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Business strategy integral to SDG success

Expert insights from Johnson & Johnson, ING and Walgreens Boots Alliance on how businesses must align their core business to the SDGs to achieve a sustainable future



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CEO KEYNOTES

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Business strategy integral to SDG success

By Mike Scott

The private sector must align their core business to the SDGs to achieve a sustainable future, argues Mike Scott

The Sustainable Development Goals (SDGs) are a 15-year roadmap to building a more sustainable future via 17 ambitions, ranging from ending poverty to tackling climate change and building strong institutions to bring about peace and justice.

If they are to be met, business will have to play a major role. “Achieving the SDGs requires the partnership of governments, private sector, civil society and citizens alike to make sure we leave a better planet for future generations,” the United Nations Development Programme (UNDP) says.

But the SDGs, which the UNDP says are “a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity,” are more comprehensive and ambitious than any previous initiatives including the Millennium Development Goals (the SDGs’ predecessor, which ran until 2015).

“Overall, it is estimated investments of between \$5tr and \$7tr a year are



Frank Welvaert
CSR Director EMEA; GM
Johnson & Johnson
Corporate Citizenship Trust
/ Johnson & Johnson



Richard Ellis
Vice President, Corporate
Social Responsibility
Walgreens Boots Alliance



Ambika Jindal
Vice President
Sustainable Finance
ING





needed for infrastructure, clean energy, water, sanitation, agriculture, and the other SDGs,” Bank of England Governor Mark Carney told the United Nations General Assembly last year.

“There is no way governments can do all that. The private sector has a huge role to play,” said Ambika Jindal, vice-president for sustainable finance at Dutch bank ING.

So how can companies go about integrating the SDGs into their own business operations?

The first step is to choose your battles, said Frank Welvaert, managing director of the Johnson & Johnson Trust, a charitable body that carries out the corporate social responsibility activities of the multinational healthcare company. “J&J actively contributed to the Millennium Development Goals so it was very clear from a corporate perspective that we would make a commitment to the SDGs,” he said.

Based on its expertise and main focuses of operation, J&J chose three SDGs to focus on – #3 (Good Health and Well-being), #5 (Gender Equality) and #17 (Partnerships for the Goals). “These are cross-cutting SDGs that we thought we could work around based on what we do, but it doesn’t mean that the other goals are not relevant. They are all really important, but we thought it best to focus on these three.”

Focused goals

For ING, choosing which goals were most relevant was not so clear-cut. “As a mainstream global bank, we contribute to almost all of them,” said Jindal. For example, under the Good Health and Well-being goal, the bank has financed hospitals in Niger, while funds for a wastewater treatment plant in Ajman, in the UAE, contribute to the goal of Clean Water and Sanitation (#6).

Nonetheless, the bank has chosen to focus on two goals, #8 (Decent Work



Mark Carney, Governor of the Bank of England

It is estimated that investments of between \$5tr and \$7tr are needed for the SDGs





Ornella Barra and Richard Ellis of WBA

and Economic Growth) and #12 (Responsible Consumption and Production). “We can have the most impact on the goals that are most aligned with our portfolio and strategic priorities,” said Jindal. With the first goal, ING will work to increase financial knowledge among young people, in part through its “Power for Youth” partnership with UNICEF, which aims to reach 335,000 adolescents in less-developed countries – helping them develop the social and financial knowledge and skills they need to build brighter futures for themselves, their families and their communities.

It has also developed an early-warning system in the Netherlands that offers help to customers at risk of defaulting – before they get behind on payments.

ING also co-founded the Think Forward Initiative, which brings together experts, disciplines and data to figure out how to help people manage the financial challenges and risk of the modern era so they can become—and stay—financially fit. “Fintech has a very big role to play in providing decent work and economic growth,” Jindal said.

The Responsible Consumption and Production goal ties in with ING’s focus on the circular economy, with its emphasis on reducing waste and taking a lifecycle approach to products, which leads to business models that offer services rather than products. “We are working with a bedding company that is looking at leasing beds rather than selling them,” Jindal said. “It’s the same with something like a washing machine. There are a lot of valuable parts in them and if the machine is leased and returned at the end of its life you can prevent a lot of waste and recover a lot of value.”

Changing the way companies operate to focus on a circular economy has serious implications for issues such as cash flow





Corporate Responsibility

However, changing the way companies operate to have more of a focus on circular economy, has serious implications for issues such as cash flow, contracts and inventory, in a way that few banks are comfortable with. ING is therefore trying to find a way to ensure that it can encourage and finance circular economy initiatives.

It also screens all clients and transactions against strict environmental and social risk criteria and has started a programme of green bond issuance, with the funds going towards projects in renewable energy, green buildings, public transport, waste management, water management and energy efficiency.

