

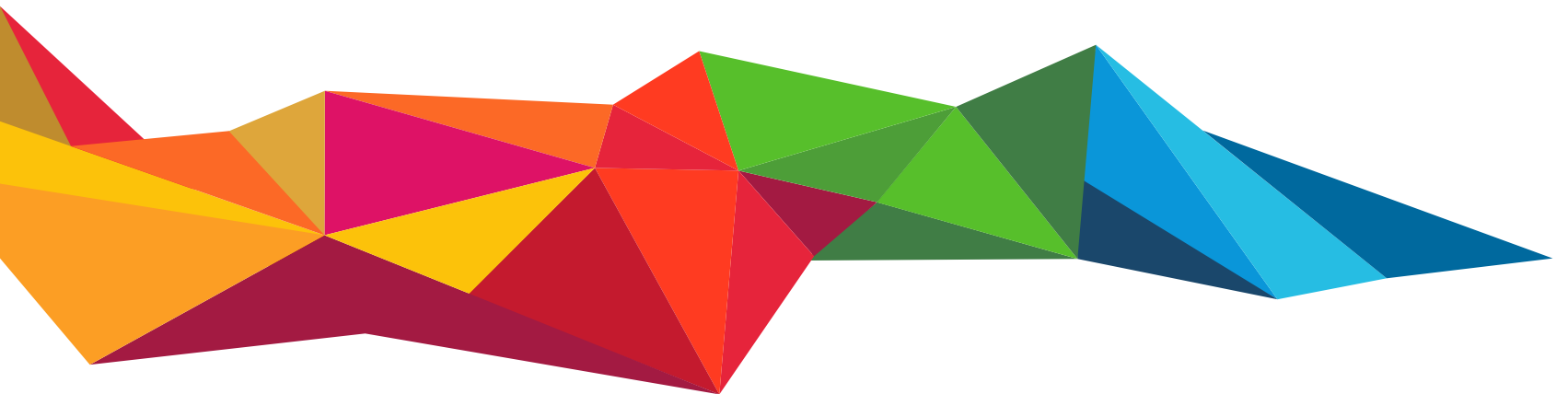


United Nations
Global Compact

20
years

UNITING BUSINESS IN THE DECADE OF ACTION

Building on 20 Years of Progress



ABOUT THIS REPORT

The year 2020 marks the 20th anniversary of the United Nations Global Compact and the fifth year since the launch of the UN Sustainable Development Goals (SDGs). The UN Global Compact and DNV GL, an independent provider of sustainability and risk management services, have worked together to assess the progress made by the UN Global Compact business participants to date and looked ahead to what systemic changes are needed to reach the Sustainable Development Goals by 2030.



ACKNOWLEDGEMENTS:

This report has been prepared by DNV GL in close cooperation with the UN Global Compact. The contributions of the project team are acknowledged in the appendix.

We wish to thank representatives of the organizations listed below, who made a significant contribution to this work through participating in research interviews and providing case studies. The participating organizations span the various sectors covered in chapter 5.

ORGANIZATIONS THAT PARTICIPATED IN RESEARCH INTERVIEWS AND PROVIDED CASE STUDIES INCLUDE:

ABB	FUJIFILM Holdings Corporation	Nestlé
Anglo American	GSK	Norsk Hydro
ArcelorMittal	GSMA	Norwegian Shipowners' Association
Ayala Corporation	HSBC	Novo Nordisk
Banco Bradesco	Huawei	Oceana Group
BASF	Iberdrola	PRI
Bayer	International Council on Mining & Metals (ICMM)	Singtel
bioMérieux	Kering	Tata Chemicals
BMW Brilliance	Koç Holding	Telenor
CEMEX	LEO Pharma	Turkcell
Cermaq	L'Oréal	UPM
C.P. Group	Maersk	Volvo Cars
DBS Bank	Mahindra Group	Yara International
Distell		
Equinor		



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FOREWORD

António Guterres

United Nations
Secretary-General

From its inception, the United Nations has embodied a vision of international cooperation among Governments and peoples to build a more peaceful and prosperous world for all. The business community, too, must answer that call. It is for this reason the United Nations Global Compact was created at the turn of the millennium to guide and inspire companies everywhere to join in tackling humanity's most pressing challenges.

Now, as the UN Global Compact marks 20 years of uniting business for a better world – having grown from 44 business participants to more than 10,000 companies, 3,000 non-business signatories and 68 Local Networks – the challenges we face are as great as any in the history of the United Nations. The COVID-19 pandemic, with its twin health and socio-economic crises, has swiftly and dramatically upended lives and livelihoods in nearly every corner of the globe. It has exposed global fragilities and laid bare the rampant inequalities that were already making life difficult for the most vulnerable. Upholding the core promise of the 2030 Agenda for Sustainable Development – to leave no one behind – has never been more urgent.

The UN system is fully mobilized to save lives and ease suffering. Moreover, we know that recovery must not aim to simply go back to old ways and business-as-usual. We must work as an



international community to build more sustainable and inclusive societies to withstand future shocks. The Ten Principles of the UN Global Compact in the areas of human rights, labour, environment and anti-corruption continue to show their immense value. Over its 20-year history, the Compact has guided companies of all sizes and from all regions to embed a principles-based approach to doing business. It has also brought the voice of responsible business into global agenda-setting discussions, including on the Sustainable Development Goals and Paris Agreement on Climate Change.

The Compact has pioneered standards and guidance through the Science Based Targets initiative, the Business Ambition for 1.5°C campaign, the Women's Empowerment Principles, and the UN Guiding Principles on Business and Human Rights. It has developed a set of Principles for Responsible Investment, which has more than 2,300 signatories, as well as a body of Principles for Responsible Management Education designed to equip tomorrow's responsible business leaders with sustainability acumen and awareness. And the Compact's Local Networks have built up a strong presence to advance public-private dialogue and action. Where once "do no harm" was a common approach for the global business community, today we are arriving at a new landscape of elevated expectations and responsibilities.

At this pivotal moment, there is great scope for the United Nations and the business community to do even more as partners for a brighter future. By bringing together the universality of the United Nations, the formidable capacities of the private sector and our common global reach, we can help the vulnerable, rescue the planet and promote stability and shared progress. We do not yet know how we will find our way out of today's crisis, but with determination, big ideas, unity and hope, we can recover better and build a more resilient world.

“Now, as the UN Global Compact marks 20 years of uniting business for a better world . . . the challenges we face are as great as any in the history of the United Nations. Upholding the core promise of the 2030 Agenda for Sustainable Development – to leave no one behind – has never been more urgent.”



FOREWORD

Lise Kingo

CEO & Executive
Director
United Nations
Global Compact

Twenty years ago, the late UN Secretary-General Kofi Annan had the vision and foresight to initiate a global compact of shared values and principles between the United Nations and business to give the global market a human face. If we fail to make globalization work for all, he cautioned, it will work for none.

This year we celebrate the 20th anniversary of the United Nations Global Compact in the shadow of COVID-19, with the words of Kofi Annan ringing in our ears. We do so with the understanding that the human community is completely interconnected and interdependent. That without solidarity, especially with those most vulnerable among us, we all lose.

Now is the time to get it right and the UN Global Compact is ready to take on the challenge. What started out as a bold vision together with 44 pioneering companies has today grown to become the world's largest sustainable business initiative. With 68 Local Networks, more than 10,000 businesses headquartered in 160 countries, representing more than 70 million employees worldwide, we have become a global movement of businesses and stakeholders united to create the world we want. Guided by our Ten Principles, and with the 17 Sustainable Development Goals and the Paris Climate Agreement as our lighthouse, the UN Global Compact is here to lead the largest-ever business model transformation towards a new normal.



Together with DNV GL, we have taken the opportunity to take stock of the first 20 years of progress to lay the foundation for the next ten. Some things stand out:

Since the 2030 Agenda for Sustainable Development was adopted, we have seen sustainability turn into a strategic business agenda anchored with the CEO. Today the vast majority of businesses have policies covering all Ten Principles, and are taking action towards the SDGs.

But policies alone make little difference when goal setting and ambition are not ambitious enough to deliver the impact at the scale that we need, across all of the SDGs. The good news is that CEOs know that they and their peers need to ramp up ambition and they recognize the SDGs as crucial for the future of their businesses.

What is also clear is that the Ten Principles and the SDGs are not yet deeply enough integrated into the corporate purpose, governance and strategy of the majority of businesses. Therefore they are not sufficiently visible in decision-making and action.

While businesses widely recognize their positive contributions to the SDGs, their negative impacts are significantly under-recognized. This partly stems from the fact that only a minority of companies apply the Ten Principles to assess and

address their risks and impacts. This is particularly true for the social dimensions – human rights and labour, where only a fraction of companies use the Ten Principles to drive change in their global supply chain. The lack of impact assessments against the Ten Principles and the SDGs, not least in the supply chain, may explain why the SDGs that address poverty, hunger and reduced inequalities are glaring by their omission.

This is important to take note of, because COVID-19 has exposed the vulnerabilities of a global market that has allowed social inequalities to widen for two-thirds of the global population. With half the world's population employed in the informal sector without any social protection, 1.6 billion people are presently facing the risk of seeing their livelihoods disappear and close to 50 million people are being thrown back into extreme poverty. Business leaders of the future need to understand that the key to stable markets is social equality.

With many other crises looming large, from climate change, biodiversity loss and the erosion of planetary resources, let's use COVID-19 as our wake-up call to put the world on track to create the world we all want.

“With less than 4,000 days remaining until the 2030 target, we must step up and turn commitment into action. The time is now to raise SDG Ambition for people, planet and prosperity and create a new normal.”

Most importantly, we need the most senior leaders – CEOs, their executive teams and the boards – to use their power to become activists for social change. My message to you is: don't underestimate the power of your own example. Your voice. Your organizational footprint in the world. You have the power to bolster the resolve of policy makers to prioritize sustainable development. Leadership is about having the courage to be the change. Indeed to insist on change.

In the Decade of Action – let's put people first!

Lise Kingo

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

“Achieving the needed change requires a ramping up of both ambition and action among all companies, whether they operate within the energy, healthcare, food, finance, transport or other systems.”

Making an impact

With only ten years left to reach the Sustainable Development Goals, we need to accelerate from decades of ambition to a Decade of Action.

From the clamour of school children protesting the lack of action on the climate threat, to the disconcerting new normal of the pandemic and, most recently, the calls for justice and equality around the world, the events of the past year have rocked us. As they should. These events underline that the Sustainable Development Goals are not just ideals to aspire to, but fundamentals in creating a just society, with equal opportunity for all on a planet that is habitable. Time is running out. The Decade of Action must start now.

When the UN Global Compact asked us to create this report, we asked ourselves how we could shed new light on the progress made and the needed direction onwards. Interviews were conducted with companies that actively participate in the work of the UN Global Compact. These were held during the height of COVID-19 lockdown measures, with a multitude of short-term survival priorities to attend to, emphasizing the importance the business community places on sustainability issues.

In our research into the UN Global Compact participants, we found that awareness of the SDGs is high. Within the systems they are part of, companies share a focus on the SDGs that are most pertinent to them. The research confirmed that the Ten Principles have been embedded in corporate practices among the companies interviewed, and that progress has been made in adapting policies and principles over the past twenty years. To deliver deeper change in sustainable business, the business community needs to move from policy commitments to action that can lead to actual performance improvements.

We found widespread support for the work of the UN Global Compact and a belief that the Global Compact has an important role to play in the nexus between political, business and NGO worlds. There is, however, an opportunity to expand its reach in regions where participation is low.

As we mark the 20th anniversary of the UN Global Compact, we note the progress made, but also that there is much more to do.

Our previous work assessing the likelihood of achieving the SDGs (Future of Spaceship Earth, 2016) and forecasting the energy future towards 2050 (Energy Transition Outlook, 2019) has shown that step-changes, beyond incremental improvements, are needed to deliver the world humanity wants. Companies and the systems they are part of are moving broadly in the same direction, but not in a concerted effort. Achieving the needed change requires a ramping up of ambition among all companies, whether they operate within the energy, healthcare, food, finance, transport or other systems.

Most importantly, this is the decade in which humanity will either succeed or fail in delivering on the 17 Sustainable Development Goals. Failure cannot be an option. The Decade of Action requires all companies to take a deep look at where we are falling short and set industry-specific goals, standards and execution plans. This is how we will contribute to the transformation needed.

Remi Eriksen
Group President and
CEO, DNV GL





The year 2020 marks the 75th anniversary of the United Nations and the 20th anniversary of the UN Global Compact. It also kicks off a new Decade of Action to deliver the 17 Sustainable Development Goals – the boldest agenda for humanity ever adopted

The UN Global Compact: building a worldwide initiative

The United Nations Global Compact is the world’s largest corporate sustainability initiative. Launched in 2000 as a special initiative of the UN Secretary-General, the mission of the UN Global Compact is to mobilize a global movement of sustainable companies and stakeholders to create the world we want.

Businesses that join the initiative commit at the CEO-level to align their corporate strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption and take actions to support the Sustainable Development Goals (SDGs).

Through providing authoritative guidance, training, tools and support, and connecting stakeholders across the globe, the UN Global Compact enables businesses of all sizes and from all sectors to achieve their sustainability objectives.



FROM 44 TO 10,000 BUSINESS PARTICIPANTS



A GLOBAL MOVEMENT OF SUSTAINABLE COMPANIES TO CREATE THE WORLD WE WANT



- 1. Energy, natural resources and basic materials
- 2. Industrial manufacturing
- 3. Food, beverage and consumer goods
- 4. Healthcare and life sciences
- 5. Mobility and transportation
- 6. Telecommunications and technology
- 7. Financial services

METHODOLOGY

The "Uniting Business in the Decade of Action" report is based on a research frame developed by DNV GL's sustainability experts on behalf of the UN Global Compact.

The underlying premise of the research is that systemic change is needed if we are to deliver on the SDGs in this Decade of Action. By looking at business contribution in sectors that correlate to systems, we can obtain new and more business-relevant insights into the current status, the action required and associated barriers and enablers. Seven systems were examined to answer three fundamental objectives:

- 1. Looking back on 20 years of embedding the Ten Principles
- 2. Progress on the SDGs and changes needed to achieve the 2030 Agenda
- 3. Looking ahead to the Decade of Action and what companies need to do to propel the Decade of Action.

DNV GL gathered evidence from the UN Global Compact Annual Implementation Survey 2020 (including new 'systems' questions) supported by 40 interviews with UN Global Compact participants from around the world, the majority at the Chief Sustainability Officer level. This was combined with a trend analysis of surveys since 2010, an in-depth look at selected participants'

self-assessment through their Communication on Progress (CoP), additional data from the UN Global Compact and wider desktop research. The research was conducted between February and May 2020. The UN Global Compact provided content covering its own history, descriptions of key initiatives over the last years and stories from their Local Networks in chapter 3. The call to action in chapter 7 was also provided by the UN Global Compact. Participants in the UN Global Compact provided case studies. For more details, please see the Methodology section on page 134.

RESEARCH TEAM

DNV GL has a dedicated global practice of more than 250 experts focused on sustainability matters. These experts leverage the knowledge of 12,000 DNV GL employees in over 100 countries working with many thousands of businesses every day, from predicting the energy transition challenges and opportunities over the next decades to ensuring that food supply chains can be trusted and that the world's shipping fleet is safe.

Because we work in almost every sector, on almost every sustainability topic, we recognize many of the challenges being faced by business in achieving the SDGs. These insights have informed our approach to this research.



83%

of companies participate in the UN Global Compact as a way to increase trust through a public commitment to sustainability

Progress to date

In pursuing its vision – to mobilize a global movement of sustainable companies and stakeholders to create the world we want – the UN Global Compact is helping businesses around the world to prepare for and adapt to the transformations needed to achieve the 2030 Agenda. The ultimate goal is for business to enhance its environmental, social and governance outcomes.

More than 90 per cent of companies have embedded the Ten Principles and have policies and practices in place. This universal ethical framework serves as guidance for operationalizing corporate responsibility and 73 per cent of companies state that upholding the Ten Principles is how they take action to deliver the Sustainable Development Goals.

There is widespread agreement that policy is not enough. The next step is to move from policy to action and embed the Ten Principles into company strategies and operations to advance sustainability outcomes and deliver on policy commitments.

A majority of companies – 84 per cent – also report taking specific action to advance the SDGs. Most companies report taking action towards Goal 8: Decent Work and Economic Growth, Goal 3: Good Health and Well-being, Goal 12: Responsible Consumption and Production and Goal 13: Climate Action. Moreover, participants recognize the business potential of the SDGs, with 61 per cent developing products and/or services that contribute to them.

Businesses now need to fully embed the SDGs within their strategies, operations, through supply chains and in communications. Currently, only 46 per cent are embedding the SDGs into their core business and only 37 per cent are designing business models that contribute to the SDGs.

There is improvement in tracking progress on SDG actions with 45 per cent of companies tracking actions, (up from 40% in 2019). Also, 57 per cent of companies are measuring the impact of their own operations but very few extend this to suppliers (13%), raw materials (10%) and into product use (10%). Importantly, only 31 per cent are tracking the negative impact.

There remains a key gap in analysing impacts across the Ten Principles. While 62 per cent of companies conduct environmental impact assessments, only 18 percent of companies conduct impact assessments for human rights, 25 per cent conduct them for anti-corruption and 29 per cent conduct them for labour rights.

More ambitious corporate targets are needed if we are to achieve the 2030 Agenda – 39 per cent of companies say they have targets they believe are sufficiently ambitious, science-based and/or align with societal needs. We also note that only 15 per cent of survey respondents have targets that have been approved by the Science Based Targets initiative.

We can drive more change with a stronger voice from business in multi-stakeholder dialogue. Only 35 per cent publicly advocate the importance of action on the SDGs and only 52 per cent are engaging in partnership projects with public or private organizations.

The way we can move the dial is not by producing another sustainability report. It is about demonstrating actions that bring us closer to delivering desired outcomes. – Novo Nordisk



The Ten Principles of the UN Global Compact

The Ten Principles of the UN Global Compact are well integrated into businesses at a policy level and are driving responsible business practice. There is, however, room for improvement. Businesses can be more ambitious in their commitments and deliver more action to improve sustainability outcomes.

THE TEN PRINCIPLES:

HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- 10 Businesses should work against all forms of corruption, including extortion and bribery.

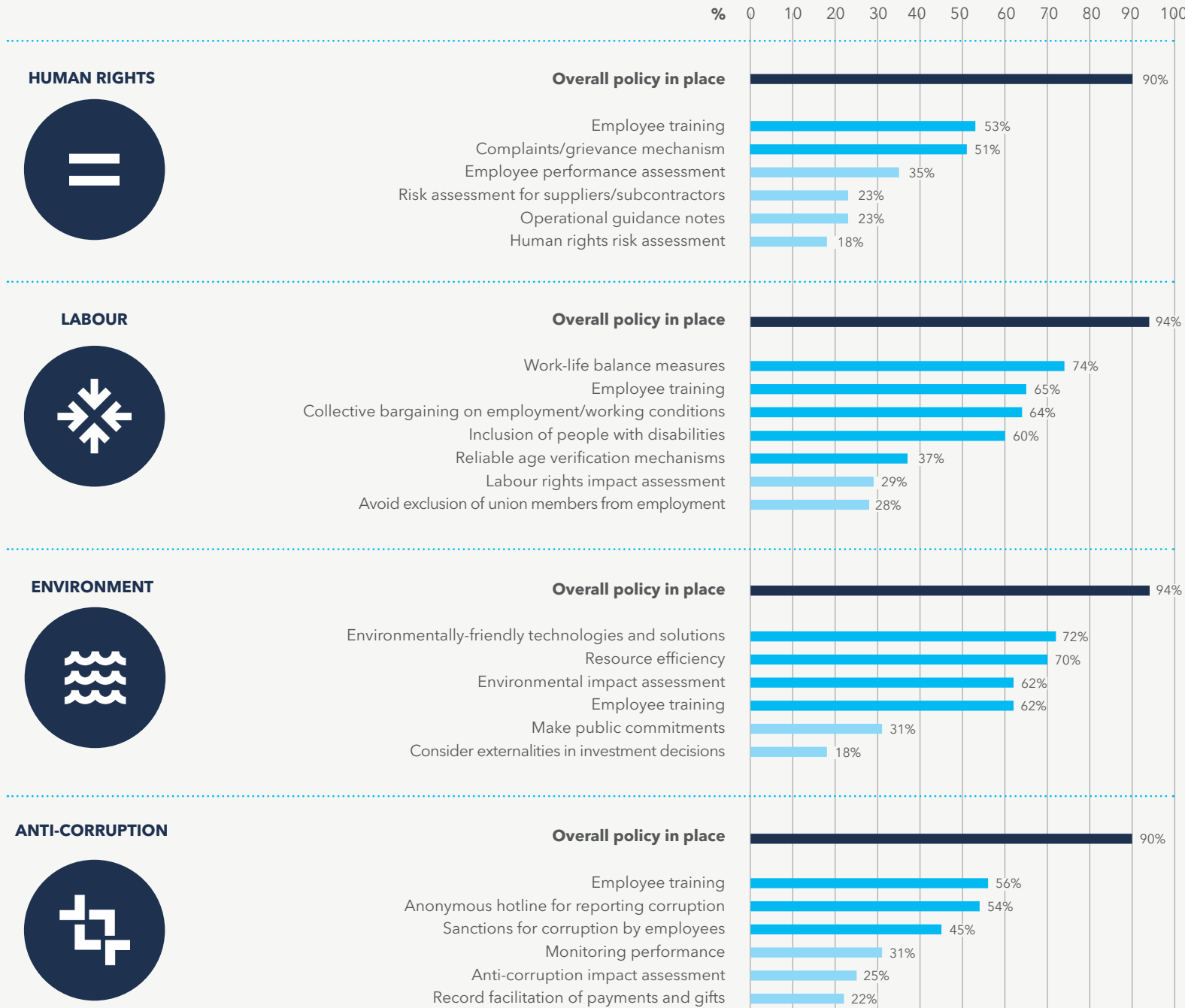
The Ten Principles provide a common framework for operating responsibly and ethically. Derived from UN Declarations and Conventions, these universal principles represent the fundamental values that businesses should embed into their daily strategies and operations. They are recognized as such by 74 per cent of companies surveyed, who state that upholding these Ten Principles helps them to take action on the SDGs.

More than 90 per cent of survey respondents have corporate policies in place that reflect the four issue areas of the Ten Principles: human rights (90%), labour (94%), environment (94%) and anti-corruption (90%). Many reported that the Ten Principles are deeply embedded in their environment, health and safety policies, supplier code of conduct and other governance-related documents.

But policy alone is not enough to drive change and there is a gap between levels of policy implementation and action to embed the Ten Principles into company operations and strategies. Companies need to understand and act on their impacts more. For example, while 62 per cent of companies conduct an environmental impact assessment, impact assessments are only conducted by 18 per cent for human rights, 25 per cent for anti-corruption and 29 per cent for labour.

We also need to see further extension and integration of these policies across the supply chain to deliver deeper change in sustainable business; only 17 per cent of respondents require supply chain partners to adhere to the Ten Principles of the UN Global Compact.

“To deliver deeper change in sustainable business, participants need to move from policy commitments to action that can lead to actual performance improvements.”



Looking ahead to the Decade of Action



of survey respondents are taking action on the SDGs, but only



are embedding them into their core business

It is widely accepted that the scale and pace of change to deliver the Sustainable Development Goals has not been large enough or fast enough to date. At this point in time – with ten years to go – the world is not on track to achieve the SDGs. We need a Decade of Action to reverse this predicament. For businesses, now more than ever, it is time to ramp-up action in all areas of their operations and value chains to support the delivery of the SDGs.

Awareness and adoption of the SDGs are widespread amongst UN Global Compact participants, with 84 per cent taking action on the SDGs. There is a strong focus on Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action and Goal 3: Good Health and Well-being.

We are seeing bold leadership. Awareness of the need for action is growing and 237 companies (as of June 5, 2020) have signed up to the UN Global Compact Business Ambition for 1.5°C campaign¹ and have set Science Based Targets aligned with limiting global temperature rise to 1.5°C above pre-industrial levels.

However, to reach the pace of change needed to deliver the 2030 Agenda, we need to do more and to go faster. The UN Global Compact/Accenture CEO survey in 2019 noted that 71 per cent of CEOs agree business can play a critical role in contributing to the SDGs, but only 21 per cent agreed they are playing a critical role now.

Mirroring the findings of the CEO survey, less than a third of companies surveyed in 2020 consider their industry to be moving fast enough to deliver priority SDGs by 2030.

Companies are significantly under-recognizing their negative impact on the SDGs compared to how widely they recognize the potential for positive contribution. While action to accelerate positive progress is just as important, it is essential to recognize and sufficiently reduce or eliminate negative impacts.

The SDGs have not yet motivated the step-change in ambition which is needed to achieve them. Corporate goals are generally not sufficiently ambitious. Only 39 per cent of companies say they

have targets they believe are sufficiently ambitious to deliver Agenda 2030, are science-based and/or align with societal needs.

With only 46 per cent of companies embedding the SDGs into their core businesses and only 37 per cent designing business models to support them, businesses need to embed the SDGs deeply within their strategies and operations, through supply chains and into communications.

Many companies still struggle to identify how to implement the socially focused SDGs, such as reduced inequalities, gender equality, peace, justice and strong institutions. Companies need better guidance on measuring and reporting their impact on delivering the social SDGs.

To deliver system-level change, common ambitions and aligned actions need to be implemented by a majority of companies within a sector or system. In fact, our research shows that even for the most highly prioritized SDGs, around half of companies surveyed say there is an agreed vision and approach to deliver – indicating far more work is needed to organize systemic change.

Companies and industries need commonly agreed, business-relevant and sector-specific SDG ambitions, goals, standards and practical guidelines to help them align, coordinate and focus – and ultimately support the delivery of the SDGs by 2030.

CEO-LED CLIMATE ADVOCACY

Recently, we have seen leading CEOs advocating for change. In the largest ever UN-backed CEO-led climate advocacy effort, 150 CEOs reaffirmed their own science-based commitments to achieving a zero-carbon economy in May 2020. They called on Governments to match their ambition as they develop COVID-19 recovery plans². We encourage more of this, as only 35 per cent of companies publicly advocate the importance of action in relation to the SDGs – a figure that is down from 53 per cent in 2018

Key enablers for system-level change

Key recurring themes shed light on the enablers businesses most commonly consider will help them to enhance action to deliver the SDGs.

- An operating environment that incentivizes SDG action is essential – one that shares or reduces both risks and the investment needed to deliver fundamental sustainable change. This includes enhancing demand from customers and consumers and creating the right regulatory and market signals for companies to respond to, including the SDG-linked prioritization of finance.
- Clear metrics can help provide clarity for businesses. The research clearly shows a desire for suitable metrics that measure company contribution to individual SDGs at a global and sector level.
- Industry-level cooperation is critical to overcoming the gap between sector-level ambition and the step-change needed to reach the SDGs.

- Collaboration at all levels within and across sectors, including public-private partnerships (PPPs), is a key enabler for system-level change. Goal 17: Partnerships for the Goals needs greater focus and promotion to deliver the systemic change needed. This is the SDG that enables us to deliver the rest.

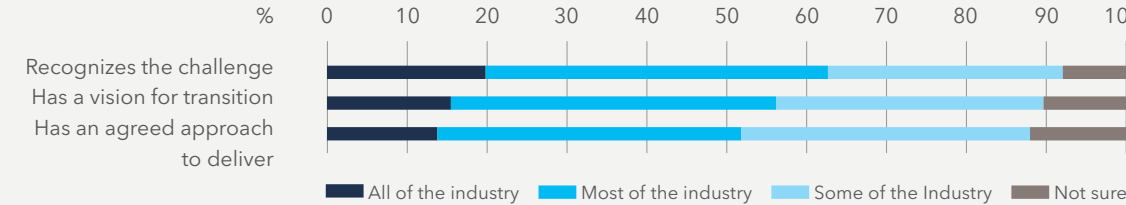
SYSTEM VIEW: HOW PREPARED ARE THE SYSTEMS TO DELIVER ON THEIR PRIORITY SDGs?

SDGs RECOGNIZED AS MOST RELEVANT AND SIGNIFICANT BY SURVEY RESPONDENTS FOR THEIR INDUSTRIES



This is the average response across all industries for their systems. See page 53 for a ranking of the SDGs by individual companies.

PERCENTAGE OF COMPANIES THAT AGREE THEIR INDUSTRY...



¹ <https://unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition>
² <https://unglobalcompact.org/news/4535-05-18-2020>



System priorities

ENERGY, NATURAL RESOURCES AND BASIC MATERIALS

INDUSTRIAL MANUFACTURING

FOOD, BEVERAGE AND CONSUMER GOODS

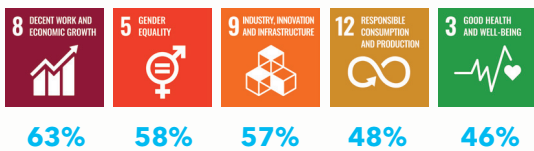
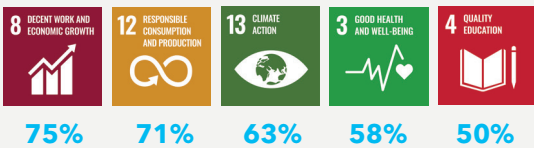
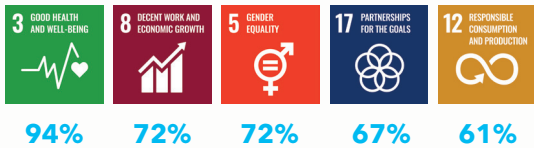
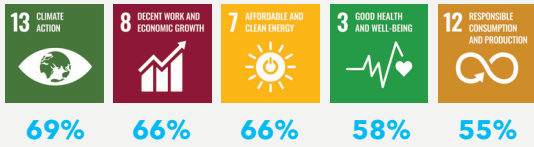
HEALTHCARE AND LIFE SCIENCES

MOBILITY AND TRANSPORTATION

TELECOMMUNICATIONS AND TECHNOLOGY

FINANCIAL SERVICES

+ MOST PRIORITIZED SDGs



KEY FINDINGS

- A high percentage of companies are setting targets to advance priority SDGs
- However, only 6% have an emissions reduction target approved by the Science Based Targets initiative
- Goal 13: Climate Action is the #1 priority, yet 11% of companies feel that this is an area of significant negative impact

- SDGs where companies feel they are having the most positive impacts are well aligned with those goals being prioritized
- Target setting is variable across the SDGs, e.g. only 23% have an SBTi approved target despite Goal 13: Climate Action being a top priority
- There is a high level of action or engagement; many companies are developing products and services to support the SDGs

- Only 21% believe the sector is moving fast enough to meet the SDGs
- Only 29% of companies have conducted assessments of the negative impacts along the supply chain
- 45% of the companies are yet to set targets to progress Goal 3: Good Health and Well-being, despite strong links
- The current market is fragmented and does not support smaller players to act sustainably

- Only 75% of companies are taking action on the SDGs (lowest of all systems)
- Strong alignment between priority goals and those where the sector has a positive impact
- A large percentage of companies are setting targets but are behind on developing products and services to support them

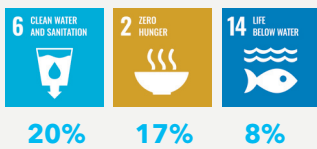
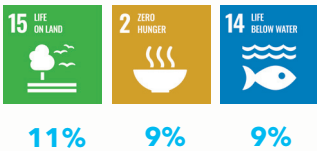
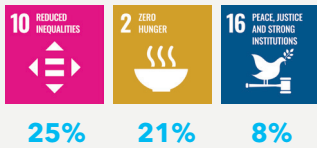
- A large number of businesses are taking action, but only 50% are aligning core business strategy with the goals
- Climate action is both a priority with targets set to progress it and an area where negative impacts are being acknowledged
- Target setting is lagging behind in other areas
- On products and services, the system performs more consistently

- Strong leadership through the telecommunications and technology industry association, which has made a sector-wide commitment to the SDGs and created a low-carbon roadmap
- Key focus on gender equality
- Complete alignment between goals being prioritized and those with the greatest positive impact
- Very little acknowledgement of negative impacts, particularly on the environment and responsible consumption

- Target setting is lagging behind
- There is very little acknowledgement of negative impact or respondents are unaware of impacts
- Products and services are being developed to support the SDGs
- On a system level, social goals have some focus
- Only 3% acknowledge negative impacts on Goal 10: Reducing Inequalities, despite the sector being instrumental to advancing this SDG

The percentages below reflect the extent to which companies participating in the UN Global Compact Annual Implementation Survey 2020 indicated they are currently prioritizing each SDG. There are high levels of commonality amongst the most prioritized SDGs across systems. This means that a number of SDGs are left behind with very few companies focusing on them and are therefore an area where greater attention is needed (e.g. Goal 1, 2, 10, 14 and 15).

- LEAST PRIORITIZED SDGs



ENABLERS OF SYSTEMIC CHANGE

- Strategies to mitigate negative impacts on SDGs
- More collaboration needed to standardize metrics and reporting
- Long-term ambition needs to be translated into near-term steps

- Standardized metrics to track collective action and progress towards the SDGs are required
- A conducive policy environment is needed that supports clean, socially inclusive and healthy industry processes

- Need for regulation to level the playing field and encourage innovation
- High cost of sustainable products must be addressed
- Accelerate digitalization and improve traceability to support transparency across the value chain and drive producer responsibility

- Although there is a strong vision to deliver on the SDGs, the industry does not have an agreed approach for transition
- Need for standardized metrics to track progress against priority SDGs and support impact-based reporting
- Multilateral collaboration to address the SDGs must be scaled

- Industry-government collaboration needed to create a roadmap for success for this system
- Increase collaboration throughout the value chain
- Need for greater action on human and labour rights

- Need to recognize and report on negative impacts on the SDGs
- Need to achieve more scale with the shared low-carbon roadmap at industry level
- Need for more collaboration to solve shared problems

- Common impact measurement framework of financial investments for the SDGs
- Better connection of green finance and digital services
- Centralized system to identify public and private investment flows, aligned with country development plans



A call to action from the UN Global Compact

With less than 4,000 days remaining until the 2030 target, businesses urgently need to accelerate transformation towards a sustainable future and address the interconnected and growing challenges to health and well-being caused by inequality and climate change.

Leading companies are already influencing their sectors, peers and Governments to step up and turn ambition into action and policies. It is time for all companies to drive the transformational changes required to create the world we want. We call on all companies to:

- **Fully integrate the Ten Principles:** implement the Ten Principles deep into business strategies, operations and value chains as a foundation for driving sustainability.
- **Raise SDG Ambition:** raise ambitions to meet the needs of society and the planet by fully integrating sustainability informed by a principled-based approach to the SDGs.

BUSINESS BENCHMARKS FOR THE DECADE OF ACTION:

- ✓ Gender balance at all levels of management
 - ✓ 100 per cent of employees earn a living wage
 - ✓ Science-based emissions reduction targets in line with a 1.5°C pathway
 - ✓ Net-positive water impact in water-stressed basins
 - ✓ Zero waste to landfill and incineration
 - ✓ 100 per cent resource recovery, with all products and materials recovered and recycled or reused at end of life
 - ✓ Zero discharge of pollutants and hazardous materials
 - ✓ Land degradation neutrality, including zero deforestation
 - ✓ 100 per cent of raw materials sourced sustainably according to the highest possible standards
 - ✓ Zero instances of bribery
-
- **Advocate for Ambitious Policies and Engage in Collective Action:** the change we need to see in the Decade of Action will not happen through incremental improvements and adjustments to 'business-as-usual'. Along with these ambitious changes, we need more CEOs to advocate for SDG-aligned policies and influence national plans to deliver the Paris Climate Agreement by illustrating their own ambitious commitments. Only by working together – across business, finance, civil society, UN and Governments – will we be able to tackle the world's biggest challenges.



3

UN GLOBAL COMPACT LOOKING BACK ON A 20-YEAR JOURNEY

MOVING CORPORATE SUSTAINABILITY FROM THE FRINGES TO THE MAINSTREAM

The United Nations Global Compact is a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and take action to achieve the Sustainable Development Goals by 2030.

In this section, we delve into examples which illustrate how the UN Global Compact has created change over the years and helped to advance sustainable business through thought leadership and global and local initiatives across a number of key issues areas.



A brief history of the UN Global Compact since 2000

Launched in 2000 as a special initiative of the UN Secretary-General, the mission of the UN Global Compact is to mobilize a global movement of sustainable companies and stakeholders to create the world we want.

The UN Global Compact provides a universal language for corporate responsibility and an authoritative framework for businesses everywhere, regardless of size, complexity or location. It calls upon and guides businesses to:

- Act responsibly by aligning business strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption
- Take bold actions and find new business solutions to support the 2030 Agenda and its 17 Sustainable Development Goals
- Advance the case for responsible business practices through advocacy and outreach

within their sphere of influence to peers, partners, employees, consumers and the public at large.

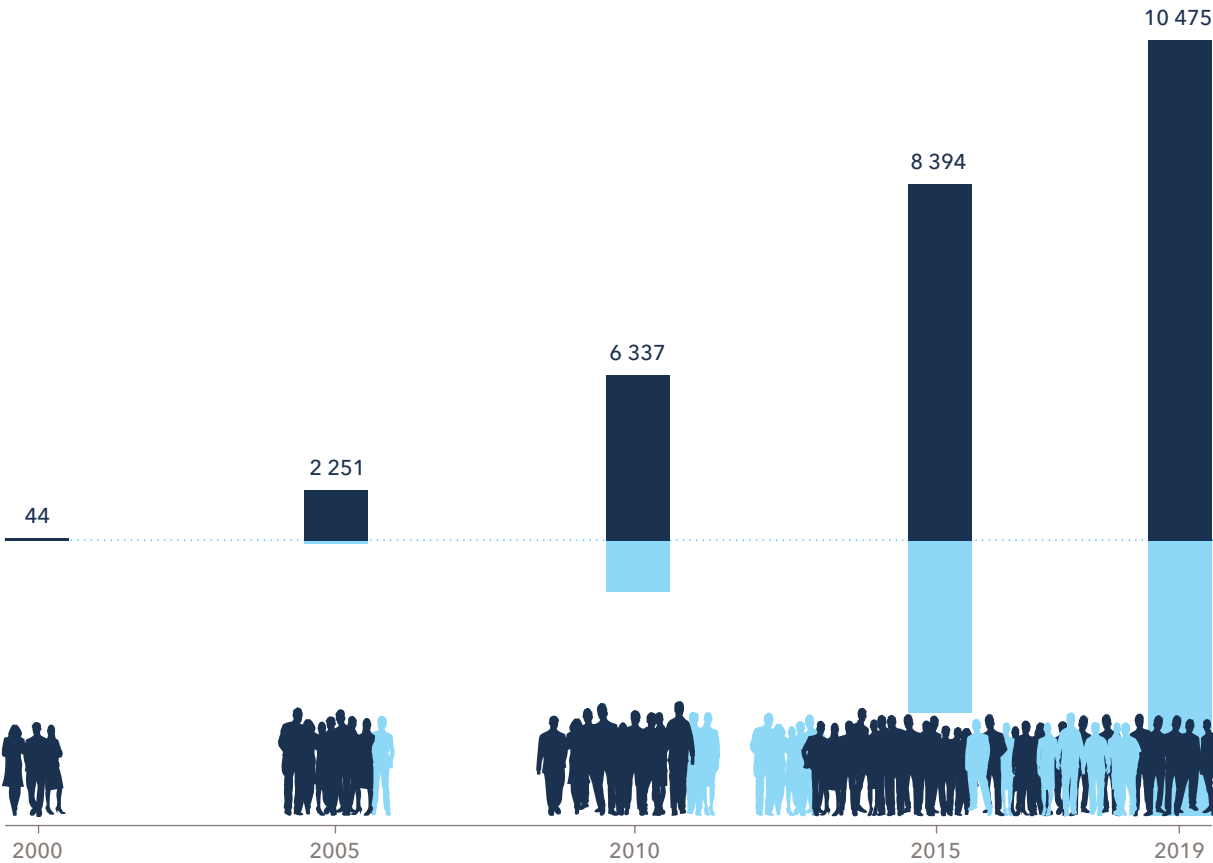
The initiative reports to the UN Secretary-General, who is also chair of its multi-stakeholder board.

Today, 20 years after its launch, the UN Global Compact has more than 10,000 companies and 3,000 non-business signatories based in over 160 countries and 68 Local Networks, working together to drive a principles-based approach to the Sustainable Development Goals.

