EXECUTIVE SUMMARY

The report of the Business & Sustainable Development Commission

January 2017
2016 has unsettled business leaders everywhere. Whatever one’s political views, uncertainty and the return to a much more nationalist politics in many countries have displaced the assumption of steady global integration. Many commentators have declared that globalisation has already peaked, despite its role in the past 30-year run of unprecedented successes worldwide in health, wealth, education and life expectancy.

Certainly the contradictions of that success caught up with us in 2016. In the West, stagnant incomes among broad groups made them angry at elites who were bailed out after the global financial crisis. Frustrated voters have rejected more international integration. Elsewhere, too, those losing out either economically or environmentally, such as the citizens of smog-choked Asian cities, or socially, through the breakdown of traditional rural communities, are asking whether the costs of our global economy are greater than its benefits.

These hard questions matter to business leaders everywhere. As members of the Business and Sustainable Development Commission, we argue that it is incumbent on all of us to make the case for business to be at the heart of an open global economic
system. But we cannot defend a lazy return to the old model that has been so widely rejected over the past year.

"Business leaders need to strike out in new directions to embrace more sustainable and inclusive economic models."

We must have the courage to strike out in new directions and embrace an economic model which is not only low-carbon and environmentally sustainable, but also turns poverty, inequality and lack of financial access into new market opportunities for smart, progressive, profit-oriented companies. These complex challenges need the full and combined attention of government, civil society and business. Otherwise, there is no chance of solving them.

Solutions are urgently needed. We see the next 15 years as critical, with change starting now and accelerating over the period. Business as usual is not an option: choosing to “kick the can down the road” over the next four years will put impossible environmental and social strains on a stuttering global economy. But if enough leaders act now and collectively, we can forge a different path, one that eases the burden on finite resources and includes those currently left behind or excluded from the market, helping to address today’s political grievances.

In the pages of this report, some 35 business leaders and civil society representatives offer our prescription for a new, socially focused business model that reaches parts of the global economy previously left largely to public aid. It considers adopting the same approaches in developed markets to address similar pockets of need. Taking the UN’s new Global Goals for Sustainable Development as the basis for our action plan, we lay out how pursuing these goals in partnership with government and civil society will lead to greater, more widely shared prosperity for all by 2030. We make the case that businesses adopting this plan will transform their own prospects and could outperform those stuck in yesterday’s economic game: this is about return on capital, not just responsibility.

"Big business and finance need to regain public trust."

But responsibility matters too. One casualty of the general meltdown in support for elites is trust in business. Big business and major financial institutions are increasingly perceived as detached and rootless, more willing to justify themselves to each other at meetings like the World Economic Forum than to national legislatures, let alone at town halls in the communities where they operate. So at the core of our argument is also the need for business to regain the licence to operate. We anticipate much greater pressure on business to prove itself a responsible social actor, creating good, properly paid jobs in its supply chains as well as in its factories and offices. Business will need to demonstrate that it pays taxes where revenue is earned; abides by environmental and labour standards; respects the national politics and customs where it operates; integrates social and environmental
factors in its investment decisions; and, above all, engages as a partner with others to build an economy that is more just.

Building those partnerships is not simply a response to the political tides flowing so strongly against what is seen as unaccountable globalisation today. It’s also an acknowledgment that the tensions between business and society will remain as each grapples with the changes ahead brought on by disruptive advances in technologies like artificial intelligence and automation. Technology has the potential to drive a better, more sustainable economy for all, but only if there is a continuous dialogue between the innovators and society. Business is a bridge for that conversation. It can apply the capital and skills needed to scale new ideas, taking them from the garage or lab to where they have local and global impact.

The Commission represents a considerable combined corporate value and a wide range of geographies and sectors. But we are still, in the global scheme of things, a tiny handful of people armed only with a big idea. So this is our challenge: we appeal to business leaders everywhere to read our report and join us in building a powerful movement for a new kind of business. Together we can reach that tipping point where business, government and civil society embrace the new model for the future and we create sustainable prosperity for all. This will not happen just through natural forces. It will take acts of real leadership.

