Enterprise Action 3. Embed impact into purpose and strategy

Action is mapped to practice indicators as follows:

- ✓ Develop an impact thesis to translate sustainability and contributing positively to the SDGs into actionable steps and into business strategy (1.1.1)
- ✓ Embed respect for human rights, planetary boundaries, and other responsible business practices in approach (1.1.3)
- ✓ Assess business models and partnership approaches (1.1.7)
- ✓ Integrate strategy and impact goals into business plan, and allocate adequate budget & resources to achieve strategic plan and impact goals (1.1.10)

Guidance notes can be found below:

- ✓ **Develop an impact thesis to translate sustainability and contributing positively to the SDGs into actionable steps and into business strategy (1.1.1)**

Guidance Note 1.1.1

Making sustainability and the SDGs central and contributing positively

Making sustainability and the SDGs central means that sustainability and the SDGs are not just an add on to what business gets done. They become central and are embedded in the enterprise's purpose and how it creates value for itself and society (people and the planet). The lens shifts from a focus on the issues that are expected to impact enterprise value, to a focus on maximizing the positive impact (including by reducing negative impacts) the enterprise has on stakeholders, sustainable development, and achievement of the SDGs. In so doing, human well-being and long-term business performance (including sustainability and resilience) can be optimized. Stakeholder expectations and the requirements for sustainable development overlap and will drive purpose, strategy, and impact goals.

The Better Business Better World report of the Business & Sustainable Development Commission (Jan 2017) describes incorporating the SDGs into organizational strategy as follows: "Incorporate the Global Goals into company strategy. That means applying a Global Goals lens to every aspect of strategy: appointing board members and senior executives to prioritize and drive execution; aiming strategic planning and innovation at sustainable solutions; marketing products and services that inspire consumers to make sustainable choices; and using the goals to guide leadership development, women's empowerment at every level, regulatory policy, and capital allocation. Achieving the Global Goals will create 380 million new jobs by 2030. You need to make sure your new jobs and any others you generate are decent jobs with a living wage, not only in your immediate operations but across your supply chains and distribution networks. And you need to help investors understand the scale of value that sustainable business can create."
(https://sustainabledevelopment.un.org/content/documents/2399BetterBusinessBetterWorld.pdf)

Contributing positively

An enterprise will have positive and negative impacts on stakeholders. A positive impact is a positive change in the level of an impact experienced by a stakeholder above a minimum threshold. However, the starting and ending point for that change can be below that threshold. Something is good but can still get better. Some that are bad can get better but still be bad.

A positive contribution is made taking all the positive and negative material impacts experienced by people and the planet as a result of the operations of an enterprise into account, including those within the SDGs. Positive impacts are then those that reach a minimum threshold set considering, and at times making a judgement about a mix of, planetary thresholds, scientific targets, and stakeholder requirements. Although this is a minimum, the Standards require ambitious and rigorous targets to maximize impact, and set at the level of each expected impact, so that the positive change in contribution is being made at a rate commensurate with planetary thresholds, scientific targets, stakeholder expectations as well as SDG targets – and taking into account variations in impact within and across Stakeholders and sub-groups with a view to "leaving no-one behind".

Whether or not a positive contribution is being made, the challenge is that decision making should be increasing the contribution. Where the contribution is already above these thresholds this is less of a challenge, although the need for targets to be ambitious and rigorous remains. Accountability to those experiencing the impacts would still require performance to be maximized. Maximized means maximized subject to existing constraints. But constraints can also be changed, whether these are through capacity, capability, partnerships, or creativity and innovation.

Nonetheless the challenge is greater for an enterprise that is currently making a negative contribution or if considered positive overall, still has material negative impacts.

This raises the challenge of considering impacts in the whole, taking positive and negative impacts into consideration, recognizing that not all impacts are equal. Net impact implies quantification including valuation, and valuation would need to consider values in relation to thresholds and planetary limits. Even where there is thought to be more positive impacts than negative impacts, the focus for allocating resources would be on reducing negative impacts before further increasing positive impacts.