Companies sign up to the UN Global Compact at the CEO-level and commit to communicate their sustainability progress every year. Companies that fail to report are delisted from the UN Global Compact

● Joiners
● Delisted

COMPANY ENGAGEMENT WITH THE UN GLOBAL COMPACT



71,764,909

PEOPLE WORK FOR GLOBAL
COMPACT PARTICIPANTS

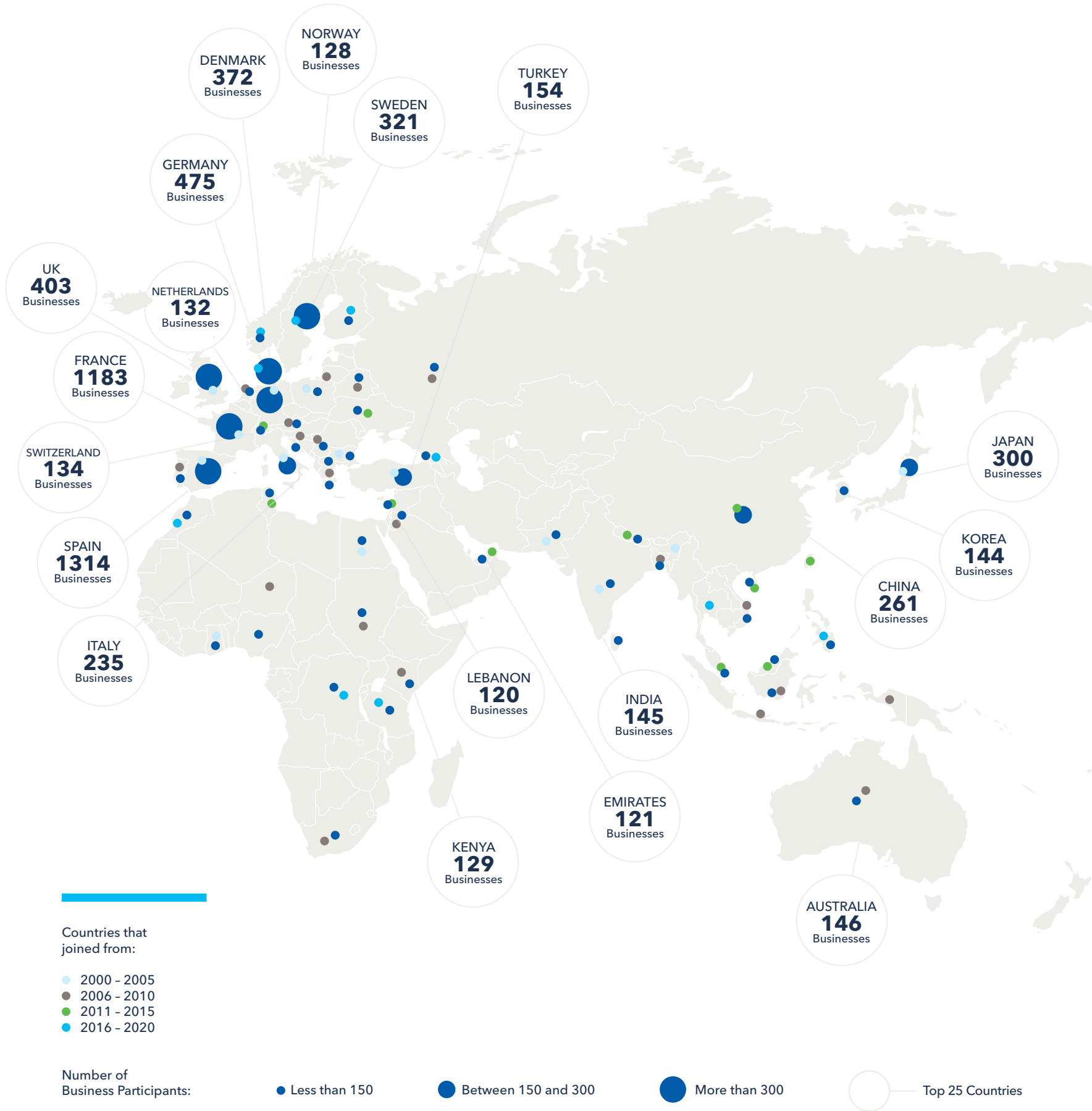
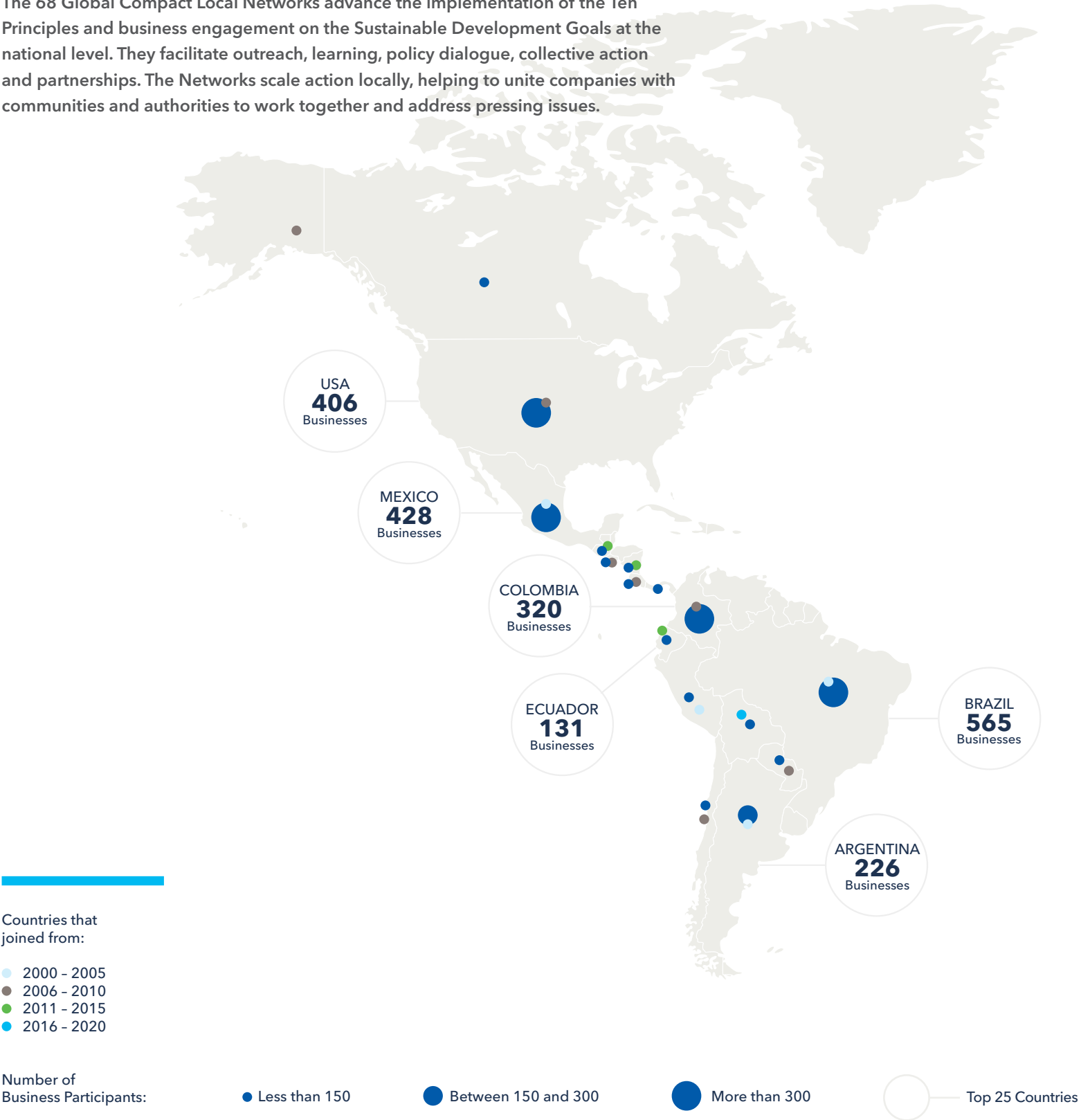


54%

OF FINANCIAL TIMES
GLOBAL 500 COMPANIES

Local Networks around the world

The 68 Global Compact Local Networks advance the implementation of the Ten Principles and business engagement on the Sustainable Development Goals at the national level. They facilitate outreach, learning, policy dialogue, collective action and partnerships. The Networks scale action locally, helping to unite companies with communities and authorities to work together and address pressing issues.



How the UN Global Compact creates change

Since its launch in 2000, the UN Global Compact has worked towards change through thought leadership, scaling best practice and action globally and creating an enabling environment for sustainable change.

Innovation and Thought Leadership
Guided by the Ten Principles, UN Global Compact multi-stakeholder groups have shaped best practice in many critical areas across social, environmental and governance spheres.

Scaling Globally
From the original 40 companies that started the UN Global Compact, the global reach has extended to 68 Local Networks and more than 10,000 companies and 3,000 non-business signatories, enabling collective scaling of best practice to a significant extent. The UN Global Compact has contributed to building awareness and scaling action globally across the breadth of the socio-economic system, focusing on:

- Social sustainability covering decent work and global supply chains, human rights, due diligence and gender equality
- Environmental protection including ocean, water and climate action
- Driving good governance through promoting anti-corruption and business commitment to justice and strong institutions.

Enabling Environment
The environment in which businesses are acting is becoming more supportive of sustainable practices. Consumers, employees, young people and the investment community are pushing for change. The UN Global Compact helps to drive this with 3,182 companies in policy discussions with local government in 2019.

Human rights

In 2018, the world celebrated the 70th anniversary of the Universal Declaration of Human Rights (UDHR). Drafted in 1948 in the aftermath of World War II, the Universal Declaration remains as relevant today as ever before, presenting an ambitious vision for a world in which all human beings live in dignity and freedom. Despite the revolutionary impact of the Universal Declaration, there is still a long way to go before respect for human rights is truly universal.

The UN Global Compact’s Principles 1 and 2 are derived directly from the Universal Declaration, calling on business to respect and support internationally proclaimed human rights and to ensure they are not complicit in human rights abuses.

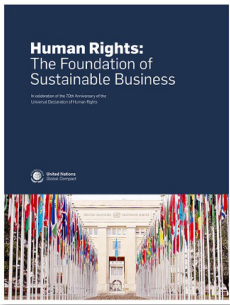


CREATING CHANGE



Change across key issue areas
As the largest organization for private companies compelled to pursue sustainable change, the UN Global Compact is able to mobilize its participants in all corners of the world and sectors of the

socio-economic system. The following nine topics are some of the key areas where the UN Global Compact has called on its participants to induce change.



INNOVATION AND THOUGHT LEADERSHIP

Business and Human Rights Dilemmas Forum (2015) – an online resource to support business efforts to respect human rights in their operations and supply chains.

Human Rights: The Foundation of Sustainable Business (2018)

SCALING GLOBALLY

CEO Roundtable series (2018) – in celebration of the 70th anniversary of the Universal Declaration of Human Rights, the CEO Roundtable of global leaders discussed business progress on equality and human rights, focusing on concrete actions to close the inequality gap and advance human rights as a driver for successful business.

The UN Global Compact has launched over 8 learning experiences on the Academy, including on various topics relating to human rights.

ENABLING ENVIRONMENT

Guidance for Global Compact Local Networks on National Action Plans on Business and Human Rights (2017) aims to help Global Compact Local Networks get involved in their country’s development of a National Action Plan on business and human rights.

The Local Network Business and Human Rights Group was also formed in 2018 to share learnings across UN Global Compact Local Networks. As of 2020, 42 networks are participating.

Climate Action

Echoing the words of UN Secretary-General António Guterres, climate change is undoubtedly the defining issue of our time. We are at a critical juncture, where climate change is moving faster than we are and every half degree makes a world of difference. The private sector has a key role to play in sending strong market signals and scaling innovative solutions to present concrete, realistic plans towards a zero-carbon economy.

Ambitious business leaders are recognizing that taking climate action is the best way to build healthier communities, consumers, businesses and economies. The voice of business leaders needs to join that of the UN Secretary-General in calling on governments to make the right choices as they rebuild their economies.

INNOVATION AND THOUGHT LEADERSHIP

The Business Ambition for Climate and Health Action Platform provides a collaborative space for companies and key stakeholders to tackle both climate mitigation and resilience, while putting a human face on climate change. Over 30 major companies and five institutional partners are creating thought leadership and momentum at the intersection of climate and health. The Platform will work with the World Health Organization (WHO) to create a new framework for a human rights-based assessment of climate-related health impacts and mobilizing joint action for a 1.5°C future of health.

Launched in 2019, the Business Ambition for 1.5°C campaign invites the most visionary leaders to commit their companies to set science-based targets aligned with a 1.5°C pathway in the lead up to COP26. To date, more than 240 companies have committed and over 100 companies have 1.5°C approved targets.

ENABLING ENVIRONMENT

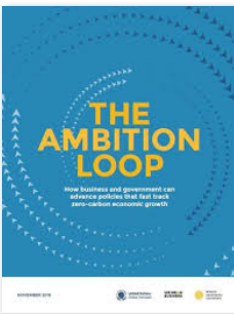
The "Ambition Loop" is a positive feedback loop in which bold Government policies and private sector leadership reinforce each other and together take climate action to the next level.

Uniting Business and Governments to Recover Better – With more than 170 CEOs representing companies in the Science Based Targets initiative and its Business Ambition for 1.5°C campaign, this is the largest ever UN-backed CEO-led climate advocacy effort. Companies are urging Governments to align socio-economic recovery from the COVID-19 pandemic with climate science and reaffirming their own science-based commitments to achieving a zero-carbon economy well before 2050. The statement is available in all six UN languages and Portuguese.

SCALING GLOBALLY

Caring for Climate (UN Global Compact, UNEP and UNFCCC) mobilizes business leaders and convenes the annual high-level meetings on climate change at COP, inviting senior executives of business, industry, finance, civil society, the United Nations and Government to ramp up corporate action.

The Science Based Targets initiative (CDP, UN Global Compact, WRI and WWF) has been driving ambitious corporate climate action since 2015, with nearly 900 companies taking climate action aligned with the Paris Agreement, of which over 370 companies have approved science-based targets.



Ocean

There is an urgent need to protect and restore the health of the ocean, which is rapidly deteriorating due to major threats including climate change, pollution, habitat destruction and poor governance. Businesses are increasingly recognizing their responsibility to assess their impact on ocean health and incorporate it into their overall strategy.

The ocean work of the UN Global Compact accelerated following the first-ever UN Ocean Conference in 2017. As the world looks to provide the necessary resources to achieve the SDGs, the role of business to advance ocean sustainability will be critical in areas of decarbonized shipping, sustainable global trade, low-carbon foods and renewable energy.

INNOVATION AND THOUGHT LEADERSHIP

The Sustainable Ocean Business Action Platform is taking a comprehensive view of the role of the ocean in achieving the 17 SDGs. The aim is to explore attractive, viable solutions and best practices for the sustainable use and management of the ocean.

The Sustainable Ocean Principles promote a healthy and productive ocean for current and future generations and provide a framework for responsible business practices in the ocean. Companies signing on to the Sustainable Ocean Principles commit to assess their impact on the ocean and integrate the Principles into their overall strategy.

SCALING GLOBALLY

The Global Goals, Ocean Opportunities 2019 report elaborates on the role of business in securing a healthy, productive and well-governed ocean. The interlinkages between the ocean and the SDGs are also further explored.

To drive ambition and accelerate ocean-based solutions, 5 Tipping Points for a Healthy and Productive Ocean by 2030 were identified. These tipping points represent a set of tangible objectives for the ocean to support the achievement of the 2030 Agenda.

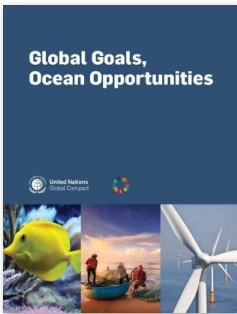
The Blue Bonds reference paper identifies opportunities for the market to secure capital for ocean-related projects and companies that have made, or are planning to make, a significant contribution to the SDGs. The Sustainable Ocean Principles serve as a baseline of expectations for issuers of Blue Bonds. The 5 Tipping Points set clear KPIs to deliver on the SDGs.

ENABLING ENVIRONMENT

The UN Global Compact Networks in France, Japan, Brazil, Colombia, Indonesia, Mexico, Spain, Norway, Korea and Turkey are engaged in the ocean work. This has encouraged more companies to become signatories of the Sustainable Ocean Principles.

Local Network consultations advance implementation of the Sustainable Ocean Business Action Platform frameworks at the national level.

By identifying ten ambitions for the ocean in the Ocean Stewardship 2030 report, the Action Platform is providing clear recommendations towards ocean actions for Governments and businesses to make a meaningful difference in the next ten years and deliver on the SDGs.



Water

Freshwater challenges around the world are as wide-ranging as they are pervasive. Today, more than 2 billion people live in river basins where water demand outstrips supply, known as water-stressed areas. By 2050, that number is expected to jump to 5 billion. Water challenges include not only water scarcity, but also pollution, flooding, access to drinking and sanitation services and more. All of these challenges are and will continue to be exacerbated by climate

change, which will have destructive impacts. Addressing this challenge will require all sectors of society – particularly the private sector – to take an active role. Over the past decade, the work of the CEO Water Mandate has focused on mobilizing businesses to take action to address the water crisis, working in partnership with governments, the UN system, civil society, and local communities.

INNOVATION AND THOUGHT LEADERSHIP

Launch of the [Water Resilience Pledge & Coalition](#) – a CEO-led initiative committed to reducing water stress by 2050 by achieving net positive water impact, water-resilient value chains and raising global ambition and leadership on resilience. The Coalition has committed to reaching the half-way mark by 2030.

The [Water Security through Stewardship Action Platform](#) is aimed at advancing cutting-edge company practices on water stewardship to contribute to the achievement of Sustainable Development Goal 6: Clean Water and Sanitation.

Launch of [Site Water-Targets Guidance](#) enabling companies to set relevant and meaningful targets informed by local catchment contexts for locally positive outcomes.

The paper [Corporate Water Resilience in Uncertain Times](#) was released to support companies in thinking about how to manage the uncertainties introduced to water cycles by climate.

Launch of the [Guidance for Companies on Respecting the Human Rights to Water and Sanitation](#).

SCALING GLOBALLY

The [CEO Water Mandate](#) is mobilizing business leaders on water, sanitation and the Sustainable Development Goals. Nearly 180 endorsing companies of the CEO Water Mandate commit

to continuous progress against six core elements of stewardship and in so doing understand and manage their own water risks.

The CEO Water Mandate helped launch the [WASH4Work](#) partnership in 2016, aimed at mobilizing businesses to take action on water access, sanitation and hygiene in the workplace, in their supply chains and in the communities where their workers live.

Launch of the [Water Stewardship Toolbox](#) in 2016 to help facilitate greater uptake of water stewardship activities by all actors.

ENABLING ENVIRONMENT

Pioneered collective action model on water stewardship and developed tools to enable this, including the [Water Action Hub](#) and the [Guide to Managing Integrity in Water Stewardship Initiatives](#).

In 2016 and 2018, Global Compact Brazil, Colombia, Sri Lanka and South Africa Networks and the CEO Water Mandate, for which the Pacific Institute is co-secretariat, collaborated to identify strategies to engage with companies in these respective countries to proactively address local water challenges.

In 2018, the Global Compact Network India and the CEO Water Mandate collaborated on a local convening in the Noyyal-Bhavani basin, working with the textile sector on water challenges.

Labour

The labour principles of the UN Global Compact (Principles 3, 4, 5 and 6) are championed by the International Labour Organization (ILO) and state that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. Despite progress, decent work deficits remain alarmingly widespread – 24.9 million people are trapped in forced labour, 152 million children are estimated to be in child labour, 80 per cent of countries violate the right to collective bargaining, 54

countries deny or constrain freedom of speech and assembly and hundreds of millions of people suffer from discrimination in the world of work.

Over the past years, the UN Global Compact has mobilized business to put greater emphasis on respecting human rights and fundamental principles and rights at work by leveraging their supply chains and taking collective action to address decent work deficits. Goal 8: Decent Work and Economic Growth is of central importance to leaving no one behind, as decent work is essential to achieve a sustainable, just and equal society.

INNOVATION AND THOUGHT LEADERSHIP

The [Decent Work in Global Supply Chains Action Platform](#) has convened representatives of business, Global Compact Local Networks, government and United Nations partner agencies (ILO and UNICEF) to build the case for improving decent work in global supply chains and to demonstrate how respect for human rights and labour rights is critical to achieving the SDGs.

[Business: It's Time to Act. Decent Work, Modern Slavery & Child Labour](#) offers a quick overview of the steps businesses can take to help eliminate modern slavery, while highlighting key resources, initiatives and engagement opportunities to support business action.

SCALING GLOBALLY

A 6-Tier Commitment on advancing decent work globally was endorsed by many of the Chief Procurement Officers within companies participating in the Action Platform (2017-2019).

The [Decent Work Toolkit for Sustainable Procurement](#) (2020) supports companies, procurement professionals and suppliers to advance decent work through purchasing decisions.

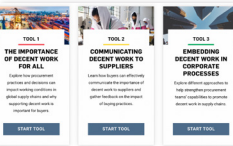
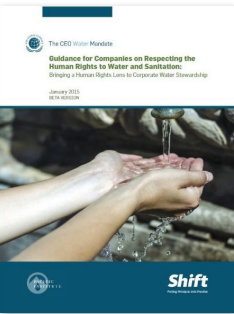
[How Procurement Decisions can Advance Decent Work in Supply Chains](#) – covers best practices for sustainable procurement and provides guidance on engaging with suppliers around the topic of decent work.

ENABLING ENVIRONMENT

[Interactive Map for Business of Anti-Human Trafficking Organisations](#) (2018) – a resource for companies to navigate emerging partners and improve coordination on the eradication of human trafficking.

Country Dialogues on Decent Work (2019) – Global Compact Networks UK, Italy, France, Bangladesh and Sweden gathered local business and stakeholders to discuss how to best leverage supply chains to address decent work deficits. These dialogues served as consultations on the Decent Work Toolkit for Sustainable Procurement.

Country Workshops on Goal 8 – UN Global Compact partnered with the CSR Centre of the Embassy of Sweden in China on a series of workshop events in Shanghai and Shenzhen, China. These events explored the interconnections between the SDGs with a practical deep dive into Goal 8, including responsible procurement.



Gender

Gender equality is at the heart of human rights and essential to a wide range of 2030 Agenda objectives. When it comes to advancing gender equality, business has an important role to play and much to gain. When women are empowered, economies grow and businesses thrive.

Yet, progress on Goal 5: Gender Equality remains alarmingly slow. It is estimated that it will take

257 years to close the economic gender gap at the current pace of change. While gender equality has emerged as a top corporate sustainability issue, most companies have not sufficiently translated this commitment into action. For example, women remain critically underrepresented in business leadership roles. More women may lead Fortune 500 companies than ever before, but they still represent only 7.4 per cent of the CEOs on the ranking.

INNOVATION AND THOUGHT LEADERSHIP

Established by the UN Global Compact and UN Women, the Women's Empowerment Principles (WEPs) (since 2010) offer guidance to businesses on how to advance gender equality and women's empowerment in the workplace, marketplace and community. The WEPs have helped over 3,000 companies make progress towards gender equality and women's empowerment over the past decade. The WEPs are informed by international labour and human rights standards.

The Women's Empowerment Principles Gender Gap Analysis Tool (since 2017) supports companies of all sectors and sizes in discovering how they are contributing to advancing gender equality and helps them to identify what further steps can be taken to translate the WEPs into action. The Global Trends and Opportunities Reports are based on aggregated data from the WEPs Gender Gap Analysis Tool and highlight progress and opportunities for improvement.

SCALING GLOBALLY

Target Gender Equality (since 2020) is a gender equality accelerator programme for companies participating in the UN of the UN Global Compact. Through facilitated performance analysis, capacity building workshops, peer-to-peer learning and multi-stakeholder dialogue at the country level, Target Gender Equality will support companies engaged with the UN Global Compact in setting and reaching ambitious corporate targets for

women's representation and leadership, starting with the Board and Executive Management levels.

The Panel Pledge (since 2016) is an effort to help put an end to all-male panels and bring gender balance to conferences and events, highlighting the importance of amplifying women's voices. To take the pledge global, the UN Global Compact encourages its Local Networks and signatories around the world to make their own pledges.

ENABLING ENVIRONMENT

"Ring the Bell for Gender Equality" (since 2015) is an initiative that encourages investors and businesses, through a series of worldwide events, to scale-up efforts to achieve gender equality in their markets, industries and organizations. Around the world, stock exchanges ring opening or closing bells to celebrate International Women's Day in March of each year alongside the Commission on Status of Women (CSW). The initiative is a partnership between IFC, Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact, UN Women, the World Federation of Exchanges and Women in ETFs.

Global Compact Local Networks carry out activities specifically focused on advancing gender equality and promoting the Women's Empowerment Principles at the local level.

Anti-Corruption & Global Governance

Governance is the systems and processes that ensure the overall effectiveness of an entity – whether a business, Government or multilateral institution. Over the past two decades, companies have engaged with the UN Global Compact through three critical areas of governance: anti-corruption, peace and rule of law and through the framework for Goal 16: Peace, Justice and Strong Institutions.

Principle 10 of the UN of the UN Global Compact on anti-corruption asserts that businesses should work against corruption in all its forms, including extortion and bribery. Companies are challenged to join peers, Governments, UN Agencies and civil society to respect and support the promotion of accountable, transparent and inclusive institutions and ensure just and peaceful societies for all.

INNOVATION AND THOUGHT LEADERSHIP

Peace, Justice and Strong Institutions Action Platform (launched in 2018) – shaping the way Governments, civil society and business collaborate in strengthening this critical foundation to achieve the SDGs.

Business for the Rule of Law Framework (2015) – the framework seeks to advance the rule of law by engaging responsible business to support the building and strengthening of legal frameworks and accountable institutions.

Guide for General Counsel on Corporate Sustainability (2015) – provides practical guidance and examples to in-house counsel in their emerging role as key change agents in advancing corporate sustainability issues within their respective organizations. This is one of the most downloaded resources in the UN Global Compact library.

Guide for General Counsel on Corporate Sustainability Guide v2.0 (2019) – builds on the original 2015 version.

SCALING GLOBALLY

Anti-Corruption Call to Action – an appeal by the private sector to governments to promote anti-corruption measures and implement policies that will establish systems of good governance. The Call to Action urged Governments to underscore anti-corruption and good Governance as fundamental pillars of a

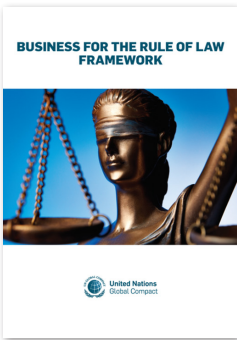
sustainable and inclusive global economy and include them as important tenets of the now-adopted 2030 Agenda for Sustainable Development. Over 250 companies and investors worldwide have signed on to the Anti-Corruption Call to Action.

Siemens Integrity Initiative First and Second Funding Round Projects: the UN Global Compact, in collaboration with various organizations including the Global Compact Local Networks, carried out activities specifically focused on advancing anti-corruption collective action efforts in Brazil, Egypt, India, Japan, Kenya, Nigeria and South Africa. The Third Funding Round Project, "Scaling up Anti-Corruption Collective Action within Global Compact Local Networks", was launched in 2019.

ENABLING ENVIRONMENT

Anti-Corruption Working Group: the UN Global Compact convened a global multi-stakeholder group to undertake cross-sectoral and collaborative efforts to strengthen anti-corruption practices at the global and local levels.

Business for Peace is a platform of close to 150 leading companies and business associations from 37 countries, dedicated to catalyzing collaborative action to advance peace. Recognizing the importance of local knowledge and ownership of issues related to peace, Business for Peace has adopted a locally-driven approach with Global Compact Local Networks playing a central role.



Sustainable Finance

The UN Global Compact has been at the forefront of developing the responsible investment market, which has grown to approximately US\$ 31 trillion in assets under management as of 2019. There is now a recognition in both the academic and financial communities that ESG factors are material to the financial performance of companies, making it critical for CEOs and CFOs to understand and take action on these issues.

It has been estimated that achieving the SDGs by 2030 will require roughly US\$ 5-7 trillion of annual investments. This leaves us with a financing gap of between US\$ 2.5 and US\$ 3 trillion annually and, for each year we fail to close the gap, the price tag grows. As corporate sustainability initiatives increasingly become part of core business strategy, leaders are rethinking the future of corporate finance and corporate investments to advance social good.

INNOVATION AND THOUGHT LEADERSHIP

The UN Global Compact and Principles for Responsible Investment (PRI) have developed a tool – the Value Driver Model – for companies to better assess and communicate the financial impact of their sustainability strategies and help investors integrate sustainability data into their existing investment processes and issued ESG Investor Briefings, designed to improve company-investor communications on material ESG information.

SDG Bonds – Leveraging Capital Markets for the SDGs encourages major players in the investment value chain to build a market for mainstream SDG investments, with enough scale, liquidity and diversification to attract large institutional investors and finance a broad set of private- and public-sector activities in support of the Goals. The first SDG-linked bond was valued at US\$ 1.5 billion.

Building on the work of the Financial Innovation Action Platform, the CFO Taskforce for the SDGs is a new UN Global Compact initiative, focused on providing a platform for Chief Financial Officers to integrate the SDGs into corporate finance.

SCALING GLOBALLY

Who Cares Wins (2004) – a joint initiative led by the UN Global Compact, IFC, and Swiss Government that helped launch the Principles for Responsible Investment (PRI), now the largest responsible investment initiative in the world.

Founded by the UN Global Compact in 2009 in conjunction with the PRI, UNEP FI, and UNCTAD, the Sustainable Stock Exchanges initiative now boasts 102 participating exchanges, covering over 50,000 listed companies with over US\$ 88 trillion in market capitalization.

The UN Alliance for SDG Finance – together, the UN Global Compact, the UN Environment Finance Initiative (UNEP-FI) and PRI constitute the largest networks of private and financial sector constituencies – corporations, investors, banks and insurers – dedicated to promoting the SDGs.

ENABLING ENVIRONMENT

Local Networks in Brazil, Indonesia, Italy and South Africa worked with the UN Global Compact and PRI to host SDG Investment Forums in 2019. The objective of the Forums is to enhance dialogue at the local level between investors, companies, the UN and Governments on investments to advance the SDGs.



Value Driver Model

SDG Integration

Business cannot thrive unless people and the planet are thriving. This includes ensuring that the world is on a path to meet all 17 Sustainable Development Goals. The 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity. The SDGs are universal, transcend borders and apply across the workplace, marketplace and community. Business cannot thrive in a world of poverty, inequality, unrest and environmental stress and so it has a vital interest in ensuring the 2030 Agenda is delivered.

Successful delivery of the 2030 Agenda requires engagement from all businesses. The Ten Principles and their four pillars of human rights, labour, environment and anti-corruption are a vital set of business values that strongly align with the SDGs. In order to advance the integration of the SDGs across business strategy and operations, the UN Global Compact has developed tools and resources to scale business impact.

INNOVATION AND THOUGHT LEADERSHIP

The Blueprint for Business Leadership on the SDGs (2017) illustrates how leadership qualities of Intentionality, Ambition, Consistency, Collaboration and Accountability can be applied to a business strategy, products, value chains and partnerships to create impact on the SDGs.

Integrating the SDGs into Corporate Reporting (2018) – a practical guide outlining a 3-step process to embed the SDGs into existing business and reporting processes.

SDG Compass (2015) – a practical alignment tool for companies on how they can measure and manage their contribution to the realization of the SDGs.

SCALING GLOBALLY

SDG Ambition (2020) – a Global Impact Initiative aimed at challenging thousands of companies to raise their level of ambition to meet the needs of society and the planet. Through Global Compact Networks across 68 countries, companies will assess performance, identify risks and discover new opportunities across business units and functions to take ambitious action towards the SDGs.

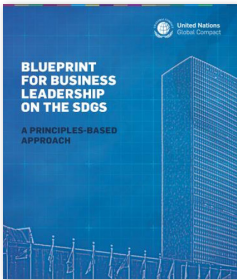
SDG Action Manager (2020) – a web-based impact management tool that brings together B Lab's B Impact Assessment, the Ten Principles of the UN Global Compact and the SDGs to enable meaningful business action through self-assessment, benchmarking and improvement.

Framework for Breakthrough Impact on the SDGs (2019) – a toolkit for business to leverage the SDGs to uncover new products, services and business model opportunities.

Young SDG Innovators Programme (2019) – an accelerator programme for future business leaders and changemakers to develop and drive innovative solutions towards the SDGs through new technologies, initiatives and business models.

ENABLING ENVIRONMENT

Making Global Goals Local Business (MGGLB) – the UN Global Compact collaborated with its 68 Local Networks on a series of MGGLB events convening hundreds of leaders from business, civil society, government and the UN to direct collective action towards the Ten Principles and the SDGs. Since 2016, the UN Global Compact has recognized cohorts of SDG Pioneers under the MGGLB campaign – business leaders working at any level of their company who are using business as a force for good to advance the SDGs.



Local Network Action



CLIMATE: BRAZIL

Global Compact Network Brazil has had a strong focus on advancing the climate agenda over the last years. Business Ambition for 1.5°C is an international campaign that invites companies to commit to greenhouse gas emissions reduction targets in line with science and the Paris Agreement. The Brazilian Network hosted the campaign launch in June 2019, at a CEO Roundtable promoted in Rio de Janeiro with the presence of the Secretary-General's Special Envoy for the Climate Summit, Ambassador Luis Alfonso de Alba. In October 2019, the international initiative was adapted to a national engagement

campaign, #TakeThisPen (#AceitaEstaCaneta), created in collaboration with AlmapBBDO. The campaign gained national visibility in Brazil, increasing public awareness of climate issues and encouraging more than 20 organizations with operations in Brazil to sign the agreement and establish concrete climate targets. The Brazilian Network's efforts to increase the number of local signatories continues. #TakeThisPen was showcased at COP25 – the annual UN climate conference – as an example of successful engagement and was also used by Mr. Gonzalo Muñoz, Climate Champion for COP25, to recruit other large Latin American organizations to sign the commitment.



GENDER: TURKEY

Raising awareness of gender equality issues across Turkish businesses has been a key focus for Global Compact Network Turkey. From 2017 to March 2020, Turkey ranked first in the world of the signatories to the Women's Empowerment Principles (WEPs). Building on this, the Network, in cooperation with UN Women Turkey and the UNFPA, developed the WEPs Implementation Guide, available in English and Turkish. The guide includes a self-assessment module, a roadmap and a training module to support companies in transforming their operations, production and service processes in a gender

equal way. In 2019, the Network held training on the WEPs for human resources and communication professionals in Turkey's fifth largest city, Bursa, educating participants in ways to implement the WEPs in their companies.

The Network is rolling out a UN Global Impact Initiative called "Target Gender Equality", focused on supporting companies. The Turkish Network continues to develop partnerships to encourage gender-equal business in Turkey.



HUMAN RIGHTS: GERMANY

Core to the work of the Global Compact Network Germany is supporting companies in the implementation of human rights policies and practices. It does so in various ways, including by providing a platform for continuous exchange and peer learning among companies, the development of practical guidance notes, capacity-building on the use of practical solutions and tools and by holding informative online and in-person sessions. In 2018, the Network conducted a series of pilot training sessions on business and human rights in Ethiopia, Ghana and Tunisia (the latter in cooperation with the Tunisian Local

Network). Given that some of the key human rights challenges for German businesses are related to supply chains, the trainings were aimed at suppliers and subsidiaries of German companies as well as local businesses in the three countries. Participants learned about current developments and relevant frameworks in the field of business and human rights. They discussed the implications for their own businesses and supply chains and were provided with practical tips and tools on how to start developing a human rights approach while realizing the business benefits of enhanced social sustainability.



ANTI-CORRUPTION: KENYA

Kenya has taken important action to tackle corruption, including the passing of the Bribery Act, 2016 – the first legislation adopted in the country targeting the private sector. Global Compact Network Kenya has made significant contributions to the nation's anti-corruption efforts, engaging with thousands of businesses to raise awareness of the Bribery Act and support these companies to understand and adhere to the Ten Principles of the UN Global Compact.

Over the last years, the Kenya Network has conducted large outreach programmes – they have worked with hundreds of representatives

of large companies that are UN Global Compact participants, small and medium-sized enterprises (SMEs), Government and civil society to help tackle corruption and achieve sustainable change. In 2018, the Network launched a toolkit to promote business compliance with the Bribery Act and help strengthen the implementation of the Code of Ethics for Business in Kenya. Over 700 companies across Kenya have signed up to the Code. The Kenya Network mentors SMEs in using the toolkit to conduct self-assessments of their anti-corruption practices and move towards closing the gaps to ensure ethical conduct and compliance.



LABOUR: BANGLADESH

The Global Compact Network Bangladesh has made significant efforts in educating small and medium-sized enterprises (SMEs) about sustainable practices in business operation and supply chains. In 2019, Global Compact Network Bangladesh and BRAC Bank Ltd partnered with the International Labour Organization (ILO) to hold workshops with 60 small and medium-sized enterprises (SMEs) from the manufacturing, trade and service sectors in Bangladesh. The workshops covered supply chain sustainability, management and traceability, with a focus on the Ten Principles of the UN Global Compact. After the workshops,

the partners organized "SME Sustainability Day 2019", in collaboration with UNICEF Bangladesh and DBL Group. The event was geared towards advancing the participants' understanding of the importance and impacts of operating in a sustainable manner. The focus was on sharing practical ways of putting sustainability at the core of business strategies, identifying gaps and challenges by sharing good practices and diving deeper into decent work and human rights as core elements of sustainability. After the flagship event, UNICEF Bangladesh hosted factory visits to local companies to enable SMEs to gain hands-on experience.



SDG INTEGRATION: SPAIN

The Spanish Local Network has made continuous efforts to promote corporate social responsibility and sustainable development among small and medium-sized enterprises (SMEs) since its inception in 2004.

Recently, the Spanish Network signed an agreement with the Spanish Confederation of Small and Medium Enterprises – the most important employer in the country – and another one with the National Chamber of Commerce to promote the 2030 Agenda, the Global Goals

and the new national and European policies on sustainable development among SMEs.

In addition to ongoing training and advice to partner SMEs related to the Ten Principles and Global Goals, the Local Network in Spain has published a Guide for SMEs on the Sustainable Development Goals in collaboration with the General Council of Economists of Spain. The Network also launched a website in partnership with the Official Credit Institute, providing SMEs and self-employed workers with information on the 2030 Agenda and relevant business opportunities.



4

PROGRESS TO DATE



PROGRESS TO DATE

With 10,475 participants, the UN Global Compact – and companies’ desire to adopt sustainable practices – have significant traction in today’s world.

In this section, we look beneath the record numbers committing to the Ten Principles to understand how effectively participants are embedding the Ten Principles in their strategy and operations and how they are approaching the Sustainable Development Goals (SDGs).

THE UN GLOBAL COMPACT HAS PLAYED A DISTINCT ROLE IN ESTABLISHING SUSTAINABILITY WITHIN COMPANIES



Almost three quarters of respondents "agree" or "strongly agree" that the UN Global Compact has played an important role in driving the implementation of sustainability policies and practices



say the UN Global Compact has been "significant" or "essential" in spreading corporate sustainability worldwide



Over half feel it has played an important role in shaping their company's vision

The value the UN Global Compact has delivered to business

Participants in the UN Global Compact widely agree that it has played a significant role in establishing sustainability within their organizations and has been significant in spreading corporate sustainability around the world (see side bar).

Some of the main reasons companies participate in the UN Global Compact are outlined below. Participation in the UN Global Compact supports stakeholder trust in companies.

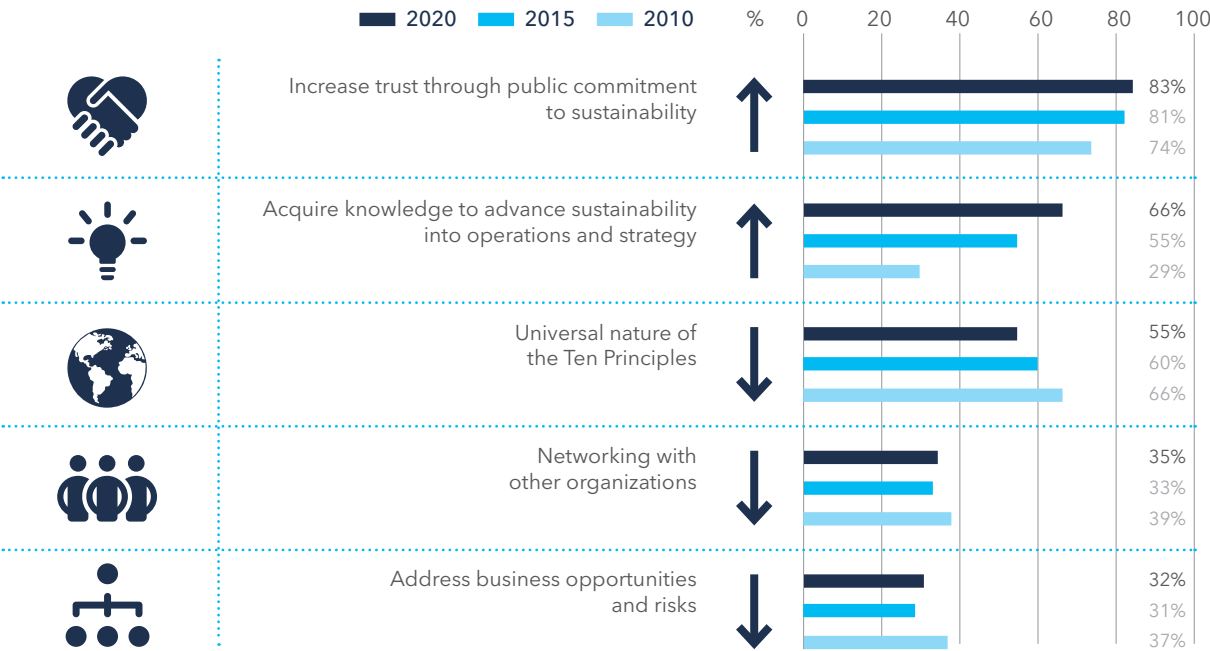
At 83 per cent, the most common reason by some margin that survey respondents say they participate in the UN Global Compact is "to increase trust through a public commitment to sustainability." This figure has grown from 74 per cent in 2010.

Other reasons participants give include helping to "acquire knowledge to advance sustainability in operations and strategy" (66% in 2020, up from 29% in 2010), indicating that opportunities to learn

about sustainability and knowledge provided by the UN Global Compact have been a growing area of benefit for participants. The "universal nature of the Ten Principles" is also seen as a key reason (55% in 2020, down from 66% in 2010). The decreasing importance of the Ten Principles as a universal framework for sustainability perhaps reflects that the Sustainable Development Goals are a growing reference point for a wide range of sustainability issues.

Less significant reasons for participant involvement include, "pressure from external stakeholders" (13%), "investor efforts to evaluate sustainability performance" (13%) and "establishing links with the United Nations" (16%).

TOP REASONS COMPANIES ARE PARTICIPATING IN THE UN GLOBAL COMPACT





Policy implementation by survey respondents relating to the Ten Principles

■ Least common action
■ Most common action

This figure represents a selection of the most common and least common actions companies are taking to embed corporate responsibility within strategy and operations (2020)

Assessing progress against the Ten Principles

The Ten Principles promote a commitment to responsible business by participants. This is best illustrated by the fact that more than 90 per cent of UN Global Compact participants have established policies in relation to the four areas of the Ten Principles.

Policy-action gap

But policy alone does not deliver change and action to embed responsible business practices is not keeping pace with policy commitments. In some cases, action lags behind significantly. It is clear that to deliver deeper change towards sustainable business, participants need to move beyond policy and take action that will underpin a better understanding of impacts and lead to performance improvements.

