

ROTTERDAM SCHOOL OF MANAGEMENT  
ERASMUS UNIVERSITY

MAX HAVELAAR LECTURES



THE DAWN OF A NEW ERA  
SUSTAINABLE DEVELOPMENT GOALS

MAX HAVELAAR LECTURE 2015  
28 OCTOBER 2015

LECTURE SERIES  
RESEARCH IN MANAGEMENT

RSM  
  
ERASMUS  
UNIVERSITY





# THE DAWN OF A NEW ERA

SUSTAINABLE DEVELOPMENT GOALS

MAX HAVELAAR LECTURE 2015

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**Rotterdam School of Management, Erasmus University (RSM)** is one of Europe's leading research-based business schools. RSM provides ground-breaking research and education furthering excellence in all aspects of management and is based in the international port city of Rotterdam – a vital nexus of business, logistics and trade. RSM's primary focus is on developing business leaders with international careers who carry their innovative mindset into a sustainable future thanks to a first-class range of bachelor, master, MBA, PhD and executive programmes. Study information and activities for future students, executives and alumni are also organised from the RSM office in Chengdu, China. [www.rsm.nl](http://www.rsm.nl)

**The Partnerships Resource Centre (PrC)** is a specialist research centre at Rotterdam School of Management, Erasmus University. The PrC envisions a more sustainable and inclusive world in which business, civil society and governments each play an important role to create collaborative and inclusive solutions for complex societal issues. It connects scientifically sound research and practitioner experience of cross-sector partnerships to aid sustainable and inclusive development.

**Max Havelaar** is the world's first Fairtrade labelling organisation. Since 1988, the Max Havelaar Fairtrade Certification Mark has been used to offer consumers a guarantee that its products have been traded under internationally agreed standards, which gives farmers the opportunity to invest in a more sustainable future. According to the idea that people can only maintain their families and communities through sufficient income from labour, a strategy was developed to alleviate poverty through entrepreneurship. The standards support farmers in achieving a better deal for products such as coffee, tea, fruit, cocoa, wine and cotton. The Max Havelaar initiative has been followed in 20 different countries, among which are most European countries, the USA and Canada, forming the basis for Fairtrade International. The Max Havelaar foundation is set up as a not-for-profit foundation and does not trade, but instead inspires and encourages market players to develop a market assortment under Fairtrade conditions. The Fairtrade initiative has been successful in recent years; more than a million farmers and their families have benefitted directly and it has encouraged other actors to develop other sustainability certification schemes, which are welcomed. However, none of them has the unique Fairtrade trading conditions that guarantee farmers' investments and price for their products under the Fairtrade label.

**The lecture:** Poverty alleviation constitutes a multi-faceted problem. It is, on one hand extremely local and leads to enormous deprivation for at least half of the world's population. But on the other hand, through the operation of global markets – and in particular of resources – and the functioning of value chains, it is an extremely international problem. It is clear that the involvement of private and international corporations is far from undisputed. The integration of developing countries in the international supply chains of multinational corporations can have positive and negative repercussions. The new development paradigm therefore is not yet established, let alone undisputed. The Max Havelaar lecture stimulates the thinking about these issues in a balanced way without making use of the usual simplifications either in support of or against the involvement of firms in development. The Max Havelaar organisation is proof of this approach: it aims for a continuous improvement in its strategy towards labelling products – increasingly in a variety of partnerships with NGOs, corporations and governments.



# 1. INTRODUCTION: THE DAWN OF A NEW ERA?

## REFLECTIONS ON THE EIGHTH MAX HAVELAAR LECTURE

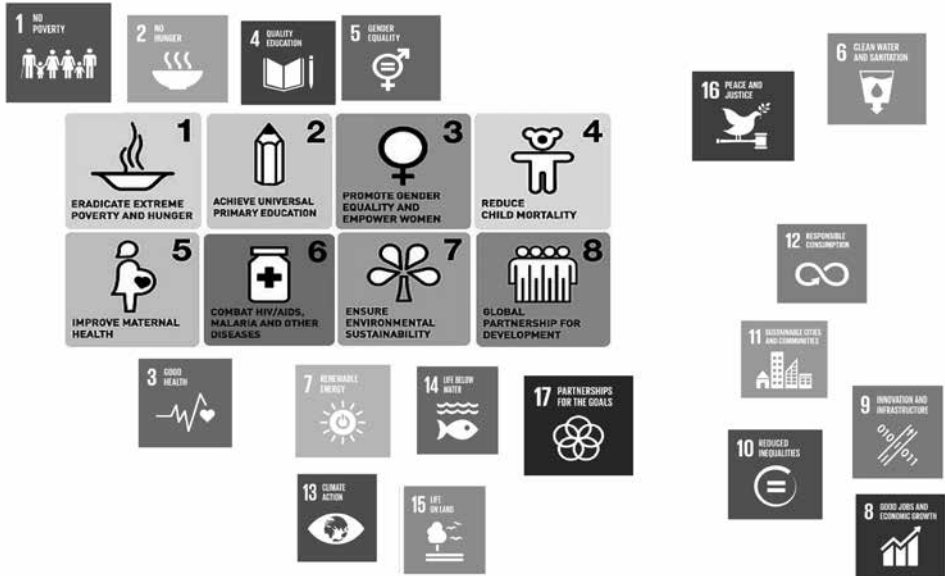
**By Rianne van Asperen, MSc**

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The year 2015 was a pivotal year, during which the United Nations' (UN) Millennium Development Goals (MDGs) were completed and the Sustainable Development Goals (SDGs) began. The MDGs were agreed in 2000 by the global community and aimed to halve world poverty and hunger by 2015, among other ambitious development goals. At that time many people were sceptical about the MDGs. They were considered 'goals without means' or not ambitious enough. After 15 years, many initiatives have realised these ambitions. Even before the goals were properly evaluated, the UN proposed to set new goals from 2015-2030. These new sustainable development goals are fundamentally new in many ways, and in other ways, a continuation of MDG efforts.

Organisers of the Max Havelaar Lecture asked representatives of Dutch organisations how they understood this move. How did they perceive this development agenda and how will they plan to contribute to it? Is it the dawn of a new era?

**Figure 1: Millennium Development Goals and Sustainable Development Goals**



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**Are Sustainable Development Goals different from Millennium Development Goals?**

The United Nations, driver of the development of both sets of goals, says the SDGs are fundamentally different from the MDGs (UN, 2015). The final choice of Sustainable Development Goals shows a number of changes in the international agenda: the number of goals has more than doubled (17 goals), they are more complex (169 sub-goals) and they are universal, i.e. applicable not only to ‘developing’ but also to ‘developed’ countries. They encompass more diverse global issues, such as sustainability, urbanization, inequality, migration and the elderly. The goals are therefore not directly comparable, see figure 1. And finally, the goals have been created with contributions from a great variety of peoples and organisations. The SDGs are a typical example of ‘multiple-stakeholder engagement’. The United Nations’ survey ‘MyWorld2015’ asked 9.7 million global citizens what they would like to have included in these new goals. The 17 SDGs are therefore the outcome of an inclusive process in which many people added their own personal goals to the global all-encompassing goals. With more areas and issues being covered by the new goals, one could assume that more people and organisations will also make more effort to implement the goals.

The MDGs communicated a simplified concept of development as meeting basic needs, stripped of the challenges of inclusion and sustainability. They did not mention the need to reform institutions. Several authors warned that the ‘negotiations around the post-2015 development agenda should go beyond just re-writing goals and targets that adhere to ‘sustaining’ the same old economic and social models’ (Moore, 2015: p801). The adoption of a stand-alone goal on inequality (Goal 10) that addresses income differences within and between countries, for example, highlights a significant difference from the MDGs. Previously governments explicitly excluded this type of politically sensitive



issue from any global ambition. Goal 10 draws into question the economic model that wealthy developed countries have followed for years (Fukuda-Parr, 2016). However, according to Gupta and Vegelin (2016), real economic transformation is still undermined because of the idea that economic growth and its trickle-down effects will be sufficient to get people out of poverty.

### **Are they too ambitious or not ambitious enough?**

The new agenda for development between 2015 and 2030 is full of ambition. The first development goal aims to eradicate extreme poverty in all its variants. Before 2015, the goal was to halve preventable illnesses; from 2030 onwards, the goal is to stop deaths from preventable illnesses (Bodelier in ViceVersa, 2015). Too ambitious? Not according to Pogge and Sengupta (2015), who point to the millions of people who still suffer from hunger and preventable illnesses. This was one of the criticisms of MDGs: the world community was satisfied with halving poverty instead of helping all people. They were too modest. Many scholars also pointed out that these goals are achievable, so they are not very ambitious. In the words of one of the most optimistic scholars, Jeffrey Sachs (2014): 'we live in a time of extraordinary choice, we can end extreme poverty within this generation, we live in a human-driven world and our technological capacity can be uniquely beneficial'. It's no surprise that not all scholars agreed with this. In particular, they argued, a lack of focus means the world may become 'stuck in the transition'; not least because these ambitions require so many resources; financial, human, and intellectual. Not making choices will stagnate progress. Dr Bjorn Lomborg and the Copenhagen Consensus Center are amongst the most focal critics of the SDGs. They state that from the appearance of the agenda – not only the 17 goals, but also the 169 development targets – the UN simply 'threw everything they had heard into the document'. Targets are misguided and not based on research for what is feasible. Even worse: 'collecting data on the 169 promises could cost almost two years of development aid. As a result, the agenda will leave the world's poorest far worse off than they could be'. Instead, the Copenhagen Consensus Center argues for only 19 targets (just over 10 per cent of the original 169), which were defined by a group of leading scholars – including Nobel prize winners for economics.

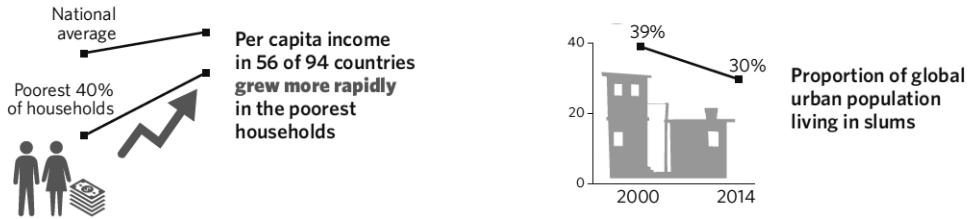
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### **Nevertheless, can we be optimistic about attaining the goals?**

The way the SDG goals are framed indicates optimism for their attainment. At the Max Havelaar lecture in 2015, Prof Rob van Tulder showed examples of changes in the communication about the world's development issues and goals over the past 15 years. "In the old era we were looking at problems, negative frames. It was the rich countries versus the poor countries and the government was the only one responsible. But it is a new era, it is not 'we versus them' but it is about us. The universality of the problem is quite clear," he said. The 'Make Poverty History' campaign told the world of horrific statistics. It did not really work, and we know from psychological research that large statistics presented as facts are sometimes too big for people to imagine and comprehend. If one child dies it is a disaster, if two children die it is a major disaster. If a million children die it is a statistic. In 2015 the UN introduced a new video promotion for the SDGs in which famous and not-so-famous people spoke of their ideas and dreams for the world. The dawn of a new era means these issues are not viewed from a problem-driven perspective but from a solution-driven perspective.

And this is where the development goals become interesting, because governments, companies, civil society organisations, trade unions, knowledge institutes, all sorts of organisations have said: this is a challenge for us, let's work on it together. The SDGs look for opportunities instead of gaps and set a positive standard to work towards. See the figures below for a representation (UN, 2016).

**Figure 2 and 3: Infographics giving results for two SDGs, UN (2016)**



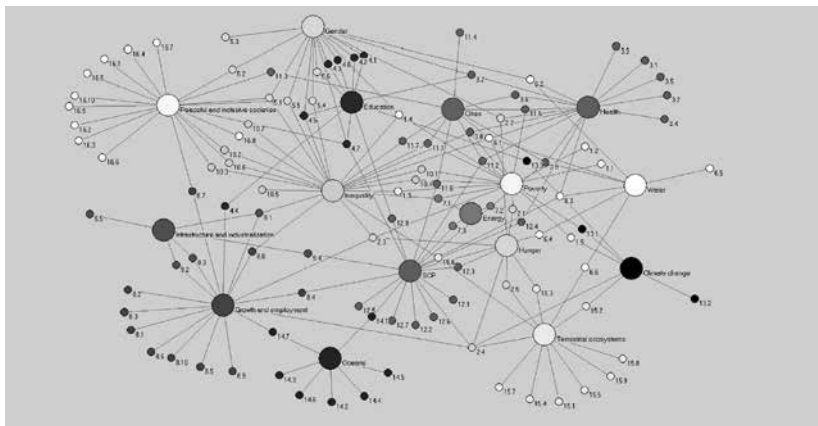
**Why would you work on realising these goals?**

SDGs have their supporters and fans who praise them and are optimistic about their implementation but they also have their critics and pessimists. It's still unclear how the SDGs can be achieved. Each organisation and individual is still using its own methods, and trends change over the years. Some methods are properly evaluated and scaled, others are adopted on a whim. The evaluation of MDGs was also performed with diverse methods, making it difficult to get a good comparison and analysis of their success (Hak et al, 2016). So there is also scepticism about measuring the success of SDGs because tools for implementation and evaluation are still diverse, making accountability for nations, organisations and individuals also problematic. According to Pogge: 'accountability is the key to effective development goals,' he writes in an article full of recommendations for delivering the goals 'without detailing such specific responsibilities [the SDGs] remain a mere list with little moral force' (Pogge and Sengupta, 2015 p 573).

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Suggesting 17 goals is one thing, but clarifying who is responsible for doing what, and how, is something different. Deciding accountability is even more difficult because all SDGs are related to each other. The relationships are depicted in Figure 4 (Blanc, 2015). This means that working on SDG6 for a water project in an urban area can also achieve SDG11, and possibly also relates to the diminishing of poverty (SDG1). Meanwhile, co-operating with a company that works in a fair and equitable way also contributes to SDG8 and SDG17 – so where does responsibility and accountability end?

**Figure 4: Interconnections between the SDGs and their targets, Blanc (2015)**



### **How to work on achieving Sustainable Development Goals.**

Six speakers from different industry sectors were invited to talk about their perspectives of SDGs at the Max Havelaar Lecture 2015. Can the goals really signal 'the dawn of a new era'?

**Hans Buis** is senior project manager of VNG international, the international co-operation agency for the Association of Netherlands Municipalities. He talked about the way that local governments deal with the new goals, after a successful campaign called '*Millennium gemeenten*' (millennium municipalities) and described why this campaign was initially successful, but became less so after a few years. How can municipal councils make a new start – the dawn of new era – with SDGs?

**Marina Diboma** is Chapter Head of the Africa 2.0 community, more than 600 members sharing a collective vision for Africa and a commitment to finding and implementing sustainable solutions to leapfrog the continent's development. She described her youth and her family in Africa. Now she is the leader of a chapter that supports young African leaders. Will these new African leaders be the dawn of a new era? What do they think of SDGs?

**Lucia van Westerlaak** is policy advisor for the Dutch trade union federation, FNV, on international CSR and covenants. She talks from the perspective of a trade union that campaigns for justice in many countries, but has too little power to really make changes and start a new era.

**Nisha Bakker** is senior account manager for partnerships at UNICEF NL. She showed pictures and stories from successful projects that work on SDGs in a new way; by partnering with other organisations so they can really make a difference.

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**Hans de Jong** is CEO of Philips Benelux. He talked from a company perspective on the company's CSR projects in which Philips works on different goals with various partners.

**Ronald Wormgoor** is head of socio-economic affairs division at the Dutch Ministry of Foreign Affairs. He described taking part in the negotiations for the SDGs. But he also warned of challenges that lie ahead in their implementation.

Speakers at the Max Havelaar Lecture 2015 were all committed to working on the new goals, but did warn of the challenges they face in doing so.

**Winnie Adam**, winner of the KPN SDG challenge and student at the largest international graduate water education facility in the world, based in Delft, UNESCO-IHE, also writes honestly about her research in emergency camps in the Darfur region of western Sudan. She says working there on SDGs is challenging but rewarding; her research contributes to improving water and sanitation provision in a sustainable way.

Chapter 2 contains the reworked transcripts of the speakers' statements.

