

Shared Value Project submission to the Inquiry into the United Nations Sustainable Development Goals (SDG)

About the Shared Value Project

Shared value is defined as policies and practices that enhance the competitiveness of companies while improving social and environmental conditions in the regions where they operate¹. It is a business strategy focused on companies creating measurable economic benefit by identifying and addressing social problems that intersect with their business. To qualify as shared value, there must be an identifiable economic benefit to the company as well as measurable impact on a social or environmental issue².

Success in shared value is bound to a company's leadership to view creation of shared value as a competitive advantage that can drive innovation and support the long-term adaptation and prosperity of the company. The shared value framework creates new opportunities for companies, civil society organisations, and governments to leverage to the power of market-based competition in addressing social problems.

The Shared Value Project (SVP) was launched in 2011 and incorporated in 2014 to connect business and community leaders working to define shared value in practice in Australia. In May 2014 the SVP formed a regional partnership with the US based Shared Value Initiative (SVI) and today is the peak Australian practice body, committed to driving adoption and implementation of shared value strategies among leading companies, civil society, and government organisations in Australia and the region.

The SVP membership consists of a network of 27 members who belong to corporates, industry, not-for-profit and government organisations.

Approach

The SVP undertook a consultation exercise to explore the perspectives of its members on the Sustainable Development Goals (SDG) and their relationship to shared value. Their input was ascertained through a short survey, and targeted interviews with the SVP Advisory Board. This paper will synthesize and present the views of the SVP membership that responded, (hereafter referred to as the 'Membership' or 'Members'); they are believed to sufficiently represent the views of all members. The key findings are outlined below; they have been mapped against the most relevant elements of the Senate Inquiry Terms of Reference (ToR).

¹ The concept was defined in the *Harvard Business Review* article '**Creating Shared Value**' (January/February 2011), by Professor Michael E. Porter and Mark R. Kramer.

² <https://sharedvalue.org.au/about/shared-value/>

“The understanding and awareness of the SDG across the Australian Government and in the wider Australian community.”

The Membership indicated a high level of awareness regarding the SDG, and a comprehensive understanding of the range of impacts the SDG seek to achieve. There is a sound level of engagement at the leadership and operational levels, with 90% believing that the SDG are very relevant to their line of business, organisational strategy and the values of their stakeholders.

The SDG provide the mechanism to focus and coordinate their shared value activities towards a set of common and collective goals. A unified reference point for strategy, implementation and communications ensures a meaningful impact, while providing the backdrop against which our Members can demonstrate leadership. Partnerships are the foundation for shared value initiatives. Therefore, it is not surprising that all Members sighted *Goal 17: Partnerships* to be most relevant to their organisation. Following that, more than 70% sighted that *Goal 3: Good Health and Well-being*, *Goal 5: Gender Equality*, *Goal 8: Decent Work and Economic Growth*, *Goal 10: Reduced Inequalities*, and *Goal 11: Sustainable Cities and Communities*, as the areas where they can achieve the greatest impact.

“The potential costs, benefits and opportunities for Australia in the domestic implementation of the SDG.”

Shared value works with the social dimensions of a company. Crucial to its implementation is the relationship between a company’s people, assets, products, services, investments and systems to external stakeholder groups such as communities, suppliers and supply chains, customers and regulators. In turn, it has the potential to support the implementation of several, if not all the SDG, either directly or indirectly. Furthermore, as shared value can be created through different business functions, from supply chain management to R&D to community engagement and product development, there are multiple modalities through which it can enable impact.

Before talking about the specific opportunities to implement the SDG, it must be noted that many organisations have been undertaking activities that supported one or more of the SDG even before they were codified and announced in 2015. For example, the Bendigo and Adelaide Bank’s Community Bank® model aims to increase the prosperity of the community in which it operates, with all stakeholders – customers, partners, suppliers, shareholders and the community – having the opportunity to reap a fair return for their respective efforts. While the Bank does not explicitly reference to the SDG in its impact statements, its model has a clear alignment with Goal 8 and Goal 17. As Founding Member of the SVP, it is very passionate about educating the Australian and international communities about its unique model.