Across the four areas of the Ten Principles, less than 50 per cent of survey respondents are addressing the majority of indicators for practical action on human rights, labour, environment and anti-corruption. For example, less than 30 per

cent of respondents across human rights, labour and anti-corruption have conducted an impact assessment. For environment, the figure is higher at 62 per cent.

Training and awareness programmes for employees is an area of positive performance and action has been taken by the majority of survey respondents (above 50%). Monitoring and evaluating performance vary by area, with only 29 per cent monitoring human rights performance up to a high of 48 per cent for labour (environment is 44%, anti-corruption, 31%). Specific details on action relating to the four areas of the Ten Principles are covered on pages 48 and 49 and also at a system level in chapter 5.

ACTION TAKEN TO EMBED CORPORATE RESPONSIBILITY WITHIN STRATEGY AND OPERATIONS (2020)



How are companies utilizing the Ten Principles?

Interview participants highlighted that the Ten Principles are useful as a foundation for establishing a corporate sustainability approach and are used as a framework to refer to in sustainability reporting.

Many believed that the Ten Principles are an entry-level requirement for companies and that

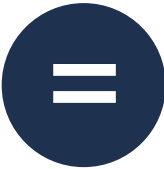
quantifiable or specific measures should be set to strengthen the value they deliver. Here is where the SDGs, in conjunction with the Ten Principles, could play an important role as they represent a framework to scale action and ambition.



Key factors relating to the Ten Principles ranked by the number of times they were referenced in interviews with companies.

Progress in each area of the Ten Principles

Good progress in policy implementation across the four areas of the Ten Principles is evident, but as with the overall results, practical action to deliver change is lagging behind policy in many areas.



- 1 Support and respect the protection of internationally proclaimed human rights;
- 2 make sure that they are not complicit in human rights abuses.

HUMAN RIGHTS

Policies relating to human rights are in place for 90 per cent of survey respondents, with 70 per cent saying the UN Global Compact has had an impact on their approach in this area (on a scale of moderate to essential impact). Non-discrimination, workplace health and safety and gender equality are the impact areas most commonly addressed in company policies, each with over 90 per cent coverage. Areas with lower coverage in policies include adequate standard of living (45%) and forced displacement (23%).

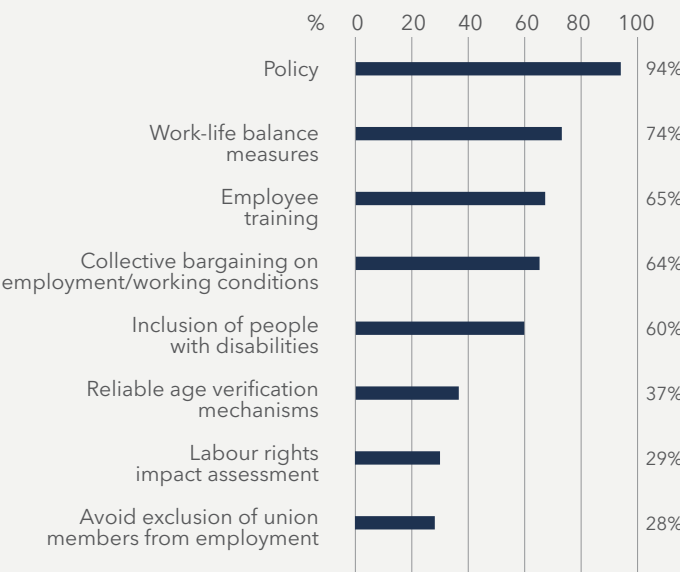
There is a stark contrast, however, between the extent of policy implementation and actions to understand impact and enhance performance, as shown in the graphic.



- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

LABOUR

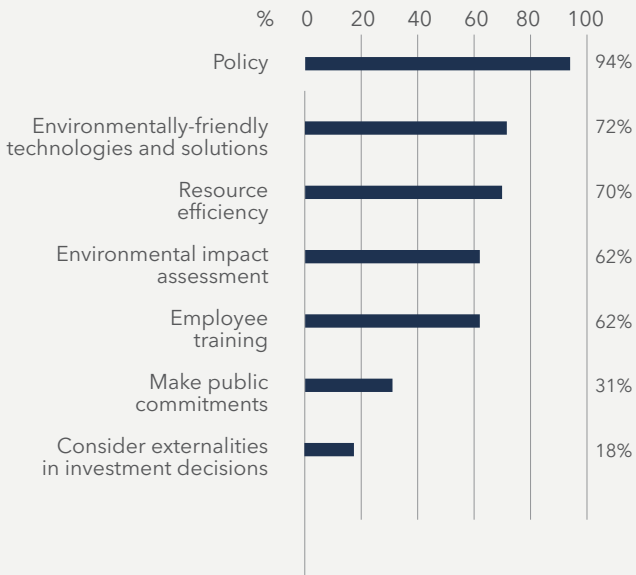
Policies relating to labour issues are in place for 94 per cent of survey respondents, with 64 per cent saying the UN Global Compact has had an impact on their approach in this area (from moderate to essential impact). Compared to the human rights theme, the labour topics covered most by company policies score lower. Safe working conditions, non-discrimination, equal opportunities and recognizing that all workers are free to form/join a trade union of their choice are the impact areas most commonly addressed in company policies, each with over 80 per cent coverage. Areas with lower coverage in policies include not using or benefiting from forced labour (68%) and not using or benefiting from child labour (69%).



- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

ENVIRONMENT

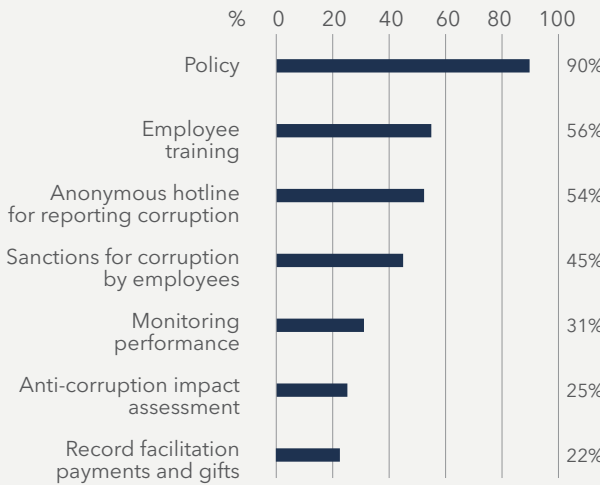
Policies relating to the environment are in place for 94 per cent of survey respondents, with 71 per cent saying the UN Global Compact has had an impact on their approach in this area (from moderate to essential impact). High-scoring elements within policies include sustainable consumption and responsible use (76%), performance targets and indicators (68%), voluntary charters or codes (59%) and cleaner and safer production objectives (59%). Awareness of the need for climate action is increasing fast, but action is lagging behind. Fewer than half of companies report greenhouse gas emissions and strategic climate change data (44%) and less than a quarter have fully integrated climate change policy into their overall company strategy and operations (29%).



- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

ANTI-CORRUPTION

Policies relating to anti-corruption are in place for 90 per cent of survey respondents, with 63 per cent saying the UN Global Compact had an impact on their approach in this area (from moderate to essential impact). The majority (72%) have taken anti-corruption into account in their overall corporate code or principles and 62 per cent have an explicit anti-corruption policy. However, 45 per cent of respondents do not have a zero-tolerance approach to anti-corruption and 58 per cent do not have a code of ethics for suppliers.



IN FOCUS: CLIMATE ACTION – TARGET SETTING

Two-thirds of respondents (67%) have a commitment to reduce greenhouse gases (GHG), but half of them have set a target – whether intensity targets, absolute targets, or both. Only 15 per cent of emissions reduction targets have been approved by the Science Based Targets initiative (SBTi), but 33 per cent have a target they consider to be science-based but that has not been approved by the SBTi. Of those respondents that have a reduction target, 27 per cent are planning to align this target with science in the next two years.

For the half of the respondents that do not have an emissions reduction target, 41 per cent plan to introduce one in the next two years, but one-third felt that, although important, it was not an immediate business priority. The primary drivers of action on climate change in companies were energy use (69%), company mission/core values (51%) and the impact of public targets (48%).

IN FOCUS: Supply chain progress

#1

The number one challenge companies report for advancing to the next level of performance is extending their sustainability approach through the supply chain

The biggest challenge that companies report in advancing to the next level of implementing the Ten Principles and action to advance the SDGs is extending their sustainability approach through the supply chain (47% of respondents).

Reflecting this challenge, very low numbers of survey respondents are taking action to embed corporate responsibility within their supply chains, other than including corporate responsibility expectations in relevant supplier documents (71%). In all other areas, less than 30 per cent of companies are taking action.

Added to the low levels of action, almost no progress has been made in the past decade,

with minimal change over this time. Actions such as rewarding suppliers, reviewing and commenting on supplier remediation plans and including corporate responsibility expectations in relevant documents have increased marginally, but only by a maximum of four percentage points in ten years. Other action, such as training staff and assisting suppliers in setting and reviewing goals, have decreased in the last ten years.

17%

Only 17 per cent of companies require supply chain partners to adhere to the Ten Principles

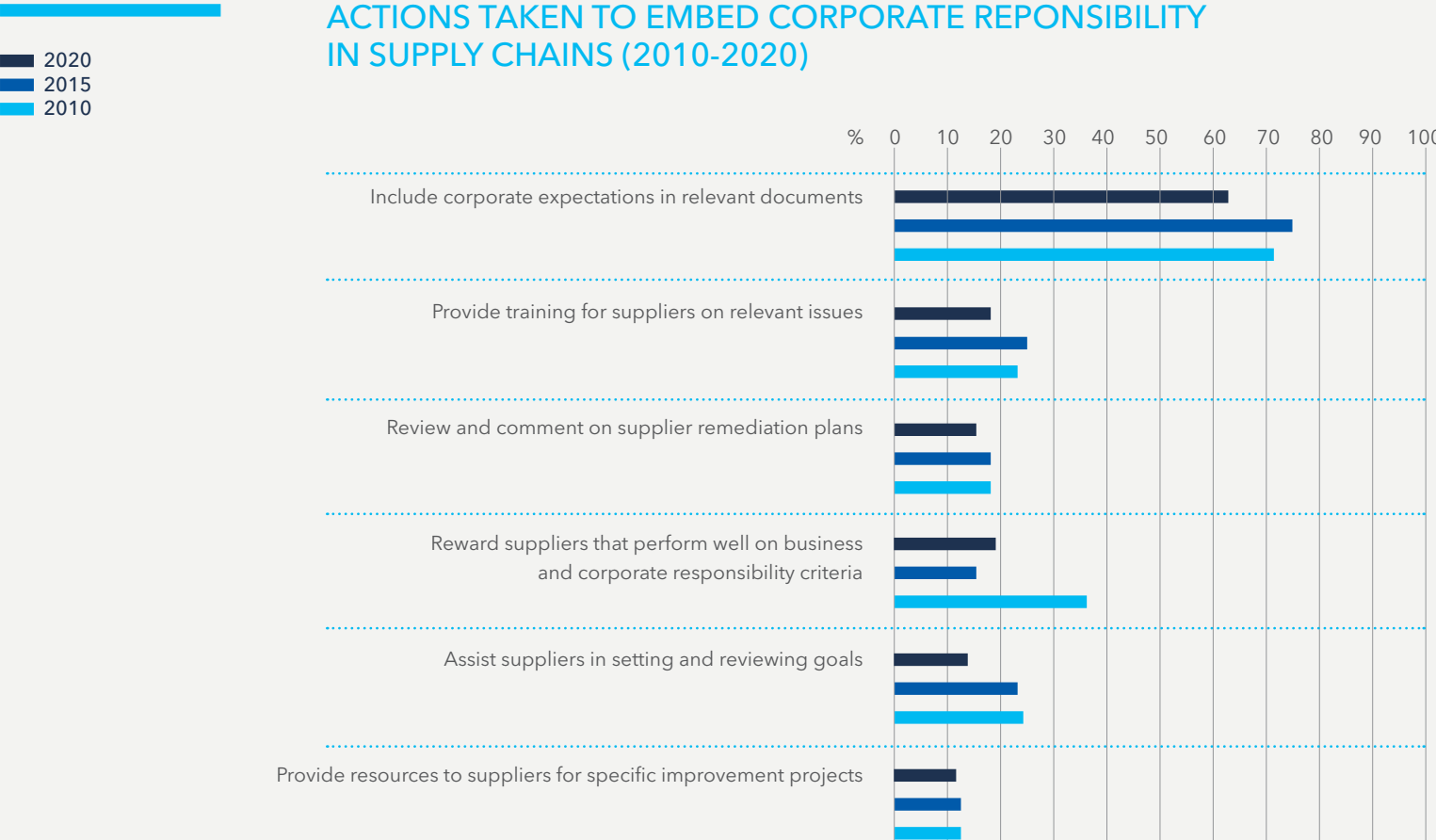
Extending the Ten Principles to suppliers
Only 17 per cent of respondents require supply chain partners to adhere to the Ten Principles of the UN Global Compact. For those that do not require suppliers to adhere to the Ten Principles, 40 per cent stated it was not a priority and 32 per cent said a lack of knowledge on integrating the Ten Principles into procurement practices was a barrier.

Other reasons cited included: no clear link to business value (29%); lack of capacity (26%); lack of financial resources (15%); and corporate responsibility data not being available (12%). This shows scope for the UN Global Compact to enhance participants' capacity to promote sustainability within their supply chains.

First-tier supplier focus
Companies conducting corporate responsibility due diligence in their supply chain are overwhelmingly doing this with first-tier suppliers.

Supplier due diligence is primarily completed through self-assessment questionnaires (44%) or reviewing publicly available sustainability reports (36%) rather than by auditing. Due diligence audits of suppliers by company staff are conducted by 33 per cent of respondents and only 17 per cent use independent third-party auditors.

In terms of the SDGs, it is a similar story. Only 45 per cent of companies have conducted an assessment of positive impacts relating to the SDGs along the value chain and only 31 per cent have assessed negative impacts. The majority are focused on impacts relating to company operations (57%) compared to 13 per cent looking at suppliers and 10 per cent at raw materials.



The impact of companies on the Sustainable Development Goals



of respondents state they are taking action to advance the SDGs. But 46 per cent do not align their strategies with the SDGs

At 84 per cent, a high proportion of survey respondents state they are taking action to advance the SDGs. But with ten years remaining to achieve the SDGs, the fact that 46 per cent do not align their strategies with the SDGs raises significant concerns for the level of business support to achieve the Goals. In addition, only 29 per cent of businesses feel that their industry is moving fast enough to deliver the SDGs by 2030.

Focus on positive contributions and less recognition of negative impacts
Less than half of respondents have assessed the positive (45%) and negative (31%) impacts of their operations in relation to the SDGs. Even fewer have assessed supply chain impacts on the SDGs (13%) and the impact of raw materials (10%). This shows considerable scope for companies to enhance their understanding of impacts across the value chain and to take action that will deliver positive change to support the SDGs.

Actions through product development and business models growing, but not at the pace needed
Almost two-thirds of respondents (61%) develop products and services that align with the SDGs, a significant jump from 48 per cent in 2019. Fewer

are designing business models to contribute to the SDGs, with 37 per cent stating they do this, but this is still up from up from 29 per cent a year ago. Some interviewees highlighted that the SDGs are used as a common framework to communicate the sustainability contribution of their products and services to their key stakeholders. However, the SDGs are not used to a large extent to drive business ambition at the moment.

Collaboration is key
Progress cannot be achieved alone. Business has a particular role to play in strengthening collaboration across value chains. The 2020 survey shows that 34 per cent of companies are engaged in collective action within the UN Global Compact Network and most find this helpful.

Locally, 61 per cent are engaged in a UN Global Compact Local Network.

At 58 per cent, sharing practices and experiences with peers is the main reason respondents engage with a Local Network. Other reasons include networking with other companies (50%) and assistance with implementing the Ten Principles (45%). It is clear that collaborative action provides positive momentum, but it needs to be significantly expanded from current levels to scale-up and accelerate progress.

Challenges
Beyond challenges extending corporate responsibility action within the supply chain, other challenges that companies are facing in progressing towards the SDGs include how to implement strategy across business functions (33%), lack of financial resources (32%) and competing strategic priorities (30%). Encouragingly, very few companies state that a lack of support from top management (7%) or lack of recognition from investors (9%) are challenges for delivering progress in implementing the Ten Principles and the SDGs.

Prioritizing the SDGs
Companies are selecting and prioritizing SDGs based on their business type, impacts and stakeholder input. The table below shows

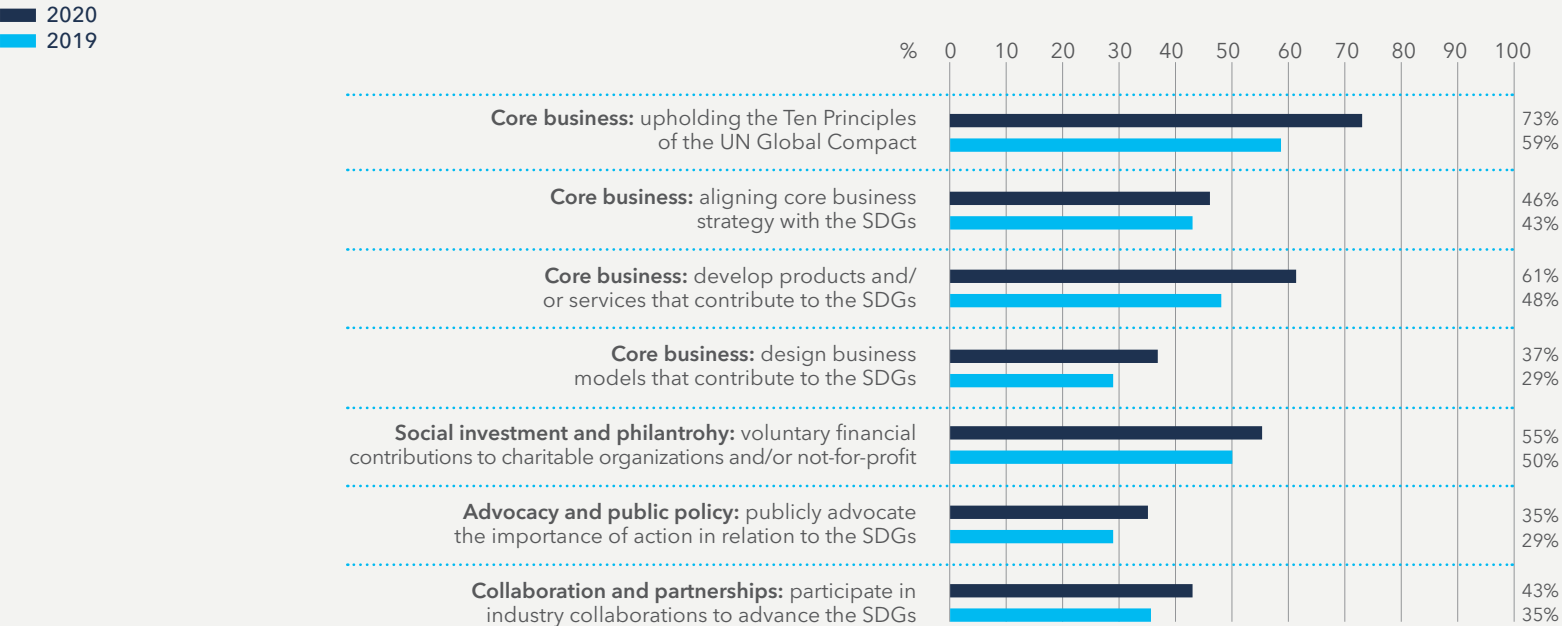
the percentage of respondents that have prioritized each SDG.

When companies prioritize an SDG, there appears to be a correlation between this priority a company applies and the level of action they take. However, the number of companies prioritizing certain SDGs remains low. This includes those related to poverty and living standards – Goal 1: No Poverty, Goal 2: Zero Hunger, and Goal 6: Clean Water and Sanitation – and relating to environmental impacts – Goal 14: Life On Land and Goal 15: Life Below Water.

The amount of action taken on these SDGs remains minimal. A greater focus is needed to ensure that, even if companies are focusing on a smaller number of priority SDGs, the bigger picture covered by all 17 SDGs is still considered.

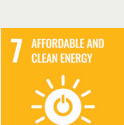
The SDGs act as a guiding compass across all of C.P. Group’s businesses in Thailand and the overseas; it helps steer us through troubled times and enables us to deliver value to all stakeholders sustainably. – C.P. Group

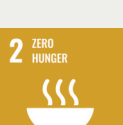
HOW ARE COMPANIES TAKING ACTION TO CONTRIBUTE TO THE SDGs?



SDG RANKING

RANK (1-17)	Prioritizing the SDGs (%)	Target setting (%)	Recognizing impact on the SDGs (%)	Key highlights
8 DECENT WORK AND ECONOMIC GROWTH #1	65%	61%	Positive: 91 No impact: 5 Negative: 1 Don't know: 3	90 per cent of companies prioritizing Goal 8 mandate equal pay for equal work, but only 63 per cent extend workforce policies to contractors and the broader supply chain
3 GOOD HEALTH AND WELL-BEING #2	55%	59%	Positive: 85 No impact: 7 Negative: 2 Don't know: 6	Only 61 per cent of the companies prioritizing Goal 3 provide healthcare for all employees

RANK (1-17)	Prioritizing the SDGs (%)	Target setting (%)	Recognizing impact on the SDGs (%)	Key highlights
 #3	54%	78%	Positive: 72 No impact: 14 Negative: 7 Don't know: 7	One-third of companies prioritizing Goal 13 have committed to setting a 1.5-degree Science Based Target (34%), and 40 per cent have committed to or set a net-zero target by 2050 or earlier
 #4	54%	69%	Positive: 78 No impact: 13 Negative: 3 Don't know: 6	Of the companies that are prioritizing Goal 12, 70 per cent are deploying circular models for consumption and 70 per cent are reducing or reusing all waste in production and operations, including food waste
 #5	53%	69%	Positive: 83 No impact: 10 Negative: 2 Don't know: 5	Only 69 per cent of those that prioritize this SDG have set targets, and only 43 per cent require a minimum of 30 per cent of women on their board
 #6	49%	60%	Positive: 79 No impact: 16 Negative: 1 Don't know: 4	80 per cent of companies that have prioritized Goal 9 ensure sustainability of all business infrastructure and capital projects in accordance with established criteria and 69 per cent also extend their core expertise to improve national infrastructure
 #7	42%	52%	Positive: 72 No impact: 17 Negative: 3 Don't know: 8	77 per cent of companies that are prioritizing Goal 17 are co-investing with communities where employees live and work; 82 per cent also collaborate across the value chain to meet the SDGs
 #8	40%	69%	Positive: 64 No impact: 25 Negative: 3 Don't know: 8	Only 31 per cent of companies that have prioritized Goal 7 have 100 per cent renewable energy in their operations, but 50 per cent strive to be energy positive
 #9	38%	61%	Positive: 70 No impact: 20 Negative: 1 Don't know: 9	87 per cent of companies that are prioritizing Goal 4 are working with institutions to define the skills they need and help build the future workforce pipeline
 #10	34%	59%	Positive: 67 No impact: 22 Negative: 1 Don't know: 10	Of the companies that prioritize Goal 11, 97 per cent ensure they are positively contributing to the communities in which they operate

RANK (1-17)	Prioritizing the SDGs (%)	Target setting (%)	Recognizing impact on the SDGs (%)	Key highlights
 #11	33%	58%	Positive: 73 No impact: 17 Negative: <2 Don't know: 16	Of the companies that have prioritized Goal 10, 81 per cent strive for the diversity of the workforce to be representative of the communities in which they operate; 83 per cent ensure products and services are accessible to people with disabilities
 #12	28%	59%	Positive: 59 No impact: 27 Negative: 4 Don't know: 10	Of the companies that have prioritized Goal 6, 77 per cent maintain water stewardship in policies and practices; 83 per cent have a goal to be net-positive impact on water
 #13	24%	58%	Positive: 55 No impact: 30 Negative: 2 Don't know: 13	Of the companies that have prioritized Goal 16, 91 per cent support strong institutions and apply progressive non-discriminatory practices in all countries in which they operate
 #14	22%	52%	Positive: 61 No impact: 22 Negative: <2 Don't know: 16	85 per cent of companies that currently prioritize Goal 1 implement and promote living wages where they operate
 #15	21%	56%	Positive: 47 No impact: 31 Negative: 7 Don't know: 15	89 per cent of the companies that prioritize Goal 15 agree to no deforestation or destruction of critical habitats in threatened areas (including via their suppliers)
 #16	18%	51%	Positive: 50 No impact: 28 Negative: 3 Don't know: 19	Of the companies that are prioritizing Goal 2, only 54 per cent reported increasing productivity, efficiency and nutrition profiles of all food in their operations and portfolio
 #17	13%	48%	Positive: 35 No impact: 40 Negative: 7 Don't know: 18	Of the companies that currently prioritize Goal 14, only 52 per cent extend producer responsibility through the end of life of products but 84 per cent ensure that operational waste (both inputs and outputs) does not end up in the oceans
 #5	GENDER EQUALITY - OPPORTUNITY FOR IMPROVEMENT Despite Gender Equality being a priority SDG for 53 per cent of respondents in the 2020 survey, there is a disconnect between prioritization and action. Only 69 per cent of those that prioritize this SDG have set targets, and only 43 per cent require a minimum of 30 per cent of women on their board. A higher percentage of respondents have committed to pay equity (73%) and have sexual harassment policies (69%). Only 14 per cent have signed the CEO statement of support for the Women's Empowerment Principles, although 31 per cent say that they have made an alternative public commitment. At 37 per cent, it is a similar picture for companies take action by ensuring leaders are committed and held accountable for gender equality and having policies in place to respect and support women. Only 42 per cent are providing diversity and inclusion training.			

5

SUSTAINABLE TRANSITION NEEDS: SHIFTING GEARS FOR 2030



THE SYSTEMS

Incremental change by individual companies will not deliver the business contribution needed to reach the Sustainable Development Goals (SDGs). Fundamental change is needed at a system level – whether energy, finance, healthcare, transport, or food. This is the premise of the research and seven systems were assessed for their readiness to support delivery of the SDGs by 2030.

Through new questions in the 2020 UN Global Compact Annual Implementation Survey and interviews with sustainability leaders, companies within the seven systems below were questioned on their individual understanding, priorities and approach to the SDGs. They were also asked how their sector, as a whole, was prepared to shift gears in the Decade of Action. Specifically: does the sector recognize the challenge of meeting the 17 SDGs? Is there a collective vision to meet the Goals? And is there an agreed industry-wide approach to deliver the vision? In this section we outline the system-by-system findings.

- 58 Energy, natural resources and basic materials
- 70 Industrial manufacturing
- 78 Food, beverage and consumer goods
- 86 Healthcare and life sciences
- 94 Mobility and transportation
- 102 Telecommunications and technology
- 110 Financial services

ENERGY, NATURAL RESOURCES AND BASIC MATERIALS

As the resource base and energy provider for the global economy, this system faces change on a massive scale in the coming decades. The system is central to the transition to a zero-carbon future and its position as an engine of economic growth will need to be aligned with meeting the Paris Agreement on Climate Change and the Sustainable Development Goals. Sub-sectors within the system include:

- **Oil and gas**
 - Oil and gas producers
 - Oil equipment, services and distribution
 - Alternative energy
- **Chemicals**
 - Commodity chemicals
 - Specialty chemicals
- **Basic resources**
 - Forestry and paper
 - Industrial metals and mining
- **Utilities**
 - Electricity
 - Gas, water and multi-utilities

SCALE



X3

The planet's resources are being extracted three times faster than in 1970, a period in which population has only doubled¹



2028

The world is forecast to overshoot the 1.5°C carbon budget in 2028 and the 2°C carbon budget in 2049²

IMPACT



90%

Resource extraction and processing cause over 90% of global biodiversity loss and water stress¹



26%

Extraction and primary processing of metals and other minerals is responsible for 26% of global carbon emissions¹



80%

OF GLOBAL EMISSIONS ARE UNPRICED
According to the Carbon Pricing Dashboard (World Bank, 2019), 57 carbon-pricing initiatives have been implemented or are scheduled for implementation, with 46 national jurisdictions covered. In 2019, these initiatives covered 20% of global GHG emissions, leaving 80% of global emissions unpriced

About the system

The energy, natural resources and basic materials system supplies the raw materials and resources that underpin all industries – from manufacturers of consumer and industrial products to those involved in construction and infrastructure. Characterized by natural resource extraction and industrial processing, it is a particularly wide-ranging system, covering oil, gas and renewable energy, utilities, basic materials, chemicals and commodities.

The system is intimately connected to the global economy, closely following economic cycles, and has a strong relationship to human and societal development. It is also characterized by significant environmental impacts.

The energy industry includes an energy mix spanning from oil and gas to renewables sector. The industry as a whole needs to transition towards a zero-carbon, resilient future. For example, the oil and gas industry provides affordable energy, employment, fiscal revenues

and improved infrastructure in communities around the world in the production phase alone (IPIECA, 2018). Similarly, extraction and processing of basic materials has been shown to support GDP growth and create jobs in both developed and developing economies (OECD, 2019).

The energy, natural resources and basic material system's economic and social benefits, labour footprint and environmental consequences tie it closely to most of the Sustainable Development Goals (OECD, 2019).

“Now the challenge is formulating where we want to go and where we can go – using the SDGs as a frame. We have chosen those SDGs on which we can have the most impact. How much impact will be down to us judging technical feasibility and availability of resources. – BASF



DNV GL PREDICTS A STAGGERING GROWTH IN ELECTRIFICATION, with wind and solar sources providing most of that electricity by 2050. This future will not, however, bring us in line with the ambitions of the Paris Agreement

“Growth that is inclusive and protective of the planet is at the heart of the challenge that we face.”

The challenge

Balancing progress and impact

Due to its inextricable links with economic development, the system affects environmental and social challenges. The energy, natural resources and basic materials system needs to resolve how to continue providing vital resources and economic opportunity for a growing global population, while minimizing its impact on society and the environment. In the policy arena, it will be a challenge to strike a balance between sustaining economic growth and limiting the environmental impacts of this system (OECD, 2019).

Combustion of fossil fuels extracted by the oil and gas sector is responsible for more than 89 per cent of global carbon dioxide emissions (Hmiel et al., 2020). Other industries in this system are also significant energy users and greenhouse gas (GHG) emitters. For example, the chemicals sector is the largest industrial consumer of oil and gas (IEA, 2020), steel production emits 7-9 per cent of global GHG emissions (World Steel Association, 2020) and mining emits 4-7 per cent of GHGs (McKinsey, 2020). The transition to a zero-carbon economy will fundamentally change the face of this system.

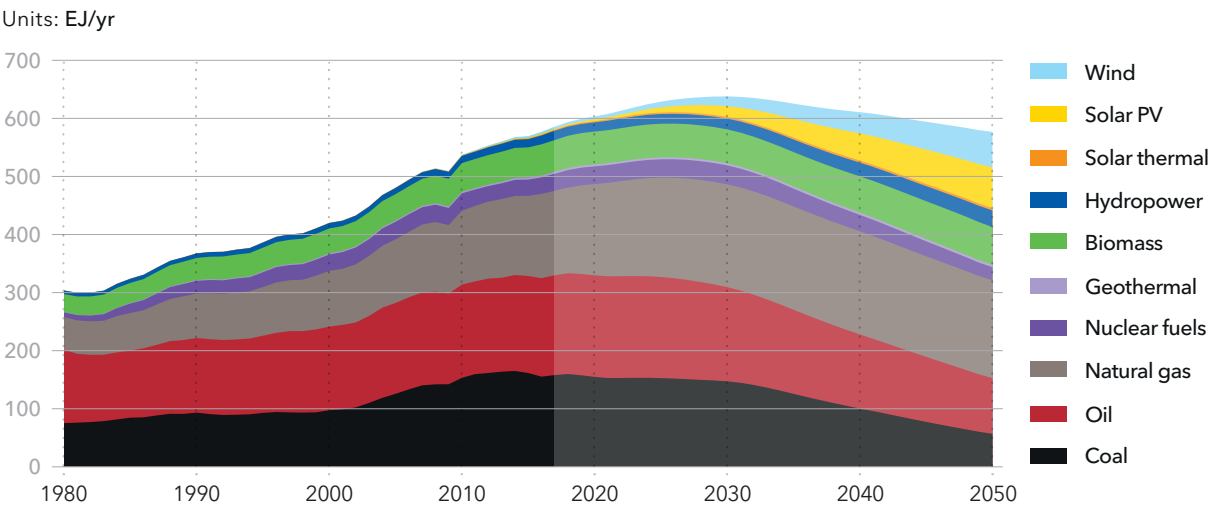
A renewable future?

The system, therefore, has equal scope to deliver significant progress towards achieving the SDGs. Baseline projections show non-fossil energy sources are set to increase exponentially, supporting universal access to affordable, reliable and sustainable energy sources. In 2017, 19 per cent of the energy mix was from non-fossil sources – this is expected to grow to 44 per cent by 2050 (DNV GL, 2019).

Peak energy will be a turning point around 2030 as energy efficiency outpaces economic growth. Electrification, powered by renewable sources, is the biggest contributor to reduced energy intensity. DNV GL's Energy Transition Outlook predicts a rapid rise in electrification, with solar and wind providing most electricity by 2050. Half of all passenger vehicle sales will be electric by 2032.

But the predicted energy transition will not bring us in line with the ambitions of the Paris Agreement and extraordinary policy action is needed to limit global warming to well below 2°C. More information on the energy transition can be found in the "In Focus" feature on page 64.

WORLD PRIMARY ENERGY SUPPLY BY SOURCE



Source: DNV GL Energy Transition Outlook 2019. Historical data: IEA WEB, 2018

“The UN Global Compact provides a series of networks and a meaningful framework to help companies achieve the SDGs. They have been producing best practice guidelines on a range of topics for years.”
–Equinor

How is the system performing?

Progress against the Ten Principles of the UN Global Compact

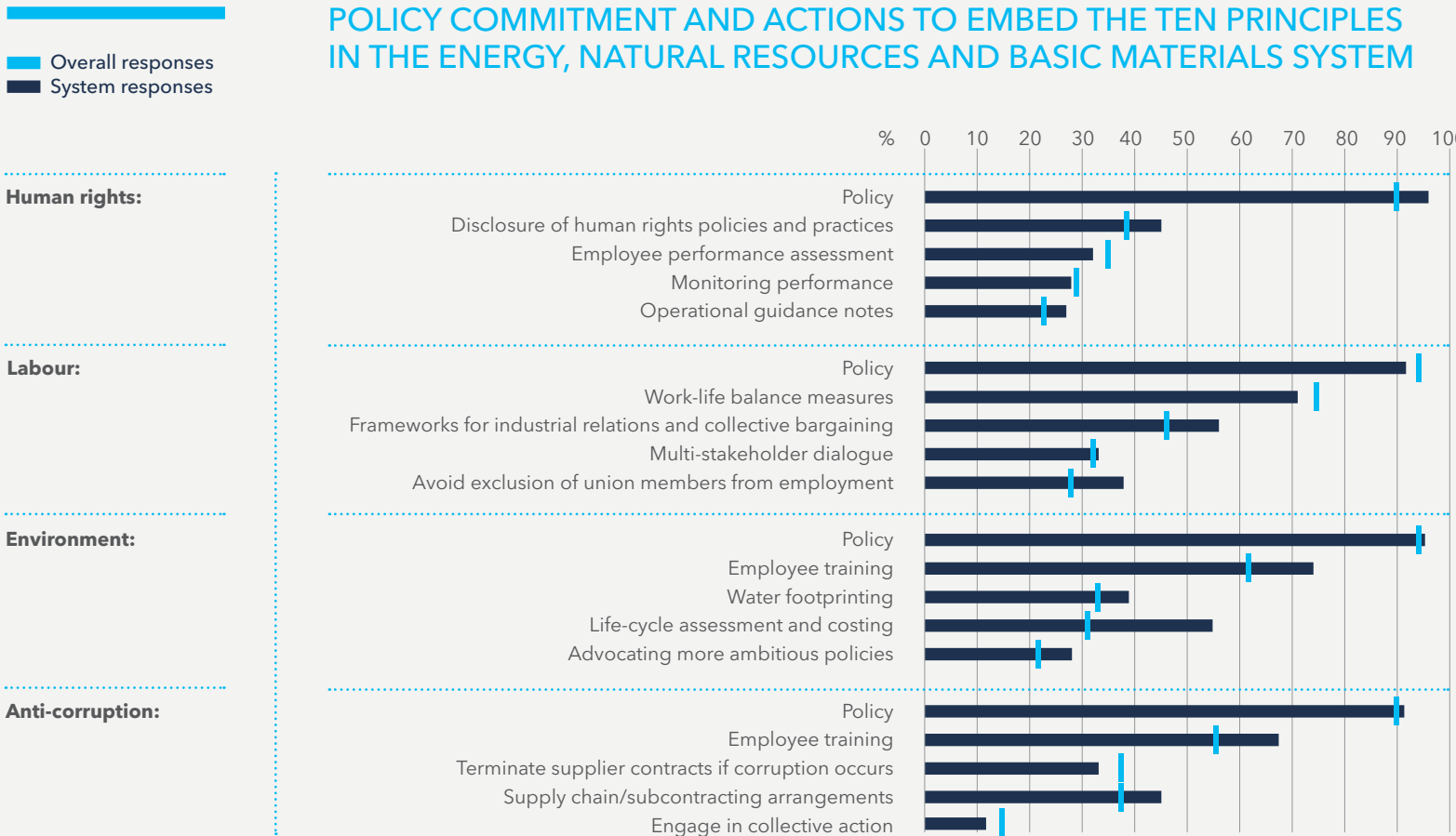
Responses from the energy, natural resources and basic materials system showed that, across the Ten Principles, more than 90 per cent of respondents have policies in place. This system performs better than others in terms of implementing action, especially relating to environment and labour, however good practice needs to be scaled to amplify impact on the SDGs.

The system performs particularly well on conducting lifecycle assessments (54% vs 31% overall) and environmental risk and impact assessments, both of which are over 20 per cent above average for all respondents. Overall, the system is also ahead on integrating environment

into strategies and operations (22% vs 14%), climate change (49% vs 29%) and water management (25% vs 23%).

Interviews from sectors such as chemicals report that the UN Global Compact has helped businesses to understand complex policies relating to human rights.

"When it comes to human rights policy, we have taken the guidance of the UN Global Compact to help us identify the elements to take forward and implement" (Tata Chemicals).





40%
of the system reported that impact assessments of their sector on the SDGs have been completed and understood

Individual business action on the SDGs

Business action aligned with the SDGs, but ambition not raised

A large number of businesses (85%) within the system are currently taking action on the SDGs. Some of the interview data suggests that although initiatives and action are being aligned with the SDGs, the SDGs are not provoking higher ambition within companies, "A while ago we announced an investment in wood-based biochemicals to replace oil-based glycols. This is in line with our strategic direction towards the future beyond fossils and is thus obviously related to SDG 13" (UPM).

Prioritizing the SDGs

Three of the most prioritized SDGs are ones where businesses recognize their potential for positive impact. The energy, natural resources and basic materials system does a better job than most other

systems of recognizing its negative impact on the SDGs, although the level of recognition is still relatively low. Only 6 per cent of businesses in the system have a carbon emissions reduction target approved by the Science Based Targets initiative. This is the only system where Goal 13 ranked as the number one priority goal, reflecting the closeness of the system to the climate challenge.

Target setting above average, but scale needed

Target setting for priority SDGs is generally higher than in other sectors and over 60 per cent of respondents set targets. Similarly, other than Goal 8, products and services supporting the SDGs are also widespread. Despite this positive action, 43 per cent of the system's respondents stated that progress was not moving fast enough to deliver the SDGs.



6%
Only 6 per cent of businesses in the system currently have a carbon emissions reduction target approved by the Science Based Targets initiative

System view on delivering change

Survey respondents delivered insights into how well prepared they thought the energy, natural resources and basic materials system is to deliver the SDGs in the coming Decade of Action.

Alignment on level of challenge and ambition required, but action is lagging behind

There is some alignment between the SDGs individual companies are prioritizing and those that respondents say are a priority for their sector as a whole. In particular, Goal 13: Climate Action and Goal 7: Affordable and Clean Energy were highlighted as priorities for the sector. For Goal 13, 74 per cent of respondents stated the sector recognizes the climate challenge and 69 per cent that there is a vision for the transition needed. The scores were only slightly lower for

Goal 7, with 67 per cent saying the challenge is recognized and 63 per cent that there is a vision for transition. This is good alignment given the links between affordable and clean energy and climate action within this system.

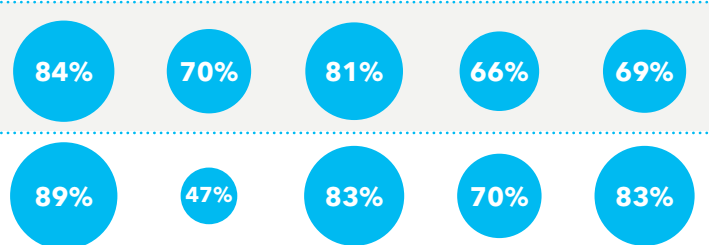
Significant way to go in coordinating systemic change

In each of the priority SDGs for the system, more than, or close to, 60 per cent of respondents say the challenge is recognized and there is a vision for transition. The scores for an agreed approach to deliver the vision are consistently lower, showing there is a significant way to go in coordinating systemic change. "Most in the industry do recognize the level of challenge and the level of ambition, but not all are concerned about impacts" (UPM).

HOW COMPANIES IN THE ENERGY, NATURAL RESOURCES AND BASIC MATERIALS SYSTEM ARE APPROACHING THE SDGs



Companies overwhelmingly recognize their positive impact on the SDGs: percentage of companies reporting a "significant" or "somewhat significant" positive impact on the SDGs



There is some acknowledgment of negative impacts: percentage of companies reporting a "significant" or "somewhat significant" negative impact



Higher priority for negative impact. Goal 13 is the highest priority goal; it is also one where respondents somewhat recognize their negative impacts

Need for stretching targets. Although climate targets are common, only 6% have set an approved Science Based Target

Products to support the SDGs. Many companies are focusing on products and services to support the SDGs, although this is lagging behind for Goal 8

HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?