- ✓ **Embed respect for human rights, planetary boundaries, and other responsible business practices in approach (1.1.3)**

Guidance Note 1.1.3

Introduction

The three sets of Principles and the Science Based Targets referenced in the indicator are fundamental to the Standards and are a starting point for making a positive contribution to sustainability and the SDGs. "*Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. Responsible businesses enact the* *same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another."*[1]

Contributing positively to sustainability and the SDGs cannot be achieved without respecting human rights, planetary boundaries, and other responsible business practices, as included in these three sets of principles and science-based targets, additional context about core elements of which is described in more detail below.

Business and Human Rights

The link between human rights, the SDGs and these Standards is encapsulated in the following quote from UN General Assembly: The Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises A/73/163 2018, Paragraph 59. https://ap.ohchr.org/documents/dpage_e.aspx?si=A/73/163 *"Business strategies to contribute to the Sustainable Development Goals are no substitute for human rights due diligence. On the contrary, robust human rights due diligence enables and contributes to sustainable development. For businesses, the most powerful contribution to sustainable development is to embed respect for human rights in their activities and across their value chains, addressing harm done to people and focusing on the potential and actual impacts – as opposed to starting at the other end, where there are the greatest opportunities for positive contributions.* ***In other words, businesses need to realize and accept that not having negative impacts is a minimum expectation and a positive contribution to the Goals****."*

The UN Guiding Principles for Business and Human Rights (UNGPs) state that "*business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved*" and that businesses are bound to respect rights recognized under the so-called International Bill of Rights[2] and the principles concerning fundamental rights set out in the International Labour Organization's Declaration of Fundamental Rights at Work.

The obligation to respect requires businesses to:

- Avoid causing harm (the 'do no harm' principle) through their own activities;
- Address such impacts when they occur; and
- Seek to prevent or mitigate adverse human rights impacts when linked to their operations.

To do this, businesses should have the following types of policies and processes in place:

- **A human rights policy**:
- **Meaningful human rights due diligence (HRDD) processes** in place to identify, prevent, mitigate, and account for how they address their impacts on human rights. HRDD should cover all of the human rights enshrined in the International Bill of Rights and the ILO Declaration on

[1] https://www.unglobalcompact.org/what-is-gc/mission/principles

[2] The International Bill of Rights includes three key documents that form the bedrock of international human rights law: the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights. For more on the International Bill of Rights, see 'Fact Sheet no.2 (rev.1), The International Bill of Rights', Office of the High Commissioner of Human Rights, https://www.ohchr.org/documents/publications/factsheet2rev.1en.pdf, last accessed 27 August 2020.

Fundamental Principles and should focus on risks faced by rights-holders[3] rather than the risks faced by the business.[4] For businesses operating in countries where human rights violations and risks are likelier, they may be required to carry out more comprehensive HRDD. Moreover, regarding conflict-affected areas, the UNGP's state that enterprises "should respect the standard of international humanitarian law"[5], while also implying that businesses, including investors, should undertake "enhanced" HRDDs,[6] as the "risk of involvement in adverse impacts may be higher than in most other contexts."[7]

- **Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.** Principle 22 of the UNGPs state: "Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes."[8] These remediation mechanisms, which may involve State-based judicial and non-judicial mechanisms, as well as non-State-based grievance mechanisms, should meet the criteria set out in Principle 31 by being: legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue.[9] Such mechanisms, states the UN Working Group, are critical to effective due diligence, as they reinforce prevention by helping an enterprise to identify concerns and systemic problems and address grievances at an early stage.[10]

