainability, as they do for corporate financial and business performance. Importantly, boards are uniquely positioned to integrate sustainability into executive recruitment and remuneration, paving the way for sustainability outcomes to be linked to compensation across the entire leadership spectrum.

Fully engaging senior leadership and directors – and actively communicating this within corporate culture – offers the opportunity to maximize performance and sends a strong signal to individual business managers across geographies that corporate sustainability is a business priority.

### LOCAL AND GLOBAL ENGAGEMENT

Beyond their individual actions, companies can benefit from engaging in relevant issue platforms, sector initiatives and local networks as described in the next section.

Sharing and learning among peers within a trusted environment can help accelerate efforts to appropriately manage sustainability risks and opportunities. Partnerships with other companies and stakeholders can improve the likelihood, or reduce the costs, of achieving sustainability goals. Collective action can help companies overcome systemic barriers and create an enabling environment that rewards corporate sustainability leadership. More fundamentally, co-investments in platforms and initiatives aim to bring corporate sustainability to scale, and can help build prosperous and sustainable societies in which business can grow and succeed.

For a more detailed account of the responsibility of companies to respect universal principles, see the **UN Global Compact Ten Principles** in the areas of human rights, labour, environment and anti-corruption, which enjoy universal consensus and are derived from UN Declarations and Conventions.

<http://unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

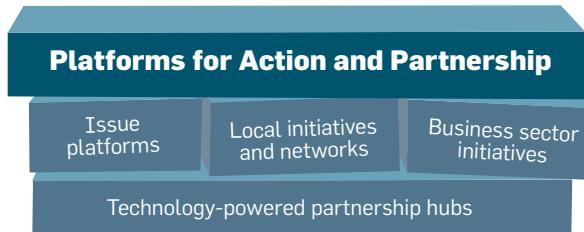
Further inspiration on corporate sustainability leadership along the four dimensions briefly described here is provided in the **Blueprint for Corporate Sustainability Leadership**. The Blueprint roots the twin concepts of *respect* and *support* in the objectives of the UN Global Compact and makes the case for integrating these objectives into corporate strategies through CEO commitment and leadership, board adoption and oversight, stakeholder engagement and enhanced transparency and disclosure.

[http://www.unglobalcompact.org/HowToParticipate/Business\\_Participation/blueprint\\_for\\_corporate\\_sustainability\\_leadership.html](http://www.unglobalcompact.org/HowToParticipate/Business_Participation/blueprint_for_corporate_sustainability_leadership.html)

Also see the **Guiding Principles on Business and Human Rights: Implementing the United Nations, “Protect, Respect and Remedy,” Framework**. It affirms the duty of Government to protect against human rights abuses, while highlighting the responsibility of companies to respect human rights and the need of victims to have access to effective remedy.

<http://www.business-humanrights.org/UNGuidingPrinciplesPortal/Home>

# BRINGING BUSINESS ENGAGEMENT TO SCALE



Business co-investment and collaboration – even with competitors where needed – will be key to scaling up corporate sustainability. A proliferation of networks and initiatives has emerged in the past decade designed to spur action and support collaboration among companies. The likelihood of corporate sustainability becoming a truly transformative movement is vastly enhanced by the existence of these platforms, which together represent the cornerstone of the business engagement architecture. Examples of such organizations include the UN Global Compact, Global Reporting Initiative, World Business Council for Sustainable Development, World Economic Forum, and Business for Social Responsibility. Each of these initiatives have had a significant impact on corporate thinking and sustainability practices. Organizations like these, and many others, facilitate collaboration and collective action among companies and other stakeholders on the basis of issue, sector, and/or geography. Technology-powered partnership platforms can add scale to such efforts by facilitating more effective matchmaking and sharing of information.

## UN-LED MULTISTAKEHOLDER PARTNERSHIPS

The Secretary-General has taken the lead on engaging business and investors along with governments, philanthropy and civil society in achieving UN Goals. In particular, the platforms to advance women's and children's health, sustainable energy, and food and nutrition security – Every Woman Every Child, Sustainable Energy for All and the Zero Hunger Challenge – have crystallized opportunities, energized business and scaled up engagement and investments from all participants.