We plan to make our invitation personally to colleagues and friends, and we want everybody who reads this report to consider themselves invited to join us. Please contact Mark directly at m.malloch-brown@businesscommission.org.

Mark Malloch-Brown and Paul Polman
Co-founders, Business and Sustainable Development Commission
SUMMARY

Over the past 30 years, the world has seen huge social improvements and technological progress. We have experienced unprecedented economic growth and lifted hundreds of millions of people out of poverty. We’re benefiting from a life-changing digital revolution that could help solve our most pressing social and environmental challenges. Yet despite these successes, our current model of development is deeply flawed.

Signs of its failure and imperfections in today’s markets are everywhere. Natural disasters triggered by climate change have doubled in frequency since the 1980s. Violence and armed conflict cost the world the equivalent of nine percent of GDP in 2014, while lost biodiversity and ecosystem damage cost an estimated three percent. We continue to invest in high-carbon infrastructure at a rate that could commit us to irreversible, immensely damaging climate change. Social inequality and youth unemployment is worsening in countries across the world, while on average women are still paid 25 percent less than men for comparable work.

“Median real wages have been stagnant in developed economies since the 1980s.”

Median real wages have been stagnant in developed economies since the 1980s, deep anxiety about the impact of automation on both service and manufacturing jobs and opposition to more globalisation. Real interest rates are historically low, even negative, in several major economies, while total debt remains uncomfortably high. Economic views lurch unpredictably between techno-optimism and political pessimism.

The resulting uncertainty makes it hard for business leaders to see the way ahead. Rather than commit to longer-term investments, many companies are treading water – sitting on cash, buying back shares, paying high dividends. The latest global report on trust in business from Edelman shows a double-digit decline in the credibility of CEOs in 80 percent of countries.

What else can business leaders do in these circumstances?

This report offers a positive alternative: setting business strategy and transforming markets in line with the UN Sustainable Development Goals. For the past year, the Business and Sustainable Development Commission has been researching the impact on business of achieving these 17 objectives, known as the Global Goals, which UN member states agreed to in September 2015. Member states will aim their policies towards achieving the Global Goals for the next 15 years (Exhibit 1).
Achieving the Global Goals would create a world that is comprehensively sustainable: socially fair; environmentally secure; economically prosperous; inclusive; and more predictable. They provide a viable model for long-term growth, as long as businesses move towards them together. The goals are designed to interact, so progress on them all will have much more impact than achieving only some. Of course, the results will not be heaven on earth; there will be many practical challenges. But the world would undoubtedly be on a better, more resilient path. We could be building an economy of abundance.

These are results that business leaders will surely support. However, they are less likely to feel responsible for delivering them: one survey shows that half the business community think this is government territory.²

Our research tells a very different story. First, it shows that business really needs the Global Goals: they offer a compelling growth strategy for individual businesses, for business generally and for the world economy. Second, the Global Goals really need business: unless private companies seize the market opportunities they open up and advance progress on the whole Global Goals package, the abundance they offer won’t materialise.

Those of us on the Commission who lead companies are choosing to incorporate the Global Goals for Sustainable Development into our core growth strategies, value chain operations and policy positions. This report argues that other business leaders should do the same and soon, whatever the scale of their operations.
“Achieving the Global Goals creates at least US$12 trillion in opportunities.”

Achieving the Global Goals opens up US$12 trillion of market opportunities in the four economic systems examined by the Commission. These are food and agriculture, cities, energy and materials, and health and well-being. They represent around 60 percent of the real economy and are critical to delivering the Global Goals. To capture these opportunities in full, businesses need to pursue social and environmental sustainability as avidly as they pursue market share and shareholder value. If a critical mass of companies joins us in doing this now, together we will become an unstoppable force. If they don’t, the costs and uncertainty of unsustainable development could swell until there is no viable world in which to do business.