2020

1

Recognize the challenge

2

A vision for transition

3

Agreed approach to deliver

2030

Percentage of respondents that say this SDG is a priority for their whole system:



60%



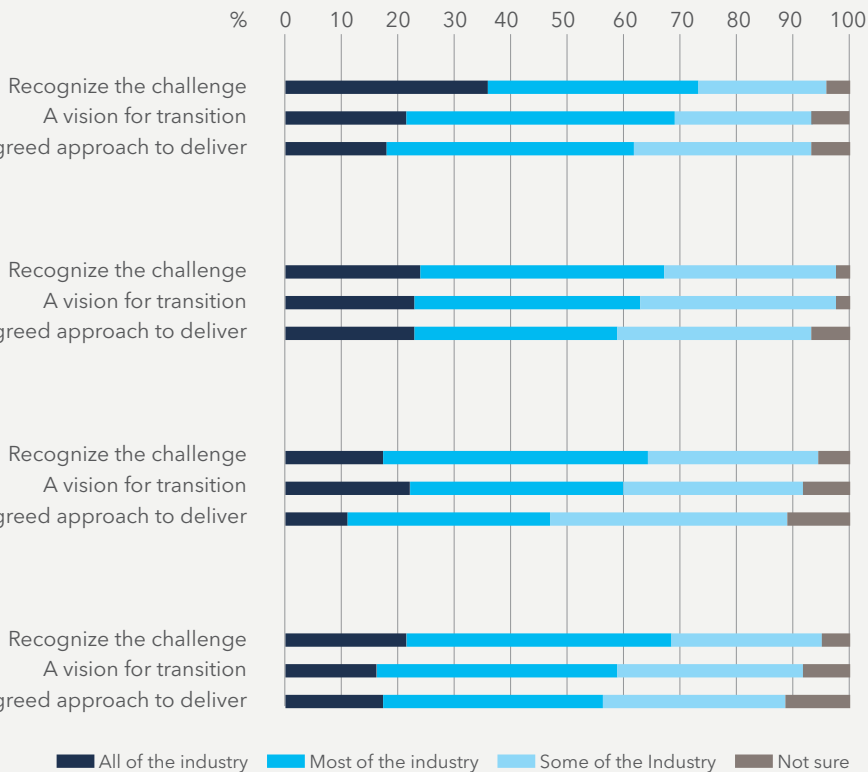
59%



49%



49%



ENERGY SECTOR COMPANIES THAT HAVE SET, OR COMMITTED TO SET, A SCIENCE BASED TARGET (SBT):

Electric and energy-related:
-20 committed
-10 set "2C" target
-5 set "Well below 2C" target
-0 set "1.5C" target

Oil and gas:
-3 committed to setting a Science Based Target
-0 with targets in place

Gas utilities:
-3 committed to setting a Science Based Target
-0 with targets in place

out of 876 total companies with a commitment to or existing Science Based Targets

IN FOCUS: The energy system

Rapid transition is forecast, but progress not meeting the Paris Agreement ambition

DNV GL's Energy Transition Outlook predicts a rapid transition in the energy sector in the next 30 years as the dual challenges of doubling energy demand and transition to a low-carbon economy play out globally. By mid-century, almost half the global energy mix (44%) is forecast to come from non-fossil sources, more than doubling from just 19 per cent in 2017.

A staggering growth in electrification is also predicted – particularly within transport, manufacturing and buildings – enabling the journey to a low-carbon future. Electricity demand is expected to double by 2050, with wind and solar providing most of this power. But despite these advances, projections show that the energy sector will not meet the ambitions of the Paris Agreement.

The Energy Transition Outlook forecasts that although greenhouse gas emissions from energy use will peak in 2025, they will be far off net zero by 2050. The forecast concludes that limiting global warming to well below 2°C needs extraordinary action – advancing energy efficiency, renewables and carbon capture well beyond the "best estimate" future scenario.

The COVID-19 pandemic will cause significant disruption to energy demand patterns in the short term. The view of DNV GL's Energy Transition Outlook team is that this is unlikely to alter the nature or pace of the longer-term energy transition. It will, however, leave Governments and industry with tough policy choices. In the short term, Governments will need to prioritize between cheap fossil fuel for economic and job recovery, or direct stimulus packages and investment towards renewable energy.

CASE STUDY: LINKING IBERDROLA'S BUSINESS STRATEGY TO THE SUSTAINABLE DEVELOPMENT GOALS

Iberdrola has focused its efforts on the two SDGs where they can have most impact: access to electricity (Goal 7) and the fight against climate change (Goal 13). To ensure progress, the goals have been added to their business strategy.

Iberdrola is an electric utility company. It is one of the largest wind power producers worldwide and a major solar power operator, with 34,000 employees around the world.

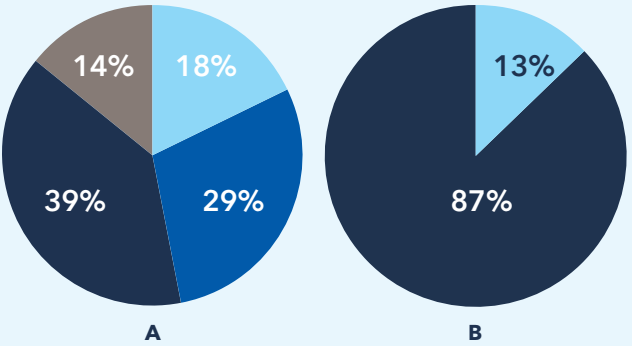
Twenty years ago, Iberdrola changed its business model to work towards a more sustainable energy model. In line with its commitment to decarbonization, Iberdrola closed 15 carbon and fuel plants and has set Science Based Targets to reduce its emissions. It has committed to reducing CO₂ intensity emissions by 30 per cent by 2020 compared to 2007 levels, lower emissions by 50 per cent by 2030 and to be carbon neutral by 2050. In support of Goal 7, Iberdrola has also committed by 2030 to bring electricity to 16 million people who lack energy access.

In order to achieve these goals, Iberdrola has made management accountable by linking the remuneration and bonus of the highest management to specific objectives in support of its priority Goals 7 and 13. Iberdrola also revised its Corporate Governance System to reflect this and integrate the SDGs as part of the corporate philosophy.

In response to the COVID-19 pandemic, Iberdrola has added its voice to the calls for a 'Green recovery'. This is the idea that the Government stimulus needed to recover from the pandemic should encourage a transition that is climate-neutral, resilient, sustainable and inclusive. Iberdrola has committed to accelerating its investments in renewable energies, digitalization and electrical mobility to boost economic and employment recovery.

HOW ARE UN GLOBAL COMPACT PARTICIPANTS CONTRIBUTING TO THE ENERGY TRANSITION?

- A)
- High level of awareness of change required
 - Good knowledge of change required
 - Awareness of change required
 - Minimal understanding
- B)
- No
 - Yes

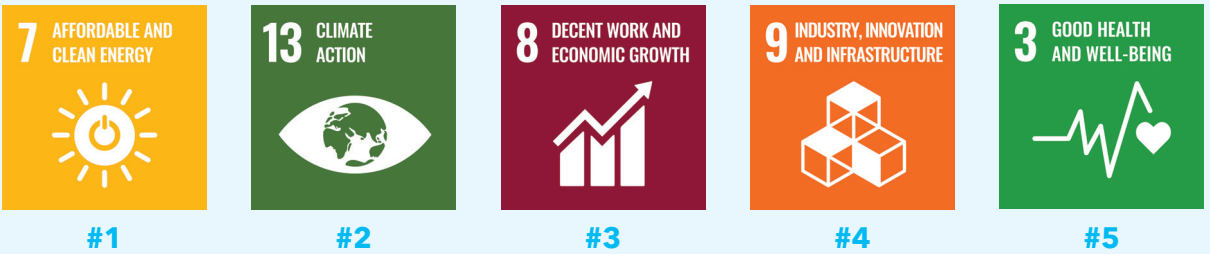


A) Level of awareness on the SDGs at Board and Leadership team levels. UN Global Compact participants within the energy sector (oil and gas, utilities, alternative energy companies) reported high levels of awareness of the SDGs and good recognition of the change required to deliver them by 2030.

B) Percentage of survey respondents taking action on the SDGs. Matching this awareness, 87 per cent state they are taking action to address the SDGs. Progress is also being monitored at the highest level, with more than half (57%) stating that sustainability is regularly addressed at board meetings.

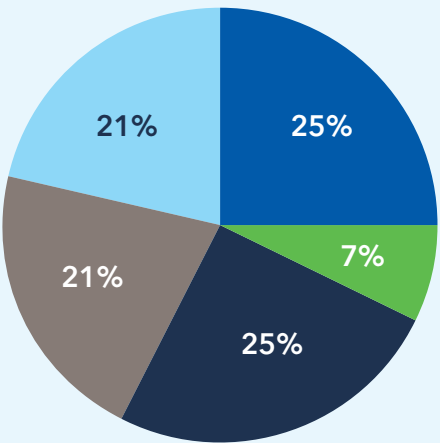
THE ENERGY SECTOR IS PRIORITIZING ITS MOST MATERIAL ASPECTS, HOWEVER A MORE COMPREHENSIVE PLAN TO CONTRIBUTE TO THE ENERGY TRANSITION IS MISSING...

Respondents in the energy sector are prioritizing their most material impacts, with Goal 7: Affordable and Clean Energy, Goal: 13 Climate Action and Goal 8: Decent Work and Economic Growth among the most highly prioritized SDGs



PERCENTAGE OF COMPANIES THAT HAVE SET TARGETS TO REDUCE EMISSIONS

Within the oil and gas and utilities sectors, only 21 per cent have not yet set an emission reduction target. The majority of companies (57%) have set either an absolute or intensity target. Of these companies, 69 per cent claimed their target is aligned with science, however these targets have not yet been approved by the Science Based Targets initiative (SBTi). None of the companies currently have an approved Science Based Target within these sectors.



IN FOCUS: the transformation of the energy system



2030

Global energy use will peak by 2030, yet emissions will not reduce enough to stay within 1.5C

DRIVERS

- Cost on a diverging path**
 Solar and wind are reaching cost and performance parity, becoming the cheapest electricity options in many regions. Global markets are accelerating the spread of new technologies, creating a self-reinforcing cycle of falling costs through further deployment. 'Plus-storage' projects are also reaching parity as battery costs plunge.
- Influential sub-national governments and corporations**
 Cities are procurement powerhouses for projects that support renewable-energy-powered transport and promote renewables-based heating and cooling and energy storage systems. Global networks, such as the C40, help with diffusion of best practices. www.c40.org
- Energy security**
 Renewable energy and battery technologies strengthen local energy security by exploiting distributed, domestic resources. Renewables diversify the energy mix and enable substitution of fossil-energy imports.
- New markets and business models**
 New service-based models, enabled by digital technologies, are growing. Examples include energy service companies that are providing services to reduce energy consumption rather than units of delivered energy; urban 'mobility-as-a-service' offerings, including electric cars, bicycles and scooters; pay-as-you-go companies are offering access to energy services in areas with poor access;

and platforms for peer-to-peer (P2P) trading and flexible services, which enable matchmaking and localized energy trading.

- Investors eyeing climate risk**
 The cost of climate risk is moving up the financial world's agenda. The recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) will mainstream the need to provide transparent market information on the financial impacts of physical climate-related risks and from low-carbon transition. Collectively, supporters of the TCFD manage almost US\$ 110 trillion in assets (Carney, 2019). Added to this, investor appetite for fossil fuels is waning, based on high capital requirements, weak or potentially risky returns and the fear of stranded assets – issues brought into sharp focus by the COVID-19 pandemic. Post-pandemic, it is likely the cost of capital for fossil fuel companies will rise and the availability of plentiful, cheap capital will continue for cleaner technologies.
- Technological progress**
 Embedding digital technology deep in industrial and energy systems supports the coordination of energy supply and demand sectors in real time. This enables new ways to integrate renewables into the energy system and to optimize resources across borders and energy carriers.

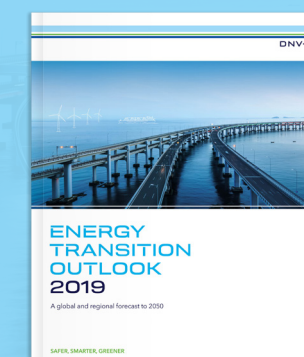
BARRIERS

THE ENERGY TRANSITION IS AT A CRITICAL AND COMPLEX JUNCTURE OF OPPOSING FORCES – POLITICAL, ECONOMIC AND TECHNOLOGICAL. THE LIST BELOW PRESENTS SOME OF THE STRONGEST DRIVERS OF, AND BIGGEST BARRIERS TO, THE TRANSITION.

- Subsidies and lack of externality pricing**
 A political blind spot is that fossil fuel subsidies outmatch support for renewables by a ratio of four to one (Irena et al., 2018). An estimate of implied global fossil fuel support is US\$ 5.2 trillion, or 6.5 per cent of world GDP (IMF, 2019a). Carbon prices will remain modest, with regional prices varying between US\$ 25 and US\$ 60 per tonne CO₂ in 2050. Subsidies for renewable energy will decline as prices become competitive.
- Conflicting priorities**
 In developing coal-based power generation to improve energy access (Goal 7: Affordable and Clean Energy), nations accelerate climate change, air pollution and acidification of oceans. This counteracts other SDGs, including Goal 3: Good Health and Well-being

Goal 13: Climate Action, and Goal 14: Life Below Water. The decline in international cooperation, along with the fading promise of US\$ 100 billion-a-year in climate finance for developing regions, is hindering climate-compatible developments.

- Extraordinary policy uncertainty**
 Although renewable energy technologies are becoming less dependent on Government support, decarbonization projects face continued transition risks related to policy making and implementation.
- Lobbying for status quo**
 Forbes (2019) reports that the world's five largest publicly-owned oil and gas companies spend approximately US\$ 200m annually lobbying to control, delay, or block climate-motivated policies.



DNV GL'S ENERGY TRANSITION OUTLOOK

predicts a rapid transition unfolding within a generation: by mid-century the energy mix will be split almost equally between fossil and non-fossil sources.

Sustainable transition needs

“Multi-stakeholder collaboration across industry value chains is key to delivering the transformations needed.” – BASF

1. Standardized metrics informed by science

Standardized metrics, especially those informed by science, are not currently embraced and businesses are reporting progress on the SDGs against multiple frameworks. Like others, a key challenge for this system is the fragmentation of reporting using different frameworks. For example, a major chemicals company stated that its "strategy and target-setting use multiple frameworks – the six capitals model, Ten Principles, CDP, SBTi etc. Our reporting is informed by lots of frameworks."

Interviewees suggested that Science Based Targets can give the SDGs rigor – at least for measuring and reporting impacts for SDGs relating to the environment. Yet only six per cent of the energy, natural resources and basic materials system have adopted a target approved by the Science Based Targets initiative. Meanwhile, 49 per cent report they consider their targets to be aligned with science, but they are not yet approved.

"For us, understanding what science is advising has been very helpful to frame our ambition – when it comes to environment, human rights, renewable and clean energy and a lot of targets related to decent work conditions and safety" (Equinor).

2. Little focus on short-term performance

Leadership within companies is essential, but company leadership within sectors is also important. It can set the pace, encouraging others to set ambitious targets and play a role in the sustainable transition of a sector or wider system. While relevant and necessary, focusing on long-term ambition has been identified by some as a distraction from delivering change in the short- to medium-term,

"There is too much focus on announcements and ambitions, and not enough focus on delivery and what is happening on the ground" (Equinor).

3. Digitalization

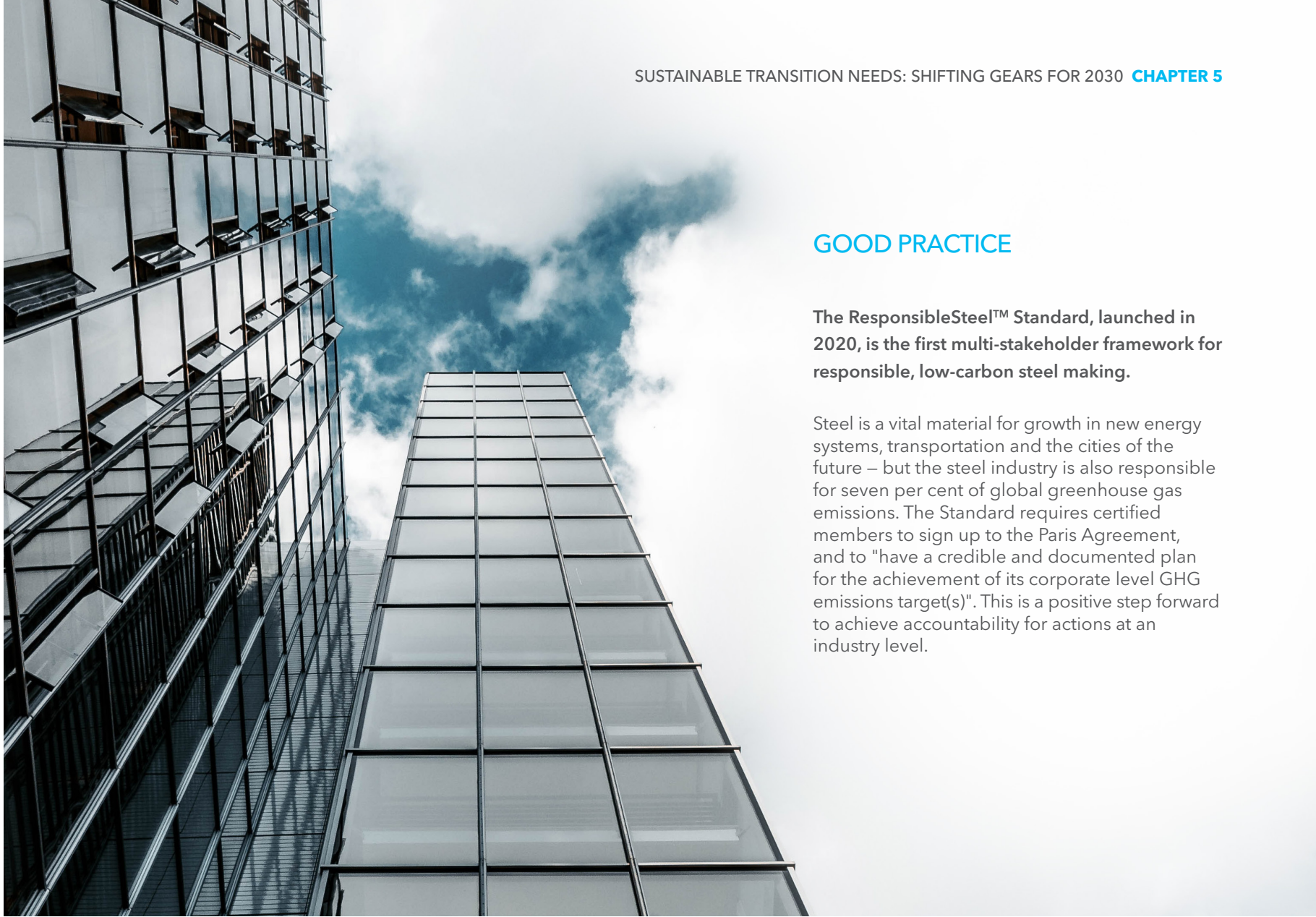
Society and industry at large are on the cusp of a new digital era. Businesses must improve connectivity across the value chain, embracing digitalization to increase the accessibility and sustainability of energy and natural resource systems and helping to improve security and privacy. Those that do not adopt new practices and link the value chain to digital will fall behind.

"Fifteen years ago we were solely a paper company and one of the biggest in the industry. We still are, but already at that time saw the world is going digital and we need to change our business strategy quickly" (UPM).

4. Multi-stakeholder collaboration

System-level change cannot be achieved by companies and organizations acting alone. As value chains become more complex, companies must work with others to ensure that the transition to meet the 2030 Agenda targets is accelerated. Yet, only 52 per cent of respondents in the system reported they take part in industry-specific collaboration to advance the SDGs.

"Bringing industry together in a pre-competitive space to set sustainability commitments and support delivery against them can be incredibly effective. Collaboration, especially with stakeholders, is key to strengthening the sector's environmental and social performance" (ICMM).



GOOD PRACTICE

The ResponsibleSteel™ Standard, launched in 2020, is the first multi-stakeholder framework for responsible, low-carbon steel making.

Steel is a vital material for growth in new energy systems, transportation and the cities of the future – but the steel industry is also responsible for seven per cent of global greenhouse gas emissions. The Standard requires certified members to sign up to the Paris Agreement, and to "have a credible and documented plan for the achievement of its corporate level GHG emissions target(s)". This is a positive step forward to achieve accountability for actions at an industry level.



SUSTAINABLE DEVELOPMENT GOAL 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss

CASE STUDY: UPM'S 2030 TARGETS AIM TO ENHANCE BIODIVERSITY

The forest products company UPM has set a target to enhance biodiversity in company-owned forests in Finland while safeguarding the capacity of the land to produce wood.

UPM is a biofuel, paper and pulp company headquartered in Finland. Its products rely on the sustainable management of forests. Well-managed forests play a key role in protecting carbon and water ecosystems.

To ensure that the forests they manage are not only regenerated, but retain natural biodiversity, the company has developed key biodiversity indicators and measures based on a comparison of natural and commercial forests. UPM conducted a gap analysis identifying the key differences between these two forest types. The analysis was used to set targets and create an action plan to increase biodiversity in its forests.

UPM has set eight different indicators to monitor and each has a corresponding metric. Surveys show that the majority of trees in the company's forests are pine trees (62%). One of the metrics aims to increase the share of broadleaved trees from 11%. The company also runs a project to improve the natural habitats of certain species such as ospreys and other birds of prey.

External assessments are conducted to monitor the indicators and note any changes in forest structure. The assessments are used to evaluate the impact of logging and land use and ensure that the company's forestry management targets are adhered to.

INDUSTRIAL MANUFACTURING

Turning raw materials into products for businesses and consumers alike, this system is the industrial heartbeat of the world economy. It delivers more than US\$ 13 trillion in output annually and employs almost a quarter of the world's workers. The industrial manufacturing system includes the following systems:

- Construction materials
- Aerospace and defence
- General industrials
- Electronic and electrical equipment
- Industrial engineering
- Industrial transportation
- Support services

SCALE



US\$ 13.5 TRILLION
World manufacturing
production in 2018¹



23% OF 3.3 BILLION
Employed globally in
manufacturing in 2019²



Countries with **17%** of the
global population account for¹ **55%**
of manufacturing output

IMPACT



Industry responsible
for **19%** of freshwater
withdrawal globally³



Almost a quarter of
the world's working
population is employed
in manufacturing
and this system has
enormous influence on
many of the SDGs

34%

of businesses within the
UN Global Compact
are from industrial
manufacturing sectors,
representing the largest
cohort

About the system

Using labour, machines, tools, chemicals and biological processing, the industrial manufacturing system transforms basic materials into products on a vast scale. Industrial products are the backbone of society, providing everything from the smartphone in your pocket to the materials used to build your home. Our communities, cities and infrastructure are reliant on industrial engineering for their construction and servicing.

Industrial manufacturing is concentrated in developed economies, with China, the USA, Japan and the EU having the highest proportion of industrial facilities and output. In 2017, developing and least developed countries accounted for only 2.8 per cent and 0.8 per cent of global manufacturing production respectively (UNIDO, 2020).

Almost a quarter of the world's working population is employed in manufacturing and this system has enormous influence over many of the SDGs. On the social side, industrial manufacturing is reliant on healthy and skilled workforces to design, structure, plan and manage production.

Environmentally, the raw materials, energy and water used in production mean the system has a significant footprint on natural resources and our environment. Many high-impact basic materials, such as steel, cement and chemicals, are direct feedstocks for manufacturing.

The human and environmental capital used in industrial manufacturing, along with the processes and technologies utilized, have the potential to influence nearly all the SDGs. Directly and indirectly, through its influence on societies and other business sectors, industrial manufacturing will play a huge role in how we transform our economies over the next decade.

Industrial products are the backbone of society, providing everything from the smartphone in your pocket to the materials used to build your home.

The challenge



The pace of change and delivery of benefits from industrialization is unevenly distributed across the globe



Uneven benefit
In development terms, industrialization is acknowledged as a key driver of economic growth and sustainable development (UNIDO, 2015). It is essential for delivering technological progress and transformation and expanding human capabilities through job creation, education and skills development. It also has the power to improve quality of life by producing goods essential for nutrition, health care and other human needs (UNIDO, 2020).

Despite the steady trend of industrial manufacturing relocating from industrialized nations to the developing world, the pace of change and delivery of benefits from industrialization is unevenly distributed across the globe.

Manufacturing Value Added (MVA) per capita – a key indicator of manufacturing output – is closely associated with a wide range of human development indicators. The highest rates of MVA are created in North America, Europe and Japan, while developing and emerging economies do not benefit to the same level, as shown below (UNIDO, 2020).

Yet, it is clear that the impact of industrial manufacturing in enhancing human development, and therefore supporting the SDGs, is not evenly

distributed. They are not reaching developing countries where economic and social challenges are often greatest. A key challenge, therefore, is to ensure that the benefits of industrial development reach all parts of the world and the people who need it most.

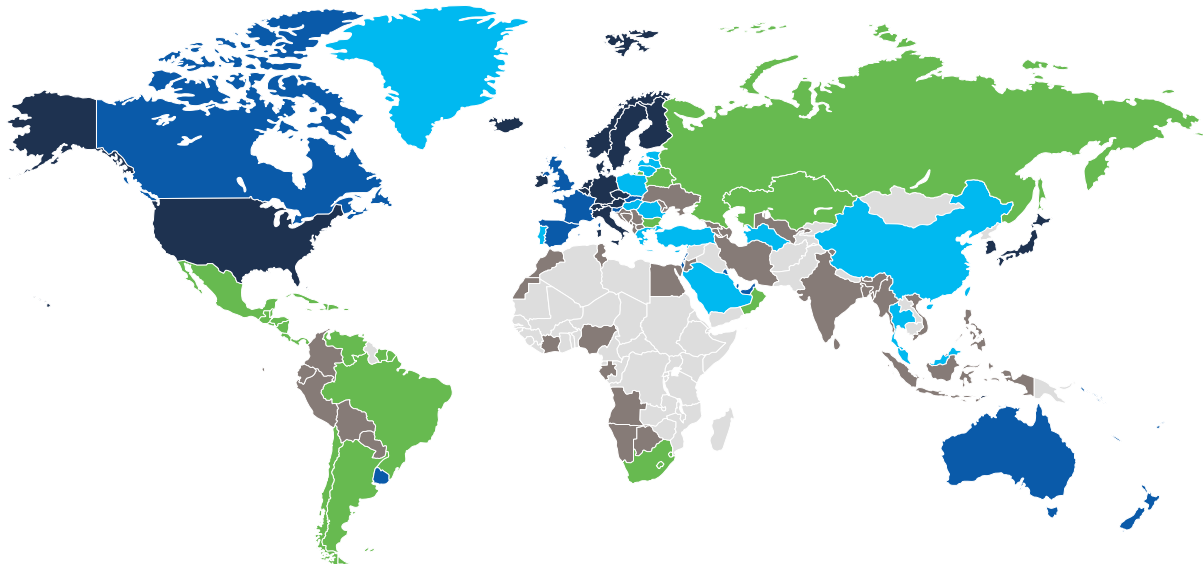
Significant footprint
As a significant user of raw materials – including finite earth minerals, chemicals, energy and water – industrial manufacturing is associated with negative environmental impacts, such as pollution, climate change, habitat destruction and over-exploitation of natural resources.

For example, steel, cement and chemicals – key feedstocks for industrial manufacturing – are the top three sectors for greenhouse gas emissions. Approximately 8 per cent of global emissions come from cement, 7-9 per cent from steel and 7 per cent from industrial chemicals (MIT, 2019; World Steel Association, 2020; (Global Efficiency Alliance, 2018).

At the opposite end of the spectrum, industrial manufacturing can address environmental challenges through innovating at scale, including step-changes in industrial process efficiency and enabling the shift to renewable energy and electrification.

Manufacturing Value Added (MVA) per capita across different countries (in USD)

- 217
- 888
- 1,561
- 3,065
- 5,157
- 44,349



Only 21% of companies within the Industrial manufacturing system conduct water footprint analysis vs. 32% overall, despite strong impacts of the system on freshwater withdrawal



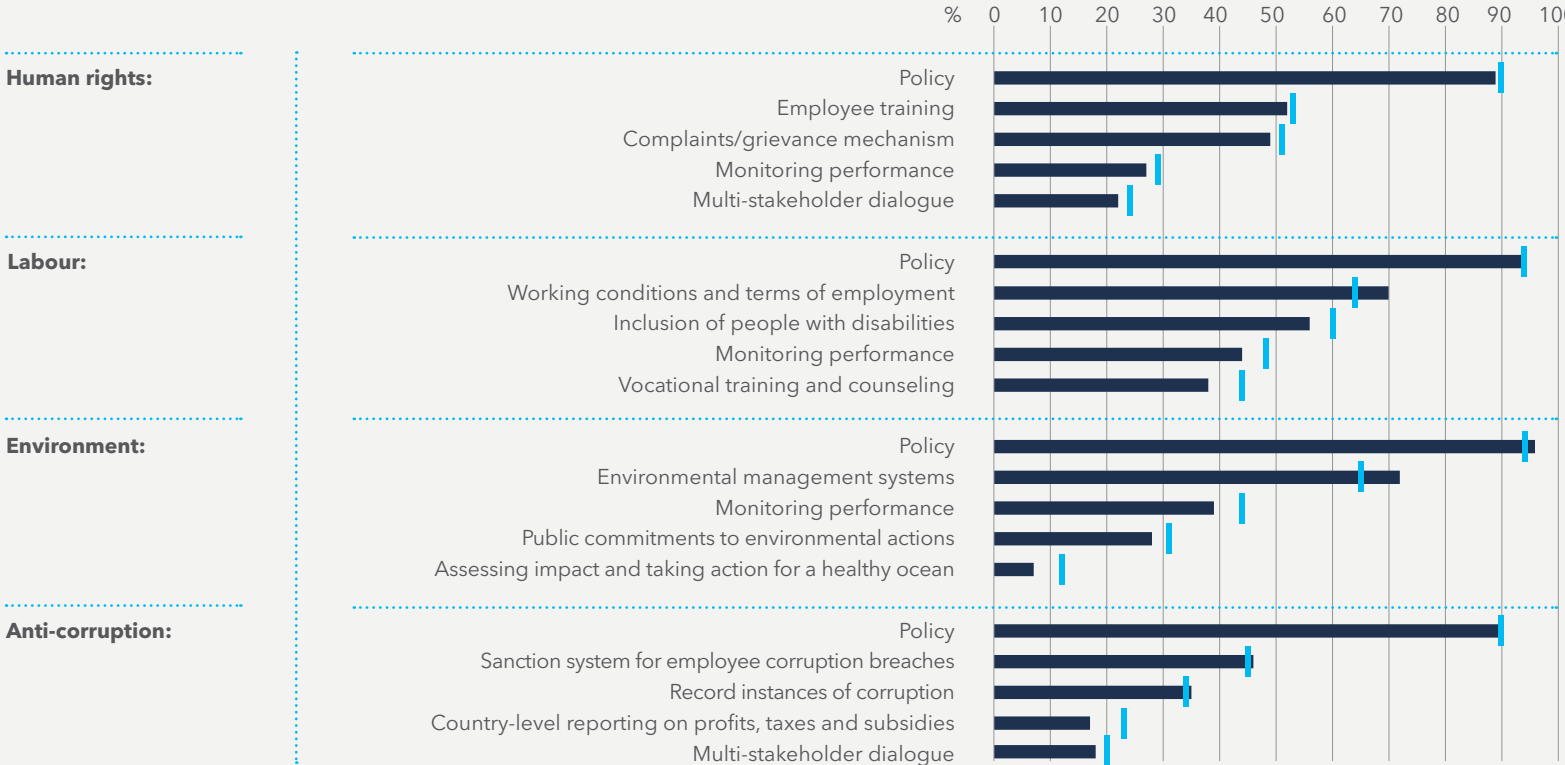
How is the system performing?

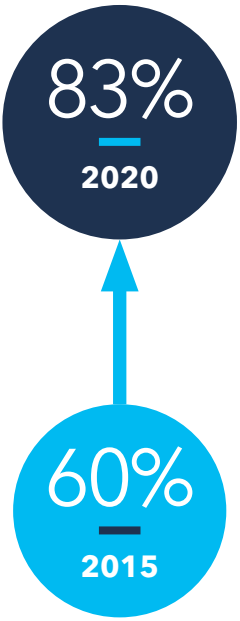
Progress against the Ten Principles of the UN Global Compact
More than 90 per cent of survey respondents in the industrial manufacturing system have adopted policies relating to human rights, labour, environment and anti-corruption. In each area, the adoption of policies is greater in this system than in all the other systems combined. Interviews point to the breadth of the Ten Principles and how they are "most important for driving sustainable policies and practices."

However, practical action to deliver on policy commitments is lagging behind in all areas, even for the best scoring actions such as employee training. Comparing action by participants in the system with all Global Compact participants, specific areas need greater focus. These include monitoring human rights performance (24% vs 30% for all participants); monitoring and evaluating environmental performance (39% versus 44%); and water footprinting (21% vs 32% overall).

Overall responses
System responses

POLICY COMMITMENT AND ACTIONS TO EMBED THE TEN PRINCIPLES IN THE INDUSTRIAL MANUFACTURING SYSTEM





Percentage of companies taking action on the SDGs in industrial manufacturing

Individual business action on the SDGs

Growing action

Since the launch of the SDGs five years ago, UN Global Compact participants are increasingly taking action. In the industrial manufacturing system, 83 per cent of companies are now working to support the SDGs, up from 60 per cent in 2015.

Increasing prioritization of the SDGs

Awareness of the SDGs is high in this system. Although companies overwhelmingly report positive impacts across the 17 SDGs, there is a lack of recognition of potential negative impacts.

There is, however, alignment between where the system sees scope for positive contributions and the SDGs most often prioritized by companies. As a result, a high percentage of companies are taking action on the priority SDGs, with 86 per cent reporting they are developing products and services that support the SDGs.

Scale and ambition are lagging behind

Despite the prioritization, target setting varies for the priority SDGs. It is important to recognize interlinkages within target setting. For example, we cannot deliver on Goal 13: Climate Action (85% of surveyed companies reporting targets on), without suitable targets for Goal 9: Industry, Innovation and Infrastructure (with 57% reporting targets on).

In many cases, corporate targets lack the level of ambition needed to deliver the SDGs by 2030. For example, 36 per cent of companies in this sector have committed to setting Science Based Targets, but so far 23 per cent have actually had these approved by the Science Based Target initiative. Meanwhile 37 per cent have either committed to setting or already set a net zero emissions target for 2050. Positive progress is on its way, and we need more companies to follow suit.

“Our industry (aluminium) has developed a low-carbon transition roadmap to 2050. Writing up a roadmap to 2050 is not the most difficult . . . execution is difficult.”
– Norsk Hydro

System view on delivering change

Survey respondents delivered insight into how well prepared they thought the industrial manufacturing system is to deliver change that will help to achieve the SDGs in the coming Decade of Action.

Greater recognition and action required

For industrial manufacturing, the challenge posed by the system's priority SDGs is not fully recognized. Goal 13: Climate Action leads the way on awareness, with more than 70 per cent stating "all" or "most" of the industry recognizes the climate challenge.

Enhanced social focus

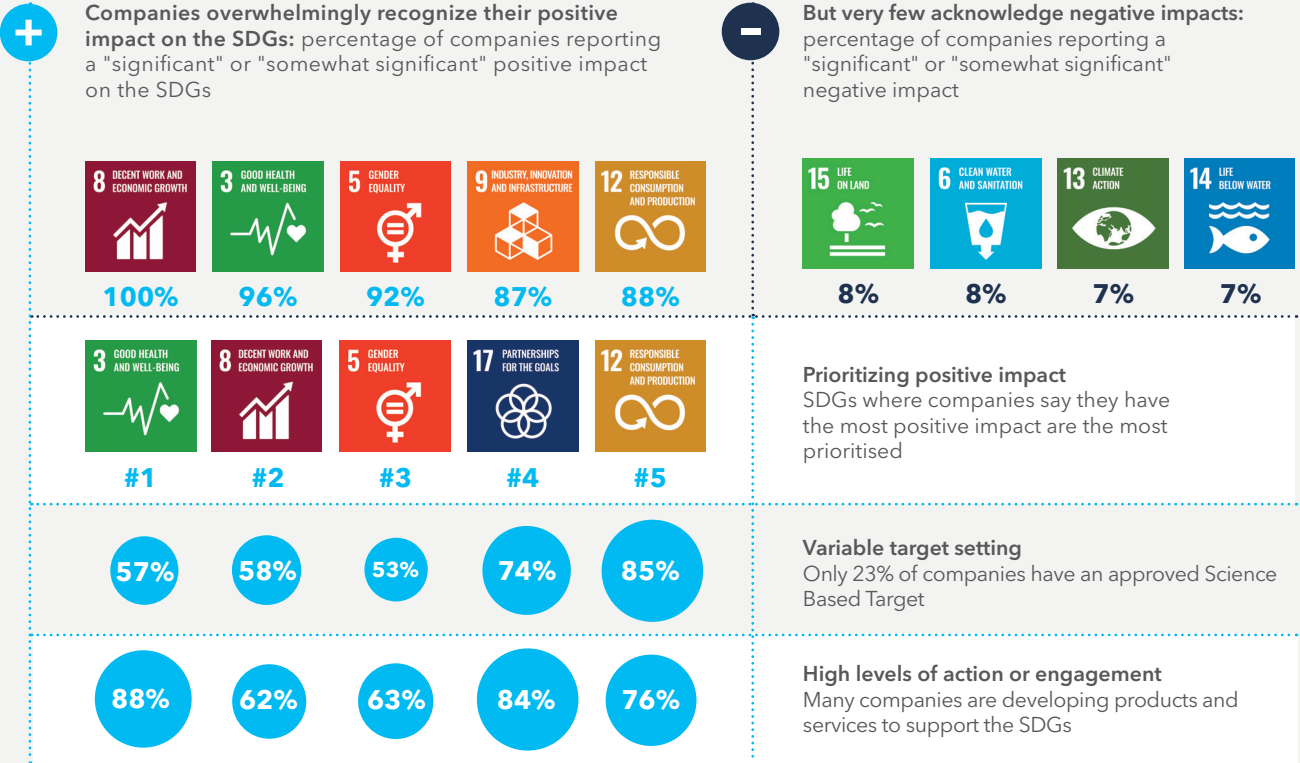
Compared to economic and some environmental SDGs, socially focused SDGs are less highly prioritized within the industrial manufacturing system. This is despite employing a quarter of the

world's workforce and having significant impact on areas such as human rights and inequality.

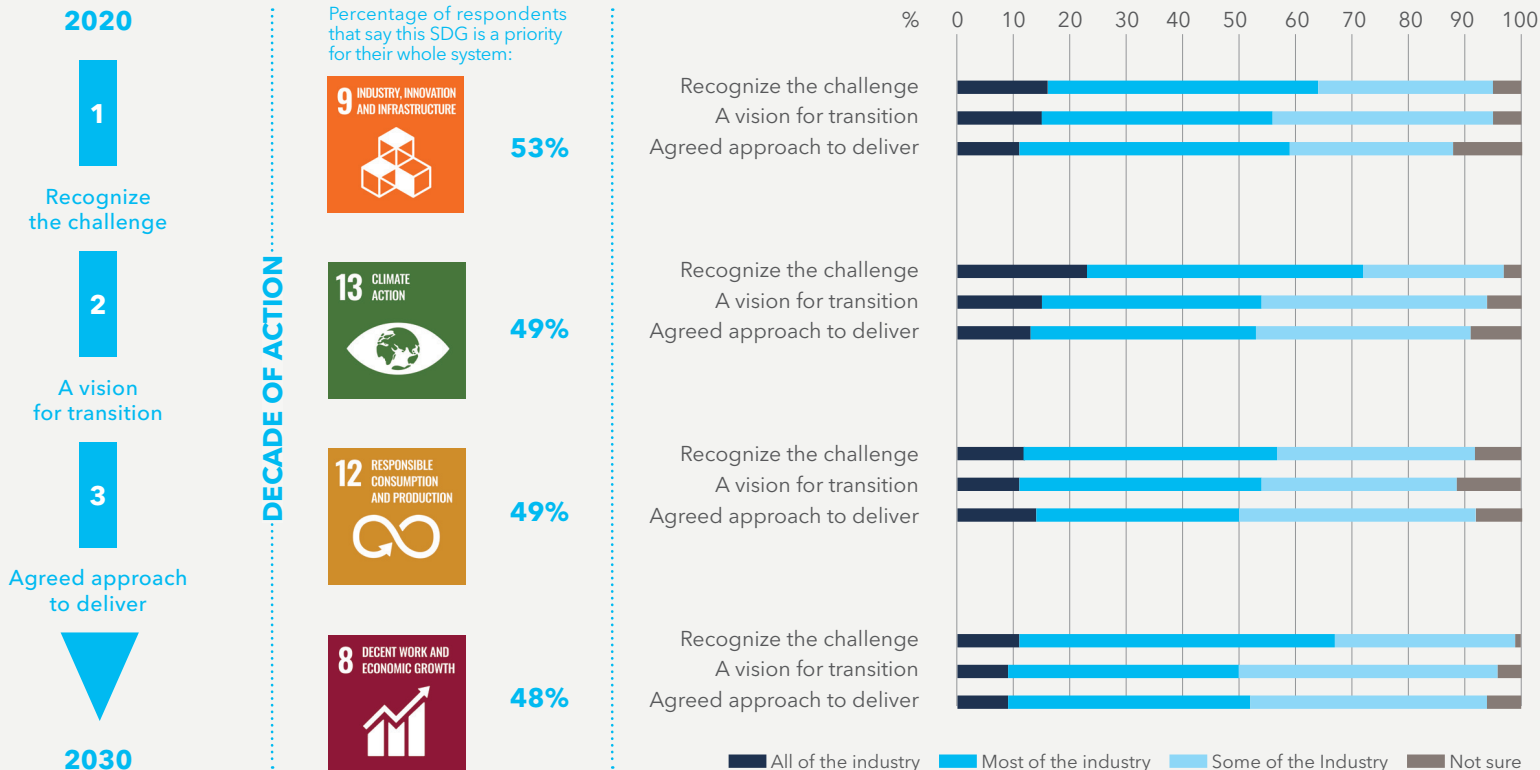
Collective vision

Only around half of participants believe there is a collective vision for the transition needed in the coming decade to achieve the system's prioritized SDGs. This is surprising for Goal 13: Climate Action, which is the SDG where the challenge is most widely acknowledged.