## ISSUE PLATFORMS

Recent years have witnessed the growth of global platforms and initiatives that focus on a particular sustainability challenge. Examples of such issue platforms

include the United Nations, Caring for Climate, Sustainable Energy for All, CEO Water Mandate, and Women's Empowerment Principles initiatives; the World Business Council for Sustainable Development's Global Electricity Initiative; the World Economic Forum's Partnering Against Corruption Initiative; WWF's Water Stewardship Programme; The Solidaridad Network; the MDG Health Alliance; and the UNEP Finance Initiative, the United Nations-supported Principles for Responsible Investment and the Equator Principles. These platforms allow the establishment of standards and norms, help define best practice, and facilitate learning and sharing among participating companies and organizations. In addition, they spur innovation and provide recognition to companies that are leading efforts to tackle the issue, thus mitigating the first-mover disadvantage that may still exist with respect to certain practices. Issue platforms also facilitate matchmaking for partnerships, both among like-minded businesses and other stakeholders. Finally, they can help organize the business community around an issue in order to improve the enabling environment for making systemic changes.

Issue platforms represent one of the key means by which companies can together collaborate with relevant stakeholders, address systemic challenges, and truly scale up their efforts. With the launch of new global business engagement initiatives on education and peace in September 2013, platforms exist today to support companies in aligning their activities on all of the likely Post-2015 issues. The Post-2015 development agenda presents an opportunity to further engage issue platforms in global solutions-delivery and encouraging the creation of new initiatives – while also finding ways for different initiatives to coordinate learning and activities for even greater impact.

## BUSINESS SECTOR INITIATIVES

Companies in various industries or sectors are increasingly working together to jointly tackle sustainability issues specific to their sector. The emergence of some of these sector initiatives has demonstrated the potential of lifting up the entire sector, for instance through Responsible Care (chemicals), Global Mining Initiative, Electronic Industry Citizenship Initiative, Fair Labor Association (apparel and textiles), Extractive Industries Transparency Initiative, Global Sustainable Tourism Council and the BSR Guiding Principles on Access to Healthcare.

Business sector initiatives are critical parts of the Architecture for several reasons. For any given company, the most practical examples for how to improve corporate sustainability are likely to come from companies in the same industry. Some industries are systematically important to development and sustainability in lower-income countries; examples include agri-business, extractive industries and banking/financial services. In cases where there are trade-offs between short-term financial goals and taking actions to support sustainable development, resulting in high first-mover costs, collective “pre-competitive” action by all companies in an industry may be the only option for leveling the playing field and implementing important changes.

Sector initiatives can play a significant role in helping to deliver widespread sustainability solutions. Through their direct activities, as well as their often extensive global supply chains, industry groups can begin to more firmly connect their strategies, standards and targets to broader development objectives – ensuring that they play an integral part of the international effort to achieve global sustainable development.

### **LOCAL INITIATIVES AND NETWORKS**

The vast majority of business decisions and actions take place at the local level, dealing with local challenges and involving local stakeholders. Sustainable development requirements and priorities will vary by location. Hence, country and local-level initiatives and networks (such as Global Compact Local Networks) are an essential component of the Business Engagement Architecture.

Local initiatives and networks can offer significant opportunities and support for companies, including understanding local challenges and opportunities that may require business model adaptation and translating universal principles to the local context. Additionally, Local Networks can facilitate dialogue with community stakeholders and between Governments and the business community about national and local sustainable development priorities, and the role of corporate sustainability in addressing them. Such networks also provide a platform for networking and partnering with like-minded peers, and for dialoging with key stakeholders including civil society and Government.

Many local initiatives and networks are already operational, some associated with national and local business

associations and some associated with global corporate sustainability organizations (e.g., Global Compact Local Networks). Where multiple local corporate sustainability networks exist, they should coordinate closely and perhaps even consider merging (while continuing to affiliate with multiple global organizations). In light of the magnitude of global challenges, local networks will need to increase their capacity to create and facilitate partnerships between corporations and the public sector that are capable of systemic changes across a country or industry sector.

