

Harnessing Private Sector Purpose to Achieve the Global Goals

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Bill & Melinda Gates Foundation



Introduction



Over the past 6 months Leaders' Quest (LQ), supported by Gates, has scoped the *state of purpose-driven business* today and tested *promising interventions* to help companies embed purpose in their business and investment strategies.

We aim to identify how the private sector can speed up progress on the Global Goals (UN Sustainable Development Goals) and ensure we do not overshoot our planetary boundaries. Our goal is to accelerate wider system change.

This report is based on interviews with over 50 experts and C-suite/executive leaders, desk-based research of over 30 companies, and reviews of keystone reports. It summarizes major themes, insights and conclusions, and includes an outline of next steps and recommendations, which we look forward to co-creating with you in the coming months.

The concept of purpose-driven business means different things to the people we interviewed. Some like the word "purpose", others felt it was over-used. For this project, we use Colin Mayer's definition (Oxford Saïd Business School):

"The purpose of business is to produce profitable solutions to the problems of people and planet. Business should not profit from producing problems for people and planet."

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Section 1 – Executive summary and key findings

Despite recent progress, the scale of change needed to achieve the Global Goals means business will need to move beyond incrementalism to more transformative and systemic change.

Why the need for action?

The world is in a transitional moment – rich in possibilities, while fraught with risks. In recent decades, we've made dramatic improvements in human well-being – from greater life expectancy and access to education, to reductions in extreme poverty and child mortality.

Today, we're grappling with great challenges. We're living beyond our planetary boundaries, with grave risks for the future of life. On current trends, we won't achieve the Global Goals. The rise of mistrust, fear and isolationist politics undermines the collaborative will that's needed to meet these challenges.

It is clear that the private sector has contributed hugely to the benefits we enjoy and also to the problems we face. Unless it plays a major role in creating solutions, we won't make progress quickly enough.

The good news is that, despite the tough economic and political context for business, this is a moment with a *certain kind of opportunity*. There's increasing pressure – and momentum – for business and investors to focus on people and the planet, as well as profit.

Our project is timely, dovetailing with recent calls from business leaders and investors who wish to be a force for good. These include an announcement by 181 CEOs from the US Business Roundtable, and the recently launched Net-Zero Asset Owner Alliance (responsible for approximately US\$2.4 trillion of assets under management). There are also new corporate coalitions on health, fashion, food and nutrition.

There are demands from society at large. There's growing public mobilization via campaigns like Extinction Rebellion, or the movement to stop modern slavery in supply chains by Oxfam and others, and by workers and employees – for example Amazon workers pushing for climate action. There's also increasing pressure from some politicians, such as Elizabeth Warren and her "Accountable Capitalism Act".

Business has never been more powerful, or more profitable. It's also in the spotlight and under pressure to do less harm, to make a wider contribution. The start of the 2020s feels like a moment when re-invention of the working of our economy is possible, but far from guaranteed. This is a moment to focus on action – to go beyond declarations, and for interventions designed to reach a tipping point.

The world's largest 1,000 companies can make or break our progress towards the Global Goals. The most powerful lever of change hinges on whether – and *how* – leaders embed purpose and profit in their business plans and investment strategies. This report explores how best we can make that happen.

Overview of our research

We interviewed over 50 business leaders and experts and researched over 30 companies' work on purpose. We wanted to understand how they defined the fundamentals of purpose-driven business, how much progress has been made, and what leaders and experts see as the key levers to

accelerate action and impact, using the Global Goals and planetary boundaries as a metric of success.

From our research and interviews, we learned:

1. Purpose-driven business is increasingly seen as a minimum requirement to operate. But there is no single unified view on the role of business as we build a sustainable, more inclusive world. There remains an anti-business mentality on one side, and a free-markets mentality on the other. Between these two tired positions, there is a new stance that believes in companies taking on a wide scope of responsibility as part of their license to operate. This foresees huge private sector potential, if it can be encouraged and empowered to pursue Environmental, Social and Governance (ESG) goals over the long-term.
2. The Global Goals have credibility and visibility. But as applied to business, if they are to be more than “Global Goal-washing”, they need to be operationalized. This means turning them into concrete plans, combining purpose and profit with standardized public metrics, measuring business progress beyond shareholder value.
3. Many business leaders understand *why* change is needed. There’s still mixed understanding of *what* needs to change, but the area that businesses struggle with most is *how* to change. CEOs are cautious about getting ahead of what they believe shareholders want. This implementation gap – between what CEOs know is important and what they are doing about it – is a key focus of this report’s recommendations.
4. Different leaders hold divergent views about what’s possible and what’s appropriate. But nearly all face the same challenges and trade-offs, as they navigate the dilemmas of being purposeful and profitable:
 - Shareholder primacy versus multiple stakeholder benefit. This includes the rise of activist investors in public markets, and a shift to private ownership, where there is often less scrutiny, via private equity.
 - Extreme cost pressure today versus investing in longer-term strategic objectives.
 - Managing risks to organizational performance versus the wider impact on people and planet.
 - Innovation to drive profit-only versus innovation within social/planetary limits.
5. There are also different views on whether purpose-driven business correlates to better profits and business outcomes. Yet there is growing recognition that without embedding purpose in core strategies, business and investors won’t manage their risks, attract top talent or capture future market and consumer opportunities.
6. A few companies are leading the way; they are in the race to the top. More want to act, but feel constrained. The structures and systems in which they operate – investment, regulatory frameworks, metrics – have not adapted to today’s context. Capitalism’s operating system needs modification if we want to see behavior change by companies.
7. There’s a confusing multitude of standards and metrics for benchmarking purpose-driven business. CEOs and investors need help navigating the various initiatives and terminology, and there’s a case for simplifying and consolidating.

8. Companies are hungry for practical guidance and help at three levels: **individual, company, system**. Even motivated executives need simple tools to understand and navigate a complex “purpose” world.
9. Purpose-driven business is a journey, not just a desired outcome. It can take different forms and is driven by a range of motivations and starting points. One size doesn't fit all. It is specific to sector and to place.
10. There is no single path for companies to cultivate a deeply held sense of purpose that drives how they act. To help companies develop purpose-driven business strategies and navigate wider system change, a mix of courageous leadership, combined with practical interventions (see section 5) and insider/outsider pressure, is needed.
11. There is strong recognition that, to accelerate progress, business, NGOs, foundations and governments need to break down distrust and silos between the worlds of development, human rights, climate and business. This is best done by cross-sector collaborations towards well-defined systemic challenges.
12. Much of this action can be paid for by companies themselves. But philanthropy can help build the ecosystem for purpose-driven business, and back cross-sector initiatives and multi-stakeholder collaborations that accelerate business as a “force for good”.

The benefits of purpose

"There is no doubt sustainability has become a must-have. Consumers are aware of global issues in a way they were not five years ago...If at any point, consumers learn that a company or brand cannot be trusted, those brands will be heavily damaged." João Paulo Ferreira, CEO Natura

Anand Mahindra, chairman of India's Mahindra conglomerate says: *"Everything [it] has done in sustainability has made money"*.

Larry Fink's 2019 Blackrock Letter to CEOs: *"Purpose is not an extra – the investor community is saying: you're uninvestable and uninsurable unless you're thinking about these things."*

- 63% of senior executives say a sense of purpose helps them innovate and be better able to disrupt or respond to disruption ([Economist Intelligence Unit & EY, 2018](#)).
- 63% of global consumers prefer to buy from companies that stand for a purpose that reflects their own values, and will avoid companies that don't ([Accenture Strategy, 2018](#)).
- A Deutsche Bank study shows we have reached a consumer tipping point, with over twice as many customers (in the UK) actively purchasing products from companies that address climate change, compared to those that do not ([Deutsche Bank, 2019](#)).
- Millennials are 5x more likely to stay with employers when they feel a strong connection with their employer's purpose ([PWC, 2016](#)).
- Environmental, Social and Governance (ESG) investment now totals over US\$23 trillion, about 1/4 of all investments, a rise of 25% ([KPMG](#)).
- Purpose-driven companies attract the best people: Unilever is the number 1 employer of choice in more than 40 markets where it hires. Its brand talent and employer strategy focusses on purpose ([Unilever](#)).