HOW COMPANIES IN THE INDUSTRIAL MANUFACTURING SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





KEY OPPORTUNITIES FOR INDUSTRIAL MANUFACTURING TO SHIFT GEAR FOR 2030

- Circular economy models across industries: scaling up of waste as value models
- Electrification of industrial processes (e.g. zero emission hydrogen steel-making)
- Digital revolution, Artificial Intelligence (AI) and automation are transforming manufacturing
- Fairly sharing the costs of transition

Sustainable transition needs

Businesses in the industrial manufacturing system must urgently accelerate progress on the SDGs. To do this, core pillars that can advance positive trends and facilitate new directions must be established.

Changes in public policy and the allocation of capital are also required, especially where the costs of transition are high and markets fail to incentivise positive action towards the SDGs. At the company level, there are clear opportunities to provide products and services that deliver positive change, especially if circular business models are embraced. Brave and disruptive leadership is needed to deliver these shifts.

CREATING A SUPPORTIVE FOUNDATION FOR TRANSITION

1. Metrics

Standardized metrics to track collective action and qualify progress towards the SDGs are required. This will help guide action, increase scale and enhance performance. Only 17 per cent of survey respondents "agree" or "strongly agree" that there is a clear set of standardized metrics to track the system's collective impact on the SDGs. This is one reason why the level of engagement on the SDGs by the system as a whole has been slow. Country-level metrics could also help companies understand how to deliver the most impact within their organizational footprint.

2. Enhancing collaboration, reducing market barriers

At a system level, collaboration holds the key to success at scale. About 42 per cent of survey respondents "agree" or "strongly agree" that stakeholder collaboration across the industry's value chain is delivering solutions for the priority SDGs. Yet 36 per cent "agree" or "strongly agree" that competition and current market conditions make it difficult to collaborate with industry peers.

"Our more than 500 partnerships and strategic alliances worldwide have proven a key success factor in multiplying our positive impact on society and in the creation of sustainable communities" (CEMEX).

4. Increased consumer and client demand

The level of demand by consumers and clients for green products, practices and services is weak. Interviewees call for a greater market pull if businesses are to act and offer sustainable alternatives.

"It is time for the next decade; we need much more focus on consumer demand. We need to stimulate consumers to ask for sustainable products" (Norsk Hydro).

5. Bold and visionary leadership

Meaningful business action on the SDGs requires disruptive leadership. Companies feel they have most positive impact when leaders embrace innovative solutions (e.g. using artificial intelligence, automation, digitalization, new leasing and service business models).

"Disruptive innovation is required and industry leadership to scale and speed up change."

6. Advocacy and transparency

A global-local compact to deliver the SDGs requires greater advocacy and transparency to promote action and to disclose progress on them. Expressing the benefits of acting on the SDGs can help those involved relate to the potential long-term value to be gained from a sustainable transition, including how it can support their own needs and meet specific targets.

"Business cases and networking, and understanding what is happening in the outside world is valuable to us."

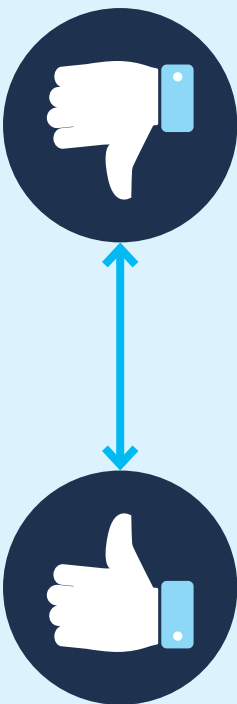
BARRIERS AND ENABLERS

BARRIERS

- **Political or economic systems**
Political and economic systems are not currently set up to support action on the SDGs. A conducive policy environment is needed that supports clean, socially inclusive and healthy industry processes – and disincentivizes those that are not
- **Green finance**
Financing, such as green bonds and tax subsidies, must be available to stimulate investment
- **Balanced communication**
A better balance between the negative and positive impacts of business on the environment and society must be communicated
- **Management and leadership**
Lack of CEO and senior commitment impacts the business case. "We need to have more leadership in the industry"

ENABLERS

- **Disruptive leadership and innovation**
Work is going on in terms of innovation and transformation, but it is not disruptive enough; visionary leaders who drive disruption and embrace innovation play can help scale action. "Different perspectives and inclusive thinking are key drivers for disruptive innovation" (CEMEX)
- **Perceived value of change**
Solutions support the recipient's hierarchy of needs
- **Public policy and regulation**
To incentivize businesses to act, the business case must be built. Progressive regulation is key in enabling a level playing field in the industrial manufacturing system
- **Connectivity and cooperation**
Networks in place that promote multi-stakeholder cooperation, from sharing information and establishing new partnerships to sharing investment risks can help drive transformation. "Multi-stakeholder collaboration across industry value chains is key to delivering the transformations needed" (BASF)



CEMEX's purpose is to build a better future by promoting sustainability and resiliency in cities and communities, thus improve the quality of life and well-being of society

CASE STUDY: INTEGRATING SDGs INTO BUSINESS STRATEGY

CEMEX is headquartered in Mexico and produces building materials such as concrete, cement and aggregates globally. They have selected five priority SDGs to work towards that are directly related to their company's impacts, risks and opportunities.

These five goals are Goal 8: Decent Work and Economic Growth; Goal 9: Industry, Innovation and Infrastructure; Goal 13: Climate Action; Goal 15: Life on Land; and Goal 11: Sustainable Cities and Communities. CEMEX devised a set of internal output indicators in order to keep track of contributions to selected targets.

CEMEX has named climate change as a particular priority. As a result, they have reduced net specific CO₂ emissions by more than 22% compared to their 1990 baseline; sourced 30% of the cement operations' total electricity consumption from renewable sources of energy; and reached an alternative fuel substitution rate of 28%.

In order to step up their impact, CEMEX recently defined a more ambitious Climate Action Strategy and established a new 2030 target to reduce net specific CO₂ emissions by 35% compared to their 1990 baseline. The new target is aligned with the International Energy Agency's roadmap to reducing CO₂ emissions and what is expected from the cement industry in order to contribute to the Paris Agreement.

As a founding member of the Global Cement and Concrete Association, CEMEX actively works to rally the industry to set ambitious goals. They are also active participants of the UN Global Compact local network in Mexico and collaborate in pursuance of the SDGs.

FOOD, BEVERAGE AND CONSUMER GOODS

Responsible for feeding and clothing the world and providing everyday products for cleaning, washing, entertainment and leisure, this system touches on the life of every person on the planet. With a huge supply chain and high labour intensity, the system comes with a significant environmental and social footprint. The food, beverage and consumer goods system includes the following systems:

- Beverages
- Food production
- Household goods and home construction
- Leisure goods
- Personal goods (clothing, accessories, footwear and personal products)

SCALE

IMPACT



1 IN 6
people worldwide employed in the fashion industry alone. 80% of the labour force are women¹



US\$ 15.4 TRILLION
estimated size of the global FMCG market by 2025, dominated by food and beverage²



820 MILLION
Seafood can nourish a growing world population, including 820 million people who are food insecure today



20%
At the sector level, apparel is responsible for 20% of global water use and 10% of global carbon emissions¹



While substantial environmental impacts from food occur in the production phase (agriculture and food processing), households influence these impacts through their dietary choices and habits. This consequently affects the environment through food-related energy consumption and waste generation (United Nations, 2020)

About the system

The food, beverage and consumer goods system creates a vast array of products and services, from those essential for human survival to those required for basic standards of comfort, cleanliness and quality of life.

Beyond products and services, the value chain associated with this system provides employment and economic opportunities for billions of people worldwide. The system's composition means it has a crucial role in supporting many of the SDGs, including moving the most vulnerable out of extreme poverty and hunger and stewardship of the world's natural resources.

However, with a high concentration of labour intensive, low-skilled jobs, there are issues to manage linked to labour rights, workplace standards and human rights. It also relies heavily on global biodiversity and ecosystem services to sustain the supply of raw materials and resources on which it depends. For example, agriculture – which makes up a large proportion of this system

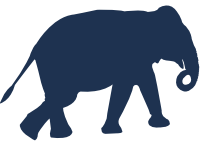
– employs some two billion people worldwide (WRI, 2019a) and is responsible for around 70 per cent of global fresh-water consumption and 25 per cent of global greenhouse gas emissions (GHG) worldwide (Daly, 2020).

This system is, therefore, one of both immense opportunities and immense challenges.

SINCE 1950...



20%
of the Amazon rainforest has been cleared to mainly make way for agriculture



60%
decline in vertebrate species populations worldwide



6 billion
tonnes of fish and seafood have been extracted from the world's oceans

Source: WWF Living Planet Report, 2018

”The challenge is clear; the need to provide for a growing population of increasingly affluent people without destroying the natural systems on which humanity and all living things rely.

The challenge

Intense pressure on planetary resources
As demand for food and consumer goods has risen in recent decades, the planetary resources on which this system heavily relies have come under significant pressure. The long-term viability of the system is vulnerable if the resources it relies on continue to be depleted at current rates – a challenge that will only be exacerbated with population growth and economic development.

...and the pressure continues to grow
The added pressure of a growing population – forecast to exceed 9.5 billion people by 2050 – is clear. Improved living standards and growing affluence, while supporting a range of SDGs, add to the challenge.

Estimates suggest the global middle class will grow to 5.4 billion by 2030, an 80 per cent increase from three billion in 2015. This will be accompanied by "increased demand for the clothes and goods that define middle class lifestyles," and, at current consumption rates, this will require three times as many natural resources by 2050, compared to 2000 (UNECE, 2018).

The World Resources Institute’s "Creating a Sustainable Food Future" report (2019) delivers

a similar assessment. At current levels of efficiency, feeding the world in 2050 would mean "clearing most of the world’s remaining forests, wiping out thousands more species and releasing enough GHG emissions to exceed the Paris Agreement targets of well below 2°C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5°C – even if emissions from all other human activities were entirely eliminated."

The challenge is clear; the need to provide for a growing population of increasingly affluent people without destroying the natural systems on which humanity and all living things rely. The difficult balance of achieving the SDGs related to poverty, hunger, equality and standards of living and the SDGs tackling environmental impacts is clear within this system.

To achieve the aims of the UN Global Compact and deliver on the SDGs, drastic action is needed to halt or reverse current rates of resource use and biodiversity while enhancing lives and livelihoods in this system. Effort and cooperation across businesses and between organizations involved in the manufacture, production and distribution of food, beverage and consumer goods will be pivotal to progress.

CASE STUDY: PROTECTING OCEAN RESOURCES

Food security is a global challenge, intensifying with climate change, population growth and the rising cost of food. Oceana Group, a fishing company headquartered in South Africa, upholds food security by producing essential products efficiently and promoting responsible fishing practices.

Oceana has aligned its sustainability approach with the Ten Principles, the SDGs and South Africa’s National Development Plan. It is a founding member of the Responsible Fisheries Alliance, aimed at connecting the industry across global supply chains by engaging and raising awareness among maritime staff and suppliers.

Oceana has also created a Marine Academy to encourage collaboration between the fishing industry and Government. This equips the seafood ecosystem, from large- to small-scale fishers, to

promote sustainable fishing practices and business-related skills, creating better job opportunities and promoting business development in coastal communities.

Fresh water accessibility continues to threaten livelihoods in South Africa. In 2019, in response to continued drought predictions due to climate change, the Oceana Group invested in two desalination plants on the west coast, enabling daily production of 1.4 million litres of potable water and subsidizing fresh water and job security for neighbouring communities.

”The UN is the birthplace of the SDGs and the Ten Principles of the Global Compact . . . it is a foundation of corporate sustainability. If you want to work effectively on a global scale, it is a natural space to be engaging with leading businesses.

– Cermaq

How is the system performing?

Progress against the Ten Principles of the UN Global Compact
In all areas except human rights, more than 90 per cent of survey respondents within the system have policies relating to the Ten Principles. Policy adoption for human rights is 87 per cent, the lowest figure for any of the systems covered by the research.

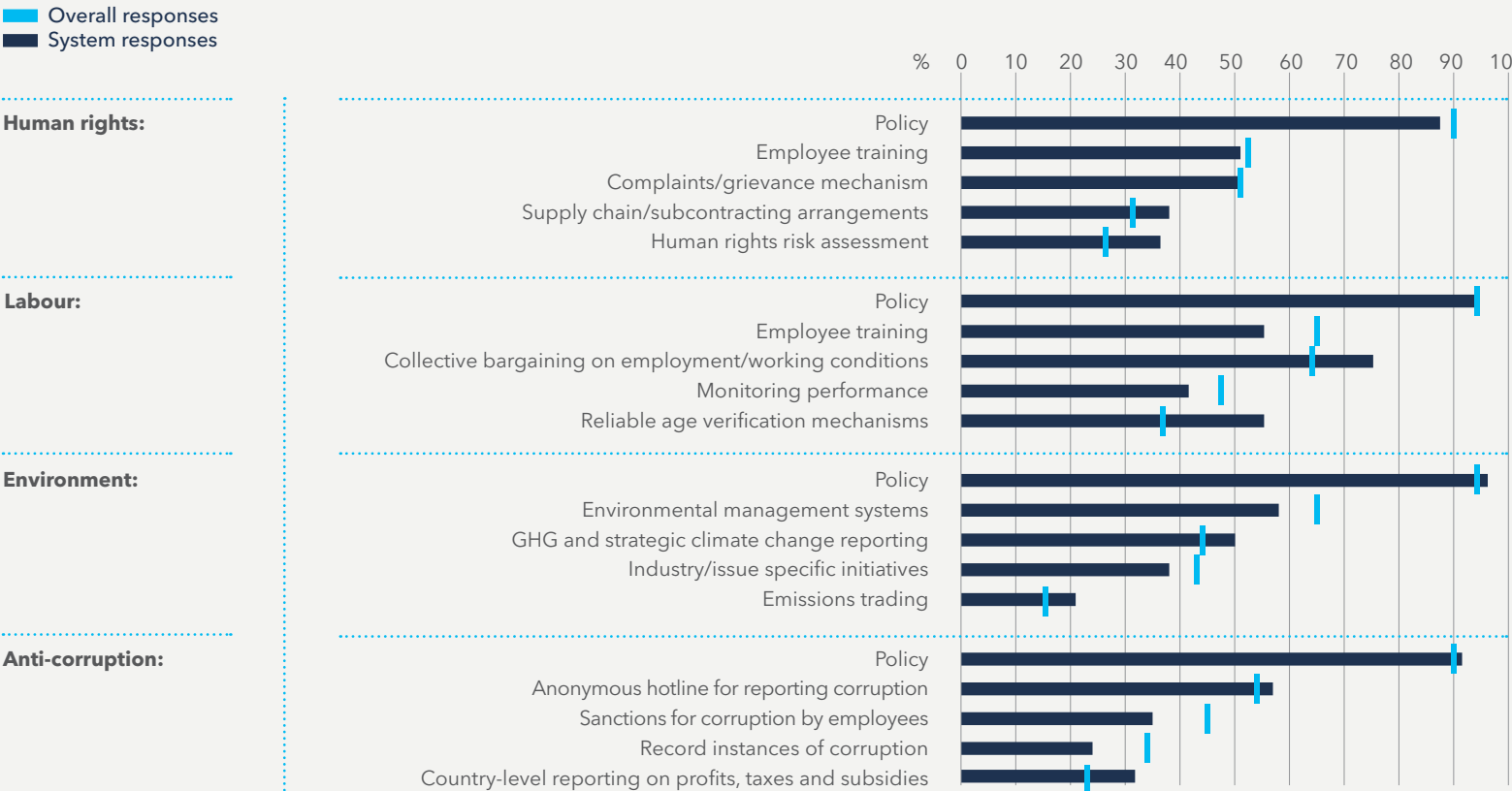
The most common reason stated for company involvement in the UN Global Compact is to increase trust through a public commitment to sustainability (81%), especially on public-facing issues such as human rights, gender equality, responsible sourcing and nutrition.

As with all systems, action to deliver on policy commitments and fully embed the Ten Principles

is lagging behind. In most areas, action within the food, beverage and consumer goods system is in line with that of all survey respondents, with some exceptions.

Actions showing outperformance include human rights risk assessments (36% vs 26% overall); applying human rights within supplier arrangements (38% vs 31%); collective bargaining (75% vs 64%); and country-level reporting on profits, taxes and subsidies (31% vs 23%). Action areas where the system is behind include employee training on labour rights (55% vs 65% overall); monitoring labour rights performance (41% vs 48%); and sanctions for corruption by employees (35% vs 45%).

POLICY COMMITMENT AND ACTIONS TO EMBED THE TEN PRINCIPLES IN THE FOOD, BEVERAGE AND CONSUMER GOODS SYSTEM





Percentage of respondents in the food, beverage and consumer goods system taking action to advance the SDGs in 2020

Individual business action on the SDGs

Broad base of action, but work to do

Compared to all survey respondents, more food, beverage and consumer goods companies are acting on the SDGs, with 87 per cent taking action compared to an average of 84 per cent. Despite this, only 21 per cent of respondents believe their system is moving fast enough to meet the SDGs. Inconsistency with supportive regulation and public policy (46% of respondents) and market competition preventing collaboration (52%) are seen as key barriers to progress.

Some recognition of negative impacts

Survey respondents overwhelmingly identified where they can have a positive impact on the SDGs compared to the SDGs where they have a negative impact. The food, beverage and consumer goods system is more aware of its negative impact on the SDGs, than some other systems.

There is a clear alignment between the SDGs where companies see scope for a positive contribution and those SDGs most often prioritized by companies. Goal 13: Climate Action, is the only SDG within the top five where respondents see a "significant" or "somewhat significant" negative impact. Interviewees suggested climate change is a more tangible issue for the system, "We need to break the traditional silos and mobilize around a holistic agenda delivering a greener, smarter and fairer world. For us that implies a focus on zero hunger while at the same time delivering a climate-neutral value chain" (Yara International). Even with this enhanced focus, only 15 per cent of respondents have set a Science Based Target and 18 per cent a net-zero target.

“We need to break the traditional silos and mobilize around a holistic agenda delivering a greener, smarter and fairer world.”
– Yara International

System view on delivering change

Survey respondents delivered insight into how well prepared the food, beverage and consumer goods system is to deliver system-wide change that will help to achieve the SDGs by 2030.

Enhanced supply chain focus

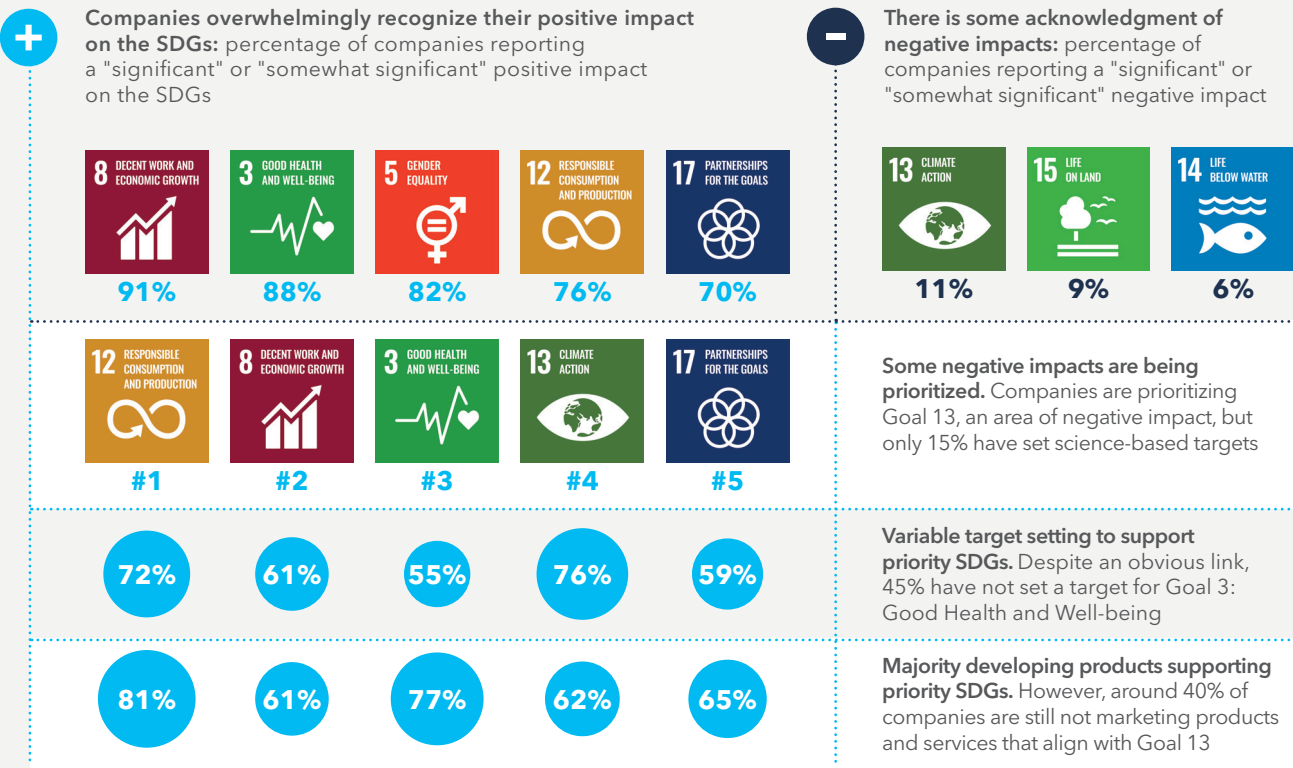
Compared to other systems, the food, beverage and consumer goods system has a greater focus on responsible supply chain issues. Some 60 per cent of system respondents use supplier risk assessments to improve supply chain understanding, compared to only 40 per cent for all systems combined. Interview responses suggested this enhanced focus is linked to the need for the industry to demonstrate social compliance and ethical practices; "At the industry level, the biggest focus is on social compliance and that's because in order to have products listed you

need to adhere to ethical trade practices. This is a best practice approach to doing good business" (Distell).

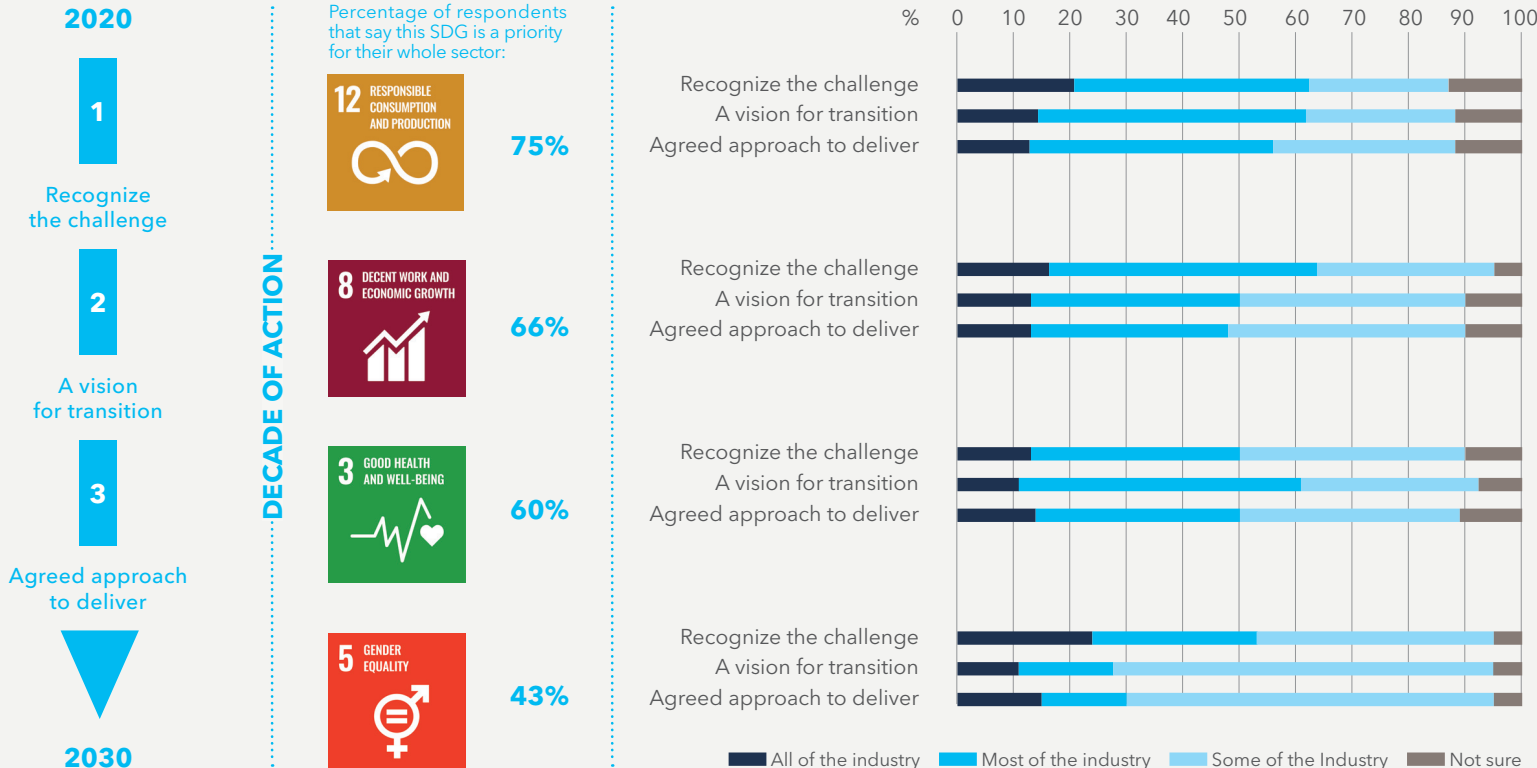
Social focus, but

Although interviewees reported that the social SDGs were high priorities for the system, recognition of the challenge for Goal 3: Good Health and Well-being, and Goal 5: Gender Equality, only stands at around 50 per cent. This shows more work is required to engage companies on the change required to deliver these SDGs. Regarding gender equality, only around 30 per cent agreed that there was an industry-wide vision and approach to deliver. This suggests that although the system is somewhat aware of the gender challenge, there is currently little consensus on how to address it.

HOW COMPANIES IN THE FOOD, BEVERAGE AND CONSUMER GOODS SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





KEY OPPORTUNITIES FOR FOOD, BEVERAGE AND CONSUMER GOODS TO SHIFT GEARS FOR 2030

- Operationalize a theory of change. Embed values based on the SDGs throughout the value chain to truly adhere to social and ethical practices
- Align science and policy to set industry-level Science Based Targets. This can help re-direct finance to areas where it is really needed across the value chain and stimulate industry-wide innovation to support change
- Industry think tanks and local networks to support innovation, establish metrics, drive action and create engagement on the ground level to stimulate entrepreneurship in the system
- Digitalization and smart data to enhance traceability and drive producer responsibility

Sustainable transition needs

Although the system is showing signs of progress and recognizes the need for change, industry leaders have emphasized that it is still "on the verge" of a large-scale transition (UN Global Compact-Accenture Strategy, 2019). Given the dynamics of this system, including relying on complex global supply chains and large workforces, collaboration across the value chain and in partnership with Governments and industry groups will be essential for delivering meaningful change.

CREATING A SUPPORTIVE FOUNDATION FOR TRANSITION

- 1. Science Based Targets and industry group involvement**
To deliver action and impact at scale, the system requires industry-relevant targets that are linked to the SDGs and based on a robust methodology. Science Based Targets, set in collaboration with key industry bodies and non-profit organizations, are preferable. Alignment between science and policy is also needed, where science leads the policy agenda towards meeting the SDGs. This can also help signal to investors where to direct finance – to areas where it is needed across the value chain, for example initiatives or projects on climate action, human rights and modern slavery.

"Through our industry body, we set up an SDG platform where we were able to have better engagement on the ground and facilitate more action, such as setting collective targets for the agriculture industry" (Distell).
- 2. Industry-wide collaboration and multi-stakeholder engagement**
Scaling up action on the SDGs across whole value chains requires industry-wide collaboration. This is important because the food, beverage and consumer goods system is vast and complex. Goal 17: Partnerships is key if the system's complexities are going to be addressed and, encouragingly, companies are prioritizing Goal 17. Combining insight from stakeholders across the value chain can also help to create a theory of change and drive innovation across the system.

"Scale is both an opportunity and challenge for us. We are the world's biggest food company so our impact is huge, yet we are just a fraction of a disaggregated and complex

food system. So systemic change is only possible through collective action" (Nestle).

"When we launched the new vision and mission, the first element was what we called "collaborative", linked to Goal 17. We embraced that early on" (Yara International).

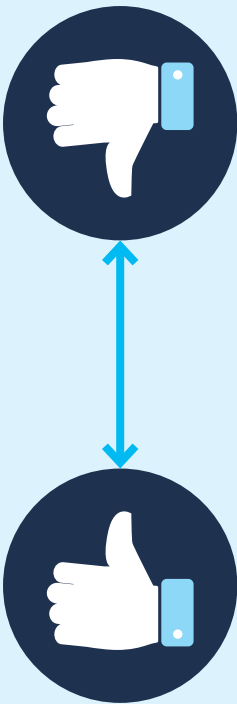
- 3. Digitalization**
Digitalization is essential to connect actors within the value chain more efficiently and to enhance traceability from raw materials to manufacturing to end product. Digital solutions can support producer responsibility and help customers and consumers to understand the environmental and social footprint of products.

"On the digital side, we adopted traceability technology like blockchain and we work with feed suppliers to track key ingredients. iFarm is a concept we are developing now, which uses smart data to help improve our sustainability and animal welfare" (Cermaq).

- 4. A level playing field**
The current market is uneven and does not support smaller players to act sustainably. Many such players do not recognize the challenges or urgency of the SDGs. Regulation to level the playing field and encourage innovation and sustainable practices by smaller stakeholders is required.

"The bigger players have the capacity to work on these questions. The smaller scale operators do not have the same ability to bend – this is a governance and regulation issue" (Cermaq).

BARRIERS AND ENABLERS



BARRIERS

- **Lack of industry-specific metrics that are science-based metrics**
"There is no clear set of standardized metrics"
- **Need for fairly distributed green finance**
To help to stimulate innovation, especially among smaller players in the system
- **Lack of science-led regulation and supportive public policy**
Businesses require regulation that supports action and incentivizes change by large and small companies in the system. Policy needs to be led by science
- **Lack of leadership**
"Industry leadership at scale and speed of change is required: there has been some high-level discussion that we need to go faster, which is a positive development"
- **Access to and demand for products can be costly**
There are often high costs associated with more sustainable products, which can dampen demand

ENABLERS

- **Pre-competition mandates**
"To do good industry-level innovation, you need a pre-competition mandate to effectively change product standards and definitions." (Distell)
- **Co-governance and collaboration models**
"Collaboration between universities, research institutions, industry and policy makers can really create change" (Cermaq)
- **Digitalization and improving traceability**
To support transparency across the value chain and drive producer responsibility
- **Balanced communications to ensure sustainable choices are made**
"There are knock on effects of certain moves. Moving away from eating meat, for example, may have a knock-on effect on the amount of fertilizer used. But in general, the message of having enough food for everybody is a positive message" (Yara International)



CASE STUDY: IMPROVING FARMED FISH WELFARE TO ENSURE SUSTAINABLE FOOD PRODUCTION IN A HEALTHY OCEAN ENVIRONMENT

Increasing food production from the oceans is key to sustainable food supply in the future. Cermaq is exploring how digital technology can solve some of the current issues facing fish farming.

Some of the biggest challenges within aquaculture include ensuring fish health and welfare, the loss of livestock through the spread of diseases such as sea lice, and the escaping fish which potentially contaminate natural fish stocks in the rest of the ocean.

Fish cages today hold up to 200,000 fish, which are fed and kept healthy as a group. Using digital technology, the Norwegian aquaculture company Cermaq is able to individualize fish treatment by identifying each fish and scanning it to detect and treat potential health issues. The iFarm concept is currently in the test stage. If the concept is proven and scaled up, it could potentially help fish farming operators with

managing production and offer consumers greater insight into the food they buy.

Cermaq is active on many fronts to improve seafood systems. They are part of a multi-stakeholder collaboration via Seafood Business for Ocean Stewardship (SeaBOS) to develop global standards for traceability and pilot technology on board fishing vessels. Cermaq is also working with the UN Global Compact to improve governance of ocean resources, develop principles and share good practice. It is a founding partner of the UN Global Compact Sustainable Ocean Business Action Platform and has contributed to drawing up the Sustainable Ocean Principles.

HEALTHCARE AND LIFE SCIENCES

Core to societies and individuals around the globe, the healthcare and life sciences system faces immense challenges in the coming decades. From providing universal access to affordable healthcare and reducing health inequality within and between countries, to combatting climate change and its effect on health and disease (SustainAbility, 2020). The healthcare and life sciences system includes the following sub-sectors:

- Medicine
- Bioscience
- Biotechnology
- Life sciences
- Pharmaceuticals
- Medical technology and supplies
- Hospital management
- Healthcare insurance and development aid

SCALE

IMPACT



US\$ 33 TRILLION
Approximate value of goods and services provided, including direct health benefits¹



US\$ 278 BILLION
Value of pharmaceuticals in 2019² – predicted to rise to US\$1.2 trillion worldwide by 2024³



1 BILLION+
Obesity is growing globally. By 2025, over one billion adults will be affected by obesity and 117 million severely affected⁴



25%
The WHO estimates that roughly 25% of the disease burden in the developing world is due to environmental factors⁵



Investing in stronger health systems could add up to 8.4 years of life expectancy and prevent 97 million premature deaths by 2030 (World Health Organization, 2017)

About the system

The healthcare and life sciences system represents a significant proportion of the global economy, spanning a multitude of products and services from disease prevention to essential healthcare services.

The system faces convergent challenges and opportunities, from antimicrobial resistance and climate-enabled pandemics, to changing population demographics and the impacts of globalization. It also has a high overall influence on the successful delivery of the Sustainable Development Goals (SDGs). Stretching from reducing ill health and inequality through greater access to healthcare, building a resilient infrastructure around health and production facilities and combating climate change and its impacts through disease surveillance (SustainAbility, 2020).

The rate at which socio-economic and technological advances are occurring can help to connect different stakeholders. Connecting different stakeholders – or sectors – can increase investment opportunities (currently, mobilizing capital remains a global challenge) and help

deliver greater access to healthcare. This is important given the costly infrastructure needed for MedTech for instance (Deloitte Insights, 2020). However, the current pace of change is uneven around the world.

There are wide-ranging opportunities to revolutionize the healthcare and life sciences system. Examples include: how the system prepares for pandemics and climate health risks (Deloitte, 2017); how it develops partnerships and utilizes digital solutions to create value; and how it provides access to effective, affordable care for billions worldwide (Accenture, 2019). These opportunities are yet to be harnessed fully or equally. Operators within this system will come to rely much more heavily on data sharing and collaboration for greater connectivity and to seek solutions around interconnected global health challenges.

“Telehealth use is improving access to healthcare and vitro diagnosis – 65 per cent of interactions with healthcare facilities now occur by mobile, and 80 per cent of doctors in 2020 used smartphones and medical apps in their health provision. – Deloitte Insights, 2020

The challenge

Who is it that best delivers health? Is it pharma or is it beyond the healthcare system? There is a missed opportunity to engage actors outside of the healthcare industry in delivering health. – Novo Nordisk

Economic and geopolitical headwinds
Health and economic development are closely interconnected, as are health and sustainable development. Future demand for healthcare is set to increase, alongside global demand for more food, energy, water and shelter (WHO- UNEP, 2015).

The sustainability of current healthcare systems is influenced by unparalleled economic, geopolitical and socioeconomic forces – forces that influence health and inequality, particularly for those living in emerging economies (WHO, 2015). Highly relevant to current times, it is said that the world currently devotes little to pandemic preparedness, and global health epidemics, such as chronic and infectious communicable diseases (e.g. COVID-19, SARS, malaria) are on the rise (Deloitte Insights, 2019; SustainAbility, 2020). This is coupled with rising macro-level pressures, such as financial crises and economic downturns, deteriorating security, armed conflicts, growing and ageing populations, shortage of specialist skills, and climate-risks.

Healthcare legislation and regulation are lagging behind
Regulatory and technological forces are likely to mean the system will undergo rapid change in the next five to ten years (PwC, 2020), but it is not adapting fast enough (Baker McKenzie, 2020). Responding to an evolving industry, for example

in digital health and innovation, regulators need to be more responsive and agile. Some Governments are beginning to adopt universal health coverage and introducing pricing controls on pharmaceuticals and medical technology devices (Deloitte, 2020a).

Cross-sectoral coordination and multi-stakeholder collaboration are complex
Partnerships between Governments, businesses and healthcare professions are needed to target the SDG financing gap for health, which can be up to US\$ 54 billion a year in some countries (WHO, 2017). But collaboration can be a challenge due to the complexity of the system and the wide range of services offered. Incentives for change can also be misaligned, as policymakers, businesses, providers, healthcare professionals and patients all want different things (Goy, 2017).

Digital solutions are not embraced fast enough
The system lags behind in terms of digital strategies. There are clear opportunities for a cultural change in the system that embraces digitalization and innovation at scale – for example, new science, automation and robotics – while also reducing negative impacts (Deloitte, 2017). Digitalization and new technology, such as blockchain and automation, can do things faster, less expensively and more efficiently, while improving global connectivity and access to data.

has worked collaboratively to develop the RTS,S vaccine – the first vaccine to help protect children against the deadliest form of malaria.

In 2019, a WHO-coordinated pilot implementation programme was launched in selected regions of Malawi, Ghana and Kenya. The pilot was funded by Gavi and Unitaaid and was led by national health ministries in partnership with GSK and the non-profit, PATH.

Every year until 2023, at least 360,000 children will receive the vaccine and GSK has committed to donate up to 10 million doses.

Sustainability goals must be clear, quantifiable and auditable. Then they will help expose many exuberant announcements that were not followed. – Bayer

How is the system performing?

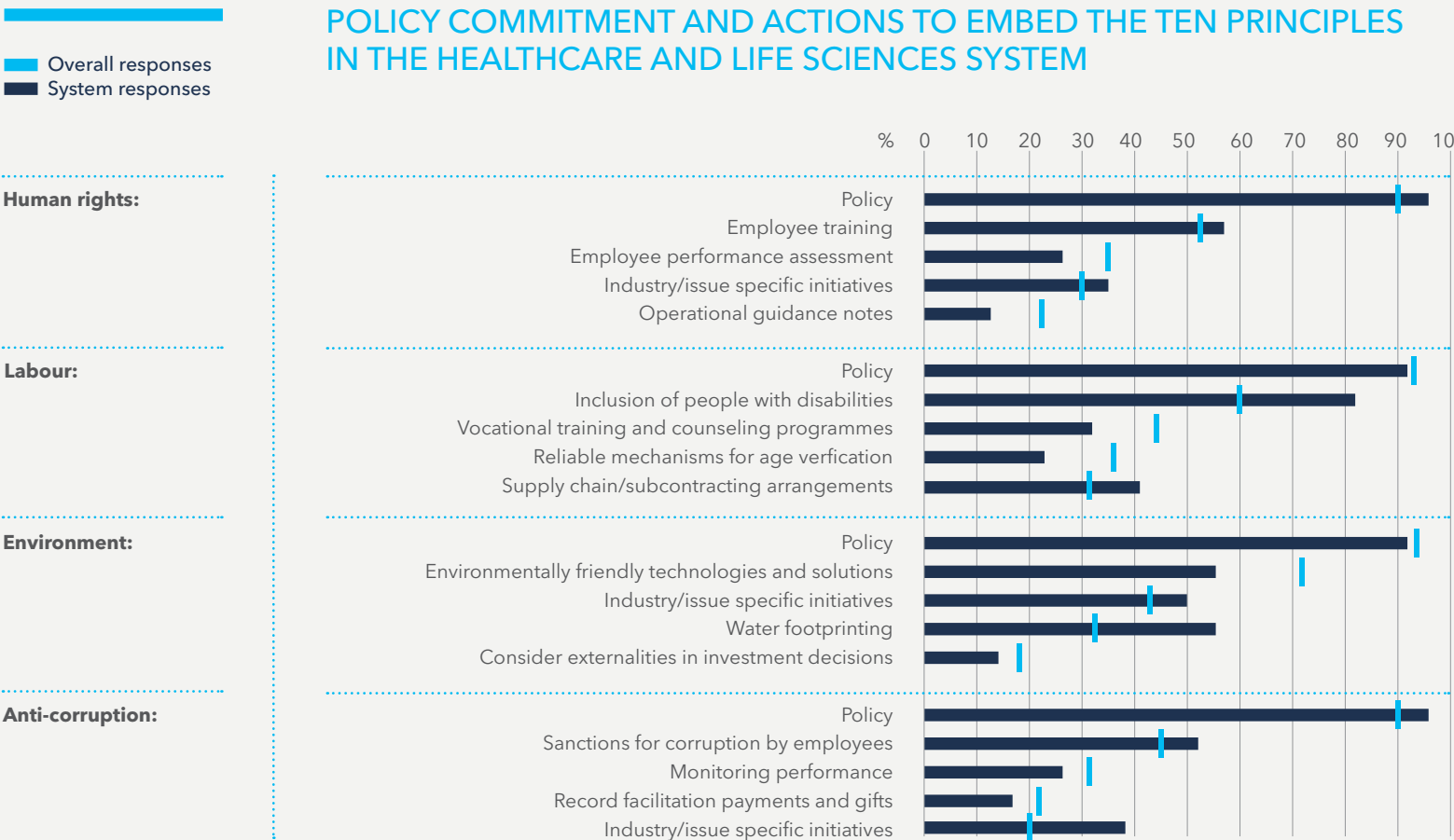
Progress against the Ten Principles of the UN Global Compact
Most companies in the system have policies relating to the Ten Principles. Human rights and anti-corruption stand out against the average, with 96 per cent of respondents having policies in place (vs 90% overall). As with other systems, action to advance policy commitments is lagging.