It is expected that Member States of the United Nations will develop national objectives and related targets for the Post-2015 era. National strategies should be developed with an eye towards actively involving the business community, and nurturing and leveraging local initiatives that can assist in the realization of sustainable development goals in the coming years and decades.

### **TECHNOLOGY-POWERED PARTNERSHIP HUBS**

Partnerships can rely on technology to deliver significant multiplier effects. With the Internet penetrating every part of the world as an indispensable communication and information channel, technology-powered platforms – typically online initiatives – unite parties around specific projects and solutions that can be rapidly scaled up. In general, technology platforms can be sector, issue and/or geography focused, and they enable companies to share knowledge, partner and scale-up efforts while reducing transaction costs.

One example is the UN Global Compact Business Partnership Hub, launched in September 2013. Utilizing digital technology and map-based analytics, the Hub is an online platform that unites parties around specific projects and solutions on issues such as water and sanitation, climate change, anti-corruption and social enterprise concepts. The goal is to achieve positive outcomes at the local level that can be rapidly scaled up. Two additional examples of technology-driven platforms include the UN-supported Principles for Responsible Investment's Engagement Clearinghouse, an online tool designed to unite investors with respect to incorporating and implementing key environmental and social considerations, and business.un.org, a website that matches business resources with needs from UN organizations.

# BUILDING TRUST



Platforms to support and facilitate business action and partnerships must be balanced by an appropriate set of accountability measures. To build trust and be considered a credible partner in the Post-2015 era, companies should be transparent about their social and environmental impacts, and be accountable for how their business activities create or deplete value for society and what they are doing to improve their performance. This is best accomplished by improving transparency around sustainability performance and the commitments that companies make, and by establishing standards for companies to credibly and effectively communicate to stakeholders on their efforts to implement those commitments.

## PUBLIC RECORDS OF COMMITMENTS TO PRINCIPLES AND GOALS

It is vital that more companies increase transparency and communicate more openly about their sustainability responsibilities and performance. As an important first step, a consolidated global effort must be made to continue to grow the population of companies publicly committed to universal principles, and to make such records easily accessible and searchable. The stakeholders of the nearly 8,000 companies with a public commitment to the UN Global Compact's ten principles are, for example, in a much better position to hold those companies accountable to high standards for human rights, labour practices, environmental stewardship and anti-corruption.

In a similar fashion, indelible records of corporate commitments that include specific and time-bound targets aligned with one or more sustainable development responsibilities and goals can support stakeholders in keeping companies accountable to the promises made and performance achieved. To make this happen at a scale comparable to the challenges ahead, a single global web platform – anchored at the United Nations – is now in place, with a number of different organizations involved in mobilizing and validating commitments. Beyond the immediate impact on accountability, a registry of corporate commitments to support the advancement of sustainable development goals will help facilitate the review of progress made by business overall and enable benchmarking within individual industries and sectors.

A new global web platform allows companies to submit voluntary commitments aligned with sustainable development goals - provided they include measurable and time-bound targets - can be found at <http://business.un.org/commitments>. While many additional features are still to be added in advance of 2015, it is already possible to browse and search commitments that have been made, including those put forward by business in advance of Rio+20."

## **MEASUREMENT PRACTICES**

Measuring, for example, a company's total greenhouse gas emissions or its "poverty footprint" is a very challenging and complex exercise. But if done in a credible manner, it not only allows for useful benchmarking across companies, but more fundamentally helps the company demonstrate the reality of its commitment to sustainability and allows its stakeholders to truly grasp the contribution that the company is making to support important societal goals.

For each of the priority areas of the Post-2015 agenda, a set of key performance targets suitable for companies in different sectors and geographies should thus be identified alongside guidelines for data collection and aggregation.