Five elements of purpose-driven business transformation

From these and other insights we suggest there are **five elements that drive purpose-driven business transformation**:

1. **Individual company leadership** focusing on ambition, actions, and advocacy:
 - A clear north star/purpose statement where *ambition* is set, and which benefits multiple stakeholders (not just shareholders).
 - A set of *actions* supported by operational plans and underpinned by ESG metrics, such as Science Based Targets and wider social metrics.
 - A position that *advocates* for new regulation to raise the bar and de-risk long-termism.

2. **A 're-framed' relationship between business and the state** using 'ambition loops' – a non-adversarial concept which avoids business manipulation of government. Instead, businesses signal to government that they are open to developing long-term targets. A government sets standards and regulation, applies them to companies equitably, and provides a sense of stability. A good example of this is found in India, where the government (national and State) set bold targets on renewable energy and the private sector stepped up to the opportunity (discussed further in section 4).

3. **Public benchmarking and measurement** of company performance that is accountable to multiple stakeholders, such as the public, investors and governments. A clear and prominent scorecard and league table would be a strong incentive for companies to act. The World Benchmarking Alliance could play a role in this (see section 5).

4. **Financial flows driving transformational change** by:
 - Institutional investors divesting from projects that do harm, and – as a minimum – applying higher risk discounts to projects that do not harm people or the planet.
 - Encouraging long-term institutional shareholders (ie pension funds) to see their fiduciary duty as encouraging purpose-driven business strategies that align with the Global Goals, Science Based Targets and high ESG scores. Moving from dedicated ESG funds to mainstreaming ESG across all investments.
 - Dramatically increasing investments in regenerative and SDG business opportunities. For example, investing in wind power and other renewables, or toilet and sanitation innovations.

5. **Radical collaboration**: accelerate change through new collaborations to bring together governments, civil society and private sector. The Countdown initiative powered by TED, YouTube and Future Stewards is a recent example of this (see page 32). Another is the global effort of governments, civil society and business to drive support for the Global Fund on Aids, TB and Malaria.

Turning insights into action

Progress will require a combination of the following:

- Campaigns by the public, consumers and employees that motivate companies to be on the right side of history.
- Government regulation and policies framed and designed to create 'ambition loops' and virtuous circles of progress, as opposed to merely restricting bad behavior.
- New standards and metrics to publicly measure and applaud real progress.
- Courageous individual CEO, staff and Board leadership.
- A change in practice by investors to make capital work for long-term good.

- Equipping business leaders with the tools to drive change from within, and understand and navigate complex issues.

To deliver this, we have made some practical suggestions to:

- Strengthen the purpose-driven business ecosystem – such as incentivising change through benchmarking and new metrics.
- Develop practical tools to help business with the 'how' of change.
- Work with, and support, a group of companies committed to the Global Goals and planetary boundaries – with Gates and Porticus – and supported by LQ and others.
- Participate in a sector-wide initiative on vaccines (or another area, such as sanitation).
- Propose how to harness the power of existing events (eg Olympics and Goalkeepers) to drive progress.

LQ – working with expert partners, such as members of the We Mean Business coalition – can develop these ideas further.

Section 2 – Tipping point or false dawn?

In this section we try and answer the question posed above. The short answer is that it's a mixed picture. There's real momentum, but also real risk, and many experts and CEOs see progress as fragile and fluid. The implementation gap between what CEOs see as increasingly important, and what actually is happening, needs to be closed. But despite these challenges and fears, a growing number of business leaders now believe business has a responsibility to fill the leadership vacuum. This is partly to rebuild confidence in the power of capitalism to drive a more regenerative and fair economy, but also because they can increasingly see the benefits. We believe this is an opportunity to accelerate change.

Ready for change?

Over recent months, any observer might have wondered whether capitalism, in its current form, is on its last legs. Marc Benioff, the Salesforce founder and CEO said, "Capitalism, as we know it, is dead" and the FT has called for a "reset of capitalism". Several business leaders have questioned business focus on shareholder value, and called for a wider stakeholder approach. A recent US roundtable statement was signed by 181 CEOs committed to a new stakeholder approach, which kickstarted a debate about whether we are now at a tipping point on business purpose.

Increasing pressure from politicians, coupled with demands from workers, has led to a plethora of announcements, including at the 2019 UN Climate Summit. Private sector announcements include over 700+ companies taking science-based climate action via the Science Based Targets, in line with the Paris Agreement.

The Global Goals and the private sector

In 2015, 193 member states signed up to 17 Global Goals for a better world by 2030. In their simplest form, these Goals have the power to end poverty, fight inequality and address the urgency of climate change. They represent the world's commitment to addressing the interconnected challenges facing humanity. They map out the fundamental political, economic, social, and environmental changes needed if all people are to thrive within planetary boundaries.

Business has been a core partner in developing and shaping the Global Goals. Now, many companies – through the UN Global Compact (with its 9500 business members) – are collaborating on issues (from education to gender, climate to fashion). They are mobilizing their innovation, core business, supply chains and talent to accelerate progress. For example, their specialist supply chain website is described as a 'one-stop-shop' for businesses seeking information about supply chain sustainability.

The Business Commission of 2017, led by Paul Polman and Mark Malloch Brown, neatly summed up the Global Goals' importance to business:

"Business really needs the Global Goals: they offer a compelling growth strategy for individual businesses, for business generally and for the world economy. Second, the Global Goals really need business: unless private companies seize the market opportunities they open up and advance progress on the whole Global Goals package, the abundance they offer won't materialise."

The Commission makes a business case for the Global Goals – \$12 trillion of market opportunities in four economic systems: food and agriculture, cities, energy and materials, and health and wellbeing. They, and recent PwC and Accenture reports, argue that the Global Goals can help drive innovation, efficiency gains and enhance brand reputation – and attract talent and consumers. A virtuous circle of benefit.

The recent *Accenture Global Compact 2019 Survey*, based on interviews with 1,000 CEOs, reinforces this picture with a rich source of data. It indicates that there is growing support for using the Global Goals as a frame to drive progress, with growing momentum for action.

- 87% think the Global Goals provide an opportunity to rethink approaches to sustainable value creation.
- 70% see the Global Goals providing a clear framework to structure sustainability efforts.
- 49% believe business will be the single most important factor in delivering the Global Goals.
- 86% believe that standardised impact metrics will be important in unlocking the potential of business.

Data from the *Ernst & Young CEO Imperative Study 2019* also suggests a growing proportion of CEOs/C-suite, Boards and asset managers endorse the need for company strategies to be aligned with the Global Goals and planetary boundaries. Key findings show:

- 58% of Board directors support corporate engagement in solving global challenges.
- For companies with revenues of \$20+ billion, 77% of CEOs report moderate to extreme stakeholder pressure.
- Global CEOs see more growth opportunities (than risks) in acting on these global challenges.
- Yet only 34% of CEOs believe the C-suite structure is suited to the challenges of the next decade.

Or reality check?

Despite this momentum, there is also real risk, and many experts and CEOs see progress as fragile, and limited to a small group of companies.

The *Accenture Global Compact 2019 Survey* points out that 2016 was the high point for CEO commitment on sustainability. In 2019, despite pockets of progress, CEOs say their industries, and business as a whole, are not doing enough. They agree that, for most businesses (including their own), awareness and commitment is not driving the necessary level of urgency and concrete action. **In 2019, just 21% of CEOs believe business is playing a critical role in contributing to the Goals. And just 48% of companies are implementing sustainability into operations.**

Leaders are willing to do more, but cite market constraints and a tough business environment, which are slowing broad-scale transition to sustainable business. They fear that, unless business – in the broad sense – is forced to act (due to a shift in economic incentives), action will stall. One in three CEOs of the world's largest companies cite "lack of market pull" as a top barrier to sustainable business.