There are areas of good performance for action within healthcare and life sciences, compared to other systems. The system scored better than most other systems on anti-corruption and labour actions, including supply chain and subcontracting arrangements (48% vs 38% overall) and participating in industry initiatives for anti-corruption (39% vs 20%). The system is also doing particularly well on inclusion of

people with disabilities, which scores 22% points above the average (82% vs 60%).

The system does not score so well on action on human rights and environment and is one of the lowest scoring systems in both areas. Other than water management and water footprinting, where the system outperforms the average, the adoption of environmentally friendly technologies is low (55% vs 72% overall) as is reporting on greenhouse gas (GHG) emissions (32% vs 44%). Relating to human rights, particularly low-scoring actions include human rights risk assessment (17% vs 26%) and operational guidance notes on human rights (13% vs 23%).

POLICY COMMITMENT AND ACTIONS TO EMBED THE TEN PRINCIPLES IN THE HEALTHCARE AND LIFE SCIENCES SYSTEM



GSK: COLLABORATING ON A MALARIA VACCINE

Goal 3: Good Health and Well-being calls for an end to the epidemics of AIDS, tuberculosis and malaria by 2030. Global healthcare company GSK is one of few companies tackling all three diseases through its commitment to fight infectious diseases affecting children and young people in the developing world.

Malaria claims the lives of more than 400,000 people every year and children in Africa are disproportionately affected. For 30 years, GSK



Percentage of respondents in the life science and healthcare system taking action to advance the SDGs in 2020

Individual business action on the SDGs

Business action is aligned with the SDGs, the level of ambition must be raised

At 75 per cent, healthcare and life sciences has the lowest percentage of all systems taking action on the SDGs. One of the main problems identified relates to translating the SDGs into business strategy and practices and having clear business-relevant metrics: "The targets and metrics are difficult to translate – the language is not business orientated, it is communicated for Governments and used in policy".

Negative impacts are well represented, especially for the environment

There is good alignment between the SDGs that businesses within this system selected as a priority and those where they stated they could have a positive impact. Overall, however, the system has very low recognition of its negative impacts,

particularly relating to the environment. This mirrors the low performance in embedding the environment-specific Ten Principles. As an interviewee pointed out, "Environmental savings have always been, more or less, a concern for the sector. But the complete lifecycle approach is only starting now. In other words, we have only been focusing on manufacturing activities".

Products and services supporting the SDGs

Target setting relating to the SDGs is strong within this system, but the system falls behind others for developing products and services to support the SDGs (and deliver their targets). For example, 91 per cent of companies said they have targets to advance Goal 12: Responsible Production and Consumption, but only 36 per cent are developing products or services to advance this SDG.

Pharma was not an early mover in embracing sustainability as a strategic priority. There is an impression of "natural alignment" due to the nature of the business – making products for health. – Novo Nordisk

System view on delivering change

Survey respondents delivered insights into how well prepared they thought the healthcare and life sciences system is to deliver the SDGs in the coming Decade of Action.

Social issue commitment varies

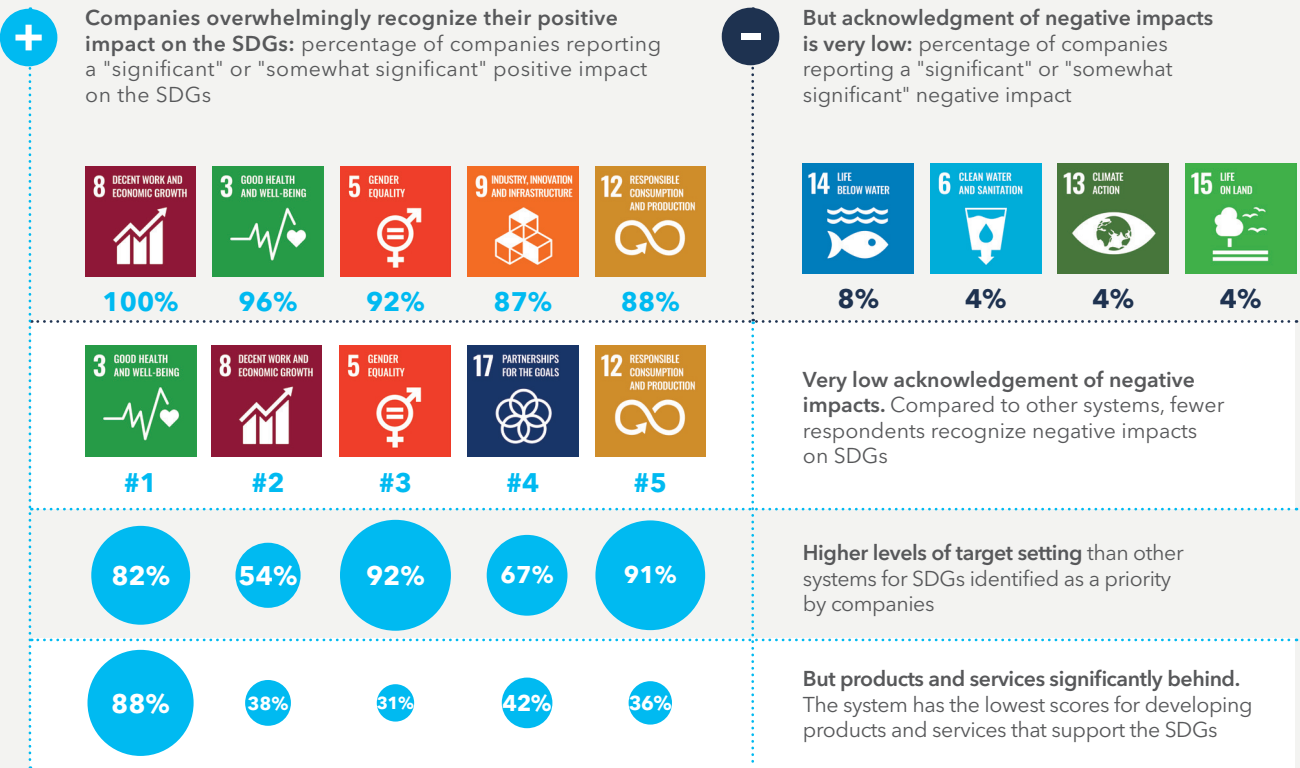
Companies in the system see a positive impact on Goal 5: Gender Equality and have prioritized this SDG. But for the system as a whole it is not selected as a priority. Goal 3: Good Health and Well-being, however, scores highly across all areas, as it reflects this system's core purpose. It is surprising that for this critical SDG, recognition of the challenge and a vision for transition by "all" or "most" of the system only stand at 66 per cent and 70 per cent respectively. An agreed approach to deliver the transition is even lower at 48 per cent. This compares to

higher scores for recognizing the challenge and a vision for transition for Goal 9: Industry, Innovation and Infrastructure (78% and 89% respectively), and Goal12: Responsible Production and Consumption (88% and 75% respectively).

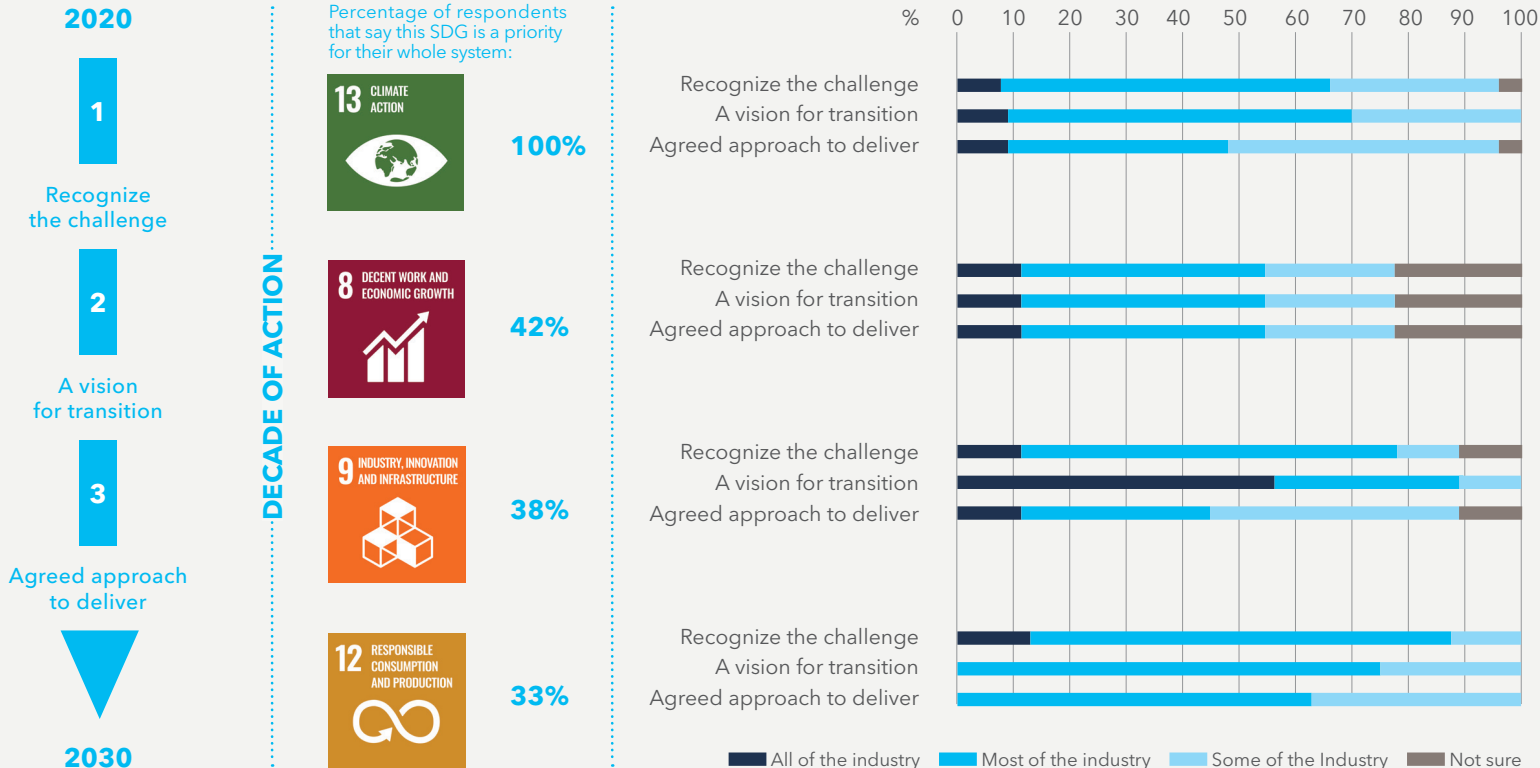
Action must be accelerated

For each of the four most important SDGs for the system, well over 50 per cent felt that the challenge is recognized by "all" or "most" of the industry. There is also a clear vision for transition, but the system does not feel as strongly that there is an agreed approach for the transition. For instance, on Goal 9, 80 per cent of respondents report the vision is clear to "all" or "most" of the industry, but only 40 per cent feel that there is an agreed approach to deliver.

HOW COMPANIES IN THE HEALTHCARE AND LIFE SCIENCES SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





KEY OPPORTUNITIES FOR HEALTHCARE AND LIFE SCIENCES TO SHIFT GEARS FOR 2030:

- Regulatory reform and alignment on key healthcare issues globally
- Multilateral collaboration at scale to unlock opportunities and ensure future resilience
- Availability of financing for investment, which will also help reduce cost/quality pressure
- Scale action on key material environmental issues (e.g. carbon, water), with the support of innovation/technology

“We are talking about future-proofing businesses, but the crisis is happening now. We tend to strive for long-term impact, but we need to take action now.”
— LEO Pharma

Sustainable transition needs

The SDGs are about making the world a better place, something that is at the foundation of healthcare and life sciences. The system is the single most important for achieving the SDGs, with an SDG index score of 34.95, followed by resource transformation, consumption and non-renewable resources (Consolandi and Eccles, 2018). However, to support delivery of the SDGs, the tension between the social, political and environment priorities must be overcome.

CREATING A SUPPORTING FOUNDATION FOR TRANSITION

- 1. Refocus on a vision to deliver Goal 3 and ways of measuring impact**
Many in the system emphasized the need for standardized metrics to track progress against priority SDGs and support impact-based reporting. Interviewees emphasized this is not only about indicators for treating disease, but also those that show the impact of core business on people’s lives. The system should consider leading indicators to articulate a vision of how the healthcare system is contributing to Goal 3: Good Health and Well-being, such as people living a more productive life, so companies can get behind a collective objective.

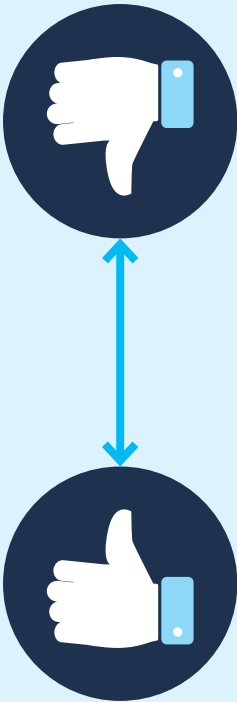
“As a sector, to what extent are we looking at systemic challenges in a precompetitive space? This is what we are missing. The industry is all for health, but not for health for all. I don’t think the sector has embraced this idea of looking at health more systematically” (LEO Pharma).

- 2. Access to finance**
Access to finance is key to equip businesses to work towards the SDGs and also to ensure future resilience – especially against global pandemics. Finance is needed for research and innovation and to ensure services and products are affordable and more accessible to all (especially to those in developing countries).
- “There needs to be a financial incentive. Pandemic preparedness, which is not even an SDG target, is one of our key strategic pillars. When you look at disease areas for underserved populations, it is an expectation to continue this investment, yet others are not doing anything.”

- 3. Multi-lateral collaboration must be scaled**
The current COVID-19 pandemic has highlighted the need, and also the possibility, for greater connectivity and global cooperation within healthcare – not just within the industry itself, but across industries, to help scale innovations and solutions at pace. This can also increase access to finance; before the pandemic, finance institutions had begun to point towards supporting projects that illustrated potential growth opportunities and where the risks were shared between organizations.
- “The pandemic response has unlocked multi-lateral collaboration at pace. We have collaborated with competitors, which was unthinkable before.”

- 4. Address material environmental issues and sustainable production**
Industry is acting to reduce its environmental footprint and scope 3 greenhouse gas emissions and water footprinting have become a focus. One of the key challenges for businesses is understanding the lifecycle impacts of products and operations and what alternative technologies or innovations are available or best suited to help reduce overall impacts.
- “It takes a lot of time to do a lifecycle analysis of a product. It is difficult to get to an understanding of what would have more benefit between, say, energy efficient equipment or reducing the emissions in the supply chain. It is really a matter of investing time and resources into seeing where we can have an impact. We need this information to guide what we need to do.”

BARRIERS AND ENABLERS



BARRIERS

- **Business case**
“Most SDG impact areas are in developing countries from a health perspective. Unless there are more partnerships that share the risk, the business case is not as direct”
- **Access to finance for investment, and greater transparency**
Finance is needed for research and innovation, and accessibility and affordability of products. “Availability of financing for investment is needed. With COVID-19, the urgency of the situation unleashed unprecedented public funding” (Novo Nordisk)
- **Standardized metrics**
Many industries are struggling with translating the SDGs into sector-specific action. It requires a common set of metrics that quantify impact. “Sustainability goals must be clear, quantifiable and auditable. Then they will help expose the many exuberant announcements that were not followed” (Bayer)
- **Affordability and access to healthcare**
“The question is around affordability of the solutions. For some companies, business needs to come first; this can mean that solutions are not affordable for many”

ENABLERS

- **Multi-stakeholder collaboration**
To accelerate change collaborative and multi-stakeholder working is required. “Effectiveness of multi-stakeholder collaboration should be better leveraged” (Novo Nordisk)
- **Science-informed metrics**
“We need to have standardized metrics – for our investors this calls for the SBTi. We need one way to track progress around the world. I think that would be an enabler”
- **Digital solutions**
Digitalization can support the sustainable transition of healthcare and life sciences. Blockchain and cloud-based systems that enable safe and secure data linkages are set to accelerate. Opportunities also exist with connected systems and shared data, as well as outcomes-based and patient-centric care models (Deloitte, 2017; Deloitte Insights, 2019)



SINCE 2000, the proportion of overweight children between 5 and 19 years old rose from 1 in 10 to almost 1 in 5¹. In Latin America and the Caribbean, the prevalence of overweight and obesity in children under the age of 5 has increased from 6.2% in 1990 to 7.5% today (Novo Nordisk)

CASE STUDY: THE NOVO NORDISK AND UNICEF PARTNERSHIP TO PREVENT CHILDHOOD OVERWEIGHT AND OBESITY

Childhood obesity has varied and complex causes and is increasing at an alarming rate. Novo Nordisk and UNICEF are working together to raise awareness, build knowledge and implement systemic changes to tackle this global issue.

Multiple systemic factors have contributed to the global rise in childhood overweight and obesity, including increasing availability, affordability and promotion of foods high in fats, sugar and salt. Children who have overweight have a higher risk of developing chronic non-communicable diseases (NCDs), like heart disease and type 2 diabetes. Child overweight also contributes to emotional difficulties and can lead to stigmatization. The Danish pharmaceutical Novo Nordisk and UNICEF have partnered to contribute to reversing this trend.

The partnership works towards supporting Goal 2 and Goal 3 through addressing gaps in knowledge and sharing best practice; supporting decision makers to act and scaling up interventions that work in Mexico and Colombia.

By 2022 the partnership will have contributed by:

- Helping to change the way that childhood obesity is perceived – from being an individual to a societal responsibility;
- Working to prevent childhood overweight and obesity – and diet-related NCDs more broadly; and
- Addressing obesogenic environments, improving diets and changing societal narratives and norms.

1 NCD Risk Factor Collaboration. Worldwide trends in body-mass index, underweight, overweight, and obesity from 1975 to 2016. [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(17\)32129-3/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(17)32129-3/fulltext)

MOBILITY AND TRANSPORTATION

Acting as the circulatory system of the global economy, the mobility and transportation system moves a huge volume of goods and people across land, sea and air. It enables people to reach work, companies to trade in global value chains and leisure and tourism to thrive. The mobility and transportation system includes the following systems:

- Automobiles and parts
- Maritime system
- Rail system
- Travel and leisure

SCALE

IMPACT



10%
The automotive industry accounts for nearly 10% of world trade¹



1 IN 3
By 2027, 1 in 3 cars sold globally is expected to be a Battery Electric Vehicle²



25%
of CO₂ emissions from fuel combustion worldwide come from transport. Three quarters come from road vehicles³



20% USE 55%
OECD nations use 55% of global transport energy, but only account for 20% of the world's population⁴



The transport sector plays an important role in achieving the Paris Agreement, given that "close to a quarter of energy-related global greenhouse gas emissions come from transport and that these emissions are projected to grow substantially in the years to come" (Sustainable Development Goals Knowledge Platform, 2020)

About the system

With projected trends in economic development and urbanization, the transport and mobility system is primed for growth. Passenger transport is projected to increase nearly three-fold between 2015 and 2050 (ITF, 2019). Global freight demand will also triple in the same timeframe, based on current projections (Fransen et al, 2019).

Ongoing rapid urbanization will lead to 68 per cent of the world's population living in cities by 2050, up from 55 per cent today (UNDESA, 2018). Combined with a growing global middle class – expected to increase by 80 per cent by 2030 (UNECE, 2018) – annual passenger transport will nearly triple from 44 trillion to 122 trillion passenger-kilometres in 2050. China and India's contribution in this time will grow from one quarter to a third (ITF, 2019). We recognize that many of these predictions may be affected by the current global pandemic.

International passenger travel is also growing most strongly in developing countries. Aviation passenger-kilometres in India and China alone are expected to quadruple by 2050 (ITF 2019). The global aviation system produces around

2 per cent of all human-induced carbon emissions (ATAG, 2018).

Global freight transport is projected to triple by 2050. International shipping transports around 80 per of this freight (IMO, 2020) moving over 11 billion tonnes of containers and solid and liquid bulk cargo across the world's seas annually (UNCTAD 2019).

Although travel by rail is an efficient and lower-carbon mode of transport, its share of passenger transport is shrinking in many developing countries, where it is often uncompetitive and poorly integrated with other forms of transport. Slow speeds combined with high prices and a lack of reliability mean that potential users often choose other transport options (World Bank, 2020a).

“Sustainability is now as important to us as safety. We feel it is not only our responsibility to take action, but also critical to our future success. It is now key in attracting consumers, employees and investors, as well as helping drive our profitability. – Volvo Cars

The challenge



14%

The global transport system is responsible for 14 per cent of total GHG emissions (WRI, 2019b)

Congestion, productivity and health
Mobility of people and goods underpins the global economy. But it also comes with impacts. By 2040, the number of cars on the road is expected to reach two billion (WEF, 2016a) from around 1.3 billion today. Even at today’s level of car use, congestion limits productivity and destroys value. In the US alone, traffic congestion cost almost US\$ 88 billion in 2019 (INRIX, 2019).

Road transport and congestion also have health impacts. Around the world there are approximately 1.35 million road fatalities each year (WHO, 2018a) and outdoor air pollution – to which road transport significantly contributes – causes nearly 4.2 million premature deaths each year (WHO, 2018b).

Solutions are available now, however. Shared mobility services, autonomous vehicles and smart transport planning have been proven in multiple studies to reduce traffic and pollution in cities (WEF, 2020).

Marine impacts
The International Maritime Organization (IMO) states that 80 per cent of global trade moves by sea. At this scale, marine transportation is responsible for a variety of negative environmental impacts. These include air pollution, releases of ballast water containing invasive aquatic species, use of antifouling agents, oil and chemical spills, releases of cargo residues, garbage, underwater noise pollution, ship grounding or sinking and contamination from ship breaking activities (Walker et al, 2018).

The shift to alternative fuels
Responsible for 14 per cent of total greenhouse gas emissions and 24 per cent of CO₂ emissions specifically (WRI, 2019b), the current transport system is unsustainable. It is on-track to generate carbon emissions between three to six times higher than scenarios consistent with the Paris Climate Agreement (Fransen et al, 2019).

A rapid shift to lower-carbon transport, based on alternative fuels, is a high priority. Rapid advancements in lower-carbon propulsion are set to revolutionize the system and its reliance on fossil fuels. The production and use of electric vehicles are growing quickly. The global stock of electric passenger cars passed five million in 2018, an increase of 63 per cent year-on-year. China leads the way with 45 per cent of the global electric vehicle fleet. Europe and the US account for 24 per cent and 22 per cent respectively (IEA, 2019).

Policies play a critical role in this advance. Leading countries use a combination of policy measures, such as fuel economy standards, incentives for zero- and low-emissions vehicles, economic support for the increased cost of electric vehicles and the deployment of vehicle-charging infrastructure. Increasingly, policy support is also being extended to support the strategic importance of battery technology (IEA, 2019).

“We used the Ten Principles as a guide to help develop our first sustainability strategy. We did a gap analysis against the Principles to build the basic foundations of what a responsible business looks like. – Maersk

How is the system performing?

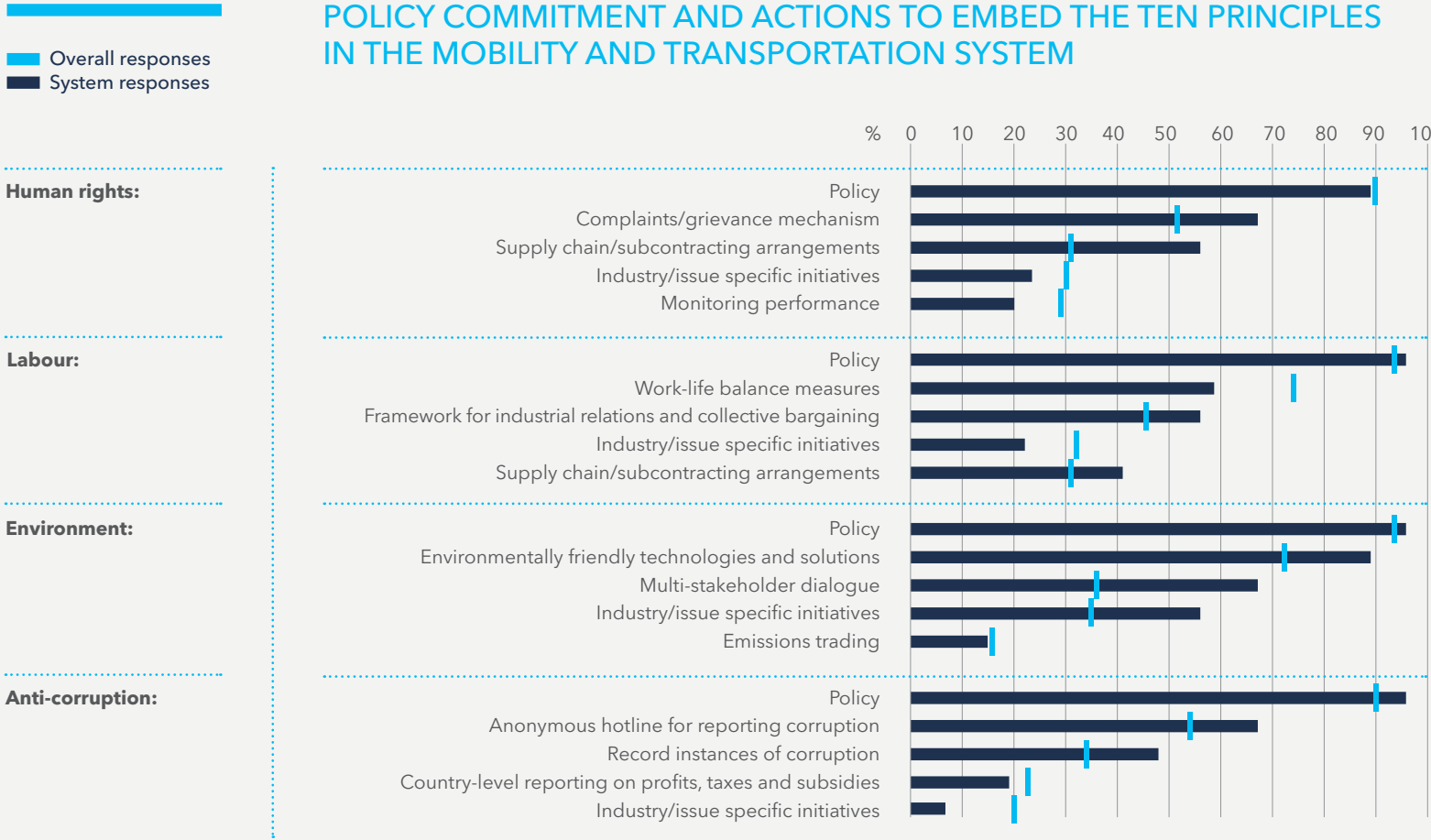
Progress against the Ten Principles of the UN Global Compact
In each area, except human rights, policy implementation relating to the Ten Principles stands at 96 per cent for the mobility and transport system, which is more advanced than the average of all systems.

At 89 per cent, human rights policy is only slightly behind the all-sector average (90%). Despite this there are still areas of outperformance compared to the average for all respondents, including complaints and grievance mechanisms (68% vs 51% overall) and the inclusion of human rights in supply chain arrangements (56% vs 31%).

Similar to the energy, natural resources and basic materials system, environment is a very strong area for mobility and transportation. In almost all

action areas, this system outperforms the average of all respondents. Particular areas of good performance are: using environmentally friendly technologies (89% vs 72% overall) and involvement in industry- or issue-specific initiatives (56% vs 35%).

Areas where the mobility and transportation system is behind include monitoring human rights performance (20% vs 29% overall) and work-life balance measures (59% vs 74%). In all areas except environment, respondents are less involved in industry- or issue-specific initiatives. This is an area where interviewees thought the UN Global Compact could use its position to help. "A convening platform for industry or issue-specific partnerships can support a coherent view across the SDGs and enable progress towards the SDG ambitions" (Maersk).





Percentage of respondents in the mobility and transport system taking action to advance the SDGs in 2020

Individual business action on the SDGs

Companies mobilizing on the SDGs, but strategy alignment lags behind
Many businesses (86% of respondents) within the mobility and transportation system are taking action on the SDGs. Despite high awareness, only 50 per cent stated their business strategy is aligned with the SDGs.

Climate action is a priority and progress is happening
Mobility and transportation is one of few systems where Goal 13: Climate Action is a priority and a large percentage of respondents are also setting emissions reduction targets (78%). It is also an area where companies are acknowledging their negative impact.

Balancing communication on positive and negative impacts
An imbalance of reporting on positive and negative impacts on the SDGs was recognized by 60 per cent of respondents in mobility and transportation. There is also a disparity between the SDGs that companies have selected as a priority and the SDGs where they stated they could have a positive impact.

Products and services supporting the SDGs
Companies in the mobility and transportation system are investing in products and services that support their priority SDGs. The electrification and automation of transport is supporting this trend. "Our production strategy is aligned with the BMW Group aim of offering 25 electrified models by 2023, with more than half of those vehicles planned to be fully electric" (BMW Brilliance).



Twelve per cent of respondents have a Science Based Target; half of these have been approved by the Science Based Targets initiative

System view on delivering change

Survey respondents delivered insights into how well prepared they thought the mobility and transportation system is to deliver the SDGs in the coming Decade of Action.

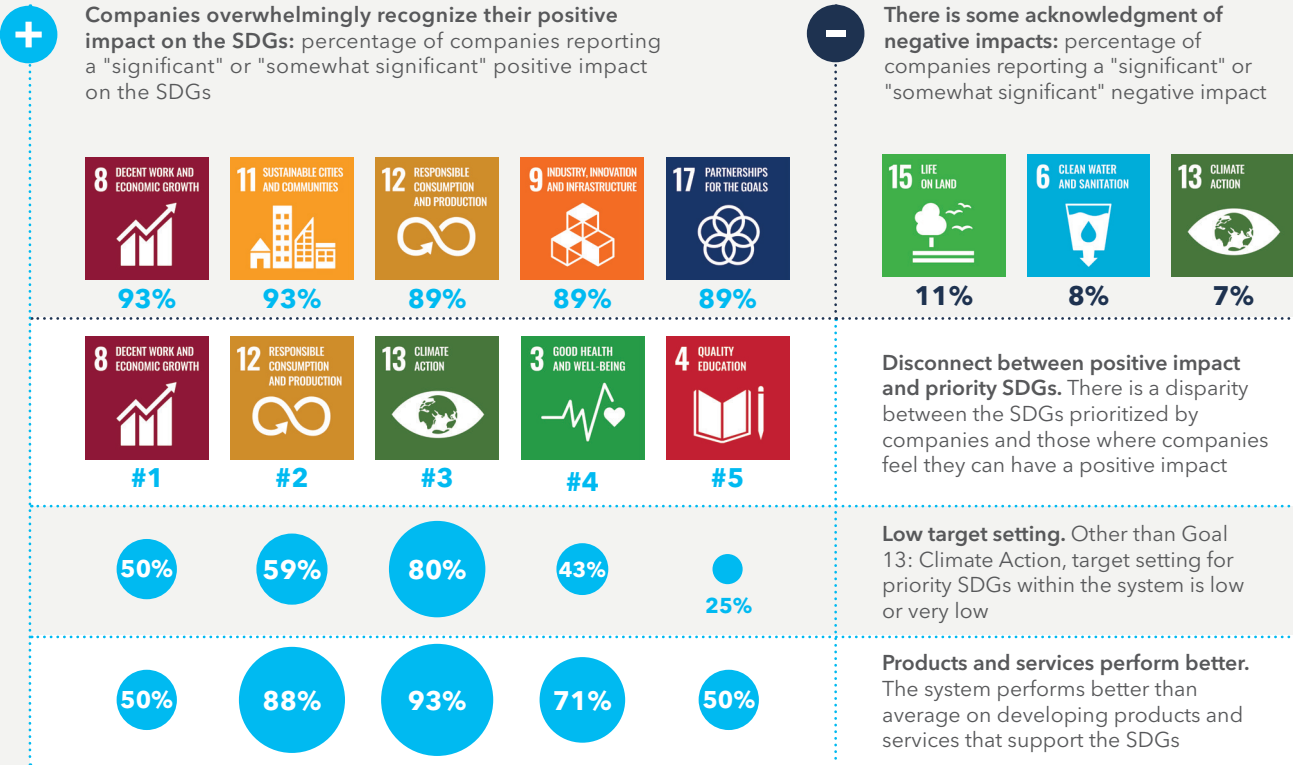
Greater recognition and action required
Within this system, there is some alignment between the SDGs that individual companies are prioritizing and those they feel are a priority for the industry as a whole. For instance, 75 per cent of respondents stated Goal 13: Climate Action was most important for their industry. However, less than 60 per cent stated the challenge is recognized and only 30 per cent stated there is an agreed approach for transition.

Action must be accelerated
For each of the four most important SDGs for the system, over 50 per cent of respondents felt that

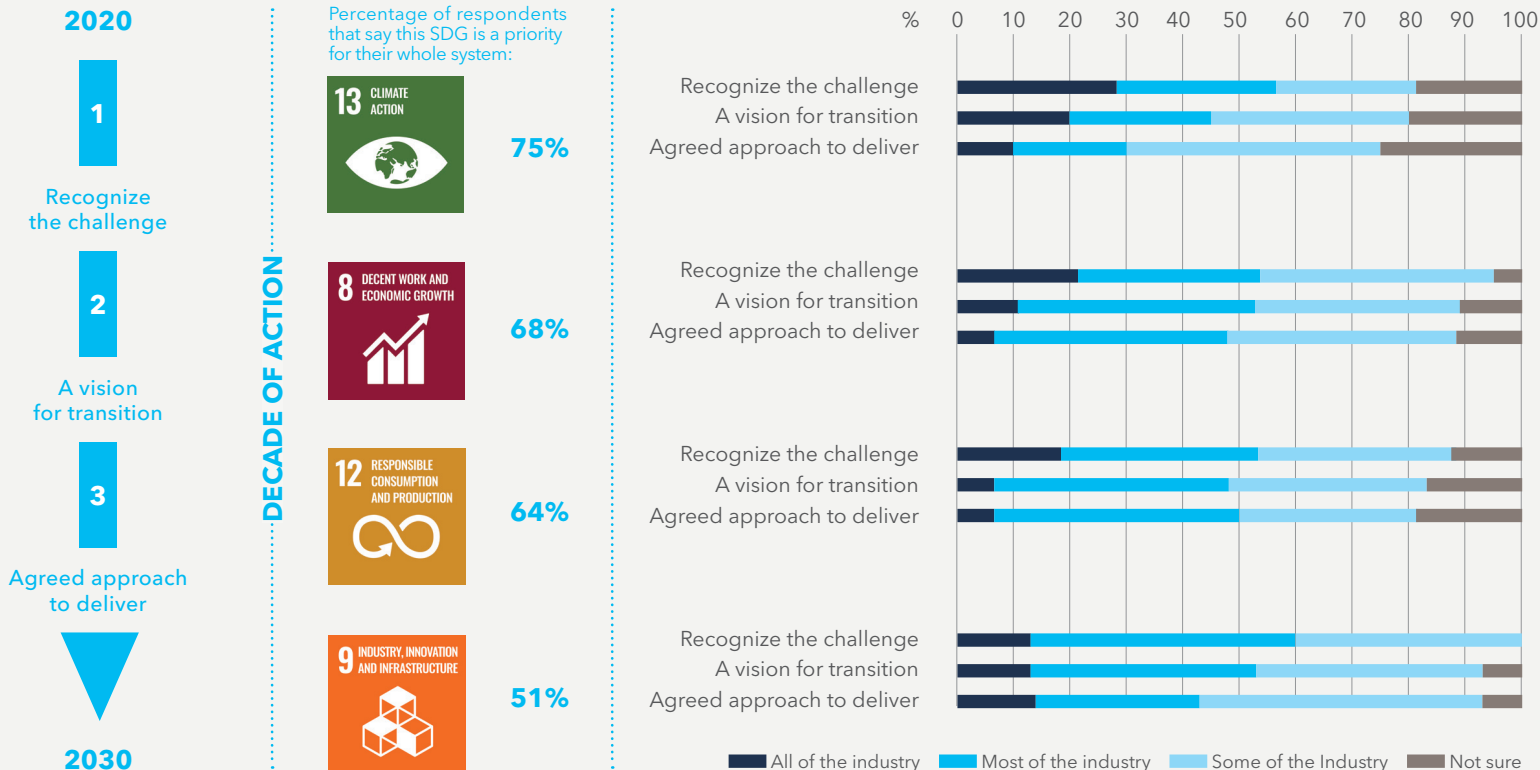
the challenge is recognized by "all" or "most" of the industry and over 40 per cent felt there is a vision for transition. The business case, however, needs to be stronger – the system must be aligned and committed to an agreed approach in order to deliver on the SDGs in the next decade.

Social issues are left behind
Social issues that fall under Goals 1 and 8 (e.g. human and labour rights) are not among the top four most important SDGs, despite high levels of employment in this system. Nevertheless, there is a call from companies to take action, especially in the automotive system. "We will put even greater focus on addressing human and labour rights, including across our supply chain, and help drive a more proactive approach across the industry" (Volvo Cars).

HOW COMPANIES IN THE MOBILITY AND TRANSPORTATION SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





KEY OPPORTUNITIES FOR MOBILITY AND TRANSPORTATION TO SHIFT GEARS FOR 2030:

- Access to finance and fair distribution of money across developed and developing countries to encourage investment in the right places, such as battery development in the marine industry and EV advancement
- Standardized metrics. Businesses require clear metrics and ambitious targets linked to the SDGs and backed by science. This will allow for consistency in reporting progress against the SDGs
- Global industry-level standards must be established to even-up the playing field

GOOD PRACTICE

The maritime industry is ahead in organizing systemic change. It has adopted a vision and ambition levels to decarbonize the international shipping industry in this century, as a matter of urgency, led by the International Maritime Organization (IMO, 2018)

Sustainable transition needs

With the rise of new green deals, such as the European Green Deal to become carbon neutral by 2050, there is a need for companies to act now to avoid future financial penalties. Innovation and emerging infrastructure are already happening to support the green transition, but more is needed at scale. On a positive note, 64 per cent said they are working to improve national infrastructures and 91 per cent invest in community initiatives where their employees live and work. Policies and market instruments, such as tax-incentives, industry standards backed up with Science Based Targets, and partnerships or industry coalitions can motivate actors to innovate, collaborate and deliver the system-level change needed to deliver the SDGs.

CREATING A SUPPORTIVE FOUNDATION FOR TRANSITION

1. Industry-Government collaboration

Multi-stakeholder collaboration, such as that between industry and Governments, is needed to create a roadmap for success for this system. Government involvement is necessary to encourage consumers within this system to purchase or use more environmentally friendly technologies. Tax incentives can help to deliver this change in consumer demand.

"There needs to be greater governmental support to encourage the adoption of electric vehicles, particularly in a post COVID-19 world. Old technology should not continue to be subsidized" (Volvo Cars).

2. Collaboration across the value chain

For companies to take action to deliver the SDGs, they need to work with existing partnerships from across the value chain and develop new ones in areas of need. In the mobility and transportation system, 50 per cent of respondents agreed that further stakeholder collaboration across the supply chain will be essential. Establishing industry coalitions is one way forward.

"We have set ambitious goals on carbon-neutral shipping by 2050 and a commercially viable carbon neutral vessel by 2030. To achieve this, we are working with partners – key customers, suppliers, academia and value-chain organizations – in dedicated coalitions focused on developing sustainable fuels for shipping and logistics" (Maersk).

his approach can also be applied to circular systems and processes, where collaboration is essential to recycling or remanufacturing of by-products and wastes.

"Adoption of the circular economy is important for us in not only making better use of material and components and retaining their value, but also in reducing our carbon footprint. We cannot do this without the support of our suppliers and collaboration with like-minded companies and organizations" (Volvo Cars).

3. CEO leadership and access to finance

More equal access to finance – in relation to both size of company and geographical location – is needed to enable the eco-innovation that will support the transition of this system. At present, large companies tend to dominate and more established countries lead in greening mobility and transportation.

"Costs of innovation are distributed fairly only in certain areas globally" (BMW Brilliance).

However, global crises that have the ability to disrupt global supply chains, such as the COVID-19 pandemic, must not threaten sustainable investments and progress made to date. Company CEOs must take responsibility for maintaining and continuing to invest in sustainability-related initiatives and projects.

"In the wake of COVID-19, many companies are questioning whether they have the resources to focus on sustainability. At BMW Group and BMW Brilliance, we will not drop our sustainability projects, as these are important to all of our stakeholders and for the future" (BMW Brilliance).

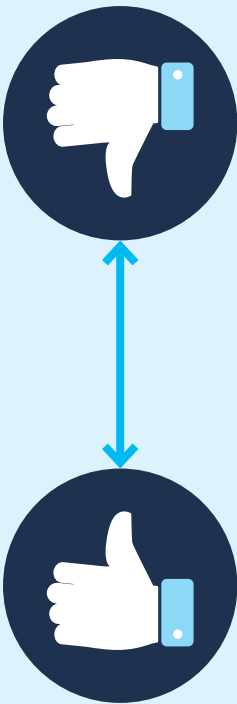
BARRIERS AND ENABLERS

BARRIERS

- **Standardized metrics**
Metrics that are relevant to the system and include Science Based Targets, so that there is a clear vision for industry to work towards. "We need clear industry-based sustainability targets to guide enterprises in a more efficient way, including in the automotive industry" (BMW Brilliance)
- **Policy and system-level targets are absent**
"We haven't seen specific targets from policy or frameworks"
- **Innovation is lagging for some applications**
"The technology is not yet available – batteries are not yet feasible for long-haul shipping"
- **Access to finance**
"This is critical for suppliers, as 80 per cent of the car value chain comes from them. Suppliers need to have sufficient access to funding to finance their transition" (BMW Brilliance)

ENABLERS

- **Public policy and regulation**
"Incentives and tax breaks play a key role in encouraging investments to push the uptake of commercially viable technologies. We are developing options for customers to choose low-carbon shipping. Policy-level incentives can spur further investments and help to level the playing field" (Maersk)
- **Investor and stakeholder pressure**
"There is pressure from important stakeholders to act sustainably. If we can come up with sustainable solutions, we see this as an opportunity to remain competitive"
- **Infrastructure that supports green technologies**
"A key enabler for EV adoption is strong investment in infrastructure, including charging points. In this regard, China is leading the way, other countries and regions must follow" (Volvo Cars)
- **Business case and brand value**
"Everything we do must have a business case. So when it comes to sustainability, we aim for a win-win for society, the environment and for our business. This also strengthens our brand" (BMW Brilliance)



CASE STUDY: CREATING A SUSTAINABLE VALUE CHAIN

BMW Brilliance Automotive is an automobile OEM in China. They have examined and optimized their products, production and supply chain to reduce their environmental footprint.