For Walgreen Boots Alliance, the pharmacy group, the SDGs are one of its five key drivers, along with commercial strategy; what stakeholders say; commitments the company has made – for example to zero net deforestation – and membership of organisations such as CDP and the Dow Jones Sustainability Index. “We don’t focus on any particular goals because all of them have some connection with our business,” said Richard Ellis, vice-president for CSR at the company. “Something like Life Below Water (#14) doesn’t seem to be relevant to us, but where do we get our fish from? We use a lot of fish oil and krill oil. Some of our products are based entirely on botanics, so Life on Land (#15) becomes important to us, too.”

Ellis said that WBA’s commitment to the SDGs is simply part of the responsibility that comes from being one of the biggest corporations in the world. “It’s impossible for us to deal with all the issues connected to the SDGs and solve them. But as the 19th biggest company globally, on a par with many countries, we ought to think of ourselves as a global citizen that has a wider responsibility than simply making money for our shareholders.”

Aligning aims

However, he is quite clear that efforts to meet the SDGs must align with the company’s core business. “We need to find a way to create programmes and activities that enable everyone to win.” One example of this is the company’s “get a shot, give a shot” programme in its Walgreen stores in the US, whereby



PERUTSKYI PETRO

Walgreen’s ‘get a shot, give a shot’ donates vaccinations to the Global Alliance for Vaccination and Immunisation

We ought to think of ourselves as a global citizen that has a wider responsibility than simply making money



when customers have a vaccination, the company donates one to GAVI, the Global Alliance for Vaccination and Immunisation. “It drives business into our stores but it’s also doing something to benefit young people in the developing world,” Ellis explains. “Most people recognise the value of having their children vaccinated and now they can help children in other countries. This programme has generated more media coverage than any other activity the company has done.”

Welvaert agrees that aligning your SDG aims with your core activities is crucial to making your SDG commitments a success. J&J is to focus on five areas of work to fulfil its aims – environmental health; a healthy workforce; women’s and children’s health; the global disease challenge; and essential surgery. “These are all closely connected to how we function as a company,” he said. “The closer you can tie these activities to your work as a company, the better.”

However, at the same time, companies need to take a long-term approach and not be too overtly commercial, he cautions. “Building on your core assets is part of blended value, but you have to be very honest and transparent about what you are doing. Operating through a trust enables J&J to take a long-term approach when other companies have, say, a 2-3 year time frame. Our nursing education programme, for example, has been running for 15 years and we’re seeing the results.”

Another common feature of efforts to address the SDGs is a recognition that no single company can solve any of these problems on their own and that collaboration is vital, both within sectors and across different industries. “The SDGs encourage collaboration,” said Welvaert. “We see our role as being part of consortia and working together – it’s a social challenge, an industry challenge that no company is capable of solving on their own.”

This collaboration can tie in with existing forms of co-operation. ING is a member of the Sustainable Finance Collective Asia, for example. SFC Asia is a collaborative funding platform formed by financial institutions to support Asian projects in circular economy, sustainable energy and social impact. “In areas such as these, doing it alone is just not possible, but if you work with partners, you can learn other ways of doing it,” Jindal said.

Long-term success

The very existence of the SDGs is helping businesses to pay more attention to sustainability issues as part of their core operations and to take a longer-term view than the quarterly results the market focuses on. “Businesses are seeing that there is a description of what good strategy looks like,” said Ellis. “A decade ago, people like me were kept in a nice, quiet corner and dusted down every so often, but now we’re part of companies’ mainstream business

Efforts to meet the SDGs must align with the company’s core business





activities. Management sees that this is an agenda that is as important as any other. We want to have a profitable business in 2050 and we can only do that if we have a world that is worth inheriting and that will enable us to continue to make money.

“If we can demonstrate that what we are doing will deliver a more profitable business in future, that is a business investors will want to own shares in,” he added.

Jindal agreed. “We want to do more business in areas that are going to be more important in a sustainable world,” she said, “whether that is the circular economy, solar power or battery storage. There was already a lot of momentum for action, but the SDGs and COP21 formalised that and showed what the world’s priorities are. The SDGs give us a structured approach to assess if our transactions are socially positive. It makes life a lot easier.”



GARAGESTOCK

The SDGs are helping businesses pay more attention to sustainability issues as part of their core operations

The SDGs are “bringing companies together to look at some of the big challenges we have in a different way,” said Welvaert. This includes a range of innovative financial tools, such as J&J’s \$15m Social Impact Fund. While the company believes that grants still play an important role in allowing it to experiment with different approaches and build up capacity, it likes the impact investing approach because it incentivises recipients to become entrepreneurs and survive independently without external funding, he said. “You can’t go on for ever with grant funding because it just becomes a lifeline.”

ING takes a similar approach with its membership of SFC Asia. “If someone has a good proposal, we want to help make them bankable,” said Jindal. “We want to ensure we don’t lose money, but financial return is not the major focus.”

The SDGs will play a bigger role as the world’s resources start to run out and the world faces up to humanitarian issues, added Ellis. “We have to act now before it’s too late and that’s why the SDGs will become more important,” he said.

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