

DISCUSSION PAPER

A Principles-Based Approach to the SDGs – Why It Matters for Business



Global Compact
Network Germany



**German Institute
for Human Rights**

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Global Compact Network Germany

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labor rights, environment and anti-corruption. More than 14 000 companies and organizations globally have signed the UN Global Compact.

The German Network of the UN Global Compact currently comprises more than 610 participants – including about 550 businesses and about 60 non-business signatories from civil society, academia and politics. With a view to facilitating change processes and the strategic integration of sustainability objectives within companies, the Network focuses on the topics of business and human rights, environment and climate, anti-corruption, reporting and the SDGs.

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The German Institute for Human Rights is Germany's independent National Human Rights Institution. Accredited with 'A' status according to the Paris Principles of the United Nations, its tasks include policy advice, human rights education, supplying information and documentation, applied research on human rights issues, provision of a specialist human rights library, and cooperation with international organizations.

The Institute has also been tasked with monitoring the implementation of the UN Convention on the Rights of Persons with Disabilities and the UN Convention on the Rights of the Child, and has set up corresponding monitoring units to this end. The Institute's main priorities include protection against discrimination and racism, the prohibition of torture, women's and children's rights, business and human rights, the rights of the elderly, migration/integration, security policy and development cooperation.

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1 INTRODUCTION

The [2030 Agenda for Sustainable Development](#) lays out a bold and comprehensive “*plan for people, planet and prosperity*” that promises to “*leave no one behind.*” At the heart of this vision is an understanding that respect for human rights and the advancement of human development are interrelated and interdependent. Human rights principles are inextricably linked with the 17 Sustainable Development Goals (SDGs) and 169 associated targets. The Agenda’s Preamble states that the SDGs “*seek to realize the rights of all*” and are grounded in the [Universal Declaration of Human Rights](#) and other international human rights treaties. Furthermore, the Agenda calls on all businesses, working in partnership with state and other actors, to contribute to solving sustainable development challenges.

Many businesses recognize the role they play in advancing the SDGs. Yet, they are unsure how their efforts to respect human rights through robust due diligence processes, as laid out in the [UN Guiding Principles on Business and Human Rights](#), complement their contributions to the SDGs. This Discussion Paper explores the question of why and how human rights due diligence needs to be an integral part of a principles-based approach to the SDGs by businesses.

“The trailer of the 2030 Agenda – ‘leave no one behind’ – is the binding bridge between the UNGPs and the SDGs. The SDG Framework cannot be implemented without having human rights on board.”

Michael Windfuhr | German Institute for Human Rights



The Discussion Paper is divided into three sections:

- 1** The **Introduction** provides conceptual foundations by posing three questions: What is a principles-based approach to the SDGs? Why is the contribution of businesses to the SDGs important and why are the SDGs important for businesses? Why is it important *now*?
- 2** The next section explores **key considerations for a principles-based approach to the SDGs**. It begins by elaborating the complementary nature of human rights due diligence and sustainability approaches and demonstrates how a human rights-based approach enables businesses to benefit the SDGs as well as benefit from the SDGs. The business case for an integrated approach is contextualized by situating business operations in larger environmental, social, and governance systems. Also, the section sheds light on what attainment of the SDGs implies for current ways of doing business and asks what tensions and challenges may come with a principles-based approach to sustainability. It closes by taking stock: What has the business community learned since the publication of the UN Guiding Principles in 2011 and the SDGs in 2015? What has worked and what challenges remain? What is the road ahead to fulfill the 2030 Agenda?
- 3** The final section touches on some **practical steps** companies may consider to ensure their core business practices align with sustainability goals. A two-level framework for an integrated approach – on one hand minimizing human rights risks to the benefit of the SDGs and on the other hand innovating and investing to contribute to the SDGs while minimizing risks – is introduced. Useful tools and resources are highlighted throughout.