BMW Brilliance is striving to tackle the challenges of climate change and better protect the environment by reducing energy use and resource usage throughout their products, production, and supply chain.

In line with the BMW Group's commitment to introduce 25 electrified models by 2023, BMW Brilliance has increased by a factor of 15 its supply of electric vehicles in the China market since 2017.

BMW Brilliance has realized 100% renewable electricity for its production in 2019 by generating solar power electricity and purchasing wind power electricity and I-RECs. The company reduced CO₂

emissions per vehicle produced by 68% from 2018 according to GHG Protocol Scope 2 Guidance. BMW Brilliance has strict sustainability requirements for its Tier-1 & Tier-2 suppliers of its fifth generation BMW high-voltage battery. 100% recycled aluminum, at least 50% secondary material for cobalt and nickel and 100% regenerative energy for HVB cell production.

With its green logistics strategy, BMW Brilliance has shifted the major outbound transport mode from road transport to low carbon emission railway transport – 78 per cent of finished vehicles can be transported wholly or partly by rail in 2019.



50%

Electric passenger cars are expected to reach 50% market share in Greater China and Europe in the late 2020s, ahead of all other regions.¹

TELECOMMUNICATIONS AND TECHNOLOGY

Fast moving and continually innovating, the telecommunications and technology system has dramatically changed the way in which individuals, businesses and societies operate in recent decades. Advances in the telecommunications and technology system, which is a key enabler of the fourth industrial revolution, have an impact on most industry sectors. The telecommunications and technology system includes the following sub-sectors:

- Software & computer services
- Technology hardware & equipment
- Fixed line telecommunications
- Mobile telecommunications

SCALE



4.1 BILLION
of the global population – or 53.6%
– use the internet. Almost 97%
are covered by a mobile network¹



US\$ 4.1 TRILLION
Mobile industry contribution to
global GDP was US\$ 4.1 trillion in
2019 – 4.7% of the global total²



1.4%
The ICT sector is responsible for
1.4% of global carbon emissions and
around 4% global electricity use³

IMPACT



US\$ 690 BILLION
Total value of mobile money
transactions in 2019. Expected to
exceed US\$ 1 trillion by 2023⁴



Technology is a source of inequality that, if left unchecked, could create a great divergence in society according to the UNDP

About the system

The world is currently in the midst of a digital transformation driven by disruptive change in the telecommunications and technology sectors. At national, business and individual levels, ways of working, products, services and leisure are increasingly shifting to a digital-first footing.

Mobile technology is one of the most widely used technologies in the world. Almost 97 per cent of the population is covered by a mobile network (ITU, 2019) and 67 per cent – or 5.2 billion people – are mobile users (GSMA, 2020b).

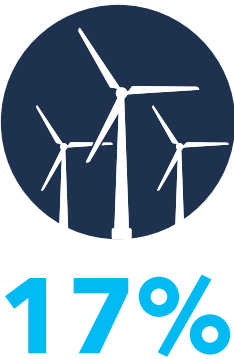
The digital revolution, driven by this widespread mobile technology and internet connectivity, can deliver gains in eliminating poverty and generate economic growth on a global scale. It can deliver access to health, financial, economic and humanitarian benefits to ensure we leave no one behind. But alongside the benefits, advances with new technologies and communication also bring new risks and ethical concerns (WEF, 2019).

At the business level, telecommunications and technology advances are disrupting all sectors. Well-established and stable sectors are facing pressure to digitize and transform at an unprecedented rate. Larger organizations are facing fresh competition from digitally agile start-ups that are entering the market and changing the long-established order.

The telecommunications and technology system is uniquely positioned to enable every country, industry and person to collaborate in achieving the Sustainable Development Goals (SDGs). Technological innovations have the potential to provide support for environmental protection while increasing social and economic inclusion.

“The products and services the mobile industry offers have a direct or indirect impact on all 17 SDGs. From financial inclusion to advancing innovation and infrastructure, accelerating gender equality, the list goes on. This is why the industry committed to the SDGs as a framework to deliver on its Purpose to "Connect Everyone 2020 and Everything to a Better Future". – GSMA

The challenge



Only 17 per cent of companies in this system report that they are fully integrating renewable energy into business operations and strategy

Enhancing or reducing inequality?
Technological innovation has the potential to underpin the successful delivery of all 17 SDGs (ITU, 2017). Telecommunications and technology can be used to improve efficiency, reduce environmental impacts and combat climate change. Social platforms and communication have transformed the interconnectivity of society and delivered essential services to many underserved people. Economically, digital payments and mobile-money platforms have increased financial inclusion.

But, although this system has huge potential for positive impact, there is also the potential to create more inequality. Alongside education and

climate change, the United Nations Development Programme has technology as a source of inequality that, if left unchecked, could create a great divergence in society (UNDP, 2019).

Closing the technology gap
With a global economy increasingly centred around digital technology, internet access and digital skills are crucial for the world to develop at an equal rate. However, areas with the greatest scope for positive impact currently present the biggest divisions. The telecommunications and technology system has the opportunity to change the world in a positive direction, but these challenges must be overcome for the benefits to be realized.



ACCESSIBILITY GAP
Access to the internet is lowest in areas where it could have the most impact. Although 53.6 per cent of people globally use the internet, regional inequalities are marked. In developed countries over 86 per cent of the population use the internet. In developing countries, the figure is 47 per cent and in least developed countries the figure stands at just 19 per cent. Africa and South Asia have the highest proportion of people not using the internet (ITU, 2019).



GENDER GAP
Globally, the gender gap for internet use has widened from 11 per cent in 2013 to 17 per cent in 2019, with 58.3 per cent of men and 48.4 per cent of women globally using the internet in 2019 (ITU, 2019). In low- and middle-income countries the gender gap for mobile phone ownership is 10 per cent. In these countries, mobile is the primary way people access the internet and the gender gap for mobile internet use is significantly greater at 23 per cent (GSMA, 2019b).



SKILLS GAP
A significant barrier to internet use is lack of ICT skills (ITU, 2019). Around the world, up to a third of individuals lack basic digital skills such as copying files or folders (ITU, 2018).

How is the system performing?

“The Ten Principles are broad and basic. What is valuable is the articulation of a framework of how companies can go about applying these Principles.”
– Singtel

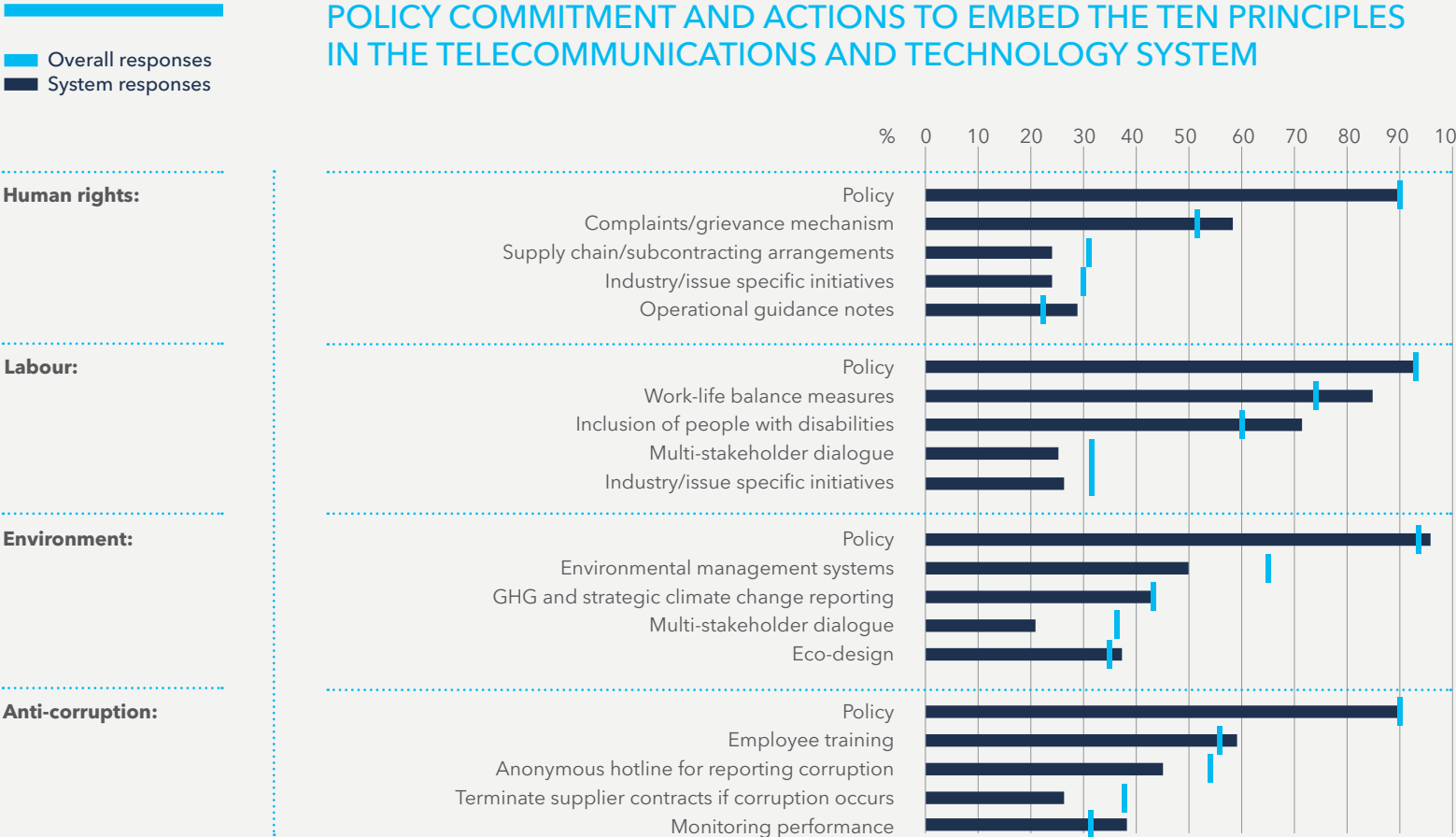
Progress against the Ten Principles of the UN Global Compact
Policy implementation relating to the Ten Principles stands at 90 per cent or above for the telecommunications and technology system. However, in terms of practical action, the system is lagging behind significantly in some areas. Respondents performed worse compared to all other systems on actions relating to the environment. At 17 per cent, the system is furthest behind on fully integrating renewable energy into business operations and strategy. Given this system's energy requirements for data centres and servers, this is an area of opportunity.

Other areas where the system is performing below average include environmental management systems (50% vs 65% for all respondents) and

resource efficiency (57% vs 70% overall). In all four areas of the Ten Principles, the system scores lower than average for involvement in multi-stakeholder dialogue.

Areas of better-than-average performance include complaints and grievance systems and operational guidance notes relating to human rights, work-life balance and inclusion of people with disabilities within labour practices, and monitoring anti-corruption performance.

Our interview data from this industry group showed that businesses are using the Ten Principles within their sustainability policies and governance framework, while less than half of interviewees used the Principles to drive ambition, action and targets within their companies.





Percentage of respondents in the telecommunications and technology system taking action to advance the SDGs in 2020

Individual business action on the SDGs

Mobilizing action for the SDGs
In contrast to action to embed the Ten Principles into strategy and operations, the telecommunications and technology system has the highest percentage of respondents – 90 per cent – stating they are taking action on the SDGs. Close to half (47%) claim they align their core strategy with the SDGs.

Action is focused on positive contribution
The system shows perfect alignment between the top five SDGs that have been prioritized by companies and those where respondents feel they have the most positive impact. Although social SDGs are less prioritized overall, companies in this system have ranked gender equality as the second most prioritized SDG. Companies in the system, however, show very little acknowledgement of negative impacts on the SDGs – one of the

lowest levels across all systems. This is particularly relevant to SDGs relating to the environment, energy and responsible consumption. Supporting this, only 29 per cent of businesses in the system have conducted an impact assessment relating to the SDGs along their value chain.

Ambition setting
Overall, the system has a moderate level of target setting – 55 per cent or more – for all but one of the top priority SDGs. Similarly, more than 70 per cent of respondents are developing products and services to support the SDGs, other than for Goal 5: Gender Equality. A particular high point is Goal 9: Industry, Innovation and Infrastructure, where more than 97 per cent report they have products and services that support its delivery.

“The industry has a clear understanding, vision and strategy, but implementation is currently varied.”
– Telenor

System view on delivering change

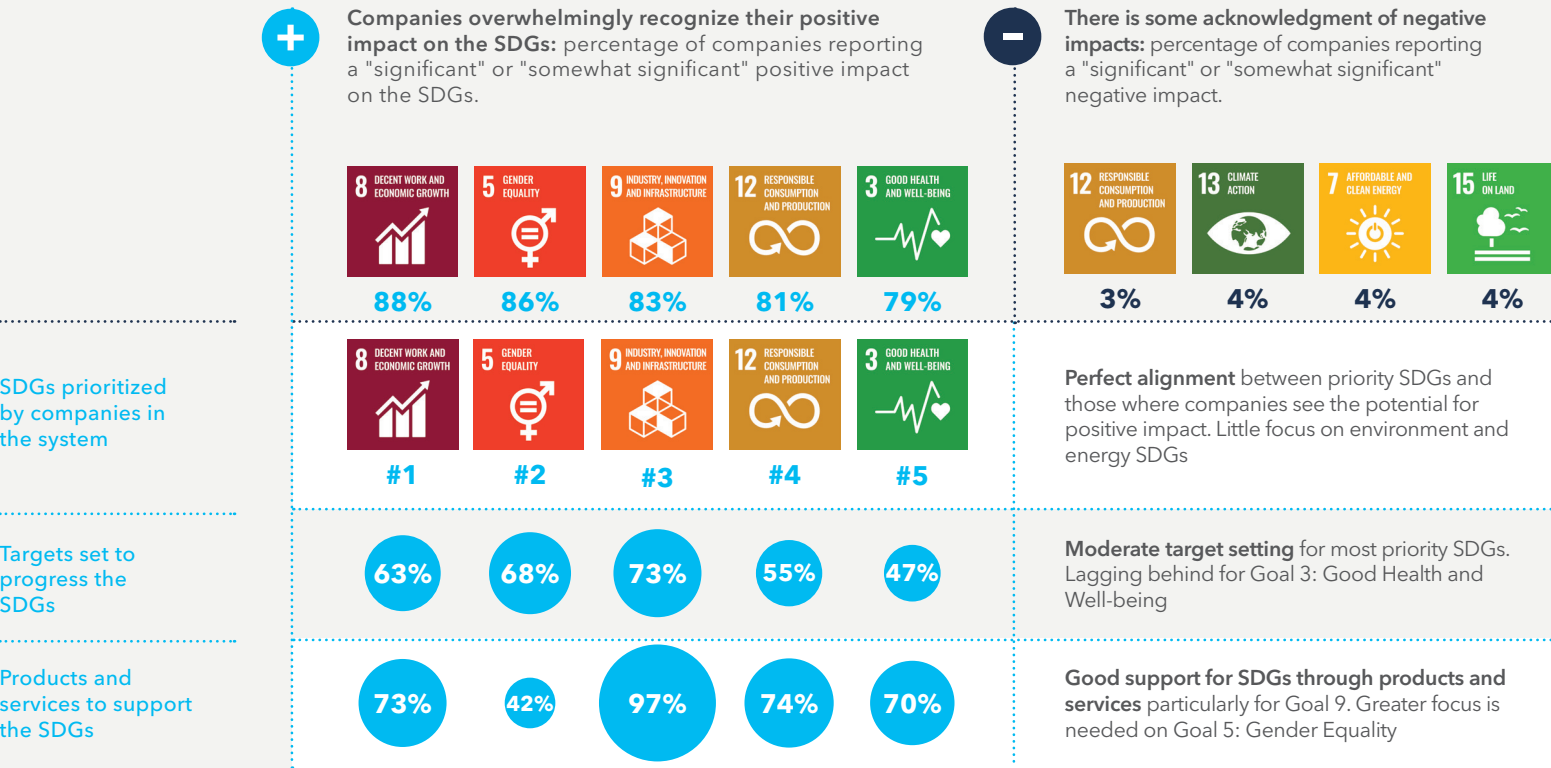
Survey respondents delivered insights into how well prepared the telecommunications and technology system is to deliver change to help deliver the SDGs in the Decade of Action. Overall, there is good alignment between the SDGs that companies are prioritizing and those that survey respondents feel are a priority for the system as a whole.

Goal 5: Gender Equality as a key industry focus
Close to 60 per cent of companies recognize the level of challenge required to deliver on Goal 5: Gender Equality. Less than half, however, believe there is a collective vision or an agreed approach to deliver by 2030. While the majority of companies take supportive actions such as flexible working (89%) and tackling the gender pay gap (80%), only 35 per cent hold leaders accountable for gender representation.

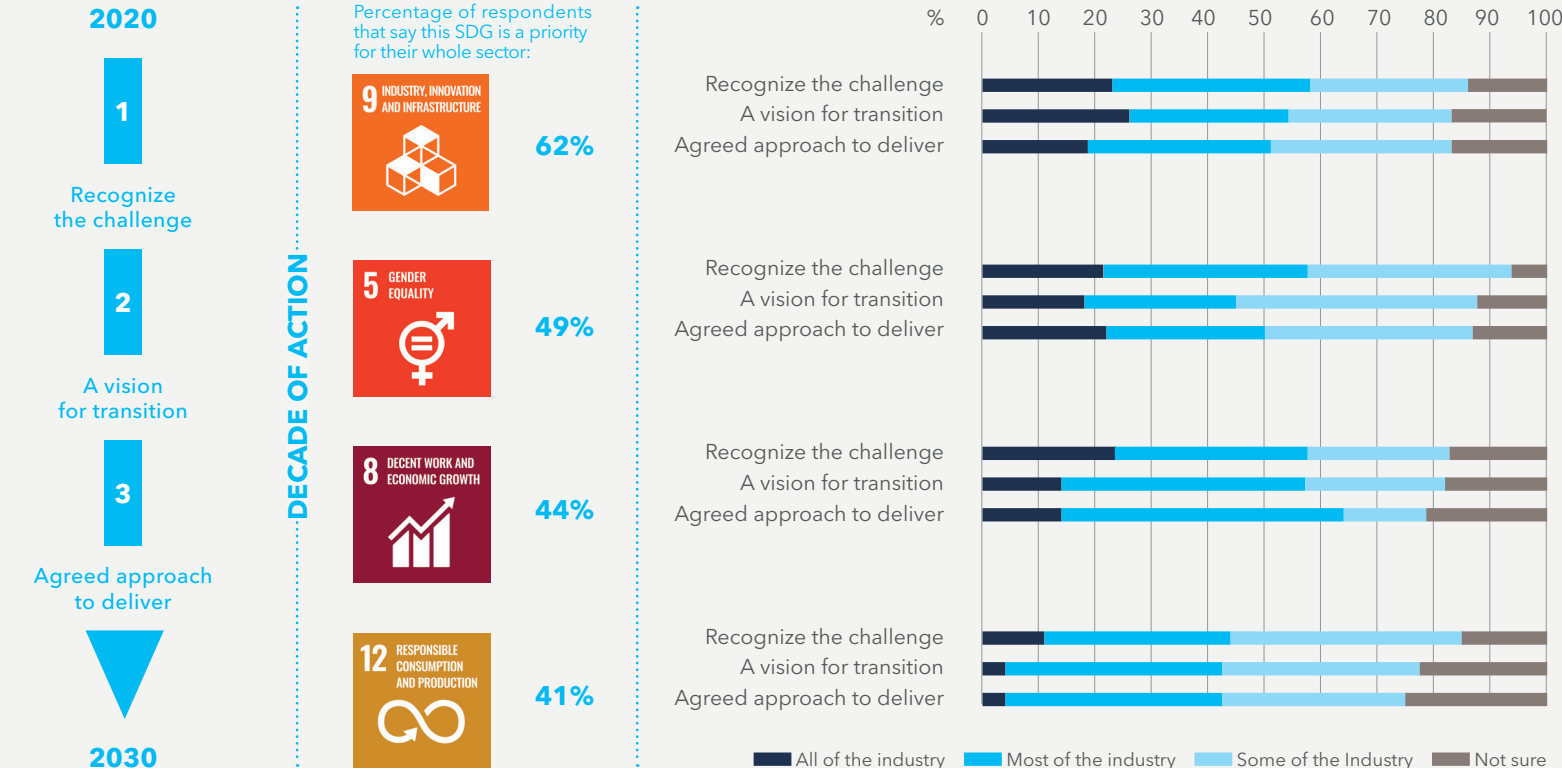
Low-carbon transition
Our interview participants also highlighted Goal 13: Climate Action as a priority, although only 38 per cent of survey respondents identified this SDG as a key priority. Many interviewees highlighted as good practice the Net Zero Roadmap, developed by the mobile industry body GSMA, the ITU, GeSI and the Science Based Target initiative.

The Roadmap comprises emissions disclosures from mobile operators, a global emissions reduction pathway for the mobile sector matching the most ambitious target of the Paris Agreement, and individual company target setting in line with a Net Zero ambition. To date, 57 mobile operators, representing two-thirds of mobile connections globally, are actively engaged in the initiative (GSMA, 2019c).

HOW COMPANIES IN THE TELECOMMUNICATIONS AND TECHNOLOGY SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





CLOSING THE DIGITAL GENDER GAP

Despite Turkey having the 17th largest economy in the world, only 33 per cent of the country's women have jobs, compared to 76 per cent of men according to 2017's Global Gender Gap Report. This could all be about to change. In 2017, mobile operator Turkcell launched a programme to narrow the digital gender gap, provide more employment opportunities for women and support female entrepreneurship. Since 2017, more than 770 women have been trained in 18 cities, writing 2.3 million lines of code. Over 200 mobile apps have been developed and launched by more than 300 women and hundreds have found career opportunities in the mobile industry

Sustainable transition needs

Despite some low scores for embedding the Ten Principles of the UN Global Compact into operations and strategy, the telecommunications and technology system is well placed to support the SDGs in the Decade of Action. This is supported by high levels of awareness and action on the SDGs, combined with industry-level collaboration and initiatives. These include the mobile sector's overall commitment to the SDGs through industry body GSMA and collaboration on setting sector-relevant Science Based Targets (see case study).

CREATING A PRE-COMPETITIVE SPACE FOR ADDRESSING SYSTEMIC CHANGE

1. Collaboration must be scaled
Survey respondents and interview participants both reported consistently higher scores for industry-wide recognition of the vision and ambition needed to achieve the SDGs. Collaboration is critical and 43 per cent of respondents stated they collaborate with private and public organizations to advance the SDGs. At a sector level, interviewees highlighted the importance of creating a pre-competitive space where companies embrace the problem they need to solve, rather than seeking reputational or promotion opportunities. This trend needs to continue to deliver the transition.

"Every company has to undertake the same work which may touch the same suppliers but we may not have the leverage on the bigger suppliers, why not come together to get leverage" (Singtel).

2. Ambition and leadership at the right levels, but scale needed
Most interview participants stated there is sufficient leadership and ambition to support transition towards the SDGs, but that scale is also needed. On climate change, ambition is generally consistent with the Paris Agreement

and although net-zero is an aggressive target for a growing system, many noted that aspirational targets help focus on collaboration with energy providers and others to deliver systemic change. More operators need to sign up to achieve scale and market pull is a crucial element here.

"The industry has a clear understanding, vision and strategy, but implementation is currently varied. We still don't have the scale of companies signed up to GSMA targets to be able to deliver on collective ambitions for 2030" (Telenor).

3. Spreading cost of innovation more fairly
Interview participants highlighted that understanding and trust between partners is crucially important, especially Governments understanding that business can be part of the solution. Companies reported that the risks and costs of innovation currently overwhelmingly sit with the pioneer, which is a key barrier to implementing solutions at scale.

"How do you incentivize and create an impetus? Sustainability and Purpose must be integrated into business strategy to drive longer term value" (GSMA).

Principles are the first stage – second stage must be outcome-based.
How do I make it happen from an execution point of view? – Singtel

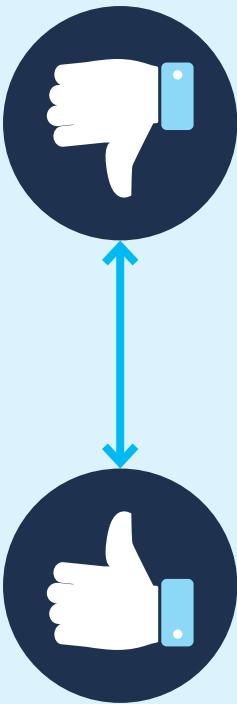
BARRIERS AND ENABLERS

BARRIERS

- **Cost of innovation to meet the SDGs is not distributed fairly**
"There needs to be a business case for everyone involved in innovating for Sustainability. Business can be a part of the solution but we cannot pull the whole wagon alone. The cost of innovation needs to be shared amongst all stakeholders" (Telenor)
- **Digital divide gap**
"Over 90 per cent of the population is covered by a mobile network, but this does not mean all are able to access the benefits. They may lack the digital skills or affordable solutions. 3.3 billion people are covered by a network but not using mobile internet services" (GSMA)
- **Public policy and regulation**
Enabling regulatory and policy environment are critical to foster investment in digital infrastructure and to ensure the transformative impacts of connectivity can benefit all individuals

ENABLERS

- **Products and services offered by the sector**
"In a post-COVID-19 world, digitalization must be scaled up and will help to meet people's basic needs" (Turkcell)
- **Industry leadership on the scale and speed of change required**
Most interview participants within the system agreed that there is sufficient leadership within the system now to move the dial. The telecommunications and technology system is ahead of others in this regard
- **Collaboration with key stakeholders on building resilience**
"There is a lot more room for collaboration on resilience with emergency services, building resilience against natural disasters or bushfires. For instance, pre-cyclone season, we hold regular cross-stakeholder planning sessions with key stakeholders to see how digital solutions can help deliver"
- **Standardized metrics to track collective progress against the SDGs**
"We need to be able to show how we are progressing. We published the research report ICT Sustainable Development Goals Benchmark, which captured the impact of ICT on the SDGs from a national perspective. It also defined the high-priority SDGs" (Huawei Technologies)



To date, 57 global mobile operators, representing two-thirds of the world's mobile connections, are actively engaged in the initiative (GSMA, 2019c)

CASE STUDY: COMMITTING TO SCIENCE BASED TARGETS IN THE TELECOMS SECTOR

Industry-wide collaboration in the Information and Communication Technology (ICT) sector to set Science Based Targets was brought about by early movers such as Singtel and concerted industry association action.

Singapore Telecommunications Limited (Singtel) is a multinational telecommunications conglomerate. Singtel established its Science Based Targets in 2017, the first company to do so in Asia outside Japan. Singtel is aiming to cut absolute direct and indirect (Scope 1 and 2) greenhouse gas emissions across its Singapore and Australian operations by 42 per cent by 2030 from its 2015 base-year. It will also work with suppliers to reduce third-party (Scope 3) emissions by 30 per cent over the same period.

Being an early adopter was not without challenges, as there were no established decarbonization pathways for the mobile industry. As more operators started adopting Science Based

Targets, an opportunity arose for the industry association, GSMA, to play a role. By working with companies that had established targets and collaborating with other partners, such as the Global e-Sustainability Initiative (GeSI) and the International Telecommunication Union (ITU), GSMA was able to carve out a sector-specific decarbonization pathway.

The result was an agreed pathway for the ICT sector that sets Science Based Targets and provides a methodology that ICT companies can adopt. This led to firm commitments by several members to work toward net-zero carbon emissions by 2050 – a first for any industry sector.

FINANCIAL SERVICES

Financial development is not simply an outcome of economic growth. It plays a huge part in the workings of any nation's economy, not only creating financial value, but also contributing to sustainable development by increasing investment aligned to the Sustainable Development Goals. With financial products no longer limited to the traditional financial sector, financial services have a huge role in progressing economic development and sustainability in tandem. The financial services system includes the following sub-sectors:

- Banking and capital markets
- Asset management
- Credit unions, financial advisors, discount brokerages and investment banks
- Venture capital and private equity
- Accountancy

SCALE

IMPACT



US\$ 26.5 TRILLION
The financial services market is expected to reach US\$ 26.5 trillion by 2022¹

GDP

c.103%
Private credit relative to GDP is 103% in high income countries, four times more than in low-income countries²



69%
Financial inclusion is growing. Globally, 69% of adults have a bank account or mobile money provider (2011: 51%)³



US\$ 13.9 BILLION
The digital banking market worldwide is projected to grow by US\$ 13.9 billion by 2023⁴



Issues of green bonds and green loans reached an adjusted US\$ 257.7 billion globally in 2019, marking a new record and showing 51 per cent growth over 2018 (Climate Bonds Initiative, 2019)

About the system

The financial services system is one that can leverage resources to enable companies from all sectors to advance the Sustainable Development Goals (SDGs). Often considered highly complex, it includes an array of products and services for individuals, businesses, non-profits and Governments – ranging from personal banking and mortgages to private equity and venture capital funds and impact investing.

The financial services system has changed greatly in recent years. Digital transition, enhanced customer focus and growing competition from non-banks and financial technology firms (FinTechs) continue to reshape the system. In addition, collaboration has increased, in particular as discussions related to inclusive capitalism, climate change, gun violence and diversity rise.

Responsible investment is an area of huge growth in recent years, showing a 34 per cent increase between 2016 and 2018 and a 68 per cent increase since 2014 (GSIA, 2018; GSIA, 2016). Alongside this expansion, awareness and activism are also growing. Research shows that environmental and social shareholder proposals counted for 41 per cent of all documented

shareholder proposals in 2017, up from 33 per cent a year earlier. Similarly, Twitter posts mentioning ESG topics grew 19-fold between 2014 and 2018 (Goldman Sachs, 2018).

The system has a key role to play in creating sustainable economies and contributing to the Sustainable Development Goals. It is well positioned to deliver impact in a number of areas: improving financial inclusion for the poor and vulnerable to help reduce poverty and inequality; influencing customer and supplier impacts through investment decisions; financing the transition to a low carbon economy; and increasing national and regional natural catastrophe insurance schemes (Febelfin, 2016).

“Whenever we lend a dollar, we could have an impact on everyone. What very few banks have done is to say, ‘what can we do if we want to create this sustainable world?’ – DBS Bank

1.7
billion

Financial inclusion remains a key challenge given that 1.7 billion adults remain unbanked

The challenge

Sound financial systems underpin economic growth and development, and are crucial for boosting prosperity, alleviating poverty and supporting global development (World Bank, 2020b).

However, despite recent efforts to encourage green finance and broader sustainable development around the world, challenges remain and vary for different countries (UN Environment Inquiry, 2017). The global financial crisis exposed significant weaknesses in the financial system and vulnerabilities associated with an interconnected global market.

Ongoing challenges include, for example, national Government budgets remaining constrained; low confidence and public trust in financial institutions (Deloitte, 2020b); unconventional monetary policy in major national and regional economies; and around 200 million small and medium-sized enterprises worldwide with no access to formal financial services (WEF, 2016b).

Access to finance is seen as a crucial step in escaping poverty. There has been good progress in recent years, with 1.2 billion people obtaining a bank or mobile money account since 2011. But financial inclusion remains a key challenge given that 1.7 billion adults remain unbanked (World Bank, 2018).

In relation to the SDGs, significant financing – estimated at US\$ 2.6 trillion in low-income and

emerging markets – is needed in the next ten years to deliver the SDGs (IMF, 2019b). Delivery of the SDGs relies on significant national spending in key areas, such as health, education and infrastructure. In many low-income countries, tax revenues do not deliver the required financial resources (IMF, 2019c).

Financing is often the weakest part of national plans for the SDGs and three quarters of national plans do not contain costings or financing details. This is important to address because, without adequate financing, the aspirations of the SDGs will remain beyond reach (IMF, 2019b). Strong efforts, including public-private collaboration, are key to helping address financing challenges related to delivering the SDGs, particularly in the developing and least developed countries.

Areas of work that need attention to overcome the financial sector’s challenges are (IMF, 2019b; World Bank, 2018):

- National policies to support SDG investments
- International cooperation to find solutions to new and emerging challenges
- Actions to support debt sustainability
- Revenue strategies bolstered by global coordination on international tax reform
- A framework to identify public and private flows, aligned to country development plans
- A greater connection between the green finance movement and digital service offerings (e.g. FinTech) for financial inclusion.

“Unlike other sectors, the financial sector has the opportunity to have an impact across all categories. – PRI

How is the system performing?

VIEW FROM GLOBAL COMPACT NETWORK FRANCE:
Investors’ growing interest in the SDGs motivates more companies to join the UN Global Compact and work on the SDGs

Progress against the Ten Principles of the UN Global Compact

Responses from the financial services system show that, across the Ten Principles, more than 90 per cent of companies have policies in place. While action to embed the Ten Principles into strategies and operations is nowhere near as widespread as policy implementation and needs to improve, this system performs better than most on actions relating to labour rights and anti-corruption. Actions relating to human rights and environment are more mixed compared to all systems.

The system is particularly strong on multi-stakeholder dialogue, being the top-scoring system for dialogue on labour and

anti-corruption and the second-highest scoring in the environment and human rights areas. Selected areas of better performance include labour rights risk assessment (55% vs 46% for all respondents), sanction systems for corruption breaches by employees (56% vs 45%) and recording facilitation payments and gifts (38% vs 22%) – the top score for all systems.

Areas for improvement include environmental risk assessments (48% vs 62% for all respondents), environmental management systems (57% vs 65%) and complaints and grievance mechanisms for human rights issues (45% vs 51%).

Overall responses
System responses

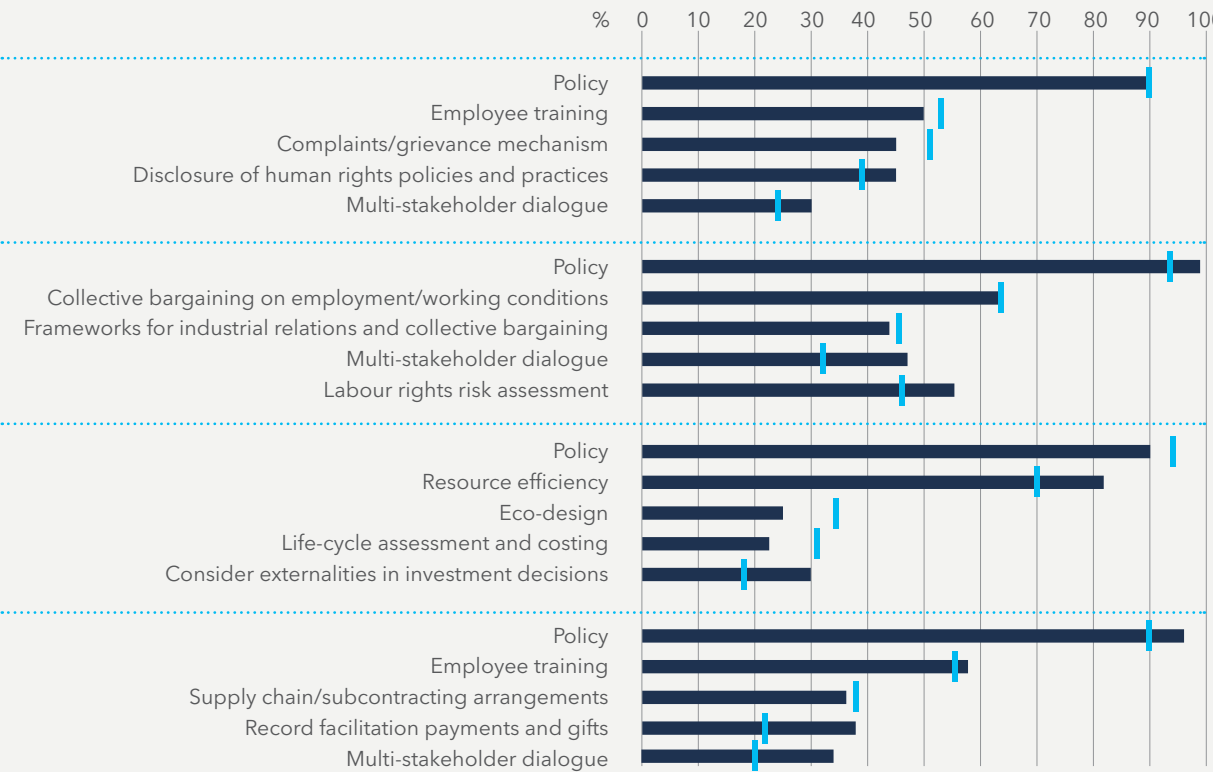
Human rights:

Labour:

Environment:

Anti-corruption:

POLICY COMMITMENT AND ACTIONS TO EMBED THE TEN PRINCIPLES IN THE FINANCIAL SERVICES SYSTEM





Percentage of respondents in the financial services system taking action to advance the SDGs in 2020

Individual business action on the SDGs

Growing business action, but greater alignment with strategy is needed

Despite a high number of respondents (88%) within the financial services system taking action on the SDGs, only 58 per cent reported that their core business strategy is aligned with the SDGs. The interview data supports this, stating that businesses struggle with alignment.

High priority for the SDGs

Three of the top-five priority SDGs of the companies in this system are also SDGs where companies feel they can have the greatest positive impact. In addition, the interview data also highlighted Goal 10: Reduced Inequalities and Goal 13: Climate Action as important. Goal 13 is a priority for companies, while also being recognized as an area where companies have a negative impact.

However, many respondents within the system (15%) also reported they were unaware of their overall impact on Goal 13.

Products and services are in place, but targets are low

Other than Goal 13: Climate Action and Goal 5: Gender Equality, target setting is low for the priority SDGs in this system. When it comes to products and services, the system is performing better, with higher percentages stating they have products and services supporting the SDGs. Compared to other systems, this is particularly strong for Goal 17: Partnerships for the SDGs, where 75 per cent indicated they have products or services in place, despite only 50 per cent stating that they have set targets for this SDG.

“We came up with something called the Ayala Blueprint. The blueprint guides what SDGs we are gearing up for, what is our goal for 2030, and what the themes are behind each of these goals.”
– Ayala Corporation

System view on delivering change

Survey respondents delivered insights into how well prepared they thought the financial services system is to deliver the SDGs in the coming Decade of Action.

System and company priorities aligned

In the financial services system, there is reasonable alignment between the SDGs that individual companies are prioritizing and those that respondents feel are a priority for the system industry as a whole. In particular, Goal 8: Decent Work and Economic Growth and Goal 5: Gender Equality are highlighted as priority SDGs that the industry must address.

Stronger focus on social SDGs than in previous years, but they are still not at the forefront

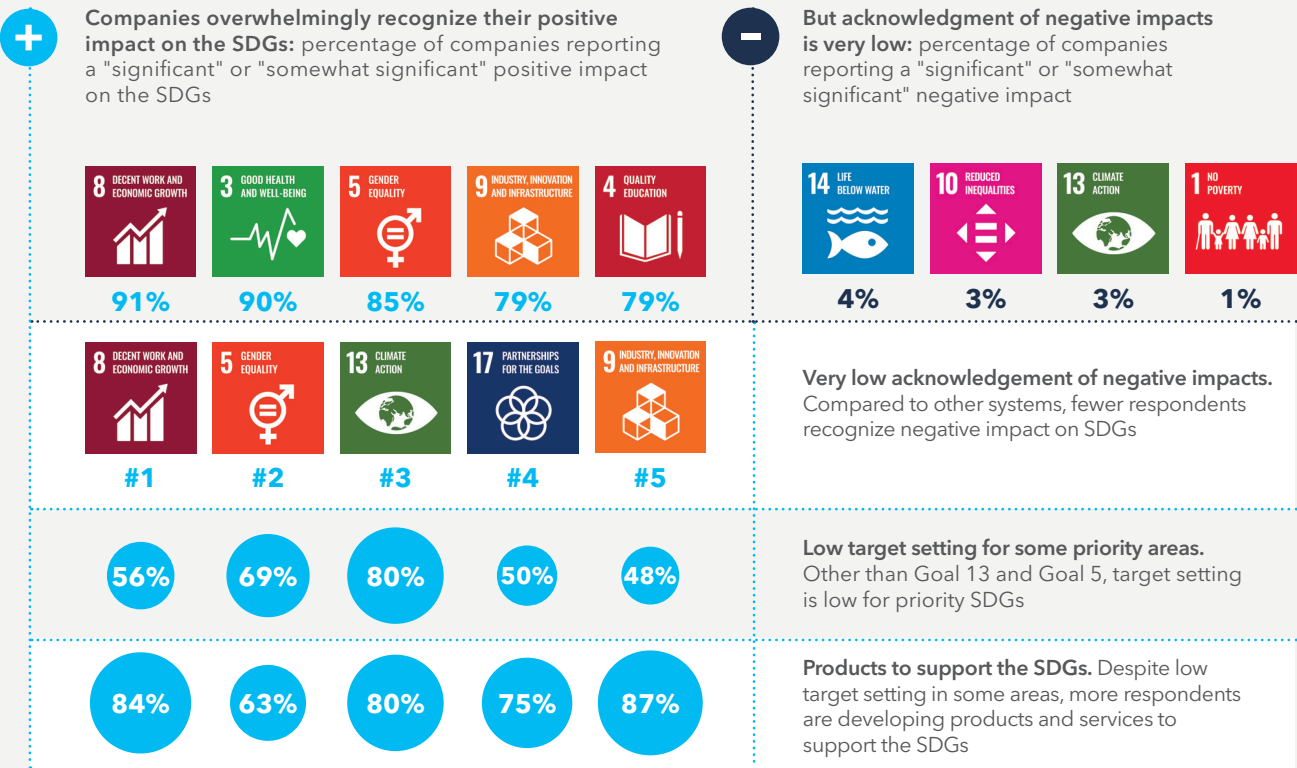
The financial services system is one of few that

has prioritized SDGs with a social focus, both at the company level and for the system as a whole. For example, Goal 5: Gender Equality was listed amongst the most prioritized SDGs both at an individual business level and a system level, signaling that awareness of gender issues is increasing.