Further, political uncertainty is reducing or stalling sustainability efforts for 42% of CEOs, while 34% specify market closures and limitations on free trade. According to *The Accenture Global Compact 2019 Survey*, "some 55% of CEOs say they face a trade-off: pressure to operate under extreme cost-consciousness, versus investing in longer-term strategic objectives which are at the heart of sustainability".

This data offers a good reality check.

In the global "purpose bubble", it's easy to forget that not every CEO and Board is signed up to purpose, or feels able to act on it. We know CEOs and their companies face short *and* long-term economic, political, social and environmental challenges.

Economic pressures

After strong growth in 2017 and early 2018, global economic activity has slowed in 2019 and investment and demand are subdued as households and firms hold back on spending. There are various factors (the US-China tariff war, tensions in the Gulf, Brexit and other political uncertainty in Europe). As one interviewee said, "Some businesses are holding back on making big decisions as they wait and see how to address this wider uncertainty".

This was reinforced in the *Accenture Global Compact 2019 Survey*: "CEOs cite political and economic uncertainty as big distractions. Two-thirds said macro volatility is critical to their strategies, and 42% say it's reducing their sustainability efforts".

A recent UNCTAD report warned: "Weaker growth in both advanced and developing countries means the possibility of a global recession in 2020 is a clear and present danger." It added, "2019 will endure the weakest expansion in a decade and there was a risk of the slowdown turning into outright contraction next year". The UN said warning lights are flashing around trade wars, currency fluctuations, the possibility of a no-deal Brexit and movements in long-term interest rates – but there is little sign that policymakers are prepared for the coming storm.

Social, environmental and political flux

At the same time, businesses are struggling to address a wider set of social and environmental challenges, and a new set of expectations about their role. Despite dramatic progress in life expectancy, child/maternal mortality, extreme poverty and access to education, inequality, climate change and populism are creating big challenges for business.

- Inequality within countries is rising and millions of people are being left behind. Society is becoming increasingly intolerant of these divides. The recent Goalkeepers report sets out the consequences of gender and geographic inequality and the impact on SDG progress.
- Recent reports – including from the UN – indicate how far off-track we are in achieving the Global Goals, and show that much of the progress made could be undone by the impact of climate change and inequality.
- The scale of the challenge is immense: science tells us we are living beyond 4 of our 9 natural planetary boundaries – climate change, loss of biosphere integrity, land-system change and altered biogeochemical cycles.
- Populism, a collapse of trust and inward-looking domestic politics in many countries threaten collaborative multilateral action, joint funding and the spirit of internationalism.

These factors create new challenges for business and are a direct threat to progress on the Global Goals and planetary boundaries. Investors are watching closely, and Boards are worried that some CEOs are being too ambitious. Leaders fear they may become scapegoats for political failings. They believe their leadership and interventions won't work without government support, including new regulation to create wider system change.

Section 3 – Evolution of purpose-driven business

In this section we give some historical context and background – from the 1960s to the latest thinking today. We end with some more radical frames to help think about purpose-driven business – including Kate Raworth's Doughnut Economics framework.

Business has undoubtedly come a long way in the last five decades, and in recent times we have seen an acceleration of purpose-driven business as set out above. But we also know current action is not enough if we are to meet the targets set in the Global Goals and avoid ecological catastrophe.

The history of business purpose

For 50 years, Milton Friedman's shareholder-led model of capitalism has been the dominant norm in many economies. He wrote in 1962 that there is "one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits, so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (*Capitalism and Freedom*, Milton Friedman, 1962).

In the 1960s, companies primarily saw their contribution to society as creating wealth, paying taxes and – at a stretch – doing good through charity and philanthropy.

This began to change in the 1980s and 1990s, after a series of corporate catastrophes forced business leaders to think about their responsibilities. The Bhopal tragedy in India (1984), Exxon Mobil oil spill (1989) and the 1990s exposure of labour conditions in Nike's supply chain, led to

consumer and political pressure for change. In 1994 John Elkington introduced the concept of the triple bottom line: people, planet and profit. But the next two decades mainly saw CSR initiatives, voluntary guidelines, codes of conduct and annual sustainability reporting. Some of these – from the Fair Trade Mark to BSI group Environment Management Standard – drove significant benefits, but doing good for people and the planet felt like an add-on, rather than the heart of the business.

More progress was made in the era of the Millennium Development Goals (2000 onwards) with the UN Global Compact becoming the first major membership body of corporate responsibility. CDP also formed in 2000, to provide investors with detailed information on companies' environmental performance. This was the start of more radical change, as companies looked at their core business, not just their CSR.

The financial crash of 2007/8, the BP Deepwater crisis (2010) and the Rana Plaza collapse (2013) led to an even bigger rethink, as trust broke down between business and the public. In response, the World Business Council introduced *Vision 2050*, calling for business to play a leading role in enabling 9 billion people to live well within the resource limits of the planet. At the same time, proliferation of partnerships and collaborations erupted across sectors and industries – from the Tropical Forest Alliance to the Better Cotton initiative – to address more systemic challenges.

2015 was a pivotal year, with the UN's Global Goals and the Paris Climate deal creating a more radical frame for action covering governments and business. This has led to some business leaders arguing that a more fundamental change is needed – that companies can do well by doing good. This is still not the norm, but many leaders are now integrating social and environmental priorities into the fabric of their organizations.

The debate continues. The definition of "purpose" is now no longer about CSR or philanthropy or even doing no harm, but about purpose-driven business driving better performance. While the jury is out on whether there is an opportunity to make more profit through purpose, there is growing evidence that there are a number of clear benefits, including attracting top talent, investment, and consumers. And it is clear that companies failing to transform are less likely to mitigate risk.

The emergence of ESG criteria as a driver of change

One of the most important developments driving purpose has been the development of Environmental, Social and Governance (ESG) metrics and standards. They are helping to raise the bar.

ESG criteria are defined as a set of standards used to measure a company's advancement on sustainability. Used by socially conscious investors during the investment process, they can affect a company's creditworthiness.

In recent years, ESG and sustainable investing has moved towards the mainstream. With the 2018 financial crisis, and the threat of climate change, ESG reports by companies are becoming a necessity.

The UN's *Principles for Responsible Investment* encourage its international network of investor signatories to incorporate ESG factors into investment and ownership decisions. In 2018, its annual signatories rose to 2,232 – a 21% increase.