## **REPORTING STANDARDS**

Over the last two decades, non-financial reporting has grown exponentially and is now widely recognized as a chief transparency measure for companies committed to sustainability. As such, signatories to the UN Global Compact are required to produce an annual Communication on Progress, typically a sustainability or integrated report, providing the company's stakeholders with an account of its economic, social, environmental and governance efforts – including a description of the strategies, policies and procedures in place to continuously improve its performance. Similarly, companies registering commitments with time-bound targets aligned with sustainable development goals on the United Nations platform are required to annually update their stakeholders on the progress made.

An important part of the Post-2015 Business Engagement Architecture, specifically as it relates to transparency and accountability, is therefore a set of reporting standards and frameworks that guide companies in determining what and how to report as related to their economic, social, environmental and governance performance and impact. With the Global Reporting

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Initiative (GRI) and a framework for integrated reporting currently under development by the International Integrated Reporting Council, there is much to build on. Priorities for the Post-2015 era include the further alignment among various standards and frameworks, adaptation to a new set of sustainable development goals, and better understanding of the best approach to external assessment. Most importantly, the priority should be to have the application of standards for sustainability reporting and integrated reporting become as ubiquitous as the use of accounting standards.

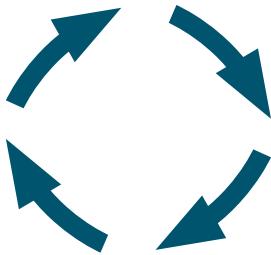
## **CERTIFICATION SCHEMES**

Like reporting standards, certification schemes provide an important tool allowing companies to communicate to its stakeholders about sustainability priorities and progress in a credible manner. But unlike reporting standards, they typically apply to a specific product or service, rather than the entire organization, and are designed to enable simple but credible communication to consumers.

For certification schemes to drive company performance and accountability in a Post-2015 era, the associated standards for social, environmental and governance performance must continue to be on par with the most advanced corporate practices and the effectiveness and credibility of assurance processes must continue to improve. Additionally, some level of consolidation of standards and labels seems to be required in certain areas to increase recognition and uptake by consumers, and thus increase the effectiveness of certification as an accountability tool. In other areas to be covered by the Post-2015 development agenda, companies and relevant stakeholders may need to agree on new certification schemes, establish relevant standards and design adequate assurance processes.

## PROGRESS REVIEW

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To maximize the contribution of business to the Post-2015 Agenda, it will be important to periodically review progress and reflect on past experiences and, on that basis, adjust priorities and approaches. This reflexive dynamic should be built into all levels of the Architecture. Issue platforms, sector initiatives and local networks all

have an important role to play in sharing experiences and contributing innovation and best practices in terms of motivating and facilitating corporate sustainability action and partnerships.

Global corporate sustainability organizations like the UN Global Compact, the World Business Council for Sustainable Development and the Global Reporting Initiative have a particular role to play in regularly taking stock of the overall progress made by business in advancing development and sustainability performance. To capture progress reported by companies and distil insights from the business engagement platforms, initiatives and networks, a new annual review of the Post-2015 Business Engagement Architecture is needed. Such a report could also generate recommendations for the continuous strengthening of the Architecture and feed into the broader Post-2015 development agenda progress review likely to be adopted by Governments.



# The Private Sustainability Finance Case

The finance industry has an especially pivotal role to play in the contribution of business and investment to the Post-2015 agenda.

In recent years, a range of financial market sub-sectors have emerged to incorporate environmental, social, governance as well as broad development concerns into investment decision-making. Adopting terms such as "responsible investment", "sustainable finance" and "impact investing", these efforts share an understanding that global and local sustainability challenges can pose significant investment risk if not managed properly.

Institutional and retail portfolio investors, banking and project finance providers, insurance underwriters, and foundations and philanthropic organizations are supported through a number of market enablers. These include stock exchange-mandated (or suggested) inclusion of sustainability standards and practices in market information; investment issue platforms; capacity-building "gates"; and matchmaking "hubs" to build market infrastructure and advance impact investing.