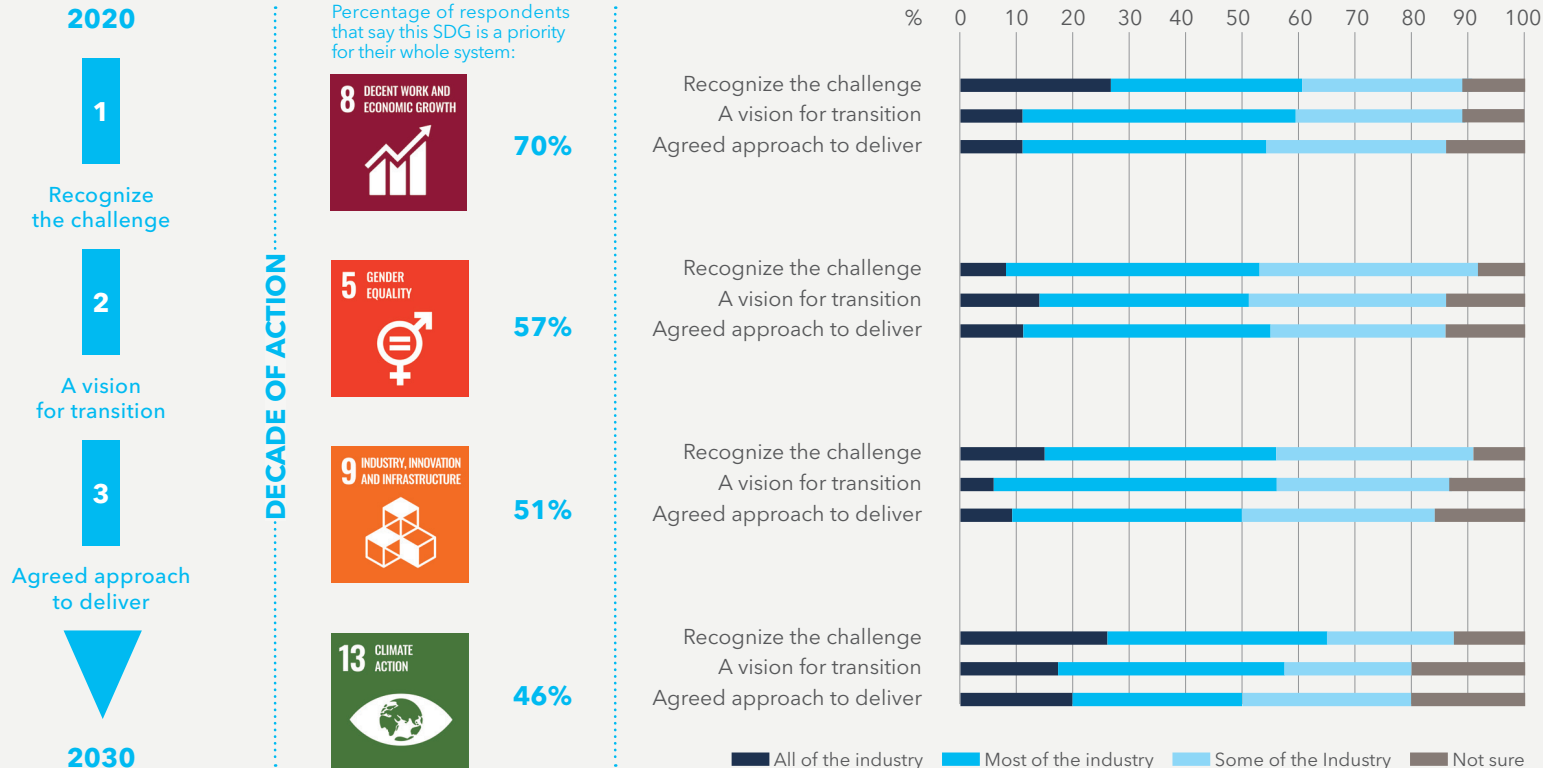
Scaling action towards transition is needed

Across the four most important SDGs for the system, at least 50 per cent of respondents feel that the challenge is recognized by their sector, the vision for transition is in place and there is an agreed approach to deliver. However, if we expect to deliver the SDGs in the next decade, this will need to be accelerated.

HOW COMPANIES IN THE FINANCIAL SERVICES SYSTEM ARE APPROACHING THE SDGs



HOW READY IS THIS SYSTEM TO DELIVER IN THE DECADE OF ACTION?





KEY OPPORTUNITIES FOR FINANCIAL SERVICES TO SHIFT GEARS FOR 2030:

- Use digitalization (e.g. FinTech, AI, Blockchain) to direct investment, provide traceability and report on the social and economic benefits from SDG-related projects – this is particularly important when partnerships are involved
- Advance financial inclusion and stimulate green investment using systems that identify risks quicker (e.g. modern slavery issues). Mobilize investment to raise or re-orient finance to markets that are investing in SDGs
- Develop customer-centric service strategies and form partnerships or ventures to build trust, innovate and maintain a competitive advantage

Sustainable transition needs

The challenge of financing the SDGs is not just about mobilizing more money to close the financing gap – it is more systemic, requiring investors and businesses of all sizes to be influenced. There are several areas that need to be addressed to achieve the 2030 Agenda: public-private sector collaboration; financing frameworks for the SDGs; enhanced governance; alignment of business strategies with the SDGs; impact measurement and reporting for SDG financing; and an emphasis on country-level achievements towards the SDGs.

- 1. Centralized system to identify public and private investment flows, aligned with country development plans**
- Targeted investment and international cooperation are required to find solutions to new and emerging challenges covered by the SDGs. Survey responses show the financial services system performs better than average on engaging in collective action and multi-stakeholder dialogue. Companies within the system need a forum in which they can embrace and tackle SDG-related problems and identify where and how finance needs to be directed towards SDG projects.

"On one hand, money is needed everywhere, but on the other, there is no obvious way for us to direct it" (DBS Bank).

View on sustainable finance from Global Compact Network France: "Work on sustainable finance has really accelerated since 2018. Financial services companies are contacting the UN Global Compact to learn about the SDGs and their philosophy and to understand best practices and impact measurement. We are building a guide to show how private actors and investors can contribute to the 2030 Agenda. We also hosted a CFO taskforce meeting with twenty companies to raise awareness of the SDGs among financial directors."

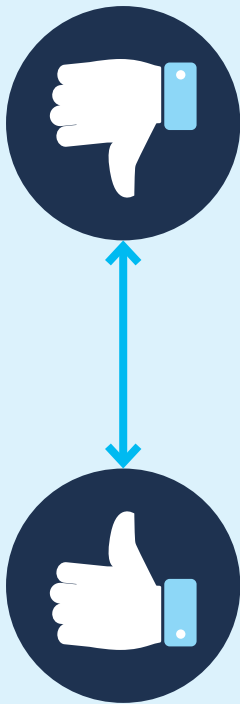
- 2. Tools and frameworks**
- Businesses require the right tools to measure and report on the progress – both positive and negative – of finance-related SDG projects or initiatives. This is not in place currently, and 54 per cent of survey respondents report there is not a balanced communication of negative and positive impacts from SDG-related projects.

View on sustainable finance from Global Compact Network France: The issue of sustainable finance is essential for us – it puts measurement in the spotlight. Our main objective is to ensure the SDGs are a common language for all private actors (investors, asset managers, extra-financial rating agencies, etc.) enhancing long-term thinking and reducing negative externalities. We want to raise finance director awareness so they can build financial tools based on the SDGs. One question remains: what should a common measurement framework for these SDG initiatives look like?"

- 3. Better connection of green finance and digital services**
- The financial services system is behind the average on a number of actions, including impact and risk assessments. Utilizing technology is important for traceability and accountability of investments, services and products and for assessing risks. Financial services companies can play a key role in building sustainable supply chain resilience if digital solutions and service offerings are embraced.

- 4. Business models equipped for the future**
- To maintain a social licence to operate, companies in this system must ensure their business models are fit for purpose – this can help scale investment in priority SDGs or initiatives creating positive impact.

"The world is changing rapidly and we need a business model fit for the next decade."



BARRIERS AND ENABLERS

BARRIERS

- **Bold leadership currently lags**
"I think the majority of banks are still response-driven. For example, with climate change, banks focus on energy. We all fly, so why is no one pointing the finger at aviation? What is really needed is for money that goes much further in areas that are 'not as sexy'" (Ayala Corporation)
 - **Lack of system-wide SDG prioritization**
Most interview participants within the system agreed that there is a lack of focus on what SDGs they should prioritize
 - **Poor business case, especially on climate**
"No one dares to say that climate change shouldn't be at the top of the agenda. Banks are not doing this because you can't build a financial business case around it"
 - **Finance frameworks for SDGs are needed**
"There needs to be more awareness among individuals around how their money is managed and how that is contributing to the SDGs. The demand has to start there" (PRI)
- Such frameworks must account for positive and negative impacts: "We are now measuring impact and orientating business models to deliver positive impacts and avoid negative impacts" (Banco Bradesco)

ENABLERS

- **Communication and engagement to stimulate SDG action**
"Education is one of the biggest enablers. Action happens when people are educated and when they have money. For example, in the Philippines they may be aware of it, but they can't afford to buy another option. We need to give people the opportunity to move up. This means education and affordable products" (Ayala Corporation)
- **Environmental regulation**
Governments need to incentivize the private sector to take action to deliver the SDGs
- **Embracing digital**
"Our digital strategy, for example, helps to reduce carbon emissions, expand and facilitate customer access to our services and reduce our dependence on physical service structures, which are more impact-intensive and more exposed to the risk of disruption from climate factors (such as flooding)" (Banco Bradesco)
- **Blended finance from Governments to share risk**
"The biggest difference is in supply chain finance. The solution is more blended finance – for governments to give risk insurance. Then it will work" (DBS Bank)

CASE STUDY: HSBC: INCREASING ACCESS TO FINANCIAL SERVICES

HSBC is working to widen access to formal financial services by making its services more accessible and affordable to people previously excluded from financial services.

Banks operate in every corner of the world, yet their services do not yet reach everyone. Currently, nearly 70 per cent of adults have a bank account¹. Financial inclusion is key to helping people out of poverty. HSBC, one of the five largest banks in the world, has set itself the goal of widening access to banking services.

Their approach to financial inclusion has three main elements

- To improve the accessibility of HSBC services for existing customers and the wider community
- Invest in financial educational to help customers, colleagues and communities use financial services with confidence. HSBC has committed to providing US\$ 35 million over three years

(2018 – 2020) to support programmes to develop financial skills

- Engage with partners such as trade associations, Governments and regulators to identify practical barriers to financial inclusion, find ways to improve standards and share best practice.

In Mexico, roughly 50 per cent of the population is financially excluded. To provide banking services for those previously excluded, HSBC launched a digital service called "Stilo Connect" in 2019. The digital service simplifies the registration process, offers instant activation of accounts and a digital debit card for e-commerce. It is free to use if used regularly. More than 22,000 new customers have signed up so far and the goal is to reach 60,000 within 2020.

FINANCIAL INCLUSION IS CONSIDERED AN ENABLER of sustainable development in eight of the seventeen SDGs, and "there is growing evidence that it contributes to more stable financial systems and economies, increasing domestic resources through national savings and helping to increase Government revenue"²

¹ World Bank 2018. <https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows>
² UN Global Compact Scaling Finance for the Sustainable Development Goals, 2020

6

KEY FINDINGS ACROSS THE SYSTEMS

KEY FINDINGS OF DNV GL'S RESEARCH ACROSS THE SYSTEMS

It is widely accepted that the scale and pace of change to date to deliver the SDGs has not been big enough or fast enough to date. At this point in time – with ten years to go – the world is not on track to deliver the SDGs. We need a Decade of Action to reverse this predicament.

The potential for business to contribute to the SDGs is widely recognized, but levels of ambition and action on the SDGs do not currently match this awareness. The UN Global Compact/Accenture CEO survey in 2019 noted that 71 per cent of CEOs agree business can play a critical role in contributing to the SDGs, but only 21 per cent agreed they are playing a critical role now. For businesses – now more than ever – it is time to ramp-up action in all areas of their operations and value chains to support delivery of the SDGs.



System priorities

ENERGY, NATURAL RESOURCES AND BASIC MATERIALS

INDUSTRIAL MANUFACTURING

FOOD, BEVERAGE AND CONSUMER GOODS

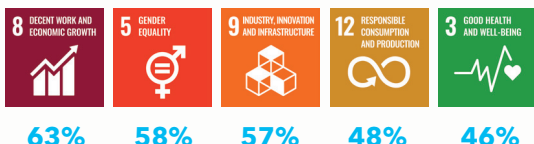
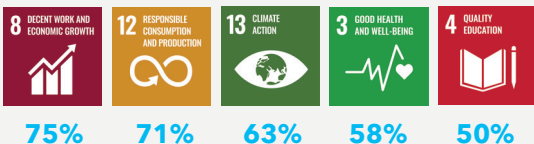
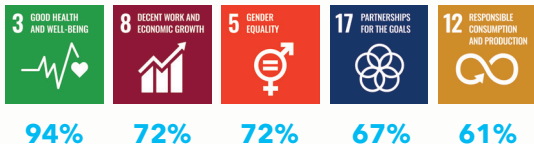
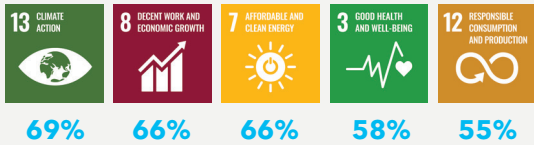
HEALTHCARE AND LIFE SCIENCES

MOBILITY AND TRANSPORTATION

TELECOMMUNICATIONS AND TECHNOLOGY

FINANCIAL SERVICES

+ MOST PRIORITIZED SDGs



KEY FINDINGS

- A high percentage of companies are setting targets to advance priority SDGs
- However, only 6% have an emissions reduction target approved by the Science Based Targets initiative
- Goal 13: Climate Action is the #1 priority, yet 11% of companies feel that this is an area of significant negative impact

- SDGs where companies feel they are having the most positive impacts are well aligned with those goals being prioritized
- Target setting is variable across the SDGs, e.g. only 23% have an SBTi approved target despite Goal 13: Climate Action being a top priority
- There is a high level of action or engagement; many companies are developing products and services to support the SDGs

- Only 21% believe the sector is moving fast enough to meet the SDGs
- Only 29% of companies have conducted assessments of the negative impacts along the supply chain
- 45% of the companies are yet to set targets to progress Goal 3: Good Health and Well-being, despite strong links
- The current market is fragmented and does not support smaller players to act sustainably

- Only 75% of companies are taking action on the SDGs (lowest of all systems)
- Strong alignment between priority goals and those where the sector has a positive impact
- A large percentage of companies are setting targets but are behind on developing products and services to support them

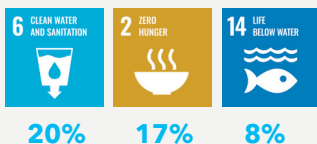
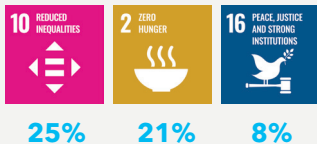
- A large number of businesses are taking action, but only 50% are aligning core business strategy with the goals
- Climate action is both a priority with targets set to progress it and an area where negative impacts are being acknowledged
- Target setting is lagging behind in other areas
- On products and services, the system performs more consistently

- Strong leadership through the telecommunications and technology industry association, which has made a sector-wide commitment to the SDGs and created a low-carbon roadmap
- Key focus on gender equality
- Complete alignment between goals being prioritized and those with the greatest positive impact
- Very little acknowledgement of negative impacts, particularly on the environment and responsible consumption

- Target setting is lagging behind
- There is very little acknowledgement of negative impact or respondents are unaware of impacts
- Products and services are being developed to support the SDGs
- On a system level, social goals have some focus
- Only 3% acknowledge negative impacts on Goal 10: Reducing Inequalities, despite the sector being instrumental to advancing this SDG

The percentages below reflect the extent to which companies participating in the UN Global Compact Annual Implementation Survey 2020 indicated they are currently prioritizing each SDG. There are high levels of commonality amongst the most prioritized SDGs across systems. This means that a number of SDGs are left behind with very few companies focusing on them and are therefore an area where greater attention is needed (e.g. Goal 1, 2, 10, 14 and 15).

- LEAST PRIORITIZED SDGs



ENABLERS OF SYSTEMIC CHANGE

- Strategies to mitigate negative impacts on SDGs
- More collaboration needed to standardize metrics and reporting
- Long-term ambition needs to be translated into near-term steps

- Standardized metrics to track collective action and progress towards the SDGs are required
- A conducive policy environment is needed that supports clean, socially inclusive and healthy industry processes

- Need for regulation to level the playing field and encourage innovation
- High cost of sustainable products must be addressed
- Accelerate digitalization and improve traceability to support transparency across the value chain and drive producer responsibility

- Although there is a strong vision to deliver on the SDGs, the industry does not have an agreed approach for transition
- Need for standardized metrics to track progress against priority SDGs and support impact-based reporting
- Multilateral collaboration to address the SDGs must be scaled

- Industry-government collaboration needed to create a roadmap for success for this system
- Increase collaboration throughout the value chain
- Need for greater action on human and labour rights

- Need to recognize and report on negative impacts on the SDGs
- Need to achieve more scale with the shared low-carbon roadmap at industry level
- Need for more collaboration to solve shared problems

- Common impact measurement framework of financial investments for the SDGs
- Better connection of green finance and digital services
- Centralized system to identify public and private investment flows, aligned with country development plans



UN Global Compact Communication on Progress will be upgraded in 2021 with enhanced questions on the Ten Principles and the SDGs, indicating relevant actions to drive sustainability. It will be delivered through an open database to facilitate easy aggregation and evaluation of data and will be supported by a number of integrity enhancements, such as random spot-checks, to raise accountability

Recurring themes across the systems

Recurring themes shed light on the enablers that businesses consider will help them to enhance action on the SDGs.

An operating environment that incentivizes SDG action is essential

The interview data emphasized the importance of creating the right regulatory framework that provides a level playing field among businesses and distributes the cost of innovation more fairly among actors in the system. For instance, the financial services system emphasized that more blended finance with Governments would be a key enabler in the Decade of Action. Carbon pricing initiatives only covered 20 per cent of the world's greenhouse gas emissions in 2019 and there was a call from interview participants to enhance this, especially from the energy and finance systems participants.

Lack of science-led regulation and supportive public policy were cited as key barriers that businesses face as they aim to scale business action. Indeed, many interview participants called for business to be recognized as an "equal partner" at the table where decisions are made and the voice of business to be echoed when setting the policy agenda.

Enhancing demand from customers and consumers to generate the right market signals for businesses to respond to across the value chain is also required.

More engagement of the finance industry to incentivize and fund innovation and action that supports the SDGs

The availability of financing to support delivery of the SDGs was also cited as a key barrier for the

telecommunications and technology, mobility and transport, and healthcare and life sciences systems. More engagement by the finance industry to incentivize and fund innovation that supports business SDG action is required.

"More work is needed to understand how the private sector is impacting the SDGs and what we can do as a community, or as a sector or group, to help companies enhance positive impacts and restrict negative ones."

Despite a high level of awareness of the scale of the challenge and the ambition required to meet the SDGs by 2030 (84% of survey respondents), only 46 per cent say they have aligned their core business strategy with the SDGs. This shows a fundamental gap in embedding the SDGs in core business.

"The SDGs are not designed to fit into business."

Create industry-specific, business relevant SDG goals/targets/ambitions

Businesses struggle to identify an ambition level they can work towards that supports the SDGs. This is in part because the targets within each SDG are not expressed in a way that is tangible for business and easy to operationalize. As well as difficulty in translating the SDGs into action, businesses are also unclear on how their individual actions and outcomes contribute to wider sector-level progress and ultimately relate to systemic progress towards the SDGs.

"We need hundreds of thousands of business transforming their way of operating to accelerate action."

"We need hundreds of thousands of businesses transforming their way of operating to accelerate action."

However, there is some good progress happening across different systems to help define a vision and level of ambition: the telecommunications and technology system reported the industry-wide Net Zero Roadmap as good practice. In the maritime industry, IMO has adopted a roadmap for the decarbonization of the shipping industry with defined levels of ambition. The steel industry adopted a certification scheme this year, ResponsibleSteelTM, to encourage responsible, low-carbon steel making.

Reduce complexity of initiatives and rally around common ambitions, especially for social goals

While ambition levels are being set for climate, the research clearly shows that progress in organizing systemic change in other areas, especially on those SDGs least prioritized by business (Goal 15: Life on Land, Goal 10: Reduced Inequalities) is lagging behind. This is because companies struggle to see a tangible link with business-as-usual.

It is not a surprise, then, that most companies prioritize Goal 8: Decent Work and Economic Growth, for example, with its clear links to business. Goals such as Goal 1: Zero Hunger (18%), Goal 2: No Poverty (22%) and Goal 10: Reduced Inequalities (33%) are all less tangible for business and therefore less prioritized for action.

Many businesses, especially in the financial services system, called for more clarity and simplification of sustainability frameworks to measure impact on delivering the SDGs, especially if action on social goals is to take place.

"More needs to be done to help establish the link between the global targets and metrics of the SDGs and the national level and business level. Otherwise we have no way of measuring how everything adds up" (Singtel).

Focus on delivering context-specific outcomes

Interview participants highlighted that Communication on Progress (COP) is a reporting framework referenced in their sustainability disclosures, but this has limited impact on how companies address issues on the ground.

Only one-third of survey respondents stated COP had an impact on how their business is addressing the four areas of the Ten Principles (human rights, labour, environment and anti-corruption). Businesses can deliver impact by scaling action to progress on the most material SDGs in the countries where they operate.

"There is a risk of having too many topics that all need major change. People have said let's get climate right, but there is a risk the other SDGs are parked to come later. People work on urgent issues first and wait on the outcome, then pick up the rest later."

SDG AMBITION

SDG Ambition provides a set of ambitions that all companies should align their goals and targets with, across seven areas that encompass the Ten Principles and the SDGs. The SDG Ambition accelerator programme will be rolled out as a collaboration between the UN Global Compact Office and Local Networks around the world with a view to mainstream this SDG Ambition target setting and implementation. Global accelerator programmes will also be delivered in partnership with the Local Networks on Climate 1.5°C, Gender Equality and SDG Innovation initiatives.



"More needs to be done to help establish the link between the global targets and metrics of the SDGs and the national level and business level. Otherwise we have no way of measuring how everything adds up. – Singtel



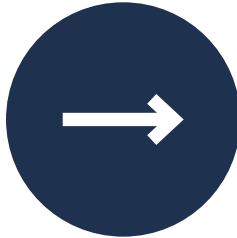
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A CALL TO ACTION FROM THE UN GLOBAL COMPACT



A CALL TO ACTION FROM THE UN GLOBAL COMPACT

With less than 4,000 days remaining until the 2030 target, businesses urgently need to accelerate transformation towards a sustainable future and address the interconnected and growing challenges to health and well-being caused by inequality and climate change.



Looking forward to the Decade of Action

Leading companies are already influencing their sectors, peers and Governments to step up and turn ambition into action and policies. It is time for all companies to drive the transformational changes required to create the world we want. We call on all companies to:

- **Fully integrate the Ten Principles:** implement the Ten Principles deep into business strategies, operations and value chains as a foundation for driving sustainability.
- **Raise SDG Ambition:** raise ambitions to meet the needs of society and the planet by fully integrating sustainability informed by a principled-based approach to the SDGs.

BUSINESS BENCHMARKS FOR THE DECADE OF ACTION:

- ✓ Gender balance at all levels of management
- ✓ 100 per cent of employees earn a living wage
- ✓ Science-based emissions reduction targets in line with a 1.5°C pathway
- ✓ Net-positive water impact in water-stressed basins
- ✓ Zero waste to landfill and incineration
- ✓ 100 per cent resource recovery, with all products and materials recovered and recycled or reused at end of life
- ✓ Zero discharge of pollutants and hazardous materials
- ✓ Land degradation neutrality, including zero deforestation
- ✓ 100 per cent of raw materials sourced sustainably according to the highest possible standards
- ✓ Zero instances of bribery

- **Advocate for Ambitious Policies and Engage in Collective Action:** the change we need to see in the Decade of Action will not happen through incremental improvements and adjustments to 'business-as-usual'. Along with these ambitious changes, we need more CEOs to advocate for SDG-aligned policies and influence national plans to deliver the Paris Climate Agreement by illustrating their own ambitious commitments. Only by working together – across business, finance, civil society, UN and Governments – will we be able to tackle the world's biggest challenges.

Content for this section was provided by the UN Global Compact

The state of our world: a UN Global Compact perspective

NOT ON TRACK TO MEET THE 2030 DEADLINE

Progress had been made in some areas: extreme poverty and child mortality had been reduced by half¹; access to electricity in the least developed countries had doubled². Economies had bounced back to the levels recorded before the 2008 financial crisis, with increased labour productivity and employment rates³. The underlying trend was worrying though because social inequalities were widening for more than 70 per cent of the global population⁴, exacerbating the risk of divisions and hampering economic and social development. Growth and rising employment were largely carried by low-paid, low-quality and low-security jobs⁵, with more than half the world's population – 4 billion people – not covered by any social safety net⁶. Worst impacted were women: according to the World Economic Forum's 2020 Gender Gap Report⁷, it would take 257 years to achieve economic gender parity – or ten generations of women.

At the same time, global warming and overconsumption continued to test the limits of the Earth's natural resources, threatening the health, well-being and livelihoods of millions of people. The World Health Organization called out that air pollution alone already caused 7 million deaths annually⁸ and global hunger was on the rise again due to climate change⁹. The Intergovernmental Panel on Climate Change (IPCC) issued a special report warning of the

implications of global warming beyond 1.5°C over pre-industrial levels, cautioning that the difference between 2 °C and 1.5°C could be a matter of life and death for millions of people¹⁰.

COVID-19 EXPOSED THE FRAGILE NATURE OF PROGRESS TOWARDS THE SDGs

Then came the COVID-19 pandemic. As the coronavirus sweeps across the world, the fragile nature of our progress has been exposed. The hard truth is that our failure to create a more socially just world before COVID-19 has significantly worsened the current crisis and will hamper our ability to recover faster as a global community.

The virus has sent shockwaves through the global economy, deteriorating already serious inequalities. The International Monetary Fund (IMF) estimates that the 'Great Lock-Down' recession could shrink the global economy by more than 3 per cent¹¹, and according to the World Bank, the pandemic could push about 49 million people into extreme poverty in 2020¹², reversing two decades of poverty reduction. At the end of the second quarter of 2020, the equivalent of 305 million full-time jobs had been lost, with ILO warning that about 1.6 billion people in the informal sector could be at high risk of losing their jobs due to COVID-19¹³. Many of them will be women living on the brink of extreme poverty without any rights or social protection.

As we come together to rebuild our economies from this unprecedented crisis, we must draw from the most important lessons from COVID-19: That the human community is completely interconnected and interdependent; that without solidarity, especially with those most vulnerable among us, we all lose; and that cross-border challenges such as COVID-19 call for a coordinated multilateral response that unites all sectors – public and private – around a shared set of values and principles.

RECOVERY STARTS BY REBUILDING TRUST IN BUSINESS

The 2020 Edelman Trust Barometer¹⁴ showed that a growing sense of unfairness in the system was driving distrust across institutions. And in May, a special COVID-19 update of the 2020 Edelman Trust Barometer¹⁵ showed that 67 per cent of respondents believed that COVID-19 exacerbated these inequalities. However, while trust in institutions grew during the pandemic, wide-held disappointment was voiced in business and its leaders: half of all people felt that business failed at putting people before profits; and more than 60 per cent felt that business failed at protecting their employees' financial well-being and safeguarding their jobs, as well as helping their smaller suppliers or business customers to stay financially afloat. Fewer than one in three respondents believed CEOs did a good job in responding to demands on them placed by the pandemic.

Despite the twin health and economic crises, people are, however, strikingly optimistic that long-term, positive change will emerge. More than two-thirds of respondents say they believe the pandemic will result in valuable innovations and improvements in how we work, live and treat each other, and they are calling for partnerships between Government and business to pave the way forward.

THE ROAD TO SOCIO-ECONOMIC RECOVERY IS SUSTAINABLE

Boston Consulting Group recently conducted a survey showing that 92 per cent of mainstream investors, in the COVID-19 crisis, would put companies' economic recovery before Environmental, Social and Governance (ESG) commitments¹⁶. But that is an entirely flawed logic – economic recovery and sustainable development are not opposites. Indeed, companies with higher ESG scores fared financially better during the COVID-19 crisis¹⁷, and will continue to do so as we set out to recover better.

Right now trillions of dollars are being infused into the recovery of some the world's largest economies and to support developing economies in the face of the COVID-19 pandemic. Simultaneously, businesses across sectors, sizes and geographies are revisiting their strategies and business plans to recover lost territory and adapt to a new normal. There has never been a better time to jumpstart a worldwide

Content for this section was provided by the UN Global Compact

1 United Nations Department of Economic and Social Affairs (UNDESA) Special Edition: Progress towards Sustainable Development Goals Report of the Secretary-General, New York 2019

2 Ibid

3 Ibid

4 United Nations Department of Economic and Social Affairs (UNDESA) World Social Report 2020

5 Organisation for Economic Co-operation and Development (OECD) Compendium of Productivity Indicators 2019

6 International Labour Organization (ILO) World Social Protection Report 2017-2019: Universal social protection to achieve the Sustainable Development Goals

7 World Economic Forum Global Gender Gap Report 2020: Mind the 100 Year Gap

8 World Health Organization (WHO) Public Health, Environmental and Social Determinants of Health, Issue 63, March 2014

9 Food and Agriculture Organization (FAO)

10 Intergovernmental Panel on Climate Change (IPCC) Global Warming of 1.5°C - a special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, June 2019

11 The International Monetary Fund (IMF) 2020 World Economic

12 The World Bank Blogs - The impact of COVID-19 (coronavirus) on global poverty, and why sub-Saharan Africa might be the region hardest hit, April 20, 2020

13 International Labour Organization (ILO) - press release 29 April 2020: ILO: As job losses escalate, nearly half of global workforce at risk of losing livelihoods

Content for this section was provided by the UN Global Compact

14 2020 Edelman Trust Barometer, 19 January 2020

15 2020 Edelman Trust Barometer Spring Update: Trust and the COVID-19 Pandemic, 5 May 2020

16 Financial Times (FT) 7 May 2020 - Investors row back on ethical principles, research shows / Boston Consulting Group (BCG) COVID-19 Investor Pulse Check #4, May 1-May 3, 2020

17 HSBC - ESG stocks did best in COVID-19 slump, 27 March 2020 <https://www.gbm.hsbc.com/insights/global-research/esg-stocks-did-best-in-corona-slump>

transformation towards a more inclusive and sustainable net-zero economy that will enable us to recover better and become more resilient.

Ambitious climate action could unleash an economic upside of US\$ 26 trillion and create 65 million climate resilient jobs towards 2030¹⁸. And according to the International Renewable Energy Agency (IRENA), a decarbonization path could create massive socio-economic gains, generating savings of between US\$ 50 trillion to US\$ 142 trillion by 2050, quadrupling renewable energy jobs to 42 million and adding tens of millions more jobs in related sectors, while at the same time producing a 13.5% rise in global welfare indicators such as health and education¹⁹.

THE STATE OF PROGRESS AMONG UN GLOBAL COMPACT PARTICIPANTS

The 2020 UN Global Compact annual survey provides a baseline for how business across all sectors can ramp up efforts to create a new sustainable normal.

While 84 per cent of UNGC business participants take some form of action on the SDGs, goal setting and impact are not ambitious enough: only 39 per cent of businesses are setting goals that are sufficiently ambitious, science based and aligned with societal needs and only 46 per cent have aligned the Goals with their core business.

And while 90 per cent of companies have policies covering all of the Ten Principles of the UN Global Compact, only 26 per cent assess their risks against the Principles and even fewer – 18 per cent – assess their impact. Among the companies that conduct impact assessments, the social areas are trailing behind, with only 18 per cent conducting impact assessments within human rights and 29 per cent relating to labour.

Companies have become better at tracking progress from their SDG actions (45 per cent up from 40 per cent in 2019), with a majority of companies covering SDGs targeting health (Goal 3), gender (Goal 5), decent work (Goal 8), responsible consumption (Goal 12) and climate action (Goal 13). Companies have also become better at integrating the SDGs into their operations (57% vs 41% in 2019), with 61 per cent aligning their products and services with the Goals. However, it is also true that the vast majority of businesses maintain a narrow focus on – mainly the positive – impacts of their own operations on the SDGs. Only 31 per cent are actively assessing their negative impacts on the SDGs and only 13 per cent of companies act through their suppliers, while even fewer – 10 per cent – consider the use of their products as an SDG responsibility.

According to the UN Global Compact annual survey, fewer companies drive advocacy for the Goals – 35 per cent in 2020 vs 53 per cent in 2019 – and fewer work through partnerships – 52 per cent in 2020 vs 64 per cent in 2019.

COVID-19 CALLS FOR A NEW NORMAL

Many businesses right now are fighting for their survival and a looming global recession is forcing companies and governments to think very short-term. It can be tempting to turn the focus inwards and deal with COVID-19 now, while returning to a focus on sustainable development ‘when we can’. But as we set out to recover from COVID-19 the world needs more, not less sustainability.

The COVID-19 pandemic starkly exposed the vulnerability of workers around the world and the sustainable recovery must necessarily start by business stepping up their ambition to ensure

access to decent work, living wages and social protection – also in the global supply chain.

The pandemic also called out the interconnectedness of issues across health, social and economic development. In a post-COVID-19 world, business must deal decisively and transparently with those issues that make us all unnecessarily vulnerable to this and future crises, carefully assessing and accounting for every business touch-point across the value chain and in the supply chain, and how it may impact the health of planet and people – positively and negatively. A recent Harvard study, for example, found that long-term exposure to air pollution may significantly increase the risk factor from dying of COVID-19²⁰. Efforts to reduce air pollution, is therefore essential to decrease vulnerability in the population to the virus as well as climate change.

Some of the most forward-looking businesses are setting the pace for a new climate ambition. Within the past year, 185 UN Global Compact companies²¹ – collectively representing over 5.9 million employees, spanning 36 sectors and with headquarters in 37 countries – have responded to the UN Secretary-General’s call to climate action committing to set Science Based Targets aligned with a 1.5°C future. With a combined market capitalization of over US\$ 3.8 trillion, and representing annual direct emissions equivalent to the annual total CO₂ emissions of France, we are approaching a real tipping point for a net-zero economy.

It is clear that no business, no sector, no nation will be able to exit this crisis on their own. The business voice is critical for a recovery that builds on multilateral cooperation and solidarity and the UN Global Compact invites all businesses to

join the growing number of corporate activists for a new more sustainable normal. In May 2020, UN Global Compact, together with its partners in the Science Based Target initiative (SBTi), mobilized the largest-ever UN-backed CEO-led advocacy effort, urging world leaders to build net-zero climate targets into COVID-19 recovery plans and stimulus packages. Behind the statement were more than 160 CEOs of the world’s leading businesses, representing more than US\$ 2.4 trillion in market capitalization. Even in the face of economic shock from the coronavirus, their commitment is unwavering.

SUSTAINABILITY IS LEADERSHIP

To truly succeed in driving sustainability outcomes, organizations need to focus on making sustainability sustainable. This is so much more than a matter of strategy, policy and process – it is fundamentally about leadership and people. If organizations are a collection of individuals working together on a common purpose and corporate culture is a manifestation of their shared beliefs and behaviours, then embedding and identifying employees and leaders across the organization who are motivated to drive sustainability and have the skills and experience to do so is the surest path to long-term success.

To lead a transformation of this scale and nature requires a high degree of legitimacy, personal impact and authenticity that all stems from the personal commitment to making the world a better place.

Leaders on boards and in the c-suite have a huge opportunity to make sustainability central to their organization’s culture of leadership. How companies develop and select the leaders of tomorrow will have a lasting impact on our collective progress against sustainability goals.

Content for this section was provided by the UN Global Compact
18 Global Commission on the Economy and Climate – The New Climate Economy, 2018
19 International Renewable Energy Agency (IRENA) Global Renewables Outlook: Energy Transformation 2050, April 2020

Content for this section was provided by the UN Global Compact
20 Harvard T.H. Chan School of Public Health – Air pollution linked with higher COVID-19 death rates, updated article 5 May 2020
21 UN Global Compact Business Ambition for 1.5°C – Our only future

**APPENDIX:
METHODOLOGY,
PROJECT TEAM
AND REFERENCES**



Methodology

The report "Uniting Business in the Decade of Action" is based on a research frame developed by DNV GL's sustainability experts on behalf of the UN Global Compact.

The underlying premise of the research is that we know that the Sustainable Development Goals will not be delivered by 'business as usual' or small incremental improvements. We also know that individual organizations cannot deliver the change required on their own – they need to work with others in their value chain as well as in their industry and beyond to create the systemic change that is needed, if we are to deliver the SDGs in this Decade of Action.

By researching the current state and role of business contribution in sectors that correlate to systems, we can get new and more business-relevant insight into the current status, the action required and associated barriers and enablers.

The research focused on three fundamental objectives:

1. **Looking back on 20 years of embedding the Ten Principles**
Chapter 3 summarizes key milestones in the 20 year journey of the UN Global Compact. Chapter 4 summarizes our key findings.
2. **Progress on the SDGs and changes needed to achieve them**
Taking each system, we looked at how the SDGs are currently being referenced, the current state of coordinated action in each system and enablers and barriers of systemic change. These findings are summarized in chapter 5.
3. **Looking ahead to the Decade of Action and what companies need to do to propel the Decade of Action**
Based on our analysis, we summarized key findings relating to the system enablers and barriers in chapter 6, helping to inform what companies can do to propel the Decade of Action.



Classifying the seven systems

The seven systems consist of sectors that are aligned with the Industry Classification Benchmark (ICB) taxonomy, which the UN Global Compact has used for all annual surveys.

The systems groupings are aligned with existing UN Global Compact research such as the KPMG Sustainable Development Goals (SDG) Industry Matrix.

We recognize that these classifications are not perfect but are a pragmatic balance between existing classification of data, incorporating all participant industries and a manageable number of systems groupings.

ENERGY, NATURAL RESOURCES AND BASIC MATERIALS

- Oil and gas
 - Oil and gas producers
 - Oil equipment, services and distribution
 - Alternative energy
- Chemicals
 - Commodity chemicals
 - Specialty chemicals
- Basic resources
 - Forestry and paper
 - Industrial metals and mining
- Utilities
 - Electricity
 - Gas, water and multi-utilities

FINANCIAL SERVICES

- Banking and capital markets
- Asset management
- Credit Unions, financial advisors, discount brokerages and investment banks
- Venture capital and private equity
- Accountancy

FOOD, BEVERAGE AND CONSUMER GOODS

- Beverages
- Food production
- Household goods and home construction
- Leisure goods
- Personal goods (clothing, accessories and footwear, personal products)

INDUSTRIAL MANUFACTURING

- Construction materials
- Aerospace and defence
- General industrials
- Electronic and electrical equipment
- Industrial engineering
- Industrial transportation
- Support services

HEALTHCARE AND LIFE SCIENCES

- Medicine
- Bioscience
- Biotechnology
- Life sciences
- Pharmaceuticals
- Medical technology and supplies
- Hospital management
- Healthcare insurance and development aid

TELECOMMUNICATIONS AND TECHNOLOGY

- Software and computer services
- Technology hardware and equipment
- Fixed line telecommunications
- Mobile telecommunications

MOBILITY AND TRANSPORTATION

- Automobile and parts
- Maritime system
- Rail system
- Travel and leisure



Information sources used in this report



- 1. The UN Global Compact Annual Implementation Survey:** Participants in the UN Global Compact self-report their progress via an annual survey. Historical survey responses from 2010-2019 were used. In addition, new questions were added to the 2020 survey. Respondents in 2020 represent 5 per cent of the UN Global Compact Signatories.
- 2. Structured interviews** with 40 Chief Sustainability Officers or equivalent to gather qualitative and quantitative data on the use of the Ten Principles, the SDGs systems and the role of UN Global Compact.
- 3. Case studies** were provided by selected UN Global Compact participants.
- 4. A sample of Communication on Progress (CoP) disclosures** were studied in order to corroborate survey responses.
- 5. Desktop research** was conducted to establish a current understanding of SDGs and transition needs that helped define the research frame and inform and corroborate findings throughout the report. Please see the list of references for more detail.

DNV GL's role: DNV GL was asked by the UN Global Compact to provide an independent view on the three objectives outlined on page 134. The results are based on our review of the information and data provided by the sources and are subject to the limitations of that information. The report is intended to provide insight and practical help for the UN Global Compact and its participants to accelerate and unite towards a Decade of Action.

The UN Global Compact provided content for chapter 3 of the report, covering its history, descriptions of key initiatives over the last years and stories from their Local Networks. The UN Global Compact also provided the content for the call to action in chapter 7.

DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this report.



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THE UN GLOBAL COMPACT ANNUAL IMPLEMENTATION SURVEY

Systems	% of total participants	UN Global Compact 2020 Annual Implementation Survey responses	% of total survey responses	Difference
Energy, natural resources and basic materials	12%	75	12%	0%
Industrial manufacturing	34%	161	26%	8%
Telecommunications and technology	14%	73	12%	-2%
Financial services	11%	67	11%	0%
Food, beverage and consumer goods	12%	54	9%	-3%
Healthcare and life sciences	4%	24	4%	0%
Mobility and transportation	4%	28	5%	-2%
Other	9%	133	22%	13%

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