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[3] Rightsholders could be workers, local community members, human rights defenders, migrant workers, persons with disabilities, indigenous peoples, consumers etc. Although organizations, such as trade unions, are not human rights-holders, they may represent them. The definition of Stakeholders in these Standards is inclusive of rightsholders as defined here.
[4] British Institute of International and Comparative Law and Principles for Responsible Investment, 'BICL and PRI Workshop on Human Rights in Private Equity: Information and Summary'.
[5] UN Guiding Principles on Business and Human Rights, commentary to principle 12, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.
[6] UN Guiding Principles on Business and Human Rights, commentary to principle 23, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.
[7] OHCHR, 'What do the UN Guiding Principles on Business and Human Rights say about protecting and respecting human rights against business-related adverse impacts in conflict contexts?', https://www.ohchr.org/Documents/Issues/Business/W_G/WhatdotheUNGPssayaboutconflict.pdf, last accessed 6 September 2020.
[8] UN Guiding Principles on Business and Human Rights, principle 22, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.
[9] Ibid, principle 31
[10] UN Working Group Guidance on Human Rights Due Diligence, para. 12, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N18/224/87/PDF/N1822487.pdf?OpenElement, last accessed 27 August 2020.

Transparency and corruption

As per the UN Global Compact Ten Principles, businesses need to include anti-corruption principles and practices into their operations, their internal management of employees and their outreach to other companies in their supply chains – for example, through a Code of Conduct, company rule book, anti-corruption clauses in commercial agreements with third parties, and training for all critical stakeholders.

Responsible tax and responsible lobbying

The behaviours and decisions made or supported by the Enterprise should not contradict its policies and stated values, practices, and commitments – which should embed responsible tax and lobbying principles for instance, including in relation to: lobbying and engagement activities with regulators and policy makers, taxation practices including those that use tax-minimization structures that reduce tax revenue in the country in which the activities are taking place, including using double taxation agreements or structures that utilize low tax jurisdictions or tax havens, or not complying with the OECD base erosion and profit shifting (BEPS) requirements and principles.

Operating within planetary boundaries

Planetary boundaries define the environmental limits within which humanity can safely operate. Proposed in 2009 by Johan Rockstrom, Stockholm Resilience Centre and Will Steffen, Australian National University. Increasingly, science-based targets are being set and used by organizations to help them operate within planetary boundaries. Given that climate action is always material within the context of these Standards, the expectation is that Enterprises set and manage to science-based targets – and interim targets – aligned with net zero by 2030 – taking into account that to achieve this outcome for the world, many countries and organizations need to arrive at this outcome sooner to enable a just transition for all.

✓ **Assess business models and partnership approaches (1.1.7)**

Guidance Note 1.1.7

Business models, partnerships, and collaborations

Maximizing the positive contribution to sustainability and the SDGs means thinking about how business models and strategies effect the wider system. This means working with other organizations and people and may result in changes to business models, for example:

- Engaging with government bodies to assess how best the organization can support the SDGs in their country/(ies) of operation
- Collaborating or partnering with peers, other actors that collectively have significant control over and cause material sustainable development outcomes, and other experts (including the stakeholders experiencing or expected to experience the outcomes) to arrive at collective solutions
- Supporting local, national, global, or sector-based initiatives to accelerate systemic change
- Exploring blended finance opportunities (e.g., with governments, development finance and philanthropic institutions) that can de-risk or subsidize commercial investment in currently underfunded technologies, sectors, and geographies critical for sustainable development and achievement of the SDGs[11]
- Exploring technology strategies (including partnerships) for accelerating contribution to sustainable development and the SDGs and/or improving the efficiency and effectiveness of impact management practices.

✓ **Integrate strategy and impact goals into business plan, and allocate adequate budget & resources to achieve strategic plan and impact goals (1.1.10)**

Guidance Note 1.1.10

Adequate resourcing

Integrating sustainability and impact management into decision-making requires investment in terms of resourcing, leadership and building capability, which if not adequately budgeted for will undermine strategy implementation.

[11] see CFO Principles on Integrated SDG Investments and Finance, developed by UN Global Compact convened CFO Taskforce for the SDGs