This Discussion Paper was inspired by an expert discussion with **Stefan Haver**, Head of Corporate Responsibility, Evonik; **Dan Neale**, Social Transformation Lead, World Benchmarking Alliance; and **Michael Windfuhr**, Deputy Director, German Institute for Human Rights, held via webinar on November 3, 2020. The discussion was augmented with desk-based research examining various reports, guidance, tools, and databases.

What is a principles-based approach to the SDGs?

Beginning in 2000 with the release of the [Ten Principles of the UN Global Compact](#), addressing human rights, labor, environment, and anti-corruption, the United Nations has advanced international consensus on core principles for responsible business conduct. The UN Guiding Principles on Business and Human Rights (UNGPs), unanimously endorsed by the UN Human Rights Council in 2011, offer further conceptual and operational elaboration of the human rights-related principles in the Global Compact. The UNGPs set a standard of conduct for businesses to respect human rights by identifying and addressing any actual or potential adverse human rights impacts associated with their activities. The societal expectation behind both initiatives is that companies should, at a minimum, “*do no harm*.”

The advent of the 2030 Agenda for Sustainable Development raised the question of what a principles-based approach to business implies for companies' contributions to the SDGs. The UN Global Compact clarified the relationship in a [White Paper](#), noting that “*respecting human rights is distinct from a company's effort to support or promote human rights. It is a baseline expectation of all companies that they avoid infringing on human rights.*” In other words, companies must first address their negative social and environmental impacts and establish a culture of integrity and compliance before pursuing opportunities to solve sustainable development challenges. As stated succinctly in the White Paper, “*companies must not make the world's problems worse before they try to make them better.*”

This statement reflects advice offered by former Special Representative of the Secretary-General on human rights and transnational corporations and other business enterprises [John Ruggie](#), who oversaw the development of the UNGPs, at the establishment of the Business and Sustainable Development Commission. He warned that without a principles-based approach to the SDGs companies may be “*quick to jump to promotional initiatives, skipping the essential starting point of reducing negative impacts on people associated with their own business activities and value chains.*” As the White Paper argues, “*if all companies were to take fundamental steps – like respecting employee rights, not polluting land, sea or air, and refusing bribery and extortion – the world would make enormous progress towards achieving the SDGs.*”

GOOD TO KNOW

John Ruggie describes the conceptual approach to the UN Guiding Principles as one of principled pragmatism:

“(...) an unflinching commitment to the principle of strengthening the promotion and protection of human rights as it relates to business, coupled with a pragmatic attachment to what works best in creating change where it matters most – in the daily lives of people.”

Why is the contribution of businesses to the SDGs important and why are the SDGs important for businesses?

The preamble of the 2030 Agenda calls on all countries and all stakeholders to act in a collaborative partnership to implement the SDGs and their targets. The importance of partnership is captured in SDG 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development. Specifically, the Agenda recognizes that through creativity and innovation, the private sector can tackle impediments to sustainable development (para 67). Among other things, business activity, investment, and innovation drive productivity, foster inclusive economic growth, and create jobs. Put simply, implementation of the 2030 Agenda, which is [projected to cost \\$5–7 trillion](#), is not possible without the contribution of business.

“We recognize that there are systemic problems which got us to where we are now. That is why we need the SDGs. To deal with systemic problems, you need to look at the systems behind things and transform those systems. WBA looks at seven systems transformation: finance around the outside and within that food, energy, circular, digital, and urban and at the heart is social transformation and at the heart of that is respect for human rights. So human rights are embedded throughout... Companies not only exist within these systems, but they create, shape, and change those systems as well. That’s why companies are so important to the 2030 Agenda.”