Our Members undertake a range of activities pertaining to the SDG. At the highest level, they include awareness raising within the organisation and its community (for example, active engagement of the broader workforce on International Women’s Day), or simply delivering programs within their core lines of business (for example, Ellis Jones provides thought leadership and consulting services in this space). There are some that convene their industry cohort together to discuss challenges, strategies and progress towards the Goals.

(For example, while delivering programs primarily for Australian Aid as part of their core business, Cardno's International Development Business Unit is also facilitating a Roundtable for the Extractives Sector on the SDG in April 2018).

At a more sophisticated level, some organisations are developing specific products and services that address one or more of the Goals. For instance, National Australia Bank launched Australia's first sustainability bond for the Australian Catholic University in 2017. Here is an example of a responsible investment instrument which addresses Goal 15, while creating an opportunity for partnership across sectors which addresses Goal 17.

There are other Members making serious, long-term pledges towards the SDG after seeing the direct benefit to a company's bottom line. For example, Nestle has made a commitment of zero waste to landfill from all of its factories globally by 2020³. The complexity of such an exercise cannot be underestimated given the variability of waste that is generated from their different factories. Add to that unique circumstances and infrastructure in each of the communities in which it operates, we have a multifaceted problem set that can only be solved with collaboration and partnerships between different sectors.

From a stakeholder engagement perspective, SDG provide companies with the opportunity to communicate their work using a globally recognised and accepted framework, while enabling the categorisation of social issues. However, the alignment of external messaging to the SDG has only come recently. The landscape and investor appetite towards SDG has shifted significantly in the positive direction in the last two years. This combined with the increased dialogue around the Goals has made it more meaningful to weave the SDG into business communication and reporting.

More than 70% of our Membership actively support the SDG through their strategy and programs, while 27% have the aspiration to do so. The main internal barriers to engagement were found to be lack of dedicated financial resourcing which brings into question the incentives and support required to further the above activities. Many companies are determining how to adapt existing company activities and are looking for guidance in this process.

Lastly, our Members told us that additional support on '*how to achieve depth of impact*' would be very useful. Many businesses do not know how to go beyond their Tier 1 suppliers and there are very few who can advise on this. Our Members believe that industry needs to engage enthusiastically in shaping these conversations and associated policy.

“What governance structures and accountability measures are required at the national, state and local levels of government to ensure an integrated approach to implementing the SDG that is both meaningful and achieves real outcomes?”

Our Members value the power of Government as a convenor of different stakeholders and are very keen to see this power continue to be used in further driving the private sector towards the SDG. They have suggested that Government should take a leadership role in indicating the priority SDG and focus areas for Australia so that companies can work more effectively and cohesively.

³ Using a materiality process, Nestle has identified the key issues that matter to their business and stakeholders, mapped these against specific SDG and made several other commitments by 2020. These are discussed in their in-depth Nestle in Society: Shared Value Report. Source: <https://www.nestle.com/csv>

As one of our members said, *“Businesses have the capacity to improve the social and environmental conditions in the regions they operate in, thereby contributing to achieving the SDG. This can be enhanced when businesses operate consciously and work together rather than in isolation.”* They believe that collective action is critical and would like the Government to create the space for collaboration that enables the development of insights, knowledge, and tools, while mapping potential end state scenarios. Many of our members believe it is *their responsibility* to be part of these conversations, not for commercial gain but out of passion to catalyse the implementation of the SDG. This opportunity is waiting to be capitalised.

There is an aspiration to continue the genuine dialogue with the private sector that facilitates a deeper understanding within the business community of how governments work, and vice versa while engaging the government on different levels. For example, working with Department of Foreign Affairs and Trade (DFAT) in Canberra as well as the country level posts could ensure relevant and localised implementation of policies and initiatives.

In addition to deeper engagement with the private sector, our Members believe that umbrella bodies like the SVP have an important role to play in increasing their organisational understanding of the opportunities at the nexus of shared value and SDG. Several modes of support could be beneficial including the facilitation of peer to peer mentoring, knowledge sharing, member training, baseline assessments of companies, and exploratory workshops. They would also like to see groups such as the SVP engaging across the government, social and corporate sectors to support the creation of the right policies and collaborations to achieve the Goals.