There are investment business opportunities as well, both in terms of efficiently managing these risks and developing related investment products and innovations, such as: specialized sustainability funds (e.g., clean-tech); impact bonds; climate and crop insurance; and micro-finance and micro-insurance programmes. Thus, these rapidly evolving investor movements seek to generate and secure long-range financial returns while also contributing to sustainability solutions. Examples include:

- The UNEP Finance Initiative, with over 200 institutions, including banks, insurers and fund managers, and UN-supported

Principles for Responsible Investment, representing asset managers and asset owners with well over US \$30 trillion in capital;

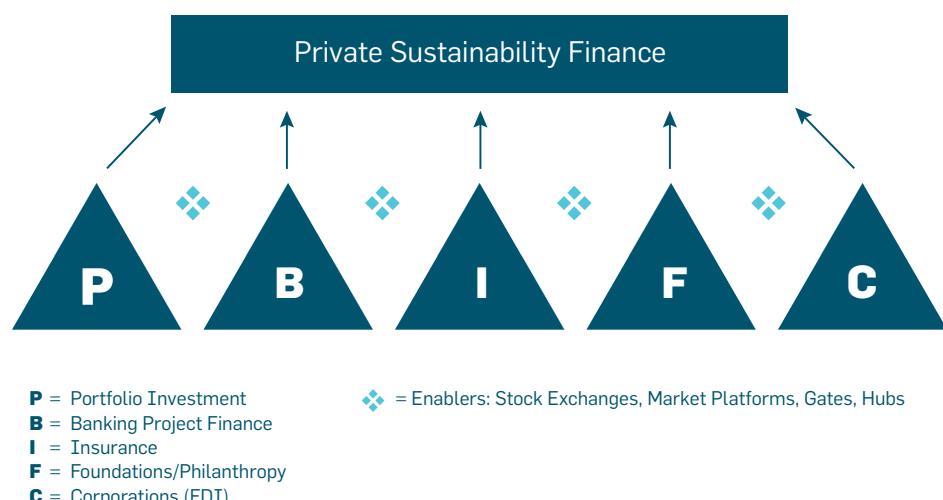
- The Equator Principles, a coalition of banking and similar financial institutions incorporating environmental and social risk into project finance transactions, covering over 70 per cent of all international project finance debt in emerging markets;
- The Principles for Social Investment, a set of guidelines to encourage social investment by foundations and other organizations that help communities meet their development needs in a sustainable manner; and
- The Principles for Sustainable Insurance, a sustainability framework for the development of innovative risk management and insurance solutions.

With respect to the area of foundations and philanthropy – major providers of capital and funding largely in the form of grants and

giving – it is estimated that many tens of billions of dollars are directed each year to support sustainable development projects.

Finally, and importantly, foreign direct investment (FDI) by corporate sources reached \$1.6 trillion in 2012, and is close to recovering the 2007 peak of \$2 trillion. This is also arguably a source of private sustainability financing – provided such investment decisions are rooted in universal sustainability principles. In addition to "sustainable FDI", corporate entities have an opportunity to contribute to private sustainability financing by ensuring that their own managed investment assets – e.g., corporate pension funds – incorporate the tenets of responsible investing.

In sum, private sustainability finance holds enormous potential to contribute to the broad implementation efforts in the Post-2015 future.



# REALIZING THE ARCHITECTURE

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## **TOP PRIORITIES FOR ALL STAKEHOLDERS:**

- Voice public support for the adoption of an ambitious Post-2015 development agenda, including the formulation of specific goals and the recognition of an important role for business based on commitments to principles and goals coupled with public reporting.
- Intensify partnerships and explore new collaborations to maximize impacts;
- Co-invest in global and local platforms, initiatives, and resources to scale-up and advance business engagement on global priorities.