Dan Neale | World Benchmarking Alliance

Equally, the SDGs are important for businesses. By assessing a company's greatest risks of negatively impacting on the SDGs, while at the same time adopting practices to maximize positive impacts on the goals, corporate leaders can shape a company's future and strategic directions. The UN Global Compact describes this strategic, principles-driven approach to prioritizing actions, based on their potential contributions to the SDGs as [principled prioritization](#). It allows companies on the one hand to maintain their social license to operate by demonstrating they are directing resources towards tackling the biggest challenges of our time, and on the other hand to identify market opportunities to deliver innovative solutions and transformational change. The SDGs reflect stakeholders', to include policymakers', expectations and provide a common language to help companies communicate effectively about their impacts and performance. As for example the [SDG Compass](#) guide for business action on the SDGs points out: Companies that align their priorities with the SDGs can improve their engagement with employees, customers, investors, and other stakeholders.

“There is not just one crucial player responsible for implementing the SDGs, rather economics and politics have specific roles. The big improvement we have with the SDGs is that for the first time we have a framework and a shared currency and language to discuss things at the same level, and to translate societal viewpoints into economic viewpoints. When we talk to political decision-makers or investors, we realize how different the views were in the past and what an advantage it is now to find common ground on the SDGs.”

Stefan Haver | Evonik

Why is a principles-based approach to the SDGs important now?

The world is at a pivotal moment. In 2020, the SDGs are five years old and while progress has been made in some areas, such as a decline in extreme poverty, action to meet the SDGs is not yet advancing at the speed or scale required. COVID-19 has exacerbated the lack of adequate advancement and threatens to reverse some achievements. According to a [UN progress report](#), a deeper, faster, and more ambitious response is necessary to unleash the social and economic transformation needed to meet the 2030 deadline. Thus, the UN Secretary General has launched a [Decade of Action](#) to deliver on sustainable development and has pledged to mobilize financing, enhance national implementation, and strengthen institutions to achieve the SDGs by 2030.

2021 will mark the tenth anniversary of the UNGPs. The UN Working Group on Business and Human Rights has launched the [UNGPs+10 Project](#) to plan its own decade of action on business and human rights. This entails taking stock of achievements to date, assessing existing gaps and challenges, and developing a vision and roadmap for broader implementation of the UNGPs.

Both developments are intertwined. Accelerated progress towards meeting the SDGs will remain elusive unless a human rights-based approach drives efforts, and the UNGPs will not realize their transformational potential unless embedded in systemic approaches to sustainability that also encompasses environmental and broader societal dimensions. Undertaking human rights due diligence throughout their business activities will be crucial for companies to develop a strategic approach to prioritizing their efforts to minimize risks to people and planet and maximize contributions to the SDGs.

2 KEY CONSIDERATIONS FOR A PRINCIPLES-BASED APPROACH TO THE SDGS

The complementary nature of human rights due diligence and sustainability approaches

The UNGPs are often framed in language that evokes the “negative,” e.g. identifying and addressing adverse human rights impacts, responding to grievances, and remedying harms. In contrast, business contributions to the SDGs are portrayed in “positive” terms of advancing sustainable human development. This framing is misleading. It obscures the integrated nature of human rights due diligence (HRDD) and sustainability approaches and how they are mutually beneficial.

First, human rights and human development advance hand in hand. A number of the SDGs address human rights issues – such as poverty, inequality, environmental damage, and untenable work conditions – whose root causes implicate businesses. By addressing the human rights risks and impacts in their value chains, businesses can make an immediate contribution to various SDG targets. For example, respecting labor rights and paying a living wage enables workers and their families to better realize their rights to food, housing, health, and education. Furthermore, HRDD must also underpin efforts to identify opportunities for contributions to the SDGs, since companies should ensure that efforts to ‘do good’ do not in actuality cause unintended harm. This leads the [Danish Institute for Human Rights \(DIHR\)](#) to suggest that “implementation of the UNGPs can be the single most important contribution by business to the realization of the SDGs.”