With respect to incentives, opportunities for SDG implementation often have high transaction costs for the private sector. The role of government in decreasing these costs, opening up new markets, and strengthening the enabling environment surfaced on several occasions. Providing appropriate tax incentives could support and accelerate investment in the right places. Another example is examining the allocation of infrastructure funding to increase the amount allocated to disaster preparedness activities that could lead to significant savings during recovery operations. An underlying question that needs exploration is *‘how and where private and public good benefits can be maximised?’*.

“How can performance against the SDG be monitored and communicated in a way that engages government, businesses and the public, and allows effective review of Australia’s performance by civil society?”

To enable meaningful implementation, monitoring and communication of the SDG across different sectors and the Australian community, there was consensus that the dialogue needs to move beyond the high-level goals. Realistically, implementation can often be ‘gritty and difficult’ according to our Members. To help this process, industry has cited the value in mapping different government agencies to respective SDG so that businesses have clear direction on whom to engage with. Furthermore, detailed tools, frameworks, and guidelines are required to have meaningful conversations and take viable action. The need for the Government to define baseline, targets and benchmarks was highlighted as it would provide the essential foundation on which Australian organisations can measure and report on progress. There also emerged a strong and consistent need to identify the parties who will be accountable for defining metrics and measurement methods.

The approach to measurement needs to be sophisticated, the right stakeholders need to be the table, and consistency of adaptation needs to be encouraged. A regular vehicle is required to measure progress over time. A practical yet comprehensive approach to reporting was highlighted as being important – one that allows for existing company reporting cycles and organisational resource constraints, balanced with the ability to draw on industry specific trends and comparisons.

“Examples of best practice in how other countries are implementing the SDG from which Australia could learn.”

An example of a Shared Value case study that addresses the SDG, namely *Goal 7: Affordable and Clean Energy*, is Digicel PNG’s business distributing solar systems. In partnership with DFAT, Digicel PNG has been providing access to affordable and reliable solar energy solutions to off grid households and businesses in PNG, while diversifying its business to increase its own revenue and market share. It is interesting to note that this initiative brings secondary benefits by way of cost and time savings, and improved livelihoods. Digicel PNG was the winner of the ‘2017 Shared Value Award by an Organisation or Collaboration’.

During the stakeholder consultation for this Senate Inquiry submission, our Membership identified several vehicles from around the globe that support the achievement of shared value and the SDG. Some are briefly described below:

- The Closed Loop Fund looks to incentivise *Goal 12: Responsible Consumption and Production*, by providing project finance via market loans to cities/municipalities and companies to improve recycling infrastructure. It has a range of investors from FMCG, private wealth management advisories, and individuals, and a well-defined set of criteria for applications.
- The UNDP Atlases mapping SDG to the Mining and the O&G Industries. These provide guidance on how to map roles, responsibilities and opportunities against the 17 SDG. Cites examples of good practice, resources and knowledge in sustainable development within each industry. As such it is targeted at all stakeholders including companies, various levels of government, and communities.
- APG Netherlands Taxonomy of Sustainable Development Investments classifies the SDG and sub goals that provide the opportunities for sustainable investments. It takes a financial return and risk return lens, while satisfying social and environmental objectives, and provides a high-level decision-making framework that may be a useful tool for investors.
- HSBC’s Corporate Sustainable Development Bond. The US \$1 billion that was raised was three-times oversubscribed and matures in 2023. It aims to support improving access to education, essential healthcare, fresh water and sanitation, increasing the share of renewables in the global energy mix, building sustainable cities and transport systems, and helping communities adapt to the effects of climate change.

In conclusion, SVP found that its Members have a high level of interest and engagement in implementation of the SDG and their intersection with shared value. Their modality of involvement is varied, from incorporation into business-as-usual activities to the development of specific products and services to support SDG implementation, to facilitating industry cohorts around the Goals. Many of our Members, and the SVP itself, are keen to see the mainstreaming of the Goals domestically, for Australia to lead the conversation in the Indo Pacific region, and to contribute by way of knowledge, skills and partnerships. As such the SVP community would welcome further engagement on this matter post the Senate Inquiry.