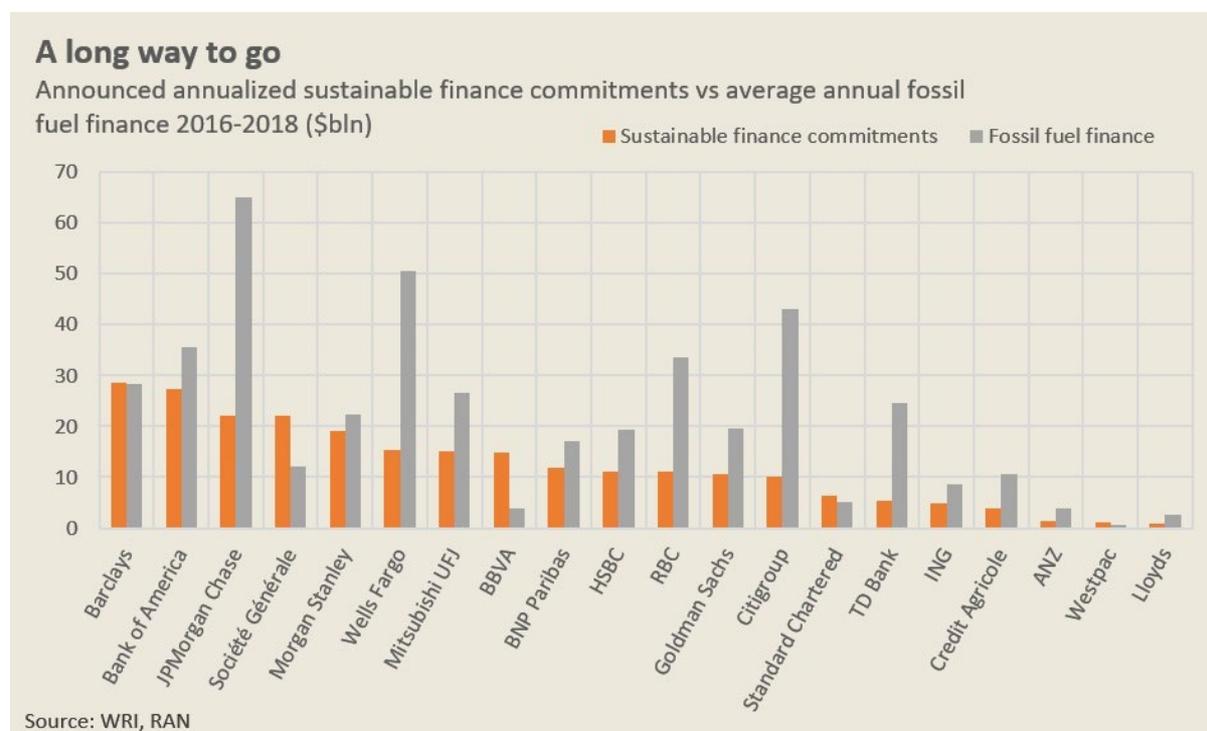
Robert G Eccles (Saïd Business School, University of Oxford) and Svetlana Klimenko (World Bank) recently interviewed 70 senior executives at 43 global institutional investing firms, including the world's three biggest asset managers (BlackRock, Vanguard and State Street). They concluded that

ESG was “almost universally top of mind” for these executives. Their study highlights the growing momentum of ESG, with investment leaders taking practical steps to integrate sustainability within their investment criteria. BlackRock recently became the first asset manager to publish the ESG ratings of the companies within its investment portfolio. This came after its vice-chairman Philip Hildebrand gave evidence to prove that ESG focused indices “had matched or outperformed their main market counterparts since 2012”.

However anecdotal evidence from CEOs suggests that in practice asset managers are often almost exclusively focused on financial performance, with executives responsible for ESG disconnected from key decision makers in these firms.

Though it is still early days, the Net-Zero Alliance, made up of major pension funds and insurance brokers such as Allianz, PensionDanmark and SwissRe – represents nearly \$2.4 trillion in assets under management. It is an example of a growing recognition that institutional investors collectively have an important role to play in fostering the energy transition the world needs. “For investors like CDPO, there are so many opportunities to earn commercial returns by investing in low-carbon solutions and to work with portfolio companies to decarbonize,” said CDPO CEO, Michael Sabia. “Combined with the necessary changes in public policies, investors’ actions will induce real change in every sector.”

But others are much more sceptical. A recent WRI report of the world’s 50 largest banks shows that, despite the rhetoric, fossil fuel finance still outstrips sustainable finance commitments. JP Morgan, for example, financed \$63.9 billion in the fossil fuel sector in 2018 and \$22.2 billion for sustainable finance.



(Source: [EuroMoney](#))

The WRI report also argues that, while the numbers are impressive at first glance – with over 25 of the world’s 50 largest banks making commitments to sustainable finance totalling over \$2.5 trillion – there is little way of knowing if this is real – or impactful. 57% of banks don’t disclose their

methodology or measurements and a third have no plans to report on progress. As one insider pointed out: "I guarantee at monthly meetings these targets are not being checked".

How are ESG criteria used?

Sustainable or socially responsible investing, mission-related investing or screening, are terms used interchangeably with ESG. The range of ESG benchmarks and metrics used to measure progress, act as both an incentive and threat.

ESG is dominated by a range of for-profit rating agencies, who analyse and compare the performances of companies. The number of sustainable investing agencies has grown by 144% since 2004, making this a competitive field. They include:

- Morgan Stanley Capital International (MSCI) currently works with 46 of the top 50 global asset managers. Its ratings are based on 37 ESG-related issues, including climate change, human capital and corporate governance.
- Sustainalytics conducts independent ESG research analysis, currently covering 11,000 companies. Its focus is to evaluate a company's exposure to industry-specific material ESG risks, and review how well the company is managing these risks.
- Bloomberg integrates ESG data with its financial analytics; it's used by 18,000 customers.
- SASBY's Materiality Map examines sustainability issues that are likely to affect the financial position of a company within a particular industry. It currently identifies 26 sustainability-related issues (under environment, social capital, human capital, business model and innovation, leadership and governance).
- Publicly reported Global Reporting Initiative standards are used by organisations to prepare sustainability reports and report their impact on the economy, environment and society.
- B Impact Assessment is a tool used by companies to assess their impact on stakeholders (including workers, suppliers, community) and the environment.
- In September 2019, Tortoise Intelligence announced their new Responsibility100 Index. They will create the first ranking of FTSE 100 companies measured by their commitment to social, environmental and ethical objectives, and ranked against the Global Goals. The current Index is in Beta mode; the official launch will be in January 2020.
- RobecoSAM's research examines the link between sustainability and financial materiality. Each year they review the sustainability practices of over 4,500 companies, focusing on economic, environmental and social factors related to the companies' success. They have also developed unbiased ESG scoring that is particularly relevant for investors.
- GRI standards are used by organisations to report on their impacts on the economy, environment and society. They are used by organisations to help them prepare sustainability reports. They argue that using their standards results in a full and balanced report analysing an organisation's impact and how it is managed.
- Taskforce on Climate-related Financial Disclosure was created in 2015 to provide climate-related financial risk disclosures for use by companies, investors and other stakeholders.
- S&P Global Ratings ESG Evaluation provides an assessment on how ESG factors can affect a company's long-term sustainability, using cross-sector analysis.

The limitations of ESG

Despite a groundswell of action on ESG, the landscape is complex, often secretive, and crowded by multiple initiatives. As outlined above, there are many non-profit and for-profit rating agencies with different indices. There is a danger of confusion and of green- or SDG-washing. Simplification and standardization, with one public benchmarking metric to act as a frame, is needed.

At this stage, it's unsurprising that consolidation has yet to take place. There is increasing effort among data initiatives to try and collaborate and standardize more, but to date there is no 'gold standard' target-based method. There are valuable pieces contained within various methodologies, and in parallel vested (and overlapping) interests supporting various methodologies but lack of consistency has hindered consolidation.

There is some frustration about the absence of a comprehensive standard, which investors use as an excuse to not run at this as hard as they might. There is also a lack of collaborative work between companies and investors. The absence of a consensus view about which standard to use is not a new issue. (There are literally conferences every year on this topic.) The rub is what to do about it.