Second, the UNGPs and the 2030 Agenda help advance each other, and each brings unique advantages to the table. The 2030 Agenda can drive business to concerted action because of the timebound nature of its goals and targets and the ability to measure progress using the associated indicators. The 2030 Agenda is a holistic framework that covers social, environmental, and governance issues not necessarily addressed by standard human rights impact assessments, although those issues certainly have human rights implications. It enables companies to align their human rights risk management with more comprehensive efforts to tackle the biggest challenges of our time. In addition, the numerous multi-stakeholder and business forums, initiatives, and venues created since the launch of the 2030 Agenda offer outlets to advance the dialogue on business and human rights as part of a broader discussion on sustainability.

GOOD TO KNOW

Human Rights Due Diligence per UNGP 17:

“In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.”

Moreover, the 2030 Agenda is accompanied by weak accountability mechanisms. Reporting is voluntary and there is no independent review of state or business efforts to contribute to its attainment. In contrast, the third pillar of the UNGPs lays out actions that both states and business should take to ensure access to remedy for victims of corporate human rights harms and accountability for perpetrators of abuse. The implementation of the UNGPs, therefore, provides a way in which the principles of remedy and accountability can, at least partly, be reflected in business contributions to the SDGs.

TO THINK ABOUT: THE ROLE OF STATES AND COMPANIES

While the SDGs are foremostly directed at states and the UNGPs speak to states and businesses, according to **Michael Windfuhr** both frameworks clarify their roles. For example, the realization of human rights cannot be achieved by companies alone, they require a state willing to implement them. While ideally there are functioning institutions of governance, as laid out in SDG 16, companies operate also in contexts of weak governance and limited accountability of states. The UNGPs ask companies to analyze the risks linked to weak governance, reflect on how to support stronger governance, and avoid undermining existing governance. Windfuhr stated, *“Nobody is requesting that companies do the job of governments, but you have to reflect in each national context on what is the existing role of government and what is your role as a responsible business in dealing with any deficiencies.”*

Finally, the UNGPs' conceptualization of leverage resonates with SDG 17 on partnerships. The commentary to UNGP 19 states that where a company contributes to an adverse human rights impact, *“it should take the necessary steps to cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible.”* Leverage exists when a company can affect change in the behavior of the entity that is causing a harm. The Danish Institute for Human Rights ([DIHR](#)) proposes that companies use their leverage within their value chains to foster a race to the top, in particular in the industries mentioned in the 2030 Agenda – energy, infrastructure, agriculture, and fisheries – and reverse the adverse human rights impacts associated with their global activities. Driving respect for human rights throughout networks of business relationships is one of the most transformative aspects of the UNGPs and a powerful way for companies to accelerate social development, according to a [Shift](#) report. Both the UNGPs and the SDGs showcase the value of strengthening partnerships and highlight multi-stakeholder collaboration and capacity building as key factors in attaining the 2030 Agenda.

The business case for an integrated approach

The advantages of a principles-based approach that integrates human rights due diligence and broader sustainability strategies are manifold, and in many respects not yet fully realized by companies. They relate directly to the bottom-line, such as efficiency gains in the use of resources, improved product and service quality through strong social and environmental standards, realization of competitive advantage, and increased brand value. They affect management by facilitating holistic risk management processes that enable a better understanding of sustainability challenges and the impacts of the business on people and planet, as well as providing a systematic rationale and approach for responding to those challenges and prioritizing sustainability efforts.

TO THINK ABOUT: THE IMPORTANCE OF PARTNERSHIPS

“It is not that customers had no interest in this [sustainability challenges in value chains] in previous years, but it wasn’t perceived as a risk factor the way it is today. Apart from saying it is our purpose and we want to do good, it is all about turning things into risk management and integrating it into portfolio steering. That is what is happening right now. It’s time for a shift in the framework that we are all in. For the first time we can get there because along the value chains more and more partners take that into account.”

Stefan Haver | Evonik

They also touch on corporate communication and relationships: An integrated approach offers a common language to share a compelling story with the public and enables enhanced relationships and reputation with employees, suppliers, shareholders, board members, consumers, business clients, and investors who all increasingly care about a company’s purpose and performance beyond just profit. They contribute to future-proofing the company by driving innovation and the identification of new business opportunities, and by improving preparedness for policy developments governing business’ environmental, human rights, and social impacts. More broadly, an integrated approach improves adaptability and resilience to successfully navigate the political, environmental, social, and technological mega-trends of the 21st century.