This is new territory. Moving business to a sustainable growth model will be disruptive, with big risks as well as opportunities at stake. It will involve experimenting with new “circular” and more agile business models and digital platforms that can grow exponentially to shape new social and environmental value chains. Knowing how to move first and fast is critical; so is reducing exposure to the risk of assets being stranded by the shift to low-carbon, more automated economies.

The report that follows is a call to action for current and future business leaders. It explains why they should go for growth in line with the Global Goals and how to lead that change, in their own businesses and beyond.

THE BUSINESS CASE FOR THE GLOBAL GOALS

The business case for sustainable development is strong already: it opens up new opportunities and big efficiency gains; it drives innovation; and it enhances reputations. With a reputation for sustainability, companies attract and retain employees, consumers, B2B customers and investors, and they secure their licence to operate. That’s why sustainable companies around the globe are thriving and delivering attractive returns to shareholders. That is why over 9,000 companies around the world have already signed up to the 10 principles of the UN Global Compact, a guide to sustainable business behaviour.

The business case for sustainable development as core strategy gets much stronger as the world achieves the Global Goals. Our research shows achieving the Global Goals in just four economic systems could open 60 market “hot spots” worth an estimated US$12 trillion by 2030 in business savings and revenue (Exhibit 2). The total economic prize from implementing the Global Goals could be 2-3 times bigger, assuming that the benefits are captured across the whole economy and accompanied by much higher labour and resource productivity. That’s a fair assumption. Consider that achieving the single goal of gender equity could contribute up to US$28 trillion to global GDP by 2025, according to one estimate. The overall prize is enormous.
**EXHIBIT 2:**
60 biggest market opportunities related to delivering the Global Goals

<table>
<thead>
<tr>
<th>Food and Agriculture</th>
<th>Cities</th>
<th>Energy and Materials</th>
<th>Health and Well-Being</th>
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<td>1 Reducing food waste in value chain</td>
<td>Affordable housing</td>
<td>Circular models - automotive</td>
<td>Risk pooling</td>
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<td>2 Forest ecosystem services</td>
<td>Energy efficiency - buildings</td>
<td>Expansion of renewables</td>
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<td>3 Low-income food markets</td>
<td>Electric and hybrid vehicles</td>
<td>Circular models - appliances</td>
<td>Telehealth</td>
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<td>4 Reducing consumer food waste</td>
<td>Public transport in urban areas</td>
<td>Circular models - electronics</td>
<td>Advanced genomics</td>
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<td>5 Product reformulation</td>
<td>Car sharing</td>
<td>Energy efficiency - non-energy intensive industries</td>
<td>Activity services</td>
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<td>6 Technology in large-scale farms</td>
<td>Road safety equipment</td>
<td>Energy storage systems</td>
<td>Detection of counterfeit drugs</td>
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<td>7 Dietary switch</td>
<td>Autonomous vehicles</td>
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<td>8 Sustainable aquaculture</td>
<td>ICE vehicle fuel efficiency</td>
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<td>9 Technology in smallholder farms</td>
<td>Building resilient cities</td>
<td>Energy efficiency - energy intensive industries</td>
<td>Better disease management</td>
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<td>10 Micro-irrigation</td>
<td>Municipal water leakage</td>
<td>Carbon capture and storage</td>
<td>Electronic medical records</td>
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<td>11 Restoring degraded land</td>
<td>Cultural tourism</td>
<td>Energy access</td>
<td>Better maternal and child health</td>
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<tr>
<td>12 Reducing packaging waste</td>
<td>Smart metering</td>
<td>Green chemicals</td>
<td>Healthcare training</td>
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<td>13 Cattle intensification</td>
<td>Water and sanitation infrastructure</td>
<td>Additive manufacturing</td>
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<td>14 Urban agriculture</td>
<td>Office sharing</td>
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<td>15</td>
<td>Timber buildings</td>
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<td>Durable and modular buildings</td>
<td>Mine rehabilitation</td>
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<td>17</td>
<td></td>
<td>Grid interconnection</td>
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Leading for sustainable development

The Commission has identified the following six actions you can take as a business leader to capture your share of this prize. All of them need real leadership from the top, to inspire purpose and commitment among everyone in your business and to transform the markets in which you all operate together.