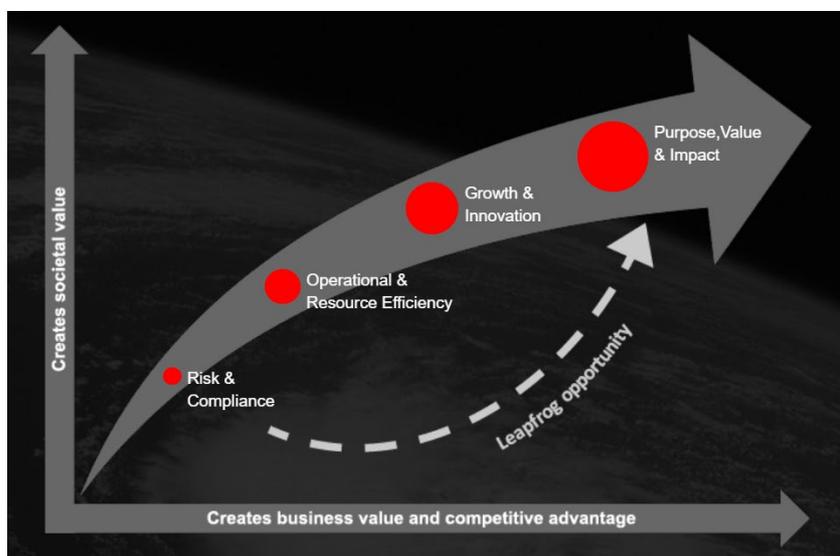
As we set out below (sections 4 and 5), there is growing demand for a public, more accountable framework to measure and benchmark company progress against the Global Goals, drawing on Science Based Targets and other metrics.

What is the state of play of purpose-driven business today?

We draw on three frameworks to describe the evolution of purpose-driven business and help summarise the latest transformational thinking now driving this dynamic space.

1. Accenture

The framework below indicates the common stages of maturity for companies. When examining progression, the framework recognizes that sustainability initiatives may begin as 'discretionary efforts'. Once a company is at its most mature, 'purpose, value and impact' become part of its organizational DNA. It's important for companies to understand these levels of maturity, in order to 'leapfrog to high performance'.



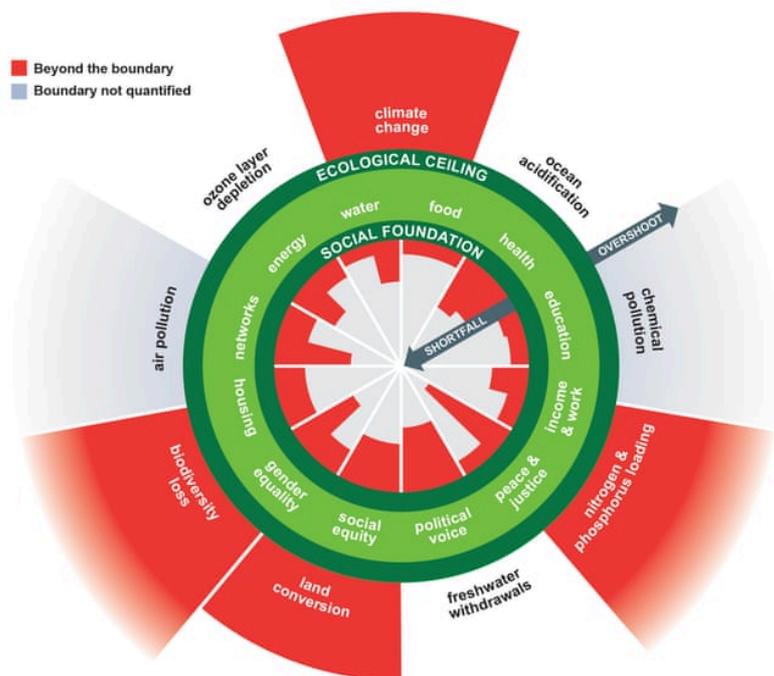
(Source: [The 2016 UN Global Compact – Accenture Strategy CEO Study](#))

2. Doughnut Economics

Kate Raworth's doughnut concept (see below) is a useful framework for business performance on meeting the needs of people within the means of the planet.

The hole in the middle of the diagram indicates the essentials required for a good life, and these social foundations are inspired by the Global Goals. The outer layer recognizes the Earth's

environmental limitations. Raworth argues that economics must be rethought, to allow us to reach the safe and just place within the doughnut.



(Source: [The Lancet](https://www.thelancet.com))

Using the Doughnut framework Kate Raworth has categorized the 5 different stages business can be categorized within:

1. *Do nothing* – Raworth states that this stage has long passed its expiry date.
2. *Do what pays* – The drive to purpose, but only if it boosts sales or cuts costs.
3. *Do your fair share* – Making national commitments, Raworth argues, is still not enough.
4. *Do mission Zero* – Raworth says, “But why settle for 100% less bad when you can break through the ceiling of imagination and start to do good?”
5. *Be generative* – This kind of enterprise is how we can bring humanity into the Doughnut.

She also draws up five questions for business to move to a more doughnut approach – these are a powerful checklist:

1. *What’s your business purpose?*
 - a. Is it a narrow financial purpose, or purpose-driven?
2. *How is your business governed?*
 - a. What are the metrics used to measure company and employee performance?
3. *How is your business networked?*
 - a. Who are the customers and suppliers, and how do they align with purpose?
4. *Who is the business owned by?*
 - a. How a business is owned holds importance for the final question.
5. *What’s the quality of finance?*
 - a. Are shareholders committed to investing in social and ecological benefits with fair financial return?

3. We Mean Business

Drawing on data from a variety of providers, including CDP (a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts), We Mean Business (a global non-profit coalition working with the world's most influential businesses to take action on climate change) categorizes the different levels of climate commitment as follows:

Level A	Through the Science Based Target Initiative, the company has set greenhouse gas emission reduction targets in line with the latest science from the report by the UN Intergovernmental Panel on Climate Change (IPCC) – to limit global warming to 1.5°C above pre-industrial levels. Additionally, it has pledged to achieve net zero emissions by 2050.
Level B	Through the Science Based Target Initiative, the company has set, or committed to set, greenhouse gas emission reduction targets in line with latest climate science guidelines to meet the goals of the Paris Agreement. (In other words to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.)
Level C	Through the We Mean Business Take Action Platform, the company has made one or more ambitious climate commitment(s), including: <ul style="list-style-type: none"> • 100% renewable power (RE100). • Accelerating the transition to electric vehicles (EV100). • Improve its energy productivity (EP100). It has not yet set, or committed to set, a Science Based Target.
Level D	The company is part of a system (eg built environment, power or transport) that represents significant greenhouse gas emissions and must be transformed if we are to limit global warming to 1.5°C. It has made a significant climate statement – with a carbon neutrality of net zero emissions end date – outside the Take Action Platform.
Level E	The company is from a sector (eg steel, cement, power generation or auto manufacturing) that represents significant greenhouse gas emissions, and must be transformed if we are to limit global warming to 1.5°C.

Section 4 – What we heard: research on purpose-driven business

In this section we outline what we heard from our interviews and desk research. These interviews produced rich insights into what leaders and experts see as the state of play on purpose-driven business, and the elements they believe are most important to galvanise change. We have organized these insights around 6 themes, and for each one we provide a snapshot of what we heard, examples of it in action and some observations.

- A. **Metrics/regulatory frameworks:** incentivizing systems change through metrics, standards and government regulation and policy.

- B. **CEO and Board leadership:** the importance of CEO and Board leadership to set ambition, drive change and create examples of success.
- C. **Investor leadership:** the need for investors to back change/help accelerate investment in companies making bold moves (and avoid undermining their efforts).
- D. **Purpose-driven strategies and plans:** companies use their core business, supply chains and R&D, people power (staff, consumers, communities and advocates) and governance, to drive progress on Global Goals and wider change.
- E. **New vision:** a wide range of examples, role models and stories on the 'purpose journey' and system change are critical in galvanising wider business change.
- F. **New movements/sector:** radical collaboration around system and sector change is needed to raise ambition, including companies, civil society, government and experts.

A. Metrics and regulatory frameworks

Incentivising systems change through metrics, standards and government regulation and policy.

Most experts and business leaders argue there are limits to company purpose strategies, without wider structural transformation of sectors and systems. Companies and whole industries need help to understand and navigate system and sector change. For this we need new metrics (indicators to track) and standards (targets to set), and government policies and regulations.