TO THINK ABOUT: THE BUSINESS CASE

“I would push back against the business case language because it boils down moral and ethical issues to a cost benefit analysis. But businesses do have to deal with multiple frameworks simultaneously. We have the development narrative of sustainability. The political narrative of inequality. The economic narrative of stakeholder capitalism. The investor narrative of ESG performance. The accounting narrative of human and social capital. But the binding thread is the business and human rights narrative because it speaks to all of the other narratives as it is a people-centered framework that is embedded in international law and norms.”

Dan Neale | World Benchmarking Alliance

EXPERT VIEWS: MANDATED DUE DILIGENCE AND SMES

One of the most significant policy trends that business will have to respond to is the increasing passage of laws and regulations at national, regional, and international levels [mandating corporate reporting and human rights due diligence](#). Some of these measures are issue specific, such as EU disclosure requirements relating to certain conflict minerals or the UK Modern Slavery Act. Others are comprehensive such as the French Duty of Vigilance Law. Currently, the [EU is discussing mandated human rights and environmental due diligence regulation](#), as are a number of EU member states such as Germany, where the government is developing the key provisions of a value chain due diligence law.

What does that mean for small and medium sized enterprises (SMEs)? **Michael Windfuhr** pointed out that 80% of world trade occurs in global supply chains, naturally containing many SMEs. Larger companies are trickling down their expectations for standards and reporting to SMEs. It is not optional for SMEs to meet these expectations. Windfuhr suggested conceptualizing these relationships in terms of value networks. In his view, a German or European-wide HRDD law can incentivize and make it easier for both small and large companies to meet expectations, act to a common standard, and create a level playing field, because it allows them to communicate such expectations along their own supply network.

Stefan Haver seconded the importance of laws and regulations in guiding industries to respect human rights and implement sustainable business practices. Yet, he also stressed the role of value chain partnerships in convincing companies that an integrated approach is in their own best interest. Specifically, he pointed to collaborative initiatives in the chemical industry – Together for Sustainability and Chemie – as facilitating the transfer of knowledge and best practices from bigger to smaller companies. Rather than being driven by “charity or for the sake of good corporate citizenship,” he attributed partnerships and collaborations to the realization “that we can only succeed with those smaller partners who play a crucial role in our business model.”

TO THINK ABOUT: THE INTERNALIZATION OF ENVIRONMENTAL VERSUS SOCIAL COSTS

Companies appear to have an easier time addressing environmental externalities than human rights and social externalities. **Shift** attributes this perception, among other things, to a dichotomous understanding of business and social development, whereby companies are either mandated to avoid negative impacts or voluntarily contribute to positive impacts. Yet, this dichotomization has not plagued talk about corporate environmental responsibilities, which has squarely focused on reducing environmental impacts in conjunction with suppliers. In contrast, discussions on companies’ role in the social dimensions of sustainable development remain grounded in ideas of voluntary corporate social responsibility. **Shift** elaborates that, “No doubt this is in part because a review of negative impacts can force some uncomfortable questions about business models and strategies for increasing profits, predisposing some business leaders to skip over this area in the supposed interest of ‘doing more’.”

These issues were briefly touched upon during the expert discussion. **Stefan Haver**, while recognizing that certain environmental impacts are more easily quantified and measured, argued that it was equally possible to capture and address social impacts. **Dan Neale** questioned more fundamentally the compulsion to engage in value based accounting that would allow for the quantification of social and environmental impacts as part of a cost benefit analysis, as if one could compare the costs of greenhouse gas emissions to the costs of labor exploitation. **Neale** instead argued for refocusing business value through a human rights lens, for example, valuing assurance mechanisms that stop bad impacts from happening and valuing achieving human rights targets by tagging them to remuneration.