1. **Build support for the Global Goals as the right growth strategy** in your companies and across the business community. The more business leaders who understand the business case for the Global Goals, the faster progress will be towards better business in a better world.

2. **Incorporate the Global Goals into company strategy.** That means applying a Global Goals lens to every aspect of strategy: appointing board members and senior executives to prioritise and drive execution; aiming strategic planning and innovation at sustainable solutions; marketing products and services that inspire consumers to make sustainable choices; and using the goals to guide leadership development, women's empowerment at every level, regulatory policy and capital allocation. Achieving the Global Goals will create 380 million new jobs by 2030.\(^1\) You need to make sure your new jobs and any others you generate are decent jobs with a living wage, not only in your immediate operations but across your supply chains and distribution networks. And you need to help investors to understand the scale of value that sustainable business can create.

3. **Drive the transformation to sustainable markets with sector peers.** Shifting whole sectors onto a sustainable footing in line with the Global Goals will unlock much bigger business opportunities. Consider food and agriculture. A global food and agriculture system in line with the Global Goals would deliver nutritious, affordable food for a growing world population, generate higher incomes – especially for the world’s 1.5 billion smallholders – and help restore forests, freshwater resources and vital ecosystems. It would create new economic value of more than US$2 trillion by 2030.\(^2\) And it would be much more resilient to climate risk.

“Business as usual” will not achieve this market transformation. Nor will disruptive innovation by a few sustainable pioneers be enough to drive the shift: the whole sector has to move. Forward-looking business leaders are working with sector peers and stakeholders to map their collective route to a sustainable competitive playing field, identifying tipping points, prioritising the key technology and policy levers, developing the new skill profiles and jobs, quantifying the new financing requirements, and laying out the elements of a just transition. Over the next 15 years, driving system change in line with the Global Goals with sector peers will be an essential, differentiating skill for a world-class business leader. It means shaping new opportunities, pre-empting the risks of disruption and renewing businesses’ licence to operate.
4. **Work with policy-makers to pay the true cost of natural and human resources.** Sustainable competition depends on all the competitors facing prices that reflect the true costs of the way they do business – internalising the externalities, to use the jargon. The idea of pricing pollution at its true environmental and social cost has been around for a long time. But the need for strong carbon pricing is becoming ever more urgent to tackle the risk of runaway climate change.

Establishing prices for carbon as well as other environmental resources (especially water in many areas) and sticking to those prices fires the starting gun for a “race to the top”. Businesses that choose to pay living wages and the full cost of their resources need to be certain that their competitors will do the same in the not too distant future if they are not to be at a cost disadvantage. Business leaders must therefore work openly with regulators, business and civil society to shape fiscal and regulatory policies that create a level playing field more in line with the Global Goals. This could involve fiscal systems becoming more progressive through putting less tax on labour income and more on pollution and under-priced resources.

5. **Push for a financial system oriented towards longer-term sustainable investment.** Achieving the Global Goals will likely require an estimated US$2.4 trillion a year of additional investment, especially for infrastructure and other projects with long payback periods. There is enough capital available. But in the world’s uncertain circumstances, most investors are looking for liquidity and short-term gains. As soon as companies are paying “full” prices that reflect social and environment externalities, then their financial performance will be the main signal that investors need to understand companies’ relative performance on the Global Goals. But achieving full prices across the economy will take time. Until then – and to help bring that day closer – business leaders can strengthen the flow of capital into sustainable investments by pushing for three things: transparent, consistent league tables of sustainability performance linked to the Global Goals; wider and more efficient use of blended finance instruments to share risk and attract much more private finance into sustainable infrastructure; and alignment of regulatory reforms in the financial sector with long-term sustainable investment.

6. **Rebuild the Social Contract.** Trust in business has eroded so sharply since the global financial crisis, the social fabric is wearing thin. Many see business as reneging on its social contract. Business leaders can regain society’s trust and secure their licence to operate by working with governments, consumers, workers and civil society to achieve the whole range of Global Goals, and adopting responsible, open policy advocacy.