Given the difficulty of securing international collaboration on many of these issues, policy and regulation will inevitably vary by country, region or city. We also need consolidation around the metrics and standards that are most effective and easily adopted.

What we heard:

- “Metrics war: which standards will prevail, once this has been thrashed out over the next 3-5 years? The outcome will be some standardization.” (US Business Editor, global newspaper)
- “We will not even look at a company that doesn’t have an adequate ESG rating as filtered by ISS.” (Activist shareholder)
- “Business can easily like good regulation – it provides targets, incentives, motivation, level playing field. German solar was a good example of this, and it got the global market going.” (Sustainability business leader)

Examples of metrics/regulatory frameworks emerging as widely accepted

- The *Access to Medicines* index ranks the world’s 20 largest pharmaceutical companies according to their ability to make their drugs more available, affordable and acceptable in 106 low income countries. It enables civil society, patient organizations and governments to publicly scrutinize pharmaceutical companies. It is run by the Access to Medicines Foundation; a league table is published biannually.

For example, GSK is ranked No 1 on the *Access to Medicines* Index for devoting most of its R&D pipeline to priority and neglected diseases. It reserves the lowest vaccine prices for GAVI and the Vaccine Alliance, delivering millions of doses each year.

- Interviewees referenced the *Science Based Targets initiative* as a prominent example of metrics and standards that have gained traction. Since launching in 2015, over 700+ companies are taking science-based climate action; approximately 100 share their performance on global disclosure platforms such as the Carbon Disclosure Project, which scores and indexes 8,400 participating companies, 800+ cities and 120+ states and regions.

For example, L'Oréal – the world's largest, most profitable cosmetics company – is the only firm in the world to receive a triple "A" from the Carbon Disclosure Project three years in a row (2016, 2017 and 2018). It reports on 14 of the 17 Global Goals, with explicit reference made in the "Sustainability Journey" written by the CEO.

- The *Taskforce on Climate-Related Financial Disclosures* develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. It considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.
- Interviewees cited the importance of the *World Benchmarking Alliance* – see section 5 below. More progress is required to make it simpler for businesses to navigate what to measure and report, and to concentrate their efforts in the most effective ways.
- New regulation in India is driving bold leadership on renewable energy. The government's renewable energy targets – to achieve 100 GW of solar capacity by 2022 – has catalysed solar power development. Companies including Infosys, IBM and Coca-Cola have united to form the *Green Power Market Development Group* – a coalition of corporate renewable electricity buyers to increase their purchasing of renewable energy and meet these targets.

B. CEO and Board leadership

The importance of CEO and Board leadership to set ambition, drive change and create examples of success.

Change calls for courageous leadership from individual CEOs and Board Directors – and the organizations they lead. We will not succeed in transforming our economies and creating new business models without a widespread shift in consciousness amongst wise, compassionate leaders. Without this we won't change investor, shareholder and Board sentiment and we are at risk of "SDG-washing" and a race to the bottom.

Interviewees cited that most CEOs care about purpose, and increasingly see the benefits for their brand, market opportunities and attracting talent. In some cases, the CEO commits the time and resources, and takes direct responsibility for environmental and social performance. For example, overseeing the Sustainability Committee, or tying Executive Pay to non-financial measures of performance. Others Chair or are members of C-suite coalitions (eg US Business Roundtable, World Business Council for Sustainable Development or Sustainable Apparel Coalition).

However, even the most motivated CEOs face common challenges:

- Pressure to prioritize short-term profitability amidst change and widespread uncertainty.

- No clear roadmap to follow – examples of purpose-driven business in action are in short supply.
- Confusion and a feeling of being overwhelmed by multiple initiatives and demands.
- Lack of internal leadership and expertise to lead the kind of transformational change required.

CEO and Board leaders expressed the need for practical help to navigate the points above, in particular from trusted individuals with proven experience to help them with the “how”.

Interviewees also shared that at present a few companies are overly cited – Unilever, Patagonia, Danone, Salesforce. More examples and a much wider variety of visionary organizations are needed, if we are to change investor sentiment and win wider consumer and political momentum. Through action we inspire confidence, through confidence we raise ambition and accelerate change.

What we heard:

- “Our CEO is overwhelmed by the multitude of purpose initiatives and stakeholders – he is committed to the sustainability agenda but does not currently have the bandwidth.” (Sustainability leader, consumer goods company)
- “Most CEOs care about purpose. The question is – what does it take for a given public company to pursue a good purpose with a good profit?” (Board member of multiple global companies)
- “The more open-door companies become, the closer more radical practices get to the mainstream. Companies are starting to act like things need to change.” (Executive Editor, Impact & Innovation, global newspaper)

Examples of CEO and Board leadership

- Andrew Witty, ex-head of GSK, transformed a company criticised by Nelson Mandela for denying AIDS drugs to the poor (and the target of a global campaign) into the leading pharma company, heading the *Access to Medicines* index.
- Indra Nooyi, CEO of Pepsi, combined performance and purpose to begin shifting a famously unhealthy company towards transforming its business to focus on more healthy and sustainable products.
- Maersk CEO, Soren Skou, played a crucial role in leading the company out of the oil and oil-related businesses, and is credited with restructuring its focus and purpose. The Executive Board is directly accountable for the company’s sustainability initiatives. Maersk’s Sustainability Strategy commits to achieving carbon neutrality by 2050, and in turn, producing viable carbon-neutral vessels by 2030, and is guided by the Global Goals.
- Marc Benioff, Salesforce Co-CEO, is an outspoken advocate for ‘new capitalism’: “To fix it, we need businesses and executives to value purpose alongside profit” (October 2019). He says: “The business of business is improving the state of the world.” Benioff chairs the World Economic Forum’s Fourth Industrial Revolution Centre and is a B Team Leader. Salesforce is part of Pledge 1% (total of 8,500 companies).

- The Non-Executive Chairwoman of L'Oréal (who owns 33% of the company) is a member of the Sustainable Development Committee; the committee is chaired by the CEO. Bonuses are informed by ESG performance. The Sustainability Department reports directly to the CEO.
- Jeff Bezos, Amazon CEO, announced the 'Climate Pledge' in September 2019: a commitment to meet the Paris Agreement 10 years early (in response to employee pressure). As the first signatory, Bezos seeks to position Amazon as a front-runner. Goals include: 100% net-zero carbon by 2040, 100% renewable energy by 2030, and 50% net-zero carbon shipping by 2030. This declaration enforces a preference for suppliers who demonstrate support for the Global Goals and planetary boundaries.
- The C-Suite of P&G is focused on ending plastic waste; the CEO is Chairman of The Alliance to End Plastic Waste. By 2030, P&G aims to have 100% renewable electricity at its sites, reduce water use by 20% per production unit, and use 90% recyclable or reusable packaging (as of 2018, 86% of its packaging is considered recyclable).

C. Investor leadership

The need for investors to back change/help accelerate investments in companies making bold moves (and avoid undermining their efforts).

Interviewees emphasised the critical importance of investor sentiment and decisions. They indicated that, despite the rhetoric, many investors have not changed their priorities, blocking long-term purpose-driven business in favour of short-term returns. Anecdotally, LQ has direct experience of working with CEOs who have lost their jobs after getting too far ahead of investors.

A recent *Guardian* study showed the three biggest asset managers (BlackRock, State Street and Vanguard) hold a \$300 billion fossil fuel portfolio. It claims that BlackRock and Vanguard have routinely opposed motions on climate change at company annual meetings. Company annual meetings are critical opportunities to put company purpose *and* performance on the agenda. However, there has been a significant change in BlackRock's investment strategy. In his January 2020 letter to chief executives and clients, Chief Executive Larry Fink announced initiatives to put sustainability at the forefront of their investment approach, stating:

"...with the impact of sustainability on investment returns increasing, we believe that sustainable investing is the strongest foundation for client portfolios going forward."