Implications for current ways of doing business

Business as usual or incremental progress SDG by SDG, given the interrelated nature of the goals, will not deliver the change needed to achieve the 2030 Agenda. Choices companies make in terms of their business models impact on their contribution to the SDGs. In practice, companies must analyze their business models from a dual human rights and sustainable development perspective. When undertaking HRDD to identify their salient human rights issues, companies must broaden the scope of their analysis to ensure that the issues they identify cover down on their social and environmental impacts. This includes identifying and addressing complex dilemmas within business models that can lead to tensions and trade-offs in contributing to the SDGs, such as the impacts of the digitization of the workplace on employment or the effects of the growth in the renewable energy sector on the environment. While to date many companies have taken an operational risk management approach to HRDD, the 2030 Agenda necessitates that companies implement HRDD in a manner geared towards addressing systemic roots causes of human rights risks and impacts.

As **Michael Windfuhr** argued, there are “two layers”: The UNGPs help companies respect existing human rights and labor standards as well as national laws and integrate respect for human rights across internal functions and processes. *“The SDGs go a step further and request there is a different way to do business.”* Otherwise *“business can be like an autoimmune deficiency”* that *“eats up its own resources, both the necessary natural resources for a long-term sustainable development, but also societal support to the licence to operate. It should therefore be a strong business incentive not to destroy the resources you are dependent upon.”*

Dan Neale reassured that this task need not be daunting. He added that *“the conclusion we have come to is that it is not reinventing the wheel. In the most part it is about companies meeting current societal expectations for responsible business conduct.”* While corporate performance against the WBA’s Corporate Human Rights Benchmark ([CHRB](#)) demonstrates that *“companies in the highest risk sectors overwhelmingly fail to meet these expectations because they don’t put in place the UNGPs. We need to get to the baseline where internationally accepted norms are fulfilled by companies. It doesn’t have to mean fundamentally changing your business model. It means changing your behavior to do business responsibly.”*

TO THINK ABOUT: THE LEARNING JOURNEY TOWARDS INTEGRATION

Stefan Haver shared the following story about Evonik’s “learning journey” towards integration of human rights and sustainability efforts:

“What we went through was quite a typical learning journey for companies. The starting point was compliance with existing regulation. Consequently, sustainability was an important factor to us as a company, but it wasn’t business itself. In a second stage about ten years ago compliance turned into a more proactive approach. We examined our own ambitions, as well as possible industry ambitions, to underpin our aspirations as a good corporate citizen in our markets. But being a good corporate citizen isn’t about earning good money, which is what a company is about. So, in the third stage, it wasn’t just about compliance or ambitions but rather about concrete action and translating doing good into doing well. How do you translate one thing into the other? No company acts good if it is not profitable. Our approach was to make matters of corporate social responsibility and natural capital measurable and to use those results in our portfolio steering. Evonik and other companies didn’t just go on this learning journey because they wanted to. We are in a systemic environment, where progress is being made with the help of many players: customers, investors, rating agencies. They are pushing the market in a direction where doing good increasingly translates into doing well. Therefore, sustaining social and natural capital is not in contradiction with financial value creation – which in fact it was, as for many years sustainability was only looked at as a cost factor.”

EXPERT VIEWS: TAKING STOCK – WHAT HAVE WE LEARNED? WHERE ARE WE GOING?

Michael Windfuhr pushed for linking discussions on the SDGs to taking HRDD more seriously, to include through legislative and regulatory measures. The challenge is that even tools for sustainability can have unintended consequences, as when a wind park results in forcible eviction or a dam infringes on indigenous lands. A human rights approach, especially focused to the most vulnerable groups, can surface these trade-offs. In his words, *“even if you go the pathway of sustainability, we have to be sure not to leave anyone behind.”* Active participation of affected peoples and communities is a core element of the HRDD framework; *“if you have due diligence vis-à-vis human rights and vulnerable groups, then it is much easier to follow up on many of the opportunities within the SDG framework.”*