## **COMPANIES:**

- Respect the universal principles of the UN Global Compact – over and above minimum regulatory requirements in countries of operation – and make a public commitment to do so;
- Maintain ongoing and inclusive dialogue with stakeholders and experts to identify, prevent, mitigate and account for sustainability impacts to society and environment from business activities;
- Align business strategies, models and R&D priorities with global sustainability responsibilities and set targets to support the achievement of specific sustainable development goals;
- Integrate sustainability into governance mechanisms and corporate culture, creating the right incentives for management and employees to make the company more sustainable;
- Report on progress to stakeholders in an open and transparent manner and integrate sustainability information into communication with customers and investors, applying relevant reporting standards such as the Global Reporting Initiative, respected measurement practices and certification schemes;
- Leverage channels to communicate corporate sustainability performance to investors and, where relevant, adopt a responsible investment policy for corporate pension funds;
- Undertake sustainability due-diligence and set clear expectations before signing partnership contracts in order to encourage partners throughout the value chain to uphold minimum standards and advance sustainable practices;
- Intensify engagement in issue platforms and sector initiatives in order to scale-up and advance business engagement on sustainability issues and, as relevant, help overcome systemic challenges;
- Engage in local networks and initiatives, actively sharing best practice and learnings with local business community and providing operational support and resources, as appropriate;
- Engage in partnerships with other businesses and stakeholders that can have transformative impacts – moving beyond an ad-hoc project focus.

## **INVESTORS AND FINANCE PROVIDERS:**

- Subscribe to and respect relevant principles, such as the Principles for Responsible Investment (PRI) for asset owners and managers, Equator Principles for project finance providers, and the Principles for Sustainable Insurance;
- Ask companies to provide material information on the integration of sustainability into business strategy and corporate governance structures, based on credible reporting standards and subject to certification;
- Support the growth of impact investing, through the development and marketing of sustainability funds and innovative financing products to support sustainable development activities;
- Find opportunities to increase access to finance and financial services for the poor.

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**GOVERNMENTS:**

- Take all steps to fulfill the duty to protect human rights and fundamental freedoms of individuals and to overcome violence and establish peaceful and stable conditions which are necessary for the private sector to deliver economic and related social benefits integral to broad sustainable development;
- Commit to fundamental norms of multilateral trade so that business can more effectively disseminate technologies and innovations that create market opportunities and jobs;
- Build effective policy frameworks and incentives to support and accelerate solutions towards sustainability. Create an enabling environment for corporate sustainability, incentivizing the right kind of behaviour through different various policies and mechanisms;
- Support private sector engagement in voluntary initiatives, platforms and networks that promote corporate sustainability based on universal values, such as those of the UN Global Compact, through actions that include awareness raising, developing tools and incentives, and funding;
- Encourage companies to enhance accountability and transparency through publicly disclosing sustainability practices – especially in an integrated fashion – and by applying frameworks such as the Global Reporting Initiative (GRI);
- Provide seed capital for innovative new issue platforms and sector initiatives and support the operational strengthening of local sustainability initiatives and networks;
- Actively involve the business community in dialogue on the setting and achievement of national sustainability goals and priorities;
- Ensure that state-owned enterprises become leaders in corporate sustainability, particularly with respect to governance, transparency and accountability;
- Apply responsible investment principles and best practices to sovereign wealth funds and other pools of public funds, such as pension funds, development banks and official foreign exchange reserves.

**CIVIL SOCIETY:**

- Participate in ongoing dialogue with business, assisting in identifying social, environmental and governance risks arising from their activities, collaborating in finding solutions; and reviewing public disclosures by business;
- Engage in partnership with business on common priorities, lending expertise and reach to support corporate efforts, strategy and reporting of impacts and results;
- Participate in and strengthen local networks, issue platforms and sector initiatives;
- Support the development and dissemination of standards for measurement, reporting and certification of corporate sustainability;
- Report publicly to stakeholders on the organization's work to advance sustainable business practices.

**BUSINESS SCHOOLS:**

- Internalize the Principles for Responsible Management Education (PRME);
- Partner with companies and business schools through collaborative platforms to develop curricula and research programmes that provide current and future business leaders with the necessary mindsets, skills and knowledge to lead companies to more sustainable outcomes.

## POST-2015 BUSINESS ENGAGEMENT ARCHITECTURE