If purpose-driven companies are to succeed, investors and shareholders must be at the centre of the conversation – too often they are pushing in an opposite direction. To change this, asset owners and asset managers need pressure from the public and media. At present, public scrutiny is minimal despite the huge power they wield. Interviewees cited that companies with a significant holding by an investor calling for purpose-driven business are more likely to take action.

We also need to pay attention to the private equity sector. It needs to adopt and support ESG metrics and regulation, alongside publicly quoted companies.

The theme of purposeful family ownership is also topical; family owners are asking what it means to be a responsible business owner. The Ownership Project (at the *University of Oxford's Saïd Business School*) examines how ownership influences businesses, and the communities in which they operate, with a focus on family owners.

What we heard:

- “Companies need to know where they stand with big institutional investors before they can go on the journey. Paul Polman is a cautionary story.” (Board member of multiple global companies)
- “There is a great disparity between the public statements put out by banks and investors and their apathy towards sustainability behind closed doors.” (CEO, energy company)
- “We’ve decided not to get out of dirty coal because we have a greater influence at the table than out of it.” (Chairman, top 3 asset manager)
- “If a sovereign wealth fund tells us to stress long-term goals with the companies we invest in, then as a private equity fund we will do that. I’m making a case that private equity could become a better form of ownership than the public markets for governance, ESG, impact, long-termism. BlackRock can write a letter, but it doesn’t really have agency. We actually own companies.” (Board member of multiple global companies)
- “The judgment is between cash now on one side and a more qualitative, holistic, long-term benefit on the other.” (CIO, Japanese Pension Fund)

Examples of investor and capital leadership

- In 2018 Aviva (an activist pension fund) engaged with 1,954 companies and voted on 54,335 resolutions at 4,713 shareholder meetings. It cites its work to influence Exxon – a laggard on climate action – to report annually on its environmental impact and the actions it was taking to contribute to Paris Agreement.
- The first SDG-linked bond from energy company Enel has raised \$1.5 billion.
- GPIF, the \$1.4 trillion Japanese Pension fund has embraced ESG principles so enthusiastically that it will not award new mandates to managers without ESG credentials.
- BlackRock (one of the big three asset managers) has a mixed report card. It has implemented a firm-wide effort to integrate ESG issues within their global investment processes and decisions, including internal risk management systems and economic scenarios, trends and industry analysis. It states: “ESG integration is wise investing”, but as noted above, it invests a considerable amount in fossil fuel companies.
- TowerBrook (the first mainstream private equity firm to achieve B-Corp certification) is a US\$12.4 billion fund. It views performance through three categories: people, planet and partnership. Portfolio companies must comply with the Responsible Ownership Policy. Over 70% of portfolio companies reported sponsorships and community partnerships; 83% have taken action to reduce or eliminate waste caused by single-use products.

The CEO states: “We work to protect and grow the savings of our investors and their families by partnering with management teams and employees to build excellent companies that make a positive impact on society. By following our values, we can demonstrate that responsible ownership is excellent business practice that creates value for all stakeholders.”

- JP Morgan Chase is mobilizing \$200 billion in clean financing, Bank America \$300 billion for its Environmental Business initiative, Société Générale \$100 billion for green energy.

- Organisations like the Power of Nutrition and MedAccess are harnessing innovative finance and capital to solve health and nutritional challenges.

D. Purpose-driven strategies and plans

Companies use their core business, supply chains, R&D, people power (staff, consumers, communities and advocates), and governance, to drive progress on Global Goals and wider change.

The starting point for companies embarking on a purpose-driven journey is wide-ranging. The factors highlighted in this research that have led CEOs, Boards and companies to move on purpose include:

- Risk (eg regulatory, consumer).
- Employee pressure and opportunity (eg talent recruitment).
- Pressure from Chairs, Boards or investors in some cases.
- Personal motivation (eg pressure from their children and grandchildren).
- Commercial and consumer opportunities (eg customer retention and loyalty).

Many large companies now have statements about their wider long-term purpose, often embedding goals across their value chain. It's not easy for stakeholders to interpret the ambition of these goals, or to audit the progress being claimed. But these announcements do add up to the beginnings of a new wave of corporate commitment that we can encourage and support.

We researched several core business plans that included companies harnessing innovation, R&D, supply chains, brand power with consumers, and – in some cases – integrated business plans and strategies linked to the Global Goals and planetary boundaries. Some of these, like Unilever's Sustainable Living Plan, are bold and comprehensive – combining everything a company does from its supply chain to how individual brands drive purpose. Others are more modest, focussed on one brand or initiative.

We heard how CEOs and executives need help to develop purpose-driven business plans and turn new commitments into action through practical tools and programs. A strong message from company leaders is that every company is in a different place, and external support needs to be tailored to individual company needs and take account of where it is on the journey.

Some interviewees cite companies and consumers creating 'ambition loops' together. Companies lead with purpose brands and initiatives, and consumers use their buying power to drive change – from pensions to supermarket shopping – rewarding companies who are leading the pack. Others emphasise the importance of staff driving change, as seen recently with Amazon and Google.

What we heard:

- "It is important to identify and work with internal champions; they will like this project and it gives them agency if you work with them." (Corporate Affairs & Sustainability leader, consumer goods company)
- "How can we turn 90,000 employees into ambassadors? This could be an amazing force for good." (Sustainability leader, consumer goods company)

- “[We need help on] senior leadership induction and development (top team/middle management) linked to developing our long-term strategy.” (Global Affairs leader, multinational pharmaceutical company)
- “We want to offer companies on their purpose journey practical help to develop strategies to put into practice their pledge to the UN Global Compact.” (Global Partnerships leader, software company)

Examples of company purpose strategies and plans

- Walmart launched *Project Gigaton* in April 2017: a supplier-focused initiative to prevent one billion metric tons of greenhouse gases from reaching the global value chain by 2030. Over 1,000 suppliers have set goals related to energy efficiency and sustainable packing to meet the targets. The project brings scalability to sustainability, providing suppliers with the necessary resources to reduce their carbon footprint.
- Similarly, 82% of purchases by L’Oréal were made from “strategic” suppliers who participate in the CDP Supply Chain program. Salesforce’s Global Supplier Code of Conduct requires 50% of suppliers to set emission reduction targets by 2025.
- In 2018, GSK set out 13 public commitments to work alongside the Global Goals; progress is captured in its annual report. Commitments include:
 - Access to HIV medications (ViiV Healthcare’s voluntary licenses allows generic manufacturers to sell its HIV products to donor agencies/public sector programs at a reduced price).
 - Access to NTD treatment (GSK plans to donate 600 million treatments to the WHO for lymphatic filariasis, and 400 million deworming doses for school-aged children).

New products/innovations include:

- Turning top-selling mouthwash *Corsodyl* into a gel to stop neonatal sepsis (1 million die of infections each year). This gel can be kept at room temperature and has been approved by EU regulators. Profits are made through aid/national health budgets. GSK has also gained market/brand penetration as a result.
- A single dose cure to prevent relapsing from malaria and a vaccine RTS (*Mosquirix*) to protect children from *P falciparum* malaria (responsible for most malarial deaths).
- Daimler (the 13th largest car manufacturer and the largest truck manufacturer in the world) set *Ambition 2039*; its path to sustainable mobility, it aims to have a carbon-neutral new passenger fleet by 2039 (11 years earlier than peers in its sector). It will see the Mercedes-Benz company transform its entire operations – from the 2.4 million cars it produces annually (2018), to its production plants around the world and its supply chain. This includes plug-in hybrids or all-electric vehicles making up 50%+ of car sales by 2030.
- Unilever report that their 28 Sustainability Brands grew 69% faster than the rest of the business in 2018 (compared to 47% in 2017). An example is *Vaseline*, which has offered skin healing programs to 3 million people living on the frontline of poverty and disaster. This portfolio contributed to 75% of the firm’s total turnover growth for 2018.