Stefan Haver picked up on the call for participation and recommended that we improve risk mapping, observing that *“we don’t really know what the most urgent issues are in many parts of the world. Not just from a European perspective. We need to build up local knowledge and interact with local communities to make them part of the dialogue rather than just being subject to this dialogue.”* He argued that the systemic problems we face *“can’t be solved by one company, one nation, or legislation alone.”* For companies who choose to selectively work towards certain SDGs, often referred to as *“cherry picking,”* Haver recommended turning selectivity into a positive exercise: *“Companies must figure out where they not only have the most positive impacts, but also where those impacts are linked to social and environmental costs. More and more NGOs and investors are pushing companies in this direction. Don’t just tell us about your positive impacts, but be accountable for the negatives as well.”* He warned that progress is not fast enough and that we need to raise the bar without leaving some behind. Haver elaborated the need to take SMEs on board and to incentivize value chain collaboration, so that it is in companies' interest to collaborate and be transparent.

Dan Neale pointed out that sticks and carrots can affect behavioral change in people and companies. He commented that *“it’s too much to rely on individuals to make 100 ethical decisions a day regarding their consumption.”* Rather, *“it’s about understanding that there are systems in the background that need to change and enabling people to make decisions more easily.”* Specifically, he urged people to think like *“citizen capitalists.”* Taking the example of pension funds invested in companies as a market mechanism to effect change, he observed, *“while the 1% may own 50% of the market, ‘we’ hold the rest. There is a lot of power there... Beyond all your ethical choices, your pensions are a huge multiplier and form of leverage. If you get your pensions providers to only invest in companies that undertake HRDD, you can send a huge signal to the market.”*

3 PRACTICAL STEPS TOWARDS AN INTEGRATED APPROACH

Adopting a principled and integrated SDG strategy helps reduce complexity by maximizing synergies between human rights due diligence and SDG contributions. Such a strategy uses a two-level approach, as elaborated by [Shift and the Business Commission for Sustainable Development](#) and [Shift and the WBCSD](#).

LEVEL 1 What every company should do: exercise HRDD, in short “*minimize risks, benefit the SDGs*”

- › Identify the salient risks to people and the planet associated with operations or value chains
- › Connect those risks to the relevant SDGs
- › Take action to reduce those risks that negatively impact the SDGs and that maximize positive outcomes in support of the SDGs

LEVEL 2 What those companies who can, should do: provide products, services, and investments that benefit the SDGs while minimizing associated risks, in short “*benefit the SDGs, minimize risks*”

- › Provide new business ideas (products, services, production processes, business practices) and investments linked to core business that deliver positive impacts to people and the planet
- › Identify additional SDGs to which these contribute
- › Develop and deliver those investments and innovations and strive to scale their positive impact while minimizing risks to people and the planet in the process

At each level, there are steps companies can take to meet their responsibilities:

LEVEL 1 Companies with a principled and integrated approach to sustainability carry out ongoing HRDD on business activities and relationships and systematically connect them to the SDGs.

STEP 1 | Identify and prioritize the SDGs relevant to the company

The results of the risk and impact assessment identify salient human rights and environmental issues and inform the selection and prioritization of those SDG targets on which to focus.

STEP 2 | Understand the actual and potential impact on prioritized SDGs

Get more data and context information to obtain a deeper and evidence-based understanding of the company’s salient human rights risks and impacts and associated SDG targets. Engage with affected rights-holders and other stakeholders to build a more in-depth understanding of impacts and root causes and how the company’s activities are linked to these. If a sustainability strategy is already in place, compare it with the findings and if necessary, refocus the strategy on those SDG targets connected to the identified risks.

STEP 3 | Address adverse impacts through prevention, mitigation, and remediation

Identify the company’s relationship (cause, contribution, direct linkage) to adverse impacts as well its leverage to do something about them. Ensure that measures taken are integrated across the business and adequately address the identified impacts. Continue to engage stakeholders and affected groups when developing solutions to ensure their adequacy.