Rebuilding the social contract requires businesses to pay their taxes transparently like everyone else and to contribute positively to the communities in which they operate. In total, there are over 700 million workers employed directly and indirectly in global supply chains. Treating them with respect and paying them a decent wage would go a long way
to building a more inclusive society and expanding consumer markets. Investing in their training, enabling men and women to fulfil their potential, would deliver further returns through higher labour productivity. And ensuring that the social contract extends from the formal into the informal sector, through full implementation of the UN Guiding Principles on Business and Human Rights, should be non-negotiable. There are still between 20-40 million people working in forms of modern slavery and over 150 million children working in the fields, mines, workshops, and rubbish dumps that underpin much of the global economy, unseen and unprotected.17

“More than 150 million children are working unseen and unprotected.”

This is an unacceptable feature of 21st century capitalism – one that boardrooms, investors and consumers can no longer ignore.

Making the choice

Businesses don’t have to lead the shift to a sustainable global economy. There are two alternatives. They can do more of the same, so today’s slow shuffle towards sustainability continues, two steps forward, one or more steps back. Or they can delay the shift because of apparent advantages to them in the status quo.

But neither option has a long-term future. The environmental and climate science is clear: so are the growing costs of inaction. People and most governments want faster progress.

Delaying a better world is wrong, and decent board members, employees, consumers and investors want to do the right thing. And if progress is too slow, there may be no viable world to do business in.

If social and environmental indicators don’t improve in the next 5-15 years, what’s most likely is a strengthening popular backlash against business and increasingly drastic regulatory responses from governments. First movers who have already aligned their resource use and workforce management with the Global Goals will have a 5-15 year advantage on the sustainable playing field. The faster a critical mass of company leaders decide to line up their business objectives with the Global Goals and make their sectors more sustainable, the more business there will be for everyone in a more predictable, prosperous, peaceful world.

Some of us on the Commission run or serve smaller businesses and all of us have vendor and supply chains that include medium and small enterprises. We recognise that many of the 380 million new jobs that achieving the Global Goals will create will be in businesses of this scale. Their strategies are critical to progress towards sustainable markets and value chains.
Progress could be delayed if they don’t get enough support. In particular, they need access to affordable finance to make sustainable investments that make a positive social and environmental impact as well as a decent return.

Over the coming months, members of the Commission plan to give our support to all those business leaders who, like us, want better business in a better world. It is time to change the game.
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8 Economic systems are defined as areas of economic activity with common value drivers. For example, the food and agriculture economic system embraces all the economic activities that deliver value in the provision of food to consumers, from fertilisers and farm production to logistics and grocery retail services.


The Business and Sustainable Development Commission was launched in Davos in January 2016. It brings together leaders from business, finance, civil society, labour, and international organisations, with the twin aims of mapping the economic prize that could be available to business if the UN Sustainable Development Goals are achieved, and describing how business can contribute to delivering these goals.

The Better Business, Better World report was led by the commissioners, and supported by: the Australian Department of Foreign Affairs and Trade (DFAT), the Bill & Melinda Gates Foundation, the Global Green Growth Forum (3GF), the Swedish International Development Cooperation Agency (Sida), the Netherlands Ministry of Foreign Affairs (MoFA), the Norwegian Ministry of Climate and Environment, the Rockefeller Foundation, and the UK Department for International Development (DFID). The Commission also benefits from the generous financial support of its commissioners.

The Business and Sustainable Development Commission has overseen this report with secretariat support provided by the UN Foundation and SYSTEMIQ. Chaired by Lord Mark Malloch-Brown, the Commission comprises business leaders from around the world.

Members of the Business and Sustainable Development Commission endorse the general thrust of the arguments, findings, and recommendations made in this report, but should not be taken as agreeing with every word or number. They serve on the Commission in a personal capacity. The institutions with which they are affiliated have not been asked to formally endorse the report.

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