Unilever’s plan includes measurable targets and reporting to improve health and wellbeing for 1 billion people, reduce environmental impact by half and enhance livelihoods. IKEA (the

world's largest furniture retailer) also has a 10-year Sustainability Strategy: "People & Planet Positive" (2010-2020). It aims to be climate positive by 2030 and ensure zero emissions home deliveries to all markets by 2025.

- P&G brands (which serve 5 billion customers each day) are required to implement four "Brand 2030" fundamentals. A prominent example is *Pampers*, which has provided vaccines to half a million new-borns since 2016, in partnership with UNICEF.
- LIXIL brands (\$17 billion company) are in 1 billion households worldwide. It is committed to improving access to basic sanitation for 250 million people around the world by 2021. For example, the \$5 SATO model recycles sewage water into clean water for consumption. Over 1.8 million have been provided, serving more than 9 million people. Gates predicts the re-invented toilet market could generate \$6 billion per year by 2030.
- Google is the biggest corporate purchaser of renewable energy: a 1,600-megawatt package of agreements, along with 18 new energy deals. This will increase its worldwide portfolio of wind and solar agreements by over 40%. Its data centres use 50% less energy than the industry average.
- Maersk partners with new low-sulphur fuel companies. In the last four years, it has invested roughly \$1 billion and engaged 50 engineers to develop energy efficient solutions.
- Salesforce offsets 100% business travel and employee commuting emissions, and plans to invest \$10 million in climate entrepreneurs by 2022.
- General Mills integrates sustainability with business operations and goals – from recycling or recovering 90% of solid waste, to tying executive pay to environmental and social performance. GM is committed to advancing regenerative agriculture on one million acres of farmland by 2030. New policies include 85% of 10 priority ingredients being sustainably sourced, a 13% decrease of GHG emissions across the value chain in 2018 (compared to 2010). In addition, 90% of solid waste is recycled or processed for recovery and, in 2018, some 55,000+ acres of pollinator habitat were planted, and \$4+ million invested in soil health initiatives.

E. New vision: storytelling, examples and role models

Having a wide range of examples, role models and stories on the 'purpose journey' and system change are critical in galvanizing wider business change

Developing a brand and communications strategy to win the wider argument on purpose-driven business will be critical in convincing hard-nosed shareholders, nervous CEOs and risk-averse Boards that purpose and profit must go hand-in-hand. Creating iconic examples of purpose-driven business – beyond the usual suspects – along with stories of pioneers navigating the purpose journey, will help incentivize others *and* sceptics within the business.

Many interviewees, experts and leaders emphasised the importance of storytelling and communications as part of the change strategy. Many shared that companies need practical help – not just criticism and negative campaigns. Others worry about putting their head above the parapet, fearing they will just become a target for media criticism regardless of the efforts they make.

Authentic communications – emphasising the challenges as well as the opportunities – will be important if the private sector is to connect with the public and consumers. Companies should partner with stakeholders to develop integrated communications strategies combining brand, media, videos, social media, tools and events. Gates can help to showcase private sector purpose through initiatives like Goalkeepers and the Olympics. The new TED-backed Countdown initiative can do the same. A number of interviewees suggested we develop case studies, with key business schools, that bring alive what this transformation looks like, what's possible and what are the trade-offs. Interviewees also expressed the need for strong business leaders who have been through a transformation to share their stories, with authentic experience and knowledge.

What we heard:

- “There is a need for authenticity and to expose problems – not just successes. People won't listen to being told how wonderful X company was.” (Chairman & Founder, PR company)
- “I've been asked to do an interview, but I fear ruining what we have achieved by bragging about it; I fear losing authenticity. I want to encourage others to follow suit, but I don't feel evangelical about it.” (Co-Founder & Co-CEO, investment management firm).
- “How to align with the messages that investors, employees and consumers are pressing for? The answer is in communication – telling the story of what you're doing and why, and why it will lead in time to something better for all stakeholders.” (US Business Editor, global newspaper)
- “I need more stories from my business – I need my business to create more stories. I've been relying on the same stories from my business. The danger of sharing stories means you get complacent with the story. There is a balance here.” (Sustainability leader, consumer goods company)
- “Our brand is strong, but not defined – we need better recognition as a science and innovation business.” (Global Affairs leader, pharmaceutical company)
- “We've been so focused on getting new commitments, we've failed to tell the story of what's possible and what's already happening. Action inspires confidence, confidence raises ambition. Ambition leads to more action.” (CEO, global coalition for non-profit organizations)

Examples of new vision:

- LEGO has used powerful marketing and storytelling techniques to present itself as a sustainable organization. In 2003, it was the first toy company to sign the UN Global Compact. Its education initiative creates products to stimulate learning through play. It also continues to work towards achieving zero impact operations – increasing energy/waste efficiency. In addition, it has pledged to use sustainable materials in products by 2030 and packaging by 2025. Its commitment to sustainability has showcased it as a pioneer in this field.
- Natura became the world's largest, publicly traded B-Corp in 2014. They have long been considered a leader in sustainability, arguably being one of the first companies to consider good environmental practices and transparency. Their current priorities are tackling climate change by supporting sustainable use of forest products, particularly from the Amazon, and reducing and offsetting carbon emissions from their value chain. They use powerful communications – through their Body Shop and other brands – to win consumer support. By buying their products, consumers feel they are part of the cause.

- The *Better Business Better World* platform seeks to highlight the progress individual companies have made across diverse sectors and regions to advance sustainability and the Global Goals. It includes case studies from Safaricom to Vodafone (last updated 2017).
- Goalkeepers is a powerful vehicle for storytelling as is Global Citizen. Both can showcase examples of innovation and success on the Global Goals.
- The Better Future Faster platform showcases how companies are acting, and governments are stepping up in the transition to a zero-carbon economy. The B Corps Best in World, Fourth Sector, Moral Money and other initiatives are also powerful ways to communicate success.

F. New movements/sector coalitions

Radical collaboration around system and sector change is needed, including companies, civil society, government and experts.

A number of interviewees argued transformation wouldn't happen without unusual coalitions and alliances – radical collaboration will be critical to catalyse change. CEOs, in particular, are overwhelmed and struggling to see the wood for the trees. They want help to navigate the various initiatives and terminology.

Exciting new partnerships have emerged recently on fashion and food, combining companies, governments and civil society. A multitude of coalitions have formed – some led by civil society and think tanks, others by companies and CEOs themselves. They play different roles: the growing youth movement challenges and disrupts; campaigns on specific issues like the Global Fund replenishment work inside and outside. Countdown is about finding real solutions. And some company-led collaborations are about influencing sector and system change.

What we heard:

- “A purposeful company alone will not lead to system transformation. Contextual changes are needed (business can't get too far before leadership gets penalized).” (CEO, global coalition of non-profit organizations)
- “Work on a systemic area where improvements in health outcomes, for example, creates market opportunities for other corporate sectors (eg WASH or food sector).” (Sustainability and Strategy adviser)
- “System change will only happen through alliances between companies, private sector and government.” (Founder, global non-profit initiative)

Examples of new movements/sector

- The UN Global Compact has 9,913 companies signed up, to report on environmental, labor and social targets towards the Global Goals. While these numbers are small in terms of overall business, they indicate growing momentum.
- *B Corp* certification has reached a new peak with 3,200 companies certified, from 150 industries in 71 countries.
- The *US Business Roundtable* recently released a new Statement on the Purpose of a Corporation signed by 181 CEOs, citing the need to: “...lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders”.

- At the *G7* in 2018 in France, 32 fashion leaders (from Gucci to H&M) committed to an ambitious action plan. Some CEOs have raised ambition further and the B Team CEO leaders have issued a challenge to “accelerate action not words”.
- Salesforce is