STEP 4 | Track and communicate human rights risks and responses and the positive impact on SDGs

Identify clear targets for measures taken, develop key performance indicators, and collect baseline data to measure progress – both in minimizing risks and generating positive impacts. Regularly review progress and adapt measures as needed to ensure their effectiveness. Communicate HRDD approaches to stakeholders, including how they link to SDG contributions, and report to affected rights-holders how the company is addressing the impacts which are most salient to them.

STEP 5 | Build capacity to integrate respect for human rights with the SDG framework

Encourage collaboration with colleagues across the different business functions to develop their capacity to understand a principled and integrated approach to the SDGs. Seek to establish HRDD processes at the local level led by local management with the involvement of locally affected groups and ensure coordination with other functions, including broader sustainability. Report internally and externally on HRDD processes, measures taken, including on their effectiveness in terms of risk mitigation and SDG contribution. Use HRDD process to contribute to continuous improvement and learning.

LEVEL 2 All businesses and their existing activities should strive to achieve Level 1, taking the five steps described above. Those companies who are in a position to go further can build on this approach to develop activities that support and promote the realization of the SDGs in a more proactive and comprehensive way.

STEP 1 | Identify new products, services, production processes or business practices close to the core business that can benefit people and the planet

Prioritize business innovation which would create the greatest positive change in relation to one or more of the SDGs. The SDGs also offer new business opportunities, for example exploring unserved or underserved markets, or help reduce costs, for example by improving energy efficiency. Focus on where the company can make SDG contributions linked to its core business activities. Map the benefits of these activities or offerings to the relevant SDGs to identify the priority targets.

STEP 2 | Use the company's capabilities to innovate to maximize the positive outcome for the SDGs

Develop and deliver those products, services, practices, or investments in a way that maximizes the positive outcome for the SDGs. Find ways to scale up the beneficial impact for the targeted SDGs. Be a trendsetter in the industry and inspire others to follow.

STEP 3 | Look out for and minimize any possible negative side effects on people and the planet

Use the established HRDD processes to assess risks of unintended negative consequences of company action. A risk-based approach can help avoid causing unintended harm in the effort to contribute to the SDGs. Track positive and negative impacts of business innovations.

STEP 4 | Explore new partnerships to leverage investment

Seek partnerships with state entities to leverage investments. Explore new financing models, including public private partnerships. Collaborate with non-governmental organizations to get better results by tapping into specialist expertise and accessing networks.

This two-level framework for a principled and integrated SDG strategy is offered here as a brief introduction to practical measures companies can undertake. It is by no means comprehensive and detailed tools, guides, and resources are available in the publications highlighted throughout this paper and on the websites of the [Danish Institute for Human Rights](#), [Shift](#), and the [UN Global Compact](#) such as [SDG Ambition](#).

We are at a pivotal historical moment that offers us collectively the opportunity to transform the way we live, govern, and do business to ensure a sustainable future for people and planet. The leap forward cannot be made without the active participation and contributions from businesses. Now is the time to turn principles into action: Companies must take a clear stand and demonstrate bold leadership to transform business models and economies, so they become more just, inclusive, and sustainable – leaving no one behind.

IMPRINT

Published by:
German Global Compact Network
German Institute for Human Rights

Project lead:
Laura Curtze & Silke Düwel-Rieth | German Global Compact Network
Dr. Anna Würth | German Institute for Human Rights

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Design:
Eva Hofmann, Katrin Straßburger | W4 Büro für Gestaltung

Acknowledgements:
We would like to express our gratitude to the participants of the expert discussion that this paper builds upon. We would also like to sincerely thank Folke Kayser, Philipp Bleckmann and Meki Nattero for their valuable input at various stages of the development of this publication.

December 2020

Supported by the



Federal Ministry
for Economic Cooperation
and Development

With support from

Stiftung



Deutsches Netzwerk