Two authors have been asked to write for this booklet to further assist organisations in using SDGs in future strategies, According to the articles of **Jan Anton van Zanten** and **Rob van Tulder & Laura Lucht**, SDGs demand that companies improve their sustainability and CSR policies. The SDGs do not provide clear guidance but they are helpful for guiding companies choosing CSR policies. The SDGs

can help companies to make clearer reports of their CSR efforts. Both van Zanten and van Tulder & Lucht discuss a framework that should help companies implement CSR policies based on the SDGs.

### **So, are we at the dawn of a new era?**

The jury is still out and will remain so for quite a while. Implementing SDGs will only be possible when all nations, organisations and individuals work together, and acknowledge that the SDG goals relate to each other. SDGs are systemic and universal, and consider each project as being within a larger perspective. How can you make sure one project contributes to a feasible target while it is still connected to the SDGs' larger system of other projects and solutions? Governments could help by providing platforms and dialogues to promote interaction between SDG implementers (Partos, 2016). Implementers could help by providing more detailed information about activities surrounding SDGs. Partnerships can adapt current activities to better fit with the SDGs (Pattberg and Widerberg, 2016). When the starting point and the road map for SDGs are clear, the road ahead will be much easier to follow.

The idea of a Global Partnership has been included in both MDG 8 and SDG 17. It aims to guide organisations into a large partnership in which all can learn from each other and implement the goals together. MDG 8 was added to the Millennium Goals later because it was seen that this partnership was needed, however its targets and content were unclear. SDG 17 is a real improvement and does have clearer targets.

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When we can connect our own projects to the SDGs and to the projects of others and scale them up, we are indeed at the dawn of a new era, although we will probably have to wait until 2030 to evaluate how effectively we worked on these goals. Whether we are on track or not, however, will be something that partnerships of participants must critically assess with new evaluation and learning tools (see bullet points below).

*Some initiatives undertaken by the Partnerships Resource Centre to further support the Sustainable Development Goals:*

- *Promoting Effective Partnering Initiative (PEP)*
- *Public Private Partnership Laboratory (PPP Lab)*
- *Wicked Problems Plaza*
- *Inclusive Business Strategies in Sub-Saharan Africa research programme*



## 2. THE EIGHTH MAX HAVELAAR LECTURE

THIS CHAPTER OFFERS THE REWORKED TRANSCRIPTS OF THE MAX HAVELAAR LECTURE 2015

**Hans Buis – Senior Project Manager Millennium Municipalities campaign – VNG international**

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One of the Millennium Development Goals was to halve poverty in the world. In 2015 we are only halfway towards full eradication. For the next 15 years, according to SDG 1, poverty has to be eradicated completely so there is still some work for all us. I would like to say something about our Millennium Municipalities campaign and also about our new campaign that we will introduce to all the local governments in the Netherlands next week (November 2015).

First, the global goals [the Sustainable Development Goals] in general. Imagine that you are one of the world leaders addressing the World Summit of the United Nations, dealing with the Sustainable Development Goals – as was the case three weeks ago. Unless you are Barack Obama or the Pope you would have noticed almost completely empty meeting rooms at the UN session. Everybody was outside the meeting room having lots of discussions but hardly anybody was listening to the speakers. Even the King of the Netherlands encountered more empty places than listening ears. This may be disappointing.

When we think of the World Summit, we think of iconic images; Yalta in 1945 [discussion of Europe's post-war reorganisation], Camp David in 1978 [the treaty between Egypt & Israel] or Bretton Woods in 1944 [44 Allied nations discussed financial regulation after World War II]. But when we think of New York in 2015 we see an empty meeting room. Nevertheless, we have to go very far back in history to witness a Summit of the UN with so many leaders attending. It was a little bit more crowded than the pictures showed, but apart from a lot of newspaper articles and TV items about SDGs, there was hardly anything in the meeting in New York. It seems that feeling was absent; there was indifference. Apparently, the Sustainable Development Goals are not capable of inspiring people.

I Apparently, the Sustainable Development Goals are not capable of inspiring people. – Hans Buis

How different it was when we looked at the eight Millennium Development Goals! They were drafted by just a handful of technocrats in a room at the UN. They worked for no more than two days on those eight Millennium Goals. Compare that to the SDGs which took about three years and involved every country; a big difference. This typical process inspired a lot of people. It also inspired a lot of local governments to really act on them, including our organisation, VNG International, the association of Netherlands municipalities. It was in 2005 that local governments in the Netherlands put white banners up on city halls to express that there should be more attention to the Millennium Goals. We worked a lot with local governments on reaching and contributing to all the development goals. The Millennium Goals looked much more towards things that were far beyond the borders of local governments. That did a lot; in municipalities like Haarlem a lot of students from secondary schools played a game about peace talks to imagine what it is to be in peace talks, what it is meant to be to live in peace. Many municipalities organised festivals to raise awareness of the Millennium Goals.

Figure 5: Hans Buis



In the city of Veren a route was designed in the supermarket to show the more sustainable products and that initiative was followed by many other local governments. World Poverty day, 17 October, was used by many municipalities to bring attention to Millennium Goals and gave information about poverty and food at the entrances of supermarkets. We organised an annual prize for the most inspiring Millennium municipality for about seven years and got many inspiring ideas from local governments in the Netherlands. In most cases they worked together not as a local government but with inhabitants, organisations and local businesses.

Let's get back to the Sustainable Development Goals, the global goals. There is a lot of criticism about the 17 goals instead of eight goals. There are 169 targets to be met, and a lot of indicators that are not finished yet. There are still some conferences coming up next year. The numbers are correct I think, but I don't agree with the critical remarks about those numbers. The global goals are also of a different nature compared to the Millennium Development Goals. First, they affect all countries.

It's no longer 'them' and 'there', it's also about 'us' and 'here', at least when you're looking from the perspective of the Northern Hemisphere. It's also a concern of daily politics at the local level and I can assure you: every global goal has a connection to local government. That also goes for goal number 1 for poverty, basic services, and equal rights to economic resources. The delivery of services, such as looking after waste collection, is a function in almost all local governments in the world. Look at goal number 5; eliminating all violence against women and girls in public and in private. Of course it's a concern for local governments. Another

example: goal number 13, the one about climate change. Without local governments, our efforts to combat climate change will be lost. And of course, goal number 11 addresses the sphere of local governments directly, as it says 'make cities and human settlements inclusive, safe, resilient and sustainable'.

The fact that the global goals affect all countries is maybe not the major difference compared to the Millennium Development Goals. There is a more striking and more important modification in my view; there is a lot of coherence when you look at the global goals. The coherence, I think, is the actual innovation in the global goals. What does it mean, this coherence? When we look at for instance achieving global goal 1: the reduction of poverty, you cannot then ignore goal number 5 about gender or goal 13 on climate change. It doesn't make any sense to do so. When you're working on goal 6 about water and sanitation you cannot ignore goal number 10, reducing inequalities or 16 about peace and justice.

In every case you have to take into account all the global goals, not just one. The emphasis on the coherence of the global goals also has an effect on their implementation for all the organisations that would like to be implementing or working on them. It's not only environmentalists who can lead to a success. It's not only non-governmental organisations that can fix the job and it's definitely not only local governments in the world that can bring global goals a little bit closer. It has to be together, and we will have to work together much more than that was the case with the Millennium Development Goals.

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Our new approach and campaign for the new global goals has working together and coherence at the centre. We'll give you some examples: development organisations in the Netherlands A new campaign is to start in the Netherlands, which is called 'the Best News Campaign' to collect the best news – it could be all the best news about the global goals. We will open all the lines of communication for local governments for this campaign and hope to participate very intensely with them. Another example is much more down to earth. And it's about research into using the right, certified wood for the building industry. Obviously it is difficult for local governments to maintain the obligation but research showed quite clearly how to do this; we will just spread this message to others. The last example has already been mentioned by some really big businesses in the Netherlands involved in the post-2015 agenda. Partly, this also leads to *the human city coalition*, focusing on goal number 11. We're happy to be part of that coalition as an association of municipalities and we will take up a lot of activities. World leaders agreed on those 17 goals and I think 17 goals in 15 years is not much to make the world a better place to live in.

But still we have to think about why there is not as much enthusiasm as there was when the Millennium Development Goals came in. Therefore, I will show you this picture, it's a big picture of a big building built 100 years ago in the centre of Amsterdam. A lot of those nice canal houses were completely demolished to allow space for this building. This building was the headquarters for the Dutch trading company for a long time. That trading company is famous because it was mentioned in the title of the novel *Max Havelaar* by Dutch author Eduard Douwes Dekker, known as 'Multatuli' or as it was called *The Coffee Auctions of the Dutch Trading Company*. It is an existing company that merged several times and eventually became a large bank. The bank still exists, but moved from that building to the suburbs of the city. The building was then used and is still used for the archives of Amsterdam; it's a public building now and you can enter it quite easily. In a way, it's a contribution to

the cultural life of Amsterdam; in the beginning it looks a little ugly and destroys a lot of other things. It can evolve into something quite positive. I hope that that will happen also with all of our campaigns for the global goals.

**Figure 6: Dutch Trading Company**



**Marina Diboma – Head Chapter Africa 2.0 & Netherlands African Business Council**

I was born and raised in Cameroon, known as ‘little Africa’. I build bridges. Today I’m not representing the Netherlands African Business Council. I’m representing the Young African Leaders. Many of us have found a way to come together within an organisation called Africa 2.0, but before showing you what Africa 2.0 is about and the link with the SDGs, I want to share with you my journey and why I’m here today. It all starts with my childhood in Cameroon. I’ve always shared my bed with other children than my own brothers. My mum’s house was open for everyone in the family but also for strangers in need. She would take care of everyone but also taught us how to share, and care for others, and how important it is to elevate others, to empower them so that in future they’ll be able to do the same. So my passion for sharing and caring finds its fundament in this part of my childhood. Later on I was lucky to be sent to the Netherlands to pursue my studies, but leaving my mother’s house meant a lot to me, it was huge. It meant making my own choices, taking my own decisions

**Figure 7: Marina Diboma**





but more important it meant making her proud. The first decision I had to make when I came to the Netherlands was to switch studies because my mum encouraged me, from a young child, to choose international law. I believed this was the study that I had to do, and eventually I started studying law at the University of Amsterdam. But then I found I wasn't feeling the love for that study, so I had to change from international law to communication sciences, and later on to business. It was really hard to bring this news to my mother because I felt like I was failing her on this part, but eventually I decided to do so. I called and thought that she would be really mad at me. But when I told her the news she said: "I trust you as long as you trust yourself, and as long as you follow your heart." Whenever I face an important decision or a challenge, these words of my mother arise.

As a student at the University of Amsterdam I was looking for any student association that I could relate to, where African students living in the Netherlands came together, but I couldn't find any. In my faculty for instance, I was the only African student without any Dutch roots. As you can imagine it's really difficult if you come from Cameroon, you don't really have friends in the Netherlands and you have to find your way through the University and Dutch society. Every day I wished I could connect with other African students to share the experience of being students in the Netherlands, and to share ideas of how to integrate in Dutch society and the community. But I was lucky to have my brother studying and living in the Netherlands at that time who mentored me throughout my student period. But I've always known, given my own privileges, that I have the responsibility to create a space for other young Africans to reach their highest potential, and I've always believed that through partnerships and collaboration we can all achieve so much more.

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This is what I meant when I said that I build bridges, I do this by connecting individuals, organisations and continents. In 2010 I met Angelique Bundu, a founding member of the African Young Professional Network. When she told me about this organisation, the activities, I immediately knew I had to be part of this group so I became an active member. Later on I became a board member and now I'm vice-president of the board. The mission of this association is to connect African young professionals in the Netherlands and encourage them to share and learn from each other's experiences. And thanks to my involvement in the African Young Professional Network I've been part of a mentorship programme where we, the African professionals, mentor young African students in the Netherlands by helping them with career and study choices to empower them to be successful in this society. Being part of the African Young Professional Network has encouraged me to do even more; more with Africans for Africans in the Netherlands but also across the globe.

| *"If you are investing in the continent, work with local people, train local people, engage in discussion with local government in order to contribute to local content."* – **Marina Diboma**

Thanks to my work for the Netherlands African Business Council I travel across the African continent where I drive trade and investment relations between the Netherlands and Africa. I also provide capacity training to business institutions and entrepreneurs. In 2014 I met with Mamadou Toure, the founder of Africa 2.0 during an international investment conference in Malabo. He told me about this inspiring organisation, Africa 2.0 which has the motto *We are the generation we have been waiting for* and in which African leaders in Africa and the diaspora come together to take control of their own future, where they share a common vision for Africa to implement and develop activities that will lead to the development of the continent. And I have the honour of establishing the Netherlands chapter.

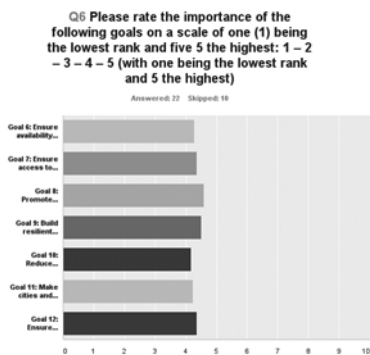
But before I tell you about Africa 2.0 activities linked to the SDGs, I would like to share the results of a survey conducted last month in which I asked for feedback from young, emergent African leaders across the globe, and what they think about the SDGs. The data was collected between 22 September and 24 October [2015]. I have had only 32 respondents, but a very interesting group; 60 per cent women and 40 per cent men. As you can see, many countries are represented in that group; Ghana, Cameroon, Kenya, Liberia, Mauritania, Gabon, São Tomé y Príncipe, Nigeria, Rwanda, Zambia, Uganda, Ethiopia, Tanzania, Comoros, South Africa, Burkina Faso, Cape Vert, Gabon and Mauritius. As for education you can see we have people from all levels; high school, bachelor degree, and master but also from PhD degree. The age category is very interesting; we have respondents in the category of 18-24 years old, and the largest group is between 25 and 34 years old.

So when asked to rate the global goals from goal 6 to goal 12 by importance, you can see that goal 8 has been found very important (figure 8).

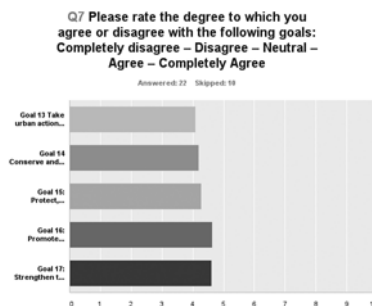
When asked whether they agree about the goals 13 to 17, most agree with goal 16 and goal 17 (figure 9). When looking at the principles of SDGs we can see that many respondents find people more important. When asked which principles should be prioritized, again they find people should have more priority (figure 10). And when asked about having one billion to spend on these global goals, [laughs] as you can see many of these respondents went for goals 1 'end poverty' (figure 11). When asked: 'Why poverty? Why do you want to spend one billion on poverty?' many of them say: 'When poverty is gone then development will follow, and the other goals can also be attained.'

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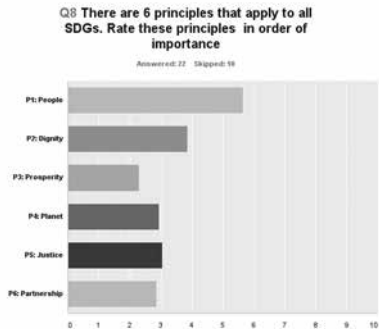
**Figure 8: Importance of the global goals**



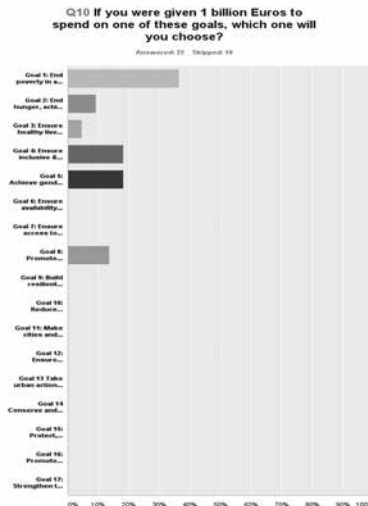
**Figure 9: Agreement and disagreement with the goals**



**Figure 10: the six principles that apply to the SDGs**



**Figure 11: what to do with € 1 billion?**



Africa will have to rely on her own strengths. Each African country shall choose their own goals and their own priorities. We, Africa 2.0, focus on youth empowerment and broadening entrepreneurship in our system. Within this programme we also focus on women’s entrepreneurship. Why women? Because 50 per cent of the African population are women and most of them are breadwinners. They need to be integrated into development policies and entrepreneurship.

We also focus on rebranding Africa in order for real transformation to take place. We need to start telling our own stories – showcasing all that is great about Africa – and build new and inspiring narratives for Africans everywhere.

Being on this stage today is part of sharing what young professionals aspire to, and what success we’re achieving. And building a bridge between Africa and the diaspora will help us all to become stronger.

In conclusion; when it comes to Africa, it’s important to involve Africans in your policy decisions and processes for action and implementation. Start with Africans living in the Netherlands. If you want to drive entrepreneurship in Africa, it’s the same thing: engage these Africans. If you are investing in the continent, work with local people, train local people, engage in discussion with local government in order to contribute to local content.

We can only achieve sustainability by uplifting the people from the continent, by replicating successful African business models – and if you don’t know where to find these high-schooled Africans or these start-up entrepreneurs then talk to Africa 2.0. My chapter heads in the Netherlands will focus on women, youth, entrepreneurship, funding, leadership and empowerment. It is a dawn of a new era.

## Lucia van Westerlaak – FNV international

I would like to tell you about our work linked to Sustainable Development Goals and Millennium Development Goals, and everything else in that context. To link trade and aid means to make trade more fair, and this is why the idea of international corporate social responsibility agreements came up some years ago on the advice of the Dutch Social and Economic Council.

This council works on what we call 'the polder model', where people, workers and Dutch government employers work together. A lot of countries observe that what we are doing is 'tripartite' but even when you look at the process of these agreements it's even more than triads: it's '*quadripartite*'. Stakeholders are involved from the start of this process of negotiating for an agreement about Sustainable Development Goals. We want to make sure that it helps companies' with their supply chains – wherever they're operating – and to make sound agreements so we may step forward to confront poverty. Stakeholders – NGOs and unions – are involved from the start. The negotiations always involve the core labour standards, I'll come back to that later.

We want people to earn at least a living wage or a living income, and that has to involve the concept of due diligence. I'm not sure if everyone knows what core labour standards are. They have existed for decades and were set up by the ILO [the UN's International Labour Organization], in an international context with people appointed by the government. The ILO core labour standards stand for making sure there is freedom of association, making sure that people are involved in the collective bargaining model, that you're free of discrimination, that there's no child labour and no forced or coerced labour, for instance that you have to work too many hours to have a living wage.

These core labour standards have to be in these international agreements. Dutch [government] minister Ploumen from the department of trade and foreign affairs said 'okay, this is an interesting idea. I think these concepts of international agreement could be a useful tool'. She promised to look into making up such an agreement in 13 sectors. But the ILO's core labour standards are in nearly all countries in the world; when you are a member state of the ILO you really have to make sure the core labour standards are not only within your policy but also how you work with unions and enterprises. You all know this is still a faraway goal.

Another 'bible' policy for us is the OECD [Organisation for Economic Co-operation and Development] guidelines for multinational enterprises which were renewed in 2011 and brought in the concept of living wage, which is very important for us. The OECD involves 48 countries, each of which tells its enterprises and businesses that operating in other countries means only one standard: the OECD guidelines for multinationals. You may want to look into these guidelines. They are a very interesting concept because the mechanism behind them means that if a country or an enterprise breaches them, you can go to your national contact point and tell them something is going wrong. Enterprises

**Figure 12: Lucia van Westerlaak**



are very fearful of that. They don't like the idea of naming and shaming because of their image. It's effective and besides, it's the only tool that we have.

Minister Ploumen told our bureau, KPMG in the Netherlands, to look at the risks of breaches in the sectors in these beautiful core labour standards and OECD guidelines; 13 sectors came up, such as banking, finance, garments, food, and construction. Qatar's oil and gas is an example. In all of these sectors we look into how to make up the agreements; my agenda is full every day with talks with branch organisations, the social economic council, and the Ministry of Foreign Affairs about how to do this, how to make sure that not only [are the agreements expressed in] beautiful language but also the companies do it. We have to monitor that here in the Netherlands and also far away, within the supply chain. We want to know if it works – how do we do that? It's a huge amount of work. It will take months, even though the minister wants us to finish in December. Maybe we'll finish in December next year [2016].

To link with the SDGs quickly: [to alleviate] extreme hunger and poverty, you need freedom of association and people to collectively bargain for a basic living wage or minimum wage. You cannot do that on your own, you have to do that together.

When you have education, there is far less child labour. When you have freedom of association you also have less child labour because if the child has to work then you know the parents don't get paid enough. [Considering] the same rights for men and women; when a country has a good culture of collective bargaining, there is less income inequality in general, but also less income inequality between men and women, and economic progress is better. I could go on and on; this is not difficult, these are basic conditions.

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If you want to work on the SDGs, it's just basic conditions and core labour standards, and a living wage.

About environmental sustainability I can say that our biggest leader of the ITUC, the International Trade Union Corporation, Sharan Burrow, has one line. I love to quote her: 'There are no jobs on a dead planet'. This is very true, so we always make sure that we act together with NGOs like Greenpeace.

Am I optimistic? I'm not so optimistic yet. You're laughing, why? A dawn of a new era? Yes or no? I've been doing this work now for eight years and I've seen agendas in society and in politics changing. So yes, this is good, we're looking in the right direction, we're working together more than we ever did. There is more ownership than there was, which is also very good to know, but there are never guarantees.

It's hard work and we have to make sure that all the agreements we make are superintended and monitored. There is one thing that I didn't put on the slides but it's very important too. [Asks audience] How many people are members of a labour or student union? I want to know, please raise hands. Ooh I see. This is the big danger, we cannot do it without collective power. Really think about that, it's so important; people who want to stand for their position and rights, you have to be together because power needs countervailing power. Please remember that and think again if you have to choose. Do I want to be a member or do I not? Thank you very much.

## Nisha Bakker - UNICEF

We started in 2000 with developing the Millennium Development Goals and I think we've achieved a lot. We have reduced poverty, we have reduced child mortality, and we have reduced insecurity in a lot of different ways, but we've also realised that we're definitely not there yet. We have to do much more.

The big difference from 15 years ago is now we are trying to achieve a concerted effort. Many stakeholders have been involved in creating and drafting the SDGs. It's truly not something only from the UN or the government, it's something that's owned by millions and millions of people that have already been involved and hopefully many more will be too. 'Are we at the dawn of a new era?' is actually a truth-or-dare question.

**Figure 13: School meals provided by UNICEF**



[Nisha Bakker indicates photo – see Figure 13] My first photo is a picture of a group of girls having their meal. It's a simple one about food security first of all, but it's also about the place where they're having their meal – at their school. I'm showing you this because we and many other organisations figured out that in many countries it's important to provide a meal during school classes. It's an incentive for parents to send kids to school.

Having a good meal actually doesn't only mean having the right ingredients. You also need water and sanitation, clean water to cook in, clean circumstances and hygiene. So this picture is actually telling you a lot of things. I'm talking about food security, education and water sanitation.

My first point is that everything in the SDGs is very holistic. You can't choose one SDG on food security if you don't address water sanitation. You can't address education if you don't look at the other factors around it. So you need to look at the interconnectivity between SDGs, no matter how you think of the number of them.

**Figure 14: Triplets in Senegal**



I think the second picture [*Nisha Bakker indicates photo – see Figure 14*] is a really cute one. These are triplets born in the most southern part of Senegal, West Africa near the border with Guinea-Bissau. Their mother was circumcised at a very young age and therefore delivering the babies was very difficult for her. Unfortunately she died during their delivery. The father left the household because he didn't want to be the father of three orphans. In the end their grandmother brought these triplets to a place where UNICEF takes care of malnourished children because she didn't know what to do.

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The children are very healthy now because they got therapeutic feeding. UNICEF found a family that could take care of them, a family within their village. They're still in their natural environment. But what I wanted to show you with this picture is that these children live in an area that is very hard to reach. Their grandmother had to travel for more than a day to get the children to a safe place; that's the second point that I wanted to make, about equity.

It's easy for the SDGs to reach children, families and young people in urban areas, it's easy to reach children in areas where governments, NGOs and civil society are present. But there are also big parts of the world that are not easy to reach, and that's actually where you can make the biggest difference. When you make a difference in those areas, you'll make a much bigger difference in average quality of life over the whole country.

The third and last picture [see Figure 15] is connected to the second one, and is probably the picture I'm most proud of because it's a picture about a partnership that we started with UNICEF and Philips earlier this year. We decided to join hands because that's what you do within the SDGs. With MDGs, partnerships were viewed by the NGOs and civil society as going to companies and asking for money – we would provide a logo in their report in exchange. But with SDGs we're actually challenged to look beyond our comfort zone to our core competencies, and those of other stakeholders to see if we can come up with innovative solutions and good matches.

We've been doing that with Philips for a little over a year now, starting with a programme in Kenya. Our survey in over 40 hospitals in the capital found there is not enough medical equipment available and the equipment that is available is not suitable for the local circumstances. This means if there is a power cut, you can't help a woman deliver [her baby] in difficult circumstances. We wanted to not fly in all the equipment from the west, but invent new equipment, create innovations that are usable locally and can be produced in the local context.

That is actually also the vision of the government in Kenya; that's what they want to achieve by 2030. They want to be independent and to have a workforce and a production force of their own.

So by partnering, we are adhering to a decision, making sure that we're innovating on a local scale. Philips' role is supporting these innovations and helping the local innovation hubs to scale up in a professional way, because that's what they do, day in and day out. They can transfer the knowledge and get the market insights as well. UNICEF is not just as a traditional recipient of money there. They're there to build relationships with the donor, because once prototypes are invented and the whole process is set up, you need a legislative process with the government to have the medical equipment validated and secured, and you also need a buyer – which in these cases is also the government.

**Figure 15: Health partnership between Philips and UNICEF**



These three nice pictures tell three stories in which partnerships are definitely a very important element. I also want to share three concerns about SDGs with you. No matter how many nice things have been said, this is not going to be a simple task.

My first concern is that it's very easy to continue to do business as usual, and I doubt we feel a sense of urgency but I truly think there is one if we keep on eating, and continue using airplanes and cars, in the way we do now. We know – and science has proven it – that by 2030 we will have a problem, because the temperature of the earth is rising, and there is not enough food. But somehow, nobody feels the urgency yet.



I think we need the SDGs to make sure everyone feels that sense of urgency, because without that we're not going to act on change.

My second point would be a simple one. It's a question that you could ask yourself. I like to stand under the shower for 10 minutes in the morning, and I know that's wasting a lot of water. Am I willing to sacrifice four minutes? I would say yes but in practice I don't do it very often. My point is that to reach the SDGs we have to make sacrifices. They don't have to be big – showering a couple of minutes less is not a huge sacrifice – but we'll have to think of making a sacrifice. Sacrifices are very easy in theory but hard in practice.

That brings me to my third point. Behavioural change is a very big issue, and I think we need a big plan – and a communication plan – about how we're going to bring in behavioural change. We can put more schools in place, we can distribute more food, we can innovate in agriculture and implement water sanitation measures, but they all have to be accompanied by behavioural change.

**Figure 16: Nisha Bakker**



| *"I think everything is in place to achieve these SDGs but we have to dare and we have to make it possible."* – **Nisha Bakker**

My presentation's title was 'Truth or dare'. The truth is there are a lot of challenges, the truth is there are 169 targets and 17 goals. The truth is also that there are seven billion people in this world and every individual can already name a number of their problems, so I think 169 targets is not that much if you consider seven billion people looking at every problem as an individual.

Dare? I think we should dare because it's a huge challenge, it's also a huge opportunity. Kennedy said in 1961 that we'd be able to put a man on the moon. That was definitely a dare. How would you know if that is possible? He felt that it was possible. He knew the technology was there.

I think everything is in place to achieve these SDGs but we have to dare and we have to make it possible. I would definitely want to go for a dare.

I want to close with two final remarks: I showed African people in the photographs but that does not mean SDGs are only for African people. SDGs are for all of us, for every individual – even in this room, not only the individuals in developing countries.

And finally: last week I happened to be in an airplane with a former board member of Unilever who shared a very nice quote with me. He said he now knows what he wanted to know 30 years ago: that complexity can best be solved by embracing diversity. I think that's what we all should do. Thank you

### **Hans de Jong - Philips**

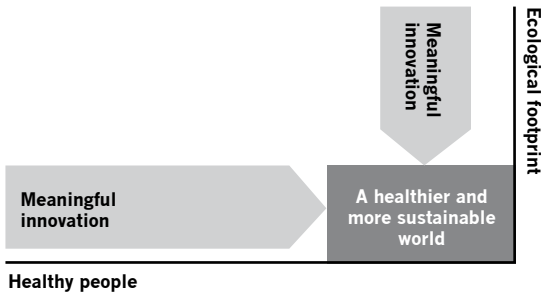
I would like to talk about what Philips does and aspires to do about contributing to the Sustainable Development Goals. Before I do that, a few words about our company. Philips is a private company going through tremendous transformation, but we've been through transformations throughout our history. Sustainability has been a constant factor, from 1972 when we co-signed the Club of Rome Second Report, to today with making our products more sustainable and energy saving.

Now we're going into a completely new model for health, and other things like the circular economy, which I will talk about later. You need to not only look at Africa, but also at what we're doing here in the West.

We try to put people at the centre of everything we do. A number of years ago we formulated a goal to improve the lives of three billion people by 2025. We made a model to measure it, audited by KPMG. Today we are up to 1.8 billion. It's done through health, through products but also through other things that we bring to the market. We helped people to live a better and healthier life. We're a business but there's nothing wrong with that.

This is probably a familiar picture (figure 17). On the vertical axis is the ecological footprint, and on the horizontal axis is healthy living or lives. In our case this means healthy people and we contribute via 'meaningful innovation'. Those are words we introduced a few years ago. We've actually used those words as a filter because as you can imagine, a lot of ideas pop up in companies like ours. We use them as filters: does it contribute to our aim? And of course: is it financially feasible? We use the filter to build on our future while contributing to the world.

**Figure 17: Model by Philips**



So let's dive a little deeper into the goals that we feel that we can contribute to. Just as many companies do and should do, we make choices. We feel there are three goals to which we can contribute.

The first one is no surprise – goal number 3: ensure healthy lives and promote well-being at all ages.

The second goal: ensure access to affordable, reliable, sustainable and modern energy for all and the third goal: ensure sustainable consumption and production patterns. The thing is – and building on what Nisha said – these are things you cannot do alone. We cannot realise these things on our own. You see modern development of co-operation and even better co-creation in not only the lighting business but in health and everything we do; we co-create.

We work with university hospitals and institutions like UNICEF. I will give you three examples. Let's start with the healthy lives [*shows a photo of mothers and children in a waiting room*]. This is my sentimental picture of Africa with children. But that is where the huge issue lies. We work with UNICEF because we understand technology. We have been around for 125 years and we have been in these countries for decades – we have a presence in most countries in the world. That helps.

I think it's also true that every time the word 'Philips' appears on a product or a solution, people want to work with us, because their expectation is that we are knowledgeable, we've been there for long time, we'll stay there for a long time and we can actually do something. But that 'doing something' is changing quite rapidly.

Our programme with UNICEF is done via the Philips Foundation that we created and funded to work on completely new solutions. One reason for doing it via the Foundation is that it doesn't touch the business of today but we keep the priorities. Yesterday you might have seen we have the quarterly results, typically something for multinational companies, every time that quarterly pressure. But it's very important that you create [the right] conditions, because they take a long time. They're complicated and you don't achieve anything without committing to it for many years. You certainly don't achieve any skill. We work with UNICEF, and actually signed a joint programme with the aim of developing solutions for local communities in Kenya last month. Another project is in the slums of Nairobi where you have 15 health professionals for a community of 100,000 people with barely any equipment. You find the same thing in many places in Kenya.

Another up-to-date statistic is that in developing countries in Africa about 300,000 women per year die during child birth or during pregnancy. We have 6.5 million babies worldwide dying of avoidable diseases like diarrhoea and pneumonia. We can contribute to [alleviating] this and we feel that co-operating and technology can help. It's not technology alone, it needs to be applied and used by people and it has to be locally relevant.

I think it's important is that you really start bottom-up. Many companies, including us, have made the mistake of taking equipment from the West, simplifying it and making it a bit cheaper, and thinking it can work locally. We keep explaining that it is usable and that they should use it. But we should rather listen, try it out together and then re-specify it and make it. I think that's a lesson that we've been through, and it's also why we've structured this programme in Nairobi in a different way, through rapid prototyping and development from research. Having failed in the past to really work bottom-up on those things, we feel we can now do things that work on the health side in co-operation. You will hear me use the words co-creation and co-operation all the time.

**Figure 18: Hans de Jong**



Another goal, number 7, contributes to delivering energy for all in places like Africa, but there's also no access to electricity in other parts of the world. In fact 20 per cent of the global population does not have access to electricity. That's an issue. The sun shines in those countries all the time. Modern technology includes batteries and very low energy LED lighting. We have developed devices that can charge up during the day and can light up during the night. We've experimented with these things. Actually, we're beyond experimenting; we're rolling them out [to the market] at the moment. We create the situations in which people can have social activities in the evening, in which shops can stay open, in which children can learn.

None of us here can imagine a world without artificial light anymore, or imagine the idea we would not have light in the evenings. These places still exist. But technology that didn't exist until recently does exist now.

Again, it's not easy to roll these things out; they get stolen or broken. To make it a success we need to work together with those communities and with parties that know how people work in these environments. So our target from now to 2016 is to roll out installation of these kinds of things in another hundred places, and then people will hopefully catch up and follow the example.

A last example is on goal number 12; the goal that ensures sustainable consumption and production patterns. We're more and more convinced that the way that we take raw materials from the earth, make them into products, use them and basically dump them is not sustainable. One of the reasons that I still enjoy working for this company so much is that we're always experimenting with the new and looking for new models, even though this whole notion of circular economy is still far away. [The circular economy model] is transforming ownership into the right of temporary use. Whatever the earth gives us, we give back. We use it only if we need it and we give it back.

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That means that we need to create things that can be given back, that's not so easy I can tell you!

We're working on recyclable plastics – some of our vacuum cleaners are now completely built from recyclable plastics. But there are not enough recyclable plastics around and we don't want them to all look grey. We still want them to have a nice colour. So there are still challenges there.

Another aspect of the circular economy that is translating to a concrete example is that we're moving away from selling products, to selling the benefits of that product because there's very little reason why we should own things.

We're starting to sell light as opposed to lighting products. One of the first global projects is at Schiphol, which is paying only for the use of the light. We retain ownership of the luminaires and we will take them back at the end of the contract period because we made sure in the design phase that those products are either refurbishable, and can be made to be used again, or recyclable because we know we'll get the problem back.

It's finally starting to work, despite being very complicated with legal issues and co-operation issues. After one year, we now have six new projects. People have said 'okay it can work, you figured it all out'. It's a slow process and takes a lot of patience also but it's starting to go in the right direction.

In the co-operation with Schiphol, we want to do something different. Philips said: 'we're very eager to be part of that'. The running of Schiphol is subcontracted to Cofely; they need to be part of the programme too and there are issues that need to be resolved and you need to work together to get these things going.

I can tell you that a circular economy is technically possible, but the biggest challenge is getting all the parties in the chain involved, committed and executing it. Nobody can do this alone, but all the ingredients are there. It can be quite frustrating sometimes.

We're committed. As a multinational business, we feel we can build by doing our business in a different way. We feel strongly that if we don't do it, our long term survival is at risk. There is a self-interest, but there is nothing wrong with that, that's okay, because only real solutions will be accepted and you cannot fool the market – only real solutions will work. It takes a long time and a lot of patience.

To repeat the lessons that we have learned: solutions will only work and become scaled up to big volumes if they're real solutions for the target group, and that's different for Western and African societies. You really need to make the right solutions. It must also become part of your business model otherwise it will all be from the management and it's not sustainable. Your goal should be to reach hundreds of thousands, millions, or even hundreds of millions of people otherwise the global impact is very low.

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*"Everything is possible, and technology will not be the limiting factor. It will be available but we need to figure out how to work together and make this happen."* – Hans de Jong - Philips

Pilot projects are not a problem, scaling is the big issue. So another lesson learned is finding the right partners. You need partners that not only share that, and maybe that passion, but also partners that complement you to achieve that goal. It's not 'arty-farty', it's very serious and complicated stuff, but we have people around the world that have often learned the hard way, and they'll know what to do. Let's say UNICEF is one of them.

Co-creation and co-operation, everything is possible, and technology will not be the limiting factor. It will be available but we need to figure out how to work together and make this happen. Thank you very much

### **Ronald Wormgoor – Ministry of Foreign Affairs**

Primarily I'm here because I was part of the Dutch government's negotiation team that got to the SDGs three weeks ago. I think it's important to say that after that, a heavy weight has fallen from our shoulders. Now we're looking forward to the implementation.

As the last speaker I would like to start where Rob van Tulder also started in the first session, with the question: are we at the dawn of a new era?

Many speakers have already reflected on it and in order for me to do so I would like to show you that 2015 is not only a very important year because of the adoption of the SDGs, but also that there

are actually a number of very important international conferences taking place in this year that set a new agenda for international politics. So it's important to say that the SDGs are a part of broader initiatives within the UN that give us a new agenda for the future.

It's also good if we want to ask - if we are at a new era - to look back a little bit on what we achieved in the previous one. I'm referring to the period of the Millennium Development Goals and I'm picking out a few of the goals just to show some of the results that we had. The results are actually good, in our view. We did achieve the 50 per cent reduction in poverty. Child mortality went down by 50 per cent, malaria and tuberculosis was halted. Now, 2.3 billion people have access to drinking water and also primary education enrolment was over 90 per cent, including a good balance between boys and girls. So this actually looks really good. But we're not there yet and it's important to note that. Although there were successes, we still have a lot of work to do because if we have reduced poverty by a half, we also have to continue with reducing the other half of poverty in the world.

**Figure 19: A changing world**



Gender equality remains a very big problem in many parts of the world; of course we know the problems with the environment and employment are still very high. And even though we've had some successes with child and maternal mortality there is still more work to do there. And it's not only that we have to complete the agenda, there is also the fact that we are in the new world: In 15 years, a lot has changed and we have to factor that in when we set a new agenda. That is part of how the SDGs came into being. Of course, as we mentioned before there's still global warming. Another one that hasn't been mentioned yet today is that the world is changing in terms of power structures. We don't have a North-South balance anymore, we actually have 30 rich countries, 30 very poor countries and more or less 130 middle income countries. So that means that every country has to look at his responsibility in this whole process.

This picture is from the new Asian Infrastructure Investment Bank which was established by China, showing the fact that they're not satisfied with the existing structure of the World Bank and other institutions. There is actually something going on there. A strong role for the private sector was already the case in 2000, but it has become even stronger. We're facing many conflicts in the world

with the highest number of refugees underlying the universalities in the world. We cannot shy away from problems in other parts of the world, we know from experience that we will face it sooner or later. Inequality is still rising where we have reduced poverty in absolute terms. It's of a different nature, that's very important.

The huge opportunities offered by digitalisation and new technologies have been previously referred to by Hans de Jong. We have to make sure that it's not only something for European countries but it's [effect is] broader for the rest of the world. That's more or less the context in which the UN negotiated the Sustainable Development Goals over the last three years, and the MDGs. The blue part of this picture (figure 20) represent the 17 goals, and you cannot see that without addressing the economic foundation, the red part, and taking into account the effects of the planet, the green part. Only then can you solve the problems of this world.

As I mentioned before, the integrated nature of this agenda is very important, you cannot only work on one goal, because it's linked with others. Therefore this agenda, although it has 17 goals, is in a way a complete agenda. It addresses the complexity of the problems that we are facing. I just want to mention the purple one, peace and safety, which is often left out, but that reflects the needs of those countries that face conflicts and injustice, so that's also part of this equation.

**Figure 20: Blue, red and green SDGs**

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The question then comes, how problematic is it? It was already asked by Rob van Tulder at the beginning. How problematic is it that there are 17 goals?

In order to answer the question it might be good to look forward to what will actually happen with the SDGs. Now, we have [set] the goals and we're celebrating a little bit. Famous people are talking about it and there are clips going around. What will actually happen right now?

Basically the SDG framework asks countries to do two things, to provide a policy response or responses to the SDG agenda, and to report on their achievements or the way in which the countries have actually achieved those goals. We have to implement them and report on them - and that is precisely what is now being discussed. In the UN the negotiations on some parts of the agenda are still ongoing, particularly on the monitoring framework, so it's important to keep negotiating and taking a tough stance on this. According to the Netherlands, at least, the fact is that the monitoring



framework for the SDGs is not sufficient right now so we're working on that. And we hope the SDGs will do what we've learned from the MDGs, to a certain extent.

They should mobilise resources around the world, not only from governments but also from other partners. They should steer international efforts into common directions and should also be a framework for our citizens and organisations to hold their governments to account on whether they're actually implementing and complying with the SDGs. Those are three important aspects of the behavioural change that we want the SDGs to achieve, but it's not only about the goals.

**Figure 21: Roland Wormgoor**



Here is the question; are we at the dawn of a new era? It's not only important to say that we have goals, but also we have to do things differently – and I would like to mention a few of them.

First of all, in the old era, aid was very dominant. Basically, development co-operation was mainly about aid and how aid was done. Now, we see it that aid should be focused mostly on where it is most needed. It should be used as a catalyst to trigger all the financing streams, and maybe also to trigger other exchanges of knowledge and technology. Aid [should be used] more as a focus on the poor and also a catalyst for other resources.

It is important to work on the taxation system in countries because in the end if countries want to become sustainable themselves, they have to be able to raise their own funds – so this is priority for us. Knowledge is really important, and has been mentioned here before as the opportunities offered by new technologies and making sure they're accessible to other countries in other parts of the world. Regarding trade and investments, as Rob van Tulder said, we need trillions of dollars to achieve the SDGs. Of course that will never be financed only by aid. Therefore it's important to tap into the existing resources and then talk about trade or private investments, or philanthropists or the regular budgets of countries.

32 | It's important that we not only look at the aid and how to spend money but we should also look at how it could influence others in spending their money. I think it's really key that the role that partnerships can play has also been part of the Dutch input to the negotiations. In the Netherlands we have a traditional ability to work together, and if we do that more, promote that more, we think it will be really beneficial for reaching the SDGs. We know that not all the countries in the negotiations see this the same as we do. Many think giving the private sector or NGOs a strong role, for example; might undermine the ability of the government to act on certain policies. So even though it has not been completely uncontroversial, we think it's a big success that the SDGs represent a new sort of paradigm.

I shall say a few things about the Dutch dimension, about what the Netherlands' government will do. First of all we have to look at the implementation; we also have to look at the reporting. During the negotiation process, as the ministry of foreign affairs, we will continue dialogue with the other [Dutch] ministries because they're all responsible for parts of this agenda. We will see what the future priorities should be for the Netherlands. Of course we will look at existing policies as much as possible and how they'll apply to the SDGs. In addition to that we have to look at what the European Union will do, because a lot of agreements under the SDGs are also part of European agreements. Then on top of that, there's policy coherence. It's a difficult word, and I'm not sure if everybody knows what it means. It's basically about the impact of our own policies on developing countries, and on other countries. One of the issues to think about is the taxation on trade or climate. What we do here has an effect on others. The universality of this agenda makes us much more aware that what we do in the Netherlands has an impact on developing countries, for example the fair fashion value chain. Some of the examples mentioned already today show that.

Development co-operation, is a very important point. SDGs are of course about working in other countries and the Netherlands already has a lot of priorities; water, food security, sexual and reproductive health, and rights, and our efforts in fragile states, so we have a number of priorities that we think are very well reflected in the SDGs. We continue to work on that. In addition, our

minister has recently published a new policy on inequality and inclusive development. In our view that was our immediate response to the SDG agenda and we'll continue working on that.

My last point is about opportunities for the Netherlands. We should not forget that there is a lot of knowledge in the Netherlands, and as we know this SDG agenda will not only be an important agenda for ourselves but also for the rest of the world. We should be smart and see how we can forge partnerships, how we can use our knowledge in the Netherlands to benefit from the investments others will make in the SDG agenda.

I think it's important to end with Ban-Ki Moon, the secretary-general. He said that the SDG agenda is a to-do list for the world and he even called it a blueprint for success. There is absolutely no time for cynicism. Of course critics are welcome, and much-needed, but I think the SDG agenda offers an important opportunity for all of us. We can refer to it in our work, we can be inspired by it and I think it's a very good opportunity. We have seen so many initiatives already today, so we can see that it actually works.



# 3. SUSTAINABILITY ASSESSMENT OF PRODUCTIVE SANITATION IN IDP EMERGENCY SETTLEMENTS

CASE STUDY SOUTH DARFUR, SUDAN

**Wini Adam, MSc. Winner of the SDG challenge 2015**

During the Max Havelaar lecture, my master thesis was presented in a poster format and competed for the last round with six other projects. I was lucky to win the first stage prize of € 500 to support the research activities, and it was a great boost to my specific research objectives. My Master research discussed the feasibility of productive sanitation systems (PSS) as an alternative sustainable solution for sanitation in emergency settlements, by taking the case study of two camps located in the South Darfur state.

Productive sanitation systems (PSS) are linked to the SDG goals of zero hunger, good health and wellbeing, and clean water and safe sanitation. The research started with a literature review on PSS operated in emergency settings, such as composting excreta during the Haiti earthquake, and production of biochar [charcoal used as a soil amendment] in Kakuma camp in Kenya. The PSS applied in emergency settings could successfully manage the safe disposal of excreta, and control diarrheal disease. However, the economical sustainability of the systems still remain a challenge.

The money awarded from the SDG challenge allowed me to pilot a urine diverting toilet (UD) in Ottash camp to quantify excreta and observe the users (Figure 22). Firstly I could assess the impact of cultural habits on the use of UD toilets and, secondly, the ability of the local people to construct such toilets. Moreover, I was able to further investigate user acceptability of the excreta products via a small trial of biochar production and the use of a planted gravel bed for grey water recycling (Figure 23, Figure 24). Also, I investigated the reuse acceptability by conducting focus group discussions with community volunteers e.g. hygiene promoters (Figure25). In addition, I interviewed local WASH experts and governmental experts of South Darfur.

The findings show that users are willing to reuse different wastewater streams. Nevertheless, the type of stream highly affects the population's opinion about reuse options. For example, the reuse of greywater has very high acceptability, and could exist in several reuse options e.g. laundry, house cleaning, and dish washing. In contrast, the urine stream has the lowest acceptability with only one reuse option: to grow plants which are not eaten fresh, due to religious norms that consider urine as an impure source.

Furthermore, the experts in the region are eager to change the existing sanitation system and to search for sustainable solutions that can contribute to achieving better health indicators<sup>1</sup>. The WHO office Nyala considers a simple pit latrine to be applied in the camps as an ideal solution to the great amounts of the *E.coli* bacteria in drinking from water boreholes<sup>2</sup>. At the same time, the WASH cluster welcomed the PSS idea and is aware of the added environmental value that comes with implementing PSSs. Nevertheless, the camps are fluctuating between relief and early recovery phases for years, as a result of the instability of the crude mortality rates in the camps and the acceptance of the new arrivals of affected population. This reflected on the funding granted to the region. The funds were reduced in the last year. It's reported that only 37.4 per cent of the required intervention activities received funding at the end of 2015, and only 2 per cent of the activities were funded in January 2016<sup>3</sup>. Thus, at present, the WASH programs have very small amount of money to invest in sanitation.

Based on the findings from the Ottash and Kass situations, the research developed an adaptation to the current sanitation systems to be more sustainable by adding a treatment unit to the existing collection system. The selection of the treatment units is based on economic and environmental factors, low cost and safe discharge. The selected units are double vault composting for household latrine, and aqua privy and gravel bed for public latrines. Additionally, the new units consider the use of local materials which are already produced by the internally displaced persons (IDPs) in order to further convey entrepreneurial activities. Potential entrepreneurs were identified as hygiene promoters, brick makers, unemployed youths and women groups. These groups are already targeted by humanitarian agencies for different objectives, for example brick and pot makers are engaged in intensive use of resource (water, and energy) activity, or unemployed youths are targeted for disaster risk reduction due to their vulnerability to engage in conflict. Thus, for the WASH cluster it would be recommended to collaborate with the other humanitarian projects.

The research concludes that PSS is a feasible option for the Darfur IDP camps and that there are several reuse options that could be pursued, such as composting, biochar, and water recycling. However, the sustainability of PSS will depend on the sanitation providers and their ability to integrate local enterprises in the production of different PSS units (e.g. collection, and treatment) along with the PSS implementations to ensure the reproducibility of the systems installations.



**Figure 22: The picture shows one example of the five UD set up piloted in Ottash camp**

**Figure 23: Small gathering where the household explains to the neighbours the idea and the benefits of system**



**Figure 24: The biochar processing: adding 25% woody char to faeces after anaerobic degradation in black metal ladle under the sun for three days**

**Figure 25: Focus group discussions conducted in Ottash and Kass, example women group FGD Ottash, and community leaders FGD Kass**





# 4. THE SDGs AS AN INSTITUTION TO DEVELOP CORPORATE STRATEGIES

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## **Introduction**

The shift from the rather limited Millennium Development Goals (MDGs) to the more inclusive Sustainable Development Goals (SDGs) has greatly increased the complexity of the global development agenda. While the MDGs consisted of eight goals, 21 targets, and 60 indicators (World Bank, 2008), the SDGs consist of 17 goals, 169 targets (United Nations, 2015), and 304 proposed indicators (UNSC, 2015). These are ambitious goals and achieving them by 2030 will be an incredible challenge.

Of critical importance in reducing complexity and realizing the 2030 Agenda for Sustainable Development is SDG 17: to “*Strengthen the means of implementation and revitalize the global partnership for sustainable development*” (United Nations, 2015). Multi-stakeholder partnerships that link the public, private and civil society sectors are at the heart of this goal, while businesses are specifically called upon to mobilize their capacities to solve sustainable development challenges (United Nations, 2015).

Moreover, after the adoption of the SDGs United Nations Secretary-General Ban Ki-moon commented: “*Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success*” (UN News Centre, 2015). Helen Clark, head of the United Nations Development Programme (UNDP), added that “*the new sustainable development agenda cannot be achieved without business*” (UN News Centre, 2015). Along these lines, Jeffrey Sachs, Special Advisor to Secretaries-General Kofi Annan and Ban Ki-Moon on the MDGs, argues that the leadership of small and large companies is needed to realize the SDGs (Sachs, 2012).

However, the 2030 Agenda for Sustainable Development provides little guidance to companies that want to contribute to the SDGs. As a result, it is difficult for companies to decide to which SDGs they should commit. This chapter argues that the SDGs and their underlying targets should be seen as an institution that can help companies conceive relevant corporate social responsibility (CSR) policies. It first places the SDGs in a broader theoretical context. Then it presents specific themes of sustainable development, which were distilled from the targets and indicators supporting the SDGs that are relevant for companies. Subsequently, a framework is introduced that can help companies decide which SDGs are most relevant for their CSR policies. Finally, implications are raised and suggestions for future research provided.

### **Context: The SDGs as an institution governing sustainable development**

The development debate transitioned from the Old Development Paradigm (ODP) (or the neoclassical model) in the 1970s and 1980s, to the New Development Paradigm (NDP) in more recent times (Dunning, 2006). The former entailed the belief that the institutions and economic policies of rich countries should be the model for developing countries to raise their living standards, usually measured in gross national product (GNP) per capita terms (Dunning, 2006). Social and environmental aspects of development were largely neglected (Dunning, 2006; Dunning & Fortanier, 2007).

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However, the ODP lost ground due to disappointment over the results of development policies based on the neoclassical school, as well as ongoing globalization and technological advances in transport and communication technologies (Dunning, 2006; Dunning & Fortanier, 2007). At the same time, new theoretical and empirical perspectives emerged that formed the foundation of the New Development Paradigm (NDP). Particularly important for the development of the NDP, notes Dunning (2006), is Amartya Sen's (1999) view of development as freedom, Joseph Stiglitz' (1998) focus on the structural transformation of society, and Douglass North's (1990) work on institutions.

As opposed to the ODP, the NDP views development as a holistic, multifaceted, yet contextual enterprise, in which the means and the ends of development are often intertwined (Dunning & Fortanier, 2007). It integrates economic, social and environmental aspects into one theory of development (van Tulder & Fortanier, 2009). In addition, it acknowledges that companies, as well as governments and civil-society actors, play an active role in the development process (van Tulder & Fortanier, 2009).

In practice this debate can be recognized in the similar shift that occurred in the transition from the MDGs to the SDGs. The eight MDGs were criticized for, among other points, viewing development primarily in terms of poverty reduction (Griggs et al., 2013; Saith, 2006; Wisor, 2012), for their primary focus on the developing world while neglecting development in wealthy countries (Sachs, 2012), and for having a top-down approach that did not allow for deliberative decision-making (Wisor, 2012) and thereby failed to include the perspectives of those it sought to help (Harcourt, 2005). Although the SDGs received some criticism (e.g. Horton, 2014; Waage et al., 2015), they can be argued to have overcome several of the problems associated with the MDGs through their more inclusive approach. For example, over a million people from all over the world provided opinions of the SDGs during their formulation process (UNDG, 2013). To add to this, numerous companies and many NGOs participated in creating the SDGs (Palmer, 2015), thereby overcoming a top-down approach.



On this basis it can be argued that the 2030 Agenda for Sustainable Development is the primary institution governing global sustainable development. Institutions are a society's rules of the game, or, more specifically, the "humanly devised constraints that shape human interaction" (North, 1990:3). In other words, the SDGs are the global rules of the 'development game'. Furthermore, each individual SDG can be seen as an institution in itself, governing the specific developmental theme targeted by that SDG. Because the NDP, in addition to the 2030 Agenda for Sustainable Development itself, calls on companies to also be involved sustainable development, the SDGs can also be seen as the institution governing corporate contributions to sustainable development.

**The role of companies in sustainable development**

Companies can contribute to sustainable development in many ways. Such contributions are part of a company's corporate social responsibility (CSR) policy, since CSR is defined as "policies and practices of corporations that reflect business responsibility for some of the wider societal good" (Matten & Moon, 2008:405)<sup>4</sup>. Hence, contributing to sustainable development is, per definition, part of the societal good.

However, there is a plethora of potential themes of sustainable development that companies can contribute to. Gaining awareness of these themes, determining their relevance for corporate policies, and subsequently contributing to them is a difficult exercise. Viewing the SDGs as an institution that governs sustainable development can assist companies in gaining this awareness and can help firms develop relevant CSR policies by aligning these policies with the goals. Moreover, the SDGs allow for benchmarking corporate contributions to sustainable development.

Yet, while the 17 SDGs can be argued to be very generic and therefore lack the specificity to be an effective foundation for CSR policies, the SDG's 169 targets may be too overwhelming and not all of these targets have a relevance for companies. The World Business Council for Sustainable Development (WBCSD) has attempted to create guidelines for companies who wish to contribute to the SDGs through their SDG Compass (GRI, UN Global Compact & WBCSD, 2015). Distilled from the SDG targets and the WBCSD's SDG Compass, Table 1 below proposes 59 (indicative and non-exhaustive) specific themes of sustainable development that are relevant for the private sector, and shows how they relate to the SDGs. Thus, while some of these themes relate to a single SDG, others relate to multiple goals.

**Table 1: Sustainable development themes relevant to the private sector**

Sustainable Development Theme	Measures SDGs						
Socially and environmentally sustainable sourcing	1	2	8	12	14	15	
Fair payment to small-scale suppliers	1						
Goods and services for those on low incomes	1						
Access to financial services for all, including the most vulnerable	1	8	9	10			
Sustainable food production	2						
Healthy and sufficient food for those on low incomes	2	3					

Agricultural productivity of small-scale suppliers	1	2
Small-scale producers' ownership over land and other property	1	2
Actual and potential impacts on local communities	1	2
Occupational health and safety	3	8
Mental health and well-being	3	
Health-care services and medicines for all	3	5
Employee training and education	4	8
Education to promote sustainable development	4	12
Children's access to education	4	
Water, sanitation and hygiene	6	
Water use efficiency	6	
Energy efficiency	7	8
Energy infrastructure	7	
Renewable energy	7	
Access to energy for all	7	
Labour rights and practices in the supply chain	8	
Elimination of forced labour and child labour	8	
Economic growth and productivity, particularly in developing countries	8	
Employment for all, particularly young people and people with disabilities	8	
Resilient and sustainable infrastructure	9	
Sustainable technologies and sustainable industrial processes	9	
Responsible finance	10	
Investment (e.g. FDI) in developing countries	10	
Access to information and communication technology for all	9	
Access to affordable and sustainable transport for all	11	
Access to affordable and safe housing for all	11	
Cultural and natural heritage and diversity	11	
Greenhouse gas emission reductions	13	

Funding for developing countries' climate change actions	13
Transfer of (sustainable) technologies to developing countries	12 17
Resilience to climate-related hazards	13
Disaster and emergency planning	1 11 13
Reducing air, water and soil pollution	3 6 12
Sustainable waste management	3 6 8 11 12
Marine, coastal and other water-related ecosystems	6 14
No overfishing and illegal-, unregulated- and destructive-fishing	2 14
Ecosystems and biodiversity on land	15
Halt poaching and trafficking of protected species	15
Halt or reverse deforestation and/or desertification	15
No corruption and bribery	16
Accountable and transparent governance	16
Responsive and inclusive decision-making at all levels	16
Equal pay and opportunities for men and women, at all levels	5 10
No discrimination and anti-discrimination laws and policies	5 8 16
No workplace violence and harassment	5 16
Childcare services and benefits	4 5
Collective bargaining for wages and benefits along the supply chain	1 8
Social protection systems for all	1 10
Protection of privacy	16
External reporting on sustainability	12
Data availability and public access to information	16 17
Tools to monitor impacts on sustainable development	12 17
Partnerships with the public and civil-society sectors	17

### **A framework to align CSR policies with the SDGs**

The 59 themes of sustainable development presented in Table 1 above is a start for companies wishing to align their CSR policies with the SDGs. However, even within this narrowed list it may be difficult for companies to decide which themes to act on. The characteristics of these themes and their relations to companies need to be better understood in order for companies to devise CSR policies that are relevant to sustainable development.

When the themes presented in Table 1 are examined further, it is found that they can be argued to be more or less relevant for individual companies depending on three types of distance between the theme of sustainable development and a company: operational distance; sectoral distance; and geographic distance.

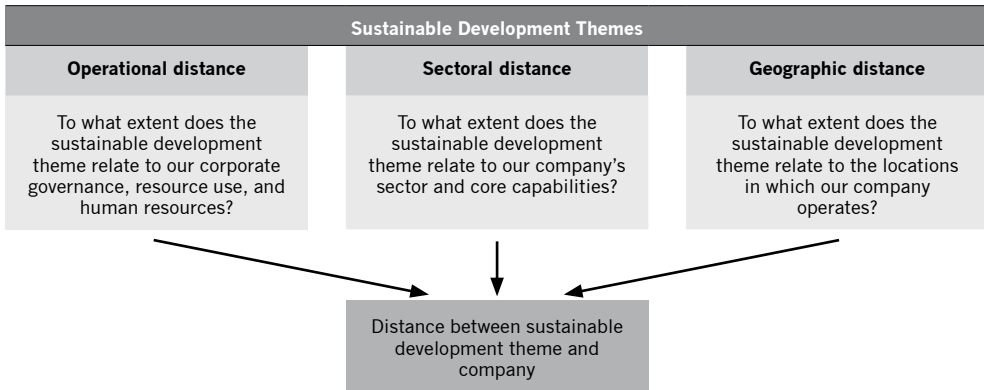
First, operational distance measures the degree to which a sustainable development theme relates to operational aspects of a firm, such as its corporate governance, its human resources management, and its use of resources. Therefore, these sustainable development themes are relevant for any firm. Examples include combatting corruption and bribery, accountable and transparent governance, ensuring absence of workplace violence and harassment, providing equal pay and opportunities for men and women, ensuring good working environments for employees and occupational health and safety, offering training and education programs, energy efficiency, sourcing sustainability, sustainable waste management, and the use of renewable resources.

Second, sectoral distance measures the relationships between a sustainable development theme and the specific industrial sectors in which the firm is active. Certain themes have a stronger or weaker relation to specific industrial sectors, resulting in lower or higher sectoral distance. For example, themes such as access to energy, responsible finance, and sustainable food production are, respectively, characterized by low sectoral distance to firms operating in the energy, finance, and food sectors when compared to firms operating in other sectors.

Third, geographic distance measures the relationships between a sustainable development theme and the geographic locations in which the firm operates. Naturally, some themes of sustainable development are more relevant in certain regions and countries than in others. To illustrate, firms operating in countries where water, sanitation and hygiene are a major developmental issue face low geographic distance regarding this theme. Moreover, when certain themes are deemed important in a firm's home country then the distance between that theme and the firm is further reduced.

To develop CSR policies that are relevant for both the company itself and for sustainable development, companies should determine the operational, sectoral, and geographic distance between their firm and specific themes of sustainable development, such as the ones introduced in Table 1. A framework to guide companies in doing so is presented in Figure 26 below. Subsequently, CSR policies should, at the least, be aligned with the themes that are characterized by low distance, which can be motivated by views grounded in business ethics, institutional economics, and CSR literature.

**Figure 26: A framework to identify sustainable development priorities for CSR**



From an ethical perspective many have argued that moral decision-making is, and should be, influenced by distance (e.g. Kamm, 2000; Miller, 2004; Waldron, 2003). When distance between a company and a sustainable development theme is low it either has direct control over the theme (low operational distance), it has unique capabilities to contribute to the theme (low sectoral distance), or it is a bystander in a sustainable development problem (low geographic distance), all of which increase the normative imperative to contribute to the theme.

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Moreover, it has been argued that the SDG framework should be regarded as an institution governing sustainable development policies in general, and CSR policies specifically for companies. Different institutional structures have different costs of transacting (North, 1990). Coase explains transaction costs in the following statement: *“In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to inform people that one wishes to deal and on what terms, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on”* (Coase, 1960:15). Building on this definition, Dahlman (1979) states that there are three types of transaction costs: search and information costs, bargaining and decision costs, and policing and enforcement costs.

Transaction costs apply to companies seeking to contribute to the SDGs. Their extent depends on the specific developmental theme, as well as the characteristics of companies. Similar to the moral argument presented above, having direct control over a sustainable development theme (low operational distance), the capabilities to contribute to it (low sectoral distance), and a presence in the environment in which the theme is most pressing (low geographic distance) can be argued to reduce transaction costs. Therefore, contributing to SDGs characterized by low distance can enable creating financially sound CSR policies.

Finally, it has been argued that for CSR to be effective it should be aligned with a firm's core capabilities and integrated throughout the organisation (e.g. Yuan, Bao & Verbeke, 2011). Along these lines, if CSR policies are treated as an add-on activity that is disconnected from the main organisation, companies run the risk of being accused of greenwashing. Sustainable development

themes that are characterized by low distance are most suitable to integrate into the company's core functions, because they either relate to the firm's operations, its sector, or its geographic presence.

### **Implications and future research**

To develop CSR policies that are relevant for sustainable development, companies need to assess specific themes of sustainable development in terms of their distance (operational, sectoral, and geographic) to the company. The SDGs and their targets and indicators present a globally supported institution for doing so. As such, this chapter presents a bottom-up approach to developing CSR policies. Conventional CSR approaches typically start with the (top-down) perspective of a company and, for example, outline the firm's responsibilities (e.g. Carroll, 1979), its capabilities (e.g. Frederiksen, 2010), the strategic value of CSR (e.g. Porter & Kramer, 2006), its institutional environment (e.g. Rasche et al., 2013) and the firm's stakeholders (e.g. Freeman, 1984). Instead, the framework introduced here takes a bottom-up approach that starts with sustainable development themes and then identifies their relevance to a firm's CSR policies by taking characteristics of the themes and of companies into account. Therefore, the framework can be used by companies to ensure that CSR policies focus on the themes of sustainable development deemed most relevant by the global community.

44 | A major issue in current CSR debates is decoupling. This body of literature is concerned with whether companies implement the policies that they adopt or say they care about (see for example Åhlström, 2010; Crilly, Zollo & Hansen, 2012; Hawn, 2012). This chapter contributes to this debate by highlighting which areas of sustainable development the global community sees as most important. In a separate study the 59 targets (Table 1) were presented to companies in a digital survey to identify to what extent companies contribute to each of them (van Zanten, forthcoming). Nevertheless, future research should focus on developing metrics and indicators that measure the actual contributions of the private sector to sustainable development. Only when such tools become available can the impact of the private sector on sustainable development be assessed and tracked over time.



# 5. REVERSING MATERIALITY:

## SDGs AS A SOURCE FOR STRATEGIC ALIGNMENT AND (RE)GAINING TRUST

“Contributing to SDGs will be a strong driving force for purpose and being future proof” –  
Franc van den Berg - partner (Ernst & Young 2016)

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International organizations argue that the 17 Sustainable Development Goals (SDGs) potentially have a very important impact on the purpose of enterprises all over the world. But, as major consultancy firms also argue, this potential will only materialize in case companies are able to align their strategies with the SDGs. Only then will they contribute to a “universal language to proactively act, inspire and solve tomorrow’s global challenges“ (Ernst & Young, 2016). Recent studies indeed show that more than two-thirds of (big) companies around the world are looking favourably at aligning with the SDGs. The biggest challenge, though, remains to move from rhetoric to practice. This means to embed SDGs in strategic activities, and not only use them for philanthropic activities of companies. A particular problem that companies thereby face is a ‘trust gap’: Although companies are considered important by many in society, they are not perceived to take sufficient responsibility to address the SDGs. So, companies that try to succeed in making the SDGs part of their strategic planning, have to make the SDGs “material” or real. So-called materiality assessments have been used by companies to determine the threshold at which specific issues are deemed so important by relevant stakeholders that the company should address them in their strategy. The materiality practice, however, also creates a barrier for progress by being relatively reactive and fragmented. Typically, materiality starts from the perspective of the company and prioritizes in direct response to stakeholder pressure. Including the SDG-agenda in the materiality assessment has the potential to reverse the logic: by selecting a universal agenda that will be relevant for at least 15 years, companies can channel not only their strategies, but also reap opportunities and restore societal trust in their activities. What is needed is reversing materiality: defining the threshold of society and making it strategically relevant for companies.

## 1. Introduction: a challenging trust gap

The corporate sector is faced with a considerable trust gap. The 2014 Edelman Trust barometer<sup>5</sup> shows that only 25% of respondents around the world trust business leaders to address (sustainability) issues correctly. An even lower percentage trusts them to “tell the truth and make ethical and moral decisions”. A related study of Globescan (2015) on sustainability leaders shows that companies are nevertheless considered to be extremely necessary for progress. The trust gap is linked to the (perceived) inability and/or unwillingness of companies to actually make a contribution to those issues that society finds relevant but also to communicate about it. Sceptics would argue that profits and public interest just do not always align.<sup>6</sup> They can find support in practice. Research on the actual societal record of companies shows quite mixed results. McElhaney for instance indicates that often company’s responsibility (CSR) strategy compendium “consists of a hodgepodge of disconnected activities unlinked to their business goals and competencies” (McElhaney, 2009:34). Porter & Kramer argue that “the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society” (Porter & Kramer, 2006: 2). Further scepticism and low trust is fuelled by awareness raising campaigns of NGOs. Oxfam’s Behind the Brands campaign, for instance, argues that CSR programmes of the Big 10 food and beverage multinationals fail to address root causes of hunger and poverty often because they (want to) know and disclose too little about the injustices in their supply chain (Smith, 2015). Instead, they cherry-pick particular short-term CSR initiatives that don’t address the full range of the industry’s human rights risks and impacts.<sup>7</sup> What these statements might also imply, however, is not necessarily that companies are unwilling to address sustainability issues, but that they just organize it poorly or are in a state of transition that implies fragmentation and mixed performance.

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The divergence between Walking and Talking feeds into the trust gap. The number of corporate leaders that openly say that they realize that they have to take up more responsibility is booming. More than half of corporate leaders in most surveys state that they are very much concerned with the state of the world. However, they face serious managerial and strategic difficulties in “making it work” in practice (Van Tulder et al, 2014). Even frontrunners find it difficult to timely and constructively address the relevant issues that stakeholders expect them to prioritize. They are increasingly operating in an international, rather volatile, environment. Resources are sometimes sourced from instable countries, value chains cross many boundaries, sales are spread over different cultures, intellectual property has to be protected in different regulatory regimes, finance and share positions float speculatively around the world. In an international environment, adequate risk management is more crucial than in a national environment since corporations are confronted with different regulation practices and regulatory turbulence. They need to figure out how to operate in regulatory voids in which there is limited coordination – or even outright competition - of regulation in such strategic areas as taxation, trademarks, standards, environmental regulation and human rights. It should not go unnoticed that in a considerable number of the issue areas, companies themselves have contributed to the problem. In any case. This prompts companies to address international sustainability challenges as a tactical and/or risk-related challenge for which they adopt re-active or defensive strategies focusing primarily on how to mitigate these risks. Bonini & Swartz (2014) interviewed 40 companies that are already pursuing sustainability agendas. The majority of these companies (90%) indicated that they were triggered by an external event such as a jump in price of commodities and consumer pressure. Other reasons to incorporate sustainability were reputational



risk (26 %) and long-term risks to their business (more than 50 %); 15 % pointed at avoiding regulatory problems and eliminating operational risks. Likely, such a reactive approach does not really help to restore the trust of critical stakeholders.

Sceptics - as well as the optimists - participate in a complicated discourse on the question whether (big) companies are actually willing and able to contribute to sustainable development. What to do, what to communicate, in which phase and with whom? Companies have four basic options:

1. Don't talk and don't act (walk);:This is the traditional (neoclassical) view on companies in which they adopt a narrow 'fiduciary duty' – with only direct responsibility to shareholders and owners - and consequently keep to relatively simple goals like profit maximization. This position feeds into low expectations/trust of society on the ability of companies to contribute to sustainability, but it does not necessarily create a trust gap as long as companies do not create major costs (negative externalities) for society.
2. Talk, but don't walk: This is the archetypical reason why sceptics refer to 'greenwashing' of companies. It happens when companies are not serious about their contribution to sustainability, but nevertheless suggest the opposite. This can also apply to companies that are much more serious about sustainability issues, but nevertheless limit their sustainability strategy to marginal activities (and organize this for instance in their philanthropy or foundation). Both feed – to varying extents - into a widened trust gap.
3. Talk and Walk: This creates alignment of trust in case of well-communicated processes, but because most issues are very complex and take considerable time, there is no guarantee that companies that are willing to really integrate sustainability in their corporate strategy are actually able to do this. In case their ambition fails (for whatever reason), the sceptics will be reconfirmed in their original arguments ('I told you so') and the trust gap will further increase. This is a delicate process that depends on the combination of sustainability issues companies talk about and the ones they act upon. The managerial challenge becomes not only which issue to prioritize, but also what to communicate.
4. Walk, but don't talk: Faced with the societal trust gap, a number of frontrunner organizations are choosing not to talk (too much) on their societal ambition, for fear of not being able to satisfy all critics. For instance, when operating in countries with corrupt regimes, it is not always wise to be too transparent on a number of issues.

**Table 2: Walking the Talk: Four options**

		Talk about sustainability	
		NO	YES
Walk sustainably	NO	Inactive: narrow fiduciary duty approach; low expectations/low trust	Reactive: green/blue-washing; confirms scepticism and increases trust gap
	YES	Active: Broad fiduciary duty approach; fear of reputational damage; regaining (tacit) trust	Proactive: Alignment of trust; building trust in collaboration (co-creation) with important stakeholders

Obviously, the present trust gap creates a variety of alignment problems between ‘walk’ and ‘talk’. This paper will argue that the linking pin between these two dimensions can be found in the proper interpretation and use of ‘materiality’ principles. Section 2 illustrates why the present time is particularly relevant for companies to address the trust gap in sustainability. The challenge for companies is to come to a good prioritization of societal (sustainable) issues for which they would like to take responsibility. Section 3 then elaborates how these responsibilities can be defined and prioritized in interaction with stakeholders. Section 4 looks at the materiality practice and shortly assesses some of the limitations of this approach. The major argument developed here is that materiality is still used as a relatively ‘reactive’ tool, which will probably not solve the trust gap in the longer run. Section 5 critically considers the first evidence on how the SDGs are embraced by companies and whether this will effectively fill the trust gap. Section 6, finally, explores what ‘reversing materiality’ might entail. Section 6 defines the additional steps that companies can take to increase the materiality of the SDGs in their strategic planning (and gain trust).

## 2. An invitation to prove the sceptics wrong

48 | The Millennium Development Goals (MDGs) were initiated in 2000. The world’s challenges were framed as risks and responsibility, primarily for governments and NGOs, without much reference to the role of the private sector. The Sustainable Development Goals are framed as ‘opportunities’ for which the participation of companies is vitally important. The SDGs, thus, provide a new lease for companies on (re)gaining trust. Moreover, international organizations that in the past have been setting guidelines to address serious corporate issues like tax evasion, human rights violations and the like, now subtly invite companies to take action. The Organization for Economic Cooperation and Development (OECD, 2016), for instance, sees huge opportunities for businesses in the SDGs. They emphasize that the private sector can be a powerful actor in addressing the increasingly complex sustainability issues with which the world is confronted. The UN General Assembly explains that “private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation” and therefore they urge corporations to “apply their creativity and innovation to solving sustainable development challenges” (2015:32). This implies that companies align their self-interest with the greater good. The SDGs create a different angle in the sustainable development discourse. Originally the definition of sustainable development – as introduced in the famous Brundtland (1987) report ‘Our common future’ was “satisfying the needs of the present without compromising the ability of future generations to satisfy theirs.” Sustainable development as portrayed by the SDGs provides a new angle that might be framed as follows: *addressing the needs of present generations, more thoroughly, while improving the opportunities of future generations to satisfy their needs – some of which are not yet known.*

In this constellation, the role of the private sector becomes more important: Through innovation and its organizational advancements it can create value that other organizations cannot. Moreover, companies – once the business case is found for a particular product or service – are particularly well equipped to ‘scale’ the solutions. Multinational enterprises in particular can provide organizational advantages that overcome the limitations of national boundaries, as dean George Yip argued in his 2010 contribution to the Max Havelaar lecture.<sup>8</sup> The sustainable development ambitions of companies can only be credible if they are able to integrate sustainable development (and related value creation) within the core of their business model. Sustainable business can become “business

as usual” when they can show how they try to increase their positive effects on society and limit (or reduce) their negative effects. Corporations are increasingly called upon to develop business models that include societal and ecological ambitions and that embed sustainable development targets across all functional departments of the company (OECD, 2016; GRI et al, 2015). This call is made by international governmental organizations as well as by international corporate groups like the World Business Council on Sustainable Development (WBCSD) or the World Economic Forum (WEF). Adhering to this call (‘walk the talk’) implies moving beyond what the law requires in taking up societal priorities. It demands a change of strategy. Strategy implementation – whether or not aimed at sustainability – is in practice surrounded by tinkering, trade-offs and dilemmas. Addressing international CSR problems strategically, therefore, should stimulate companies and their leaders to think about their value proposition which defines the vision and mission of the organization.

There are two reasons for this: one embedded in duty, one embedded in opportunity. Firstly, companies traditionally have a so-called ‘fiduciary duty’ regarding their shareholders. This is a duty of faith, care, and loyalty that contains the trust that the company will act in their interest (Eccles, 2016). Due to the increased external attention for sustainability this definition of fiduciary duty is currently being broadened to include society as a whole instead of only the principal stakeholders. In many countries legal frameworks are under way that broaden the definition – and that require companies for instance to report about their activities and their impact. Secondly, this call is also reinforced by evidence that the (financial) bottom line of companies can be stimulated by sustainability efforts. According to the International Chamber of Commerce (2015) sustainability strategies can foster innovation, increase employee loyalty and enhance policy and decision-making. Moreover, it can create operational efficiency by reducing costs and waste, attract top talent and create a long-term legacy (Ernst & Young, 2015). It can help make a business become more productive and resilient. These findings, however, remain rather fragmented, limited to relatively easy issues (like Human Resources inside the company, waste management and the like). It is much more difficult to already find evidence that make issues like poverty alleviation or fair distribution of profits in global value chains topics of issue management.

Along these two lines of argument, the challenge further mounts for firms to manage and prioritize the issues for which they can be held primary responsible, for which they have shared responsibility, and for which they do not have any responsibility but which nevertheless might create interesting future opportunities. In addition, this entails not only that companies look at urgent issues that are addressed by stakeholders now, but also about finding out which tacit needs and longer-term issues are relevant for their stakeholders in the future. The challenge for corporations then becomes how to identify relevant issues and to prioritise them in accordance with the need of stakeholders (Hsu et al, 2013). Moreover, they are seriously struggling with aligning these issues with their core competences. This is, in short, the challenge of materiality.

### **3. Materiality in theory**

Different stakeholders have different and non-aligned informational needs to make effective decisions. Materiality is a reporting principle that is intended to provide stakeholders with ‘complete’ and ‘coherent’ information to assess a company’s performance (Calabrese et al, 2016; Edgley et al, 2015). Materiality is an interdisciplinary and multifaceted concept that operates as an information

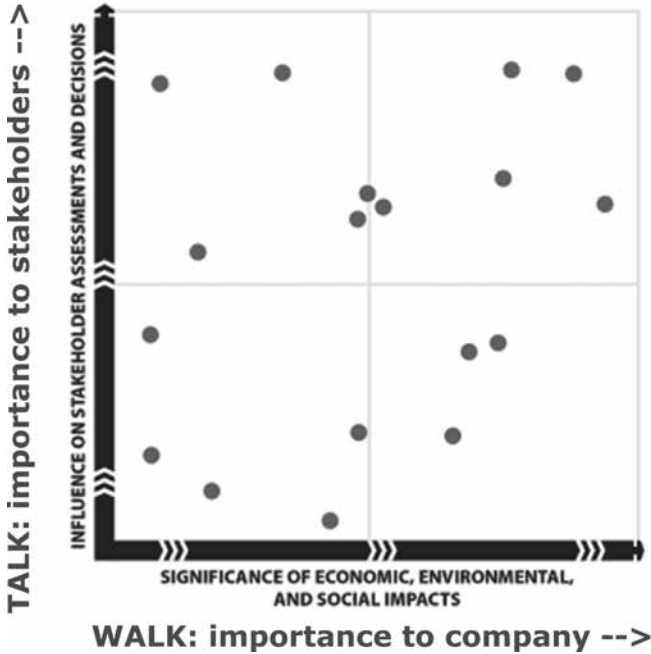
threshold in favour of the users of the information (Edgley, 2014). It originated as an accounting and auditing concept in financial reporting based on the idea to reduce risk to an acceptable level where its key determinant was whether the omission or misstatement would influence investor-decisions (Eccles et al, 2012). The materiality principle was introduced in the area of sustainability reporting by the Global Reporting Initiative (GRI) as part of its 2006 G3 reporting guidelines and updated in its 2011 3.1 and 2013 G4 guidelines. Materiality in this set-up is basically concerned with identifying those environmental, social and economic issues that matter most to a company and its stakeholders. It supposes that shareholders increasingly want to include the ethical perspective when taking decisions. Moreover, it acknowledges that shareholders are no longer the only stakeholders to focus on. Views of a wider group of stakeholders, such as customers, employees and communities are taken into account. This implies a wider focus and different approach regarding what is important for business. In addition, it is intended to provide inputs for managing for the future – including a longer-term focus on issues that could affect a business strategy - and not about repeating what worked in the past (Murningham & Grant, 2013). This approach includes stakeholder engagement, strategic alignment and understanding of environmental and social limits.

The fundamental function of materiality is filtering topics and prioritizing stakeholders. It therefore necessarily involves selection, inclusion and exclusion of information. This should result in reports that are centred on issues that are deemed the most critical to inform selected stakeholders of an organization (Jones et al, 2016; Eccles, 2016). Consequently, it helps stakeholders to understand how sustainability issues can be a catalyst for innovation and growth and how these could be integrated in specific business activities (Bowers, 2010). Defining materiality is therefore also seen and used as a legitimating tool to change stakeholders' expectations (Manetti, 2011).

The outcome of the materiality determination process is a materiality matrix. This matrix, in theory, enables a company to decide which CSR (corporate social responsibility) initiatives to invest in. A materiality matrix shows all topics that are (perceived) of high, medium and low interest for the company as well as its stakeholders at this moment. It should be based on 'what matters' and thorough internal analysis and stakeholder engagement in order to enable companies to identify those sustainability issues that affect their long-term success. As emphasized by Bonini & Swartz (2014) it should generate a "systematic agenda – not a laundry list of vague desirables".

The archetypical materiality matrix confronts the importance of issues for stakeholders at the Y-axis (which identifies those topics that the company is supposed to 'talk' about) with the importance of these issues to the company on the X-axis (which identifies how important it is to 'walk'). The materiality matrix then consist of at least four quadrants that presents combinations of relative importance. The top right quadrant of a materiality matrix chart contains issues that are not only significant to the reporting company, but are also issues that the reporting company's stakeholders care deeply about. GRI advices companies to spend the bulk of their report (talk) about how they are addressing these issues. Figure 1 superimposes the Talk/Walk categorization on the exemplary set-up provided by GRI on its website. The technique introduced by GRI is to first establish the relevant topics, then to define what aspects to consider material. This step is then used to plot along the vertical axis the influence of these aspects on stakeholder's decisions, and along the horizontal axis the significance of the economic, environmental and social impacts is assessed.

Figure 27: Exemplary GRI G4 Materiality Matrix<sup>9</sup>



#### 4. Materiality in practice

It has been argued that companies are increasingly aware that disclosing truthful and accurate information about their performance and impact is essential and that this information needs to be tailored to the different stakeholder groups. Dawkins (2005) suggests that nowadays aligning corporate behaviour with stakeholder expectations has become a business priority. The practice is varied. The materiality process for instance involves identifying to whom the issue matters, why and how much it matters. However, effective reporting is complicated because there's no clear universal definition of materiality, no generally accepted standard and the application to sustainability information is still evolving. The example of the GRI frame (section 3) illustrates that the plotting exercise contains a large number of (often subjective) assessments and selections. Moreover, there are different incentives that drive the process. It may be mandatory because it is required by law (France, USA, South Africa, Denmark and Sweden), or voluntary as part of a sustainability reporting framework or simply to maximize the efficient use of resources (Phelps, 2016). What the exact (longer-term) influence of these initiatives has been on the selection processes in materiality assessments is not yet clear.

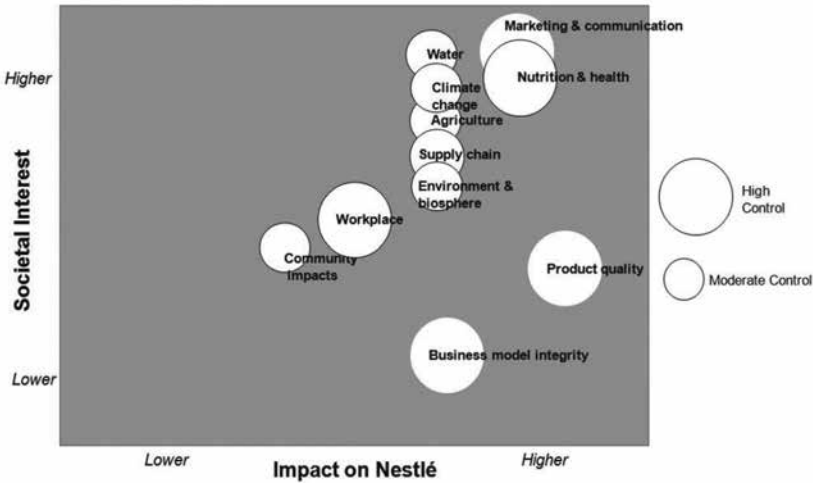
The materiality matrix as introduced by GRI builds on a longer standing practice of companies in the area of “issues management” in which they drew issue-priority matrices in order to position issues in terms of importance and ‘likelihood’ of occurrence (cf. Van Tulder with Van der Zwart, 2006). Many companies originally used this tool internally for mapping stakeholders and issues. It was largely used as a risk management strategy. However, in later phases, a number of companies included issue priority matrices in their sustainability reporting. Sustainability reporting is considered an effective channel of communicating CSR efforts, but a major risk is that companies only publish what management deems relevant or how they interpret and frame stakeholders concerns. Therefore, low propensity for transparency about the determination of material issues and low quality or lack of data on contentious issues have been big challenges to overcome (Mio, 2010 in Hsu et al, 2013). Firms have to manage conflicting interests and objectives and articulate this in a credible way in order to drive learning and innovation (AccountAbility, 2006 in Edgley et al, 2015). In order to communicate effectively companies have to determine the scope, range of information provided, stakeholder groups and time frame (KPMG, 2014 in Jones et al, 2016). Furthermore, GRI (2015) emphasizes that some of the (negative) sustainability impacts of companies are not immediately visible because they are cumulative and slow or occur at a distance of the stakeholders which obscures causal relations (Jones et al, 2016). Sustainability communications have therefore too often been a PR exercise, telling feel-good stories about irrelevant issues, rather than a meaningful story about value creation (IIRC, 2013).

52 | Not much systematic empirical evidence has been developed on how materiality matrices on sustainability issues are actually used in practice. Most companies only recently introduced a materiality matrix in their reports. The section below provides examples of two companies from different sectors that have been using materiality assessments over a couple of years: Nestlé and Bayer.

The Swiss food processing multinational Nestlé has been one of the first companies to include a materiality matrix in their annual CSR reports. This has been part of its ‘creating shared value’ strategy in which the company is generally considered a pioneer. Part of this strategy is that for Nestlé’s business “to prosper over the long term, the communities it serves must also prosper” (website Nestlé). At the same time, it should be noted that the company is also one of the most ‘hated’ companies in the world.<sup>10</sup> It is surrounded by allegations of child labour, unethical promotion, manipulating uneducated mothers, pollution, unsustainable usage of water, price fixing and mislabelling. Bad reputation is persistent; the 1970s baby food scandal in Africa is still haunting the company. What can we learn from comparing the 2010 and 2014 materiality indices? In 2010 the company is still primarily interested in the extent to which specific societal themes are in its sphere of control. In 2014, this assessment is more directly linked to the question of stakeholder concern, which follows GRI instructions. This can actually also be considered a step towards a more reactive approach. At the same time the matrix has become more specific over the years. The axes change and become more detailed. The Y-axis moves from ‘societal interest’ to ‘stakeholder concern’. The 2010 issue of ‘nutrition & health’ for instance gets a more specific frame of ‘over- under nutrition’. The health issue disappears. ‘Business model integrity’ in 2010, was in 2014 reframed into ‘business ethics’. Moreover, it obtained a much higher status in the upper right quadrant. The supply chain topic – prominent in 2010 – disappeared in 2014, which is part of the explanation of Oxfam’s criticism on the food industry practice (section 2). Topics that were added to the 2014 materiality matrix are testimony of increased or sustained (upcoming) issues with stakeholders: human rights, women’s empowerment and animal welfare. Only human rights (in particular child labour which is a

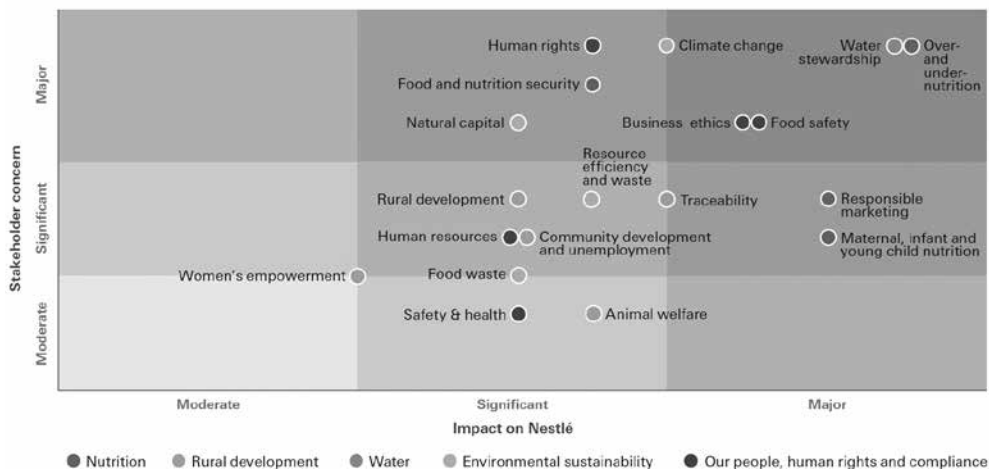
serious reputational concern for the company) are identified as of great importance to stakeholders, but of lesser importance to the company. In both matrices 'community' impact and development is mentioned, but it does not reach top priority – despite the creating shared value philosophy in which communities have an explicit role. Consequently, there is a (slight) gap between the need for community involvement as identified through the materiality analysis and Nestlé's strategic statement.

**Figure 28: Materiality Matrix Nestlé 2010<sup>11</sup>**



**Figure 29: Materiality Matrix Nestlé 2014<sup>12</sup>**

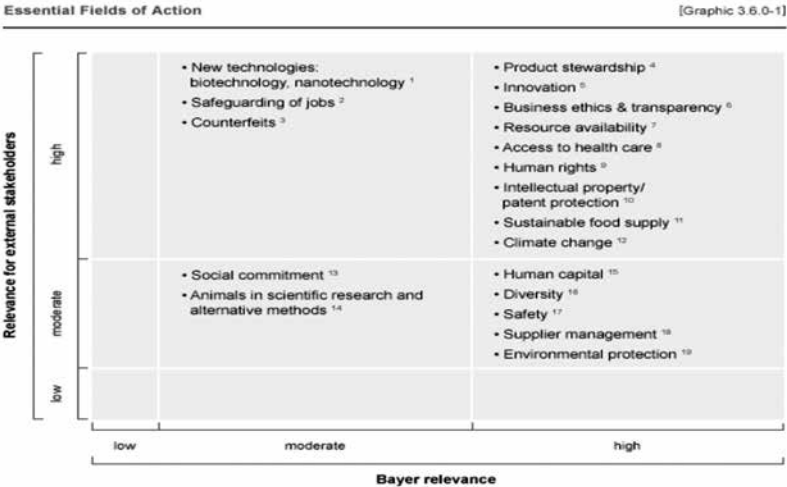
2014 Nestlé materiality matrix



A final example provides German chemical and pharmaceutical company Bayer AG. The company portrays the philosophy 'science for a better life'. It is leading in the world in terms of scientific excellence, but has more problems in defining what the 'better life' ambition actually entails for them. The CEO of the company acknowledges, however, that this societal ambition requires substantial external stakeholder involvement. The materiality matrix provides input for this process. Comparing a relatively short period of time, consecutive years 2013 and 2014, however shows considerable fluctuation in what the company considers material. What was called 'essential fields of action' became their materiality matrix in 2014. The upper quadrant moves from 'high' to 'very high'. As a consequence, for instance, a number of issues kept the same qualification, but nevertheless changed position: for instance 'intellectual property' – a major issue in the pharmaceutical industry – dropped in the relative perception of the stakeholders. The same happens with 'human rights'. In addition, access to healthcare – a top issue in 2013 - disappeared completely from the list. 'Human capital' suddenly reaches 'very high' status according to stakeholders compared to a 'moderate' status only year earlier. In 2014 a new category was added to the upper right quadrant: access to medicine. Like with many other companies this entry needs to be interpreted as a reactive approach to a particular event: in this case the poor score (place 10 out of 20 companies) of the company on the influential 'Access to Medicine index'. The relative volatile nature of Bayer's materiality scores indicate that the technique has not yet reached a sufficiently strategic level.

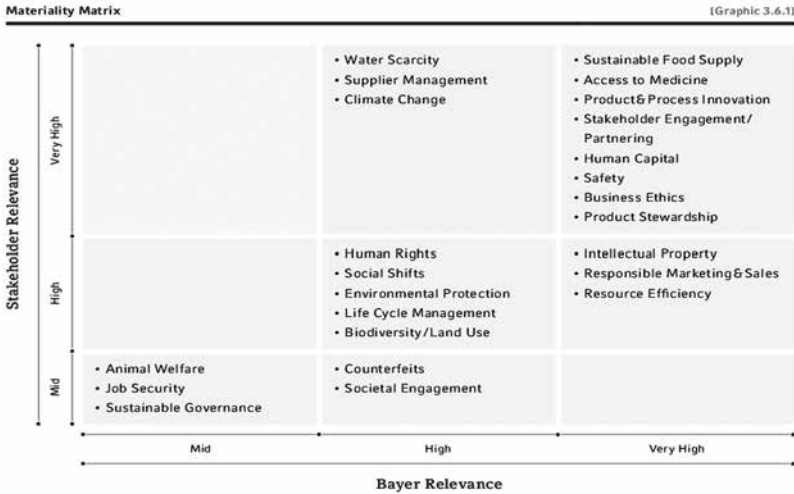
**Figuur 30: Materiality matrix Bayer 2013<sup>13</sup>**

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**Figure 31: Materiality Matrix Bayer 2014<sup>14</sup>**



Some first impressions can be drawn from these examples. Most materiality analyses still build on the practice of issue priority matrices. Hence, we find anecdotal evidence for comparable limitations and a largely defensive use of the materiality technique just as is the case with issue priority matrices (Van Tulder with van de Zwart, 2006). The materiality matrix is mostly accumulated through consultation with a selected group of (friendly) stakeholders that are not necessarily the most critical or important ones. Moreover, there is often a difference between the public matrix and the one that is being used for internal use. The scales change over time, not always for clear reasons, whereas the selection process of stakeholders is not obvious. The impression exists that in many instances most important topics are pre-determined by the company (with some limited input from stakeholders) while stakeholder selection is based on company-friendly stakeholders that are willing to think with the company. Even then, we can see that priorities can change per year, which is a further indication of the relative 'reactive' nature of the exercise. What appears top priority for one year (upper right quadrant) therefore is not necessarily strategic priority in the longer run. Using the matrix for strategic purposes can therefore be flawed.

These impressions are reinforced by a few critical studies on the use of materiality or issue priority matrices. The materiality matrix is more about intent than about performance: Implementation is often not guaranteed. Matrices are often supply driven instead of based on (tacit or future) needs, are relatively static, while every year priorities shift due to changing stakeholder engagement, and don't sufficiently take into account diversity between and within stakeholder groups. Most matrices are very individualized assessments that do not show the industrial benchmarks used by peers and investors to compare performance nor key sustainability performance indicators within an industry (Bouten & Hoozée, 2015; Murningham & Grant, 2013; Zhou & Lamberton, 2011). This perhaps further underlines the conclusions reached by KPMG (2014) that senior management is often not involved in the materiality assessment process, the business is too complex for a meaningful materiality assessment, material topics are too broad or overlap and that there are more material issues than the organization can (or wants to) manage.

## 5. Broadening materiality: applying the SDGs

By introducing the SDGs and including major topics as defined by society in general and not only by their own (selected) stakeholders, companies are potentially taking a first step to get out of a reactive approach and to move towards a more active approach. This trend is strongly endorsed by international organizations that not only have been actively involved in defining the SDGs, but that also emphasize that feeding the SDGs into a firms' strategic planning process is a major opportunity for companies to regain trust. The Organization for Economic Cooperation and Development (OECD), the World Resources Institute (WRI), The World Business Council for Sustainable Development (WBCSD) or The World Economic Forum (WEF) have embraced the SDGs. The World Business Council for Sustainable Development (WBCSD) indicates that the SDGs are "an effective way for companies to communicate their contribution to sustainable development" (2015:8). The goals can inform a company's materiality analysis, serve as a lens in goal-setting and help define the relevant SDGs for the sector, value chain or country the company is operating in. The common framework of action and language that the SDGs constitute provides a unified sense of priorities and purpose which facilitates communication with stakeholders. The goals reflect stakeholder expectations and future policy direction at the (inter)national and regional level. Hence, advancing the SDGs can help mitigate legal, reputational and other business risks, but more importantly it can further a better understanding of the sustainability context and enable companies to shape and steer their business activities and capture future opportunities through products and services that address global societal challenges (GRI et al, 2015; WBCSD, 2015). In this way they can engage more deeply as a positive and strong influence on society (Bakker in PwC, 2015).

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A 2015 PwC study – i.e. before the SDGs were finalized<sup>15</sup> - discloses that 71 % of businesses say that they are already planning how they will engage with the SDGs and 41 % states that they will embed the SDGs in their strategies within five years (PwC, 2015). Another study revealed that 87 % of a representative sample of CEOs worldwide<sup>16</sup> believe that the SDGs provide an opportunity to rethink approaches to sustainable value creation and 70 % see the SDGs providing a clear framework to structure sustainability efforts (Accenture & UN Global Compact, 2016). Nevertheless, this is no easy task since the SDG ambition level is high. Moreover, the goals require a long-term vision, while CEOs, in charge of comprehensive decisions regarding strategy and focus, usually work with 3-year planning horizons and on average maintain their position for 8 years. This can result in a short-term focus with relatively quick wins to boost the company's performance instead of transforming core business strategies. The challenge is not to pick the easiest, most positive or obvious goals, but to select those that are material to the business (PwC, 2015).

The SDGs, when used to broaden the materiality approach as an input for strategic planning, require that companies move beyond their previous selection of material issues and not 'repackage' old priorities to fit to the SDG agenda. However, the signs are mixed. The PwC study shows for instance that – although the SDGs provide inspiration and direction - some goals seem to be neglected consistently such as for instance SDG 14 (Life below water), SDG 1 (No poverty), and SDG 16 (Peace and justice, strong institutions). The question is whether companies fully understand their (true) impact and whether they understand the interconnectedness of the goals. SDG 14 is closely linked to SDG 13 (Climate Change) which is more popular and on the radar of almost every company (PwC, 2015). Research by Ethical Corporation (2016) amongst 2,000 sustainable business professionals after the finalization of the SDGs in September 2015, shows comparable priority settings.

The systemic and resilient issues are in the lowest quarter (below 25%) on the radar of corporations: SDG 1 (Poverty), SDG 2 (Hunger), SDG 10 (reduced inequality), SDG 14 (Life below water), SDG 15 (Life on land) and SDG 16 (Peace, justice and strong institutions). It is clear that most of these issues are more difficult to link directly to the topics that companies in practice have been identifying in their earlier (defensive materiality) assessments. The most popular SDGs are for instance SDGs 3 (Health, with 50%), 4 (Education, 43%), and SDG 17 (Partnerships, 46%). On most accounts, these topics have a direct bearing on the primary production process of companies, which makes interest in them apparent. Many of these goals were added to the original MDGs on the basis of three years of multiple-stakeholder involvement processes. Moreover, companies were represented in many of these platforms.

Individual companies are starting to select a number of the SDGs as an answer to the call to action. Nestlé is one of those companies that has actively participated in the formulation of the SDGs and is explicitly trying to link its Creating Shared Value strategy with the SDGs. In its 2015 report<sup>17</sup> it notes a strong linkage between its strategy and five SDGs: 2 (Hunger), 3 (Health), 6 (Water and sanitation), 12 (Sustainable consumption and production), 13 (Climate action). Notice that all these issues were already covered in its upper right quadrant. The company does support other SDGs that are lower on its priority ranking, but in much less strategic manner. For instance it provided input for two management tools that aim to assist companies seeking to understand the 'linkages between business and people in their value chains': the so-called SDG Compass and the Poverty Footprint. Another issue is for instance women's empowerment that was added to its materiality matrix (at a low level) in 2014. In 2013 the company signed up to the Women's Empowerment Principles. In other statements of the company gender equality, women's rights, education for women and girls worldwide, and women's empowerment are considered critical to Creating Shared Value for their business and for society, but the link with SDG 5 (Gender equality) is nevertheless not further stressed (yet). This is exemplary for what we found in the annual reports of the few companies that in their 2015 reports already started to refer to the link between their strategic priorities and the SDGs. Swedish industrial equipment manufacturer Atlas Copco<sup>18</sup> for instance links four of its five strategic priorities in 2015 to specific SDGs: (1) 'we innovate for sustainable productivity' to SDG 7 (Energy), 9 (Industry) and 11(Cities); (2) 'we live by the highest ethical standards' to SDG 16 (Peace); (3) 'we build the most competent teams' to SDG 5 (Gender), SDG8 (Economic growth) and SDG10 (Inequality); (4) 'we use resource responsibly and efficiently' to SDG 12 (Consumption and production).

All these combinations are interesting. The links are still quite loose and there is evidence of a 'selection bias': Only those issues receive priority that they would have embraced for defensive reasons. Applying the original definition of materiality becomes additionally challenging with the inclusion of more sustainable development goals: How to find agreement on what actually entails corporate 'performance' (with or without societal impact), or 'complete' and 'coherent' information? Supportive techniques as introduced by consultants or international organizations reinforce an inside-out approach. For instance Ernst & Young (2016) has developed an approach in which companies are stimulated in the first phase to identify their strategic ambitions, then link them with the SDGs on the basis of materiality, further measure progress and set Key Performance Indicators (KPIs) on the basis of a selection of the 169 sub-targets of the SDGs.

## 6. Conclusion: reversing materiality

The origins of materiality can be traced back to accounting and risk management. It has recently been introduced as a leading principle – through a materiality matrix – in the management of stakeholders and issues in the area of sustainability. The concept of materiality helps companies in theory to provide a credible and accurate view of its ability to create and sustain value. It can inform company strategy and decision-making as it shows the areas where it has most substantial impact. Moreover, it has the potential to build trust among their stakeholders and to make their corporate story meaningful. Nevertheless, we've also seen that the practice of materiality is still rather reactive, fragmented and to a certain extent even inconsistent. This seriously lowers the chances of the SDGs to be really (materially) integrated in the strategic planning of companies for the moment. We argued that issue prioritization is often a reactive practice where companies choose to report on the relatively 'easy to solve' topics or only on those subjects that have been negatively pointed out by stakeholders. As a consequence the materiality practice will have only limited effect on dealing with the trust gap that companies face.

Therefore, we argue that a novel approach is needed to really seize the opportunity that the SDGs can have for companies to regain trust. Without trust, companies will not be able to effectively contribute to reaching the Sustainable Development Goals. The SDGs are interrelated, so they require more than *prima facie* selection (on the basis of short-term self-interest or risk management principles). On the other hand, with a proper contribution of only companies, the SDGs will not be reached either. They need to collaborate with other sectors to reach the full potential of the SDGs. Their dependency on other sectors might lower the trust in the corporate sector again.

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We then argued that the SDGs, by their set-up and framing, provide a unique opportunity for companies to deal more proactively with the trust gap. The major challenge is how to make the SDGs perhaps more 'material' than existing stakeholder approaches. The first step is clearly including the SDGs in the corporate materiality analysis and strategic planning. However, our first observations regarding the use of SDGs in materiality approaches show that companies are still inclined to consider as 'material' only those SDGs that relate to topics that they have already identified and that are introduced and supported by company-friendly stakeholders. This approach might be an understandable first step because it is aimed at creating strategic continuity. However, it remains to be seen whether it in any way will fill the trust gap. Serious critique has already been raised regarding the high ambition level of the SDGs and the targets that are not specific enough. A reactive approach of companies to the SDGs presents a reputational risk. The actual practice of materiality matrices seems to reinforce this risk.

The selection of a number of SDGs on the basis of own strategic priorities, looks like a more active approach. Nevertheless, it contains the risk of a selection bias and a confirmation of old issue identification that will not necessarily help companies in gaining trust. We argue that we need to go one step further: We propose to reverse materiality. The fit with the main issues that the company faces, defines the link between the importance or materiality of issues and the possibilities to develop pro-active stakeholder engagement strategies. The SDGs provide companies with an excellent opportunity to move away from defensive and risk-oriented issue prioritization to a more offensive – future and opportunity-oriented - issue selection. An interesting side-effect of this approach could be that the trust gap between society and business can be seriously lowered.

Companies do not even have to ‘walk the talk’, but they have to make some serious efforts to go beyond their original (reactive and often distrusted) analysis of issues. In addition, they have to address the SDGs in a strategic way to change purpose and to align with (new) external stakeholders. These stakeholders should not consist of the usual suspects, but include stakeholders that represent competing perspectives on the organisation’s decision making. Reversing the materiality approach implies that companies move from an inside-out orientation in issue prioritization and strategy building to a more outside-in approach in which societal needs are considered material.

Reversed materiality is based on seven guiding principles:

1. **Depart from societal needs** and ambitions as defined by the SDGs; understand how they are related and how they might affect your business directly or indirectly, now and in the future; realize that the legitimacy of your company depends on the value that you create for society now and in the longer run;
2. **Make a gap analysis:** consider why some of these SDGs were or were not addressed in your existing materiality matrices; can this be an indication of a selection bias in topics and stakeholders? What does this tell you about your leadership as a company and the level of trust that you can expect from various groups of stakeholders?
3. **Assess your present materiality:** then define the level of materiality that you have been able to establish in your internal and external prioritization of issues; check whether you might want to conclude that you already ‘missed’ out some ‘easy’ opportunities on this topic;
4. **Define present and potential spill-over effects:** consider the extent to which each of the SDGs that you are now prioritizing, is connected to other SDGs and the extent to which you are affected indirectly by initiatives regarding these SDGs (negatively or positively); decide your level of engagement in some of these other areas;
5. **Assess your stakeholder portfolio:** which representatives for which issues are missing; which partnerships can be constructed for effectively addressing the issue: coalitions of the willing (probably the present stakeholder constellation that helps in constructing the present materiality matrix) versus coalitions of the needed (possibly more critical stakeholders in actual priorities and future stakeholders in those areas that are not yet a priority, but that are closely linked to core present SDGs)
6. **Define a future agenda:** Define those SDGs that you might want to get engaged in for the future (seizing opportunities and striking potential alliances)
7. **Connected leadership challenge:** assess the various tipping points (internally and externally) that you have to take into account in order to make the transition from a reactive to a proactive approach material (cf. Van Tulder et al, 2014). Effective leadership is defined by mobilizing support to efficiently overcome these tipping points. Define those departments in your organization that are willing and able to support an integrated and strategic approach.

In Table 3, we provide the SDG-materiality analysis scheme that companies can use to analyse their current level materiality and options to expand, in light of the SDGs.

**Table 3: SDG-materiality analysis scheme**

Sustainable Development Goal	Addressed in materiality matrix?	Present level of materiality?	Why?	Why not? (possible level of materiality)
1...				
...				
...				
... 17				

Some interesting initiatives have already been developed that can reverse materiality. In particular the so-called SDG Compass as developed by GRI, UN Global Compact and WBCSD provides an interesting approach.<sup>19</sup> After companies have familiarized themselves with the SDGs, the Compass stimulates them to define priorities, based on an assessment of their positive and negative, current and potential impact on the SDGs across their value chains. After this has been done, companies are challenged to set goals and integrate sustainability into the core business and governance. The argument is as follows “by aligning company goals with the SDGs, the leadership can demonstrate its commitment to sustainable development”. Embedding sustainable development targets across all functions within the company, is key to achieving set goals.

To conclude, we argue that reversing materiality is necessary for strategic planning, as it allows the use of the SDGs as a starting point. Companies not only have to address their own issue priorities – largely as part of a risk management strategy - but they also have to look at future possibilities as part of an opportunity-seeking strategy. A credible strategy can restore potential trust and create the preconditions for partnerships in which various organisations can collaboratively work together to address the SDGs.



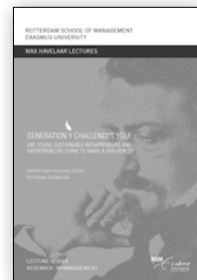
# THE MAX HAVELAAR LECTURE SERIES

## **Generation Y challenges you! – Max Havelaar Lecture 2014**

Media, business practitioners, management students, and scholars are more and more interested in the potential of the leaders of the current generation to lead business and society into a more sustainable direction. Will this new generation embrace sustainability to such an extent that fundamental change can occur? Or will these activities remain marginal and become only slowly embedded in mainstream business and society, as has happened so often with activities by some of the older generations? In the Max Havelaar Lecture 2014, several generation Y leaders 'battled' against members of older generations. This booklet contains the transcripts and photos of this lecture, as well as supporting research about generational differences.

## **Managing the transition to a truly value-creating economy – Max Havelaar Lecture 2013**

It goes without debate that international supply or value chains only add real value to a selected group of companies and people. Cost and benefits are difficult to assess and even more difficult to be distributed in a fair manner. The 2013 Max Havelaar lecture brought these three perspectives together in three lectures that each present a positive message: (1) on the untapped potential of fair trade, (2) on the inevitability of true pricing and (3) on the future of fair banking.



### **Fairtrade and climate change – Max Havelaar Lecture 2011**

Can climate and development issues be tackled through partnerships? In view of the very limited number of multi-stakeholder partnerships for climate change in general, and those focused on development (developing countries) in particular, it seems useful to take a step back and consider the linkages between climate and development in a bit more detail. Also: what are the finance perspectives on climate change? And how do farmers look at the topic?



### **With great power comes great responsibility – Max Havelaar Lecture 2010**

This is the motto of the struggling hero Spiderman. The continuous struggle of Spiderman with grasping his powers as well as linking this to his responsibilities not only provides an exciting sequel, but also a strong metaphor for the struggle of big corporations around the world when confronted with the challenges of fair trade. Society contains immense power asymmetries, but does that also imply power abuse and unfairness? The fourth Max Havelaar lecture concentrated on the question whether corporate power can be a force for good (defined as the interlinked aims of human rights and sustainable development) and under what conditions? We will have five different angles on stage: Power of Science, Power of Retail, Power of the NGO, Power of the Producer and Power of the Diplomat (Jan Pronk).



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### **Chains for Change – Max Havelaar Lecture 2009**

Trade is an important means to achieve poverty reduction and empowerment. The slogan 'Trade. Not aid' regards millions of disadvantaged and marginalised small producers in developing countries who are able to fight poverty on their own, if only the market would allow them. Fair access to the trade system under better trade conditions would help them to overcome the barriers to development. This concept is worldwide acknowledged as Fairtrade. Fairtrade is the alternative approach to the conventional trade system and addresses the injustice and discrimination against the poorest and weakest producers. Fairtrade means fair prices that cover the costs of sustainable production, an additional Fairtrade premium, longer term trade relationships, and decent working conditions. Fairtrade enables farmers and small producers to improve their position on the international market and allows them to develop themselves in a sustainable way.



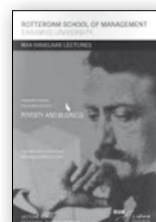
### **Partnerships for Development – Max Havelaar Lecture 2008**

Since the beginning of the 21<sup>st</sup> century 'partnerships' have received increasing attention on the development agenda. Governments and NGOs seek alliances with firms to increase the effectiveness of their development efforts. Partnerships have been pioneered in infrastructure projects, millennium villages, the provision of health services and (micro)credits. The increasing involvement of firms in development partnerships is particularly noticeable.



### **Poverty and Business – Max Havelaar Lecture 2007**

Since the beginning of the 21<sup>st</sup> century, the potential contribution of corporations to a large number of societal issues has received increasing attention and controversy. This also applies to arguably the biggest global challenge of the moment: alleviating poverty. Until recently, the issue of poverty was largely ignored in management theory and practice.





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## Endnotes:

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- <sup>2</sup> Khalid Azrag: WHO Office Nyala
- <sup>3</sup> SUDAN SITUATION REPORT January 2016, and SUDAN WASH SECTOR BULLETIN August-December 2015
- <sup>4</sup> Various concepts have been used, often interchangeably, to refer to corporate efforts on sustainable development, including stakeholder (relations) management, corporate social responsibility, corporate citizenship, and corporate sustainability (for discussions on these concepts see e.g. Dahlsrud, 2008; Garriga & Melé, 2013; Moir, 2001; Van Marrewijk, 2003). Because a discussion of these concepts is beyond the scope of this paper it uses the liberal and inclusive definition of CSR introduced above.
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# THE DAWN OF A NEW ERA

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# MAX HAVELAAR LECTURES

The Max Havelaar lecture is a recurring annual event. It serves five interrelated goals:

- Provide a platform for the presentation of state-of-the-art scientific insights into how sustainable business and development cooperation can be combined;
- Discuss the advantages and disadvantages of the involvement of corporations in poverty alleviation in a systematic and non-ideological manner;
- Address the complexities of sustainable development rather than engage in simplifications in order to come up with realistic – and obtainable – approaches to addressing in particular Sustainable Development Goals;
- Discuss the strengths and weaknesses of specific approaches such as trade marks, codes of conduct, reporting or governance measures;
- Provide an arena in which innovative ideas and structured dialogues can be launched.

Each year, a leading scholar is invited to hold the key lecture which is accompanied by statements from leaders of the business community, civil society and government. The lecture is held at the Erasmus University Rotterdam, as a legacy to Jan Tinbergen, the former Nobel Prize Laureate in economics and leading thinker on sustainable development. The lecture is open to the public.

The Max Havelaar lecture is organised as a cooperative effort between three institutes: The Max Havelaar Foundation ([www.maxhavelaar.nl](http://www.maxhavelaar.nl)), Rotterdam School of Management, Erasmus University (in particular the department of Business-Society Management; [www.rsm.nl/research/departments/business-society-management](http://www.rsm.nl/research/departments/business-society-management)) and the Partnerships Resource Centre ([www.rsm.nl/prc](http://www.rsm.nl/prc)).

The first Max Havelaar lecture was held in October 2007.

More information on present and future lectures can be found on [www.maxhavelaarlecture.org](http://www.maxhavelaarlecture.org)

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- 2010 With Great Power Comes Great Responsibility
- 2011 Fairtrade and Climate Change
- 2013 Managing The Transition To a Truly Value Creating Economy
- 2014 Generation Y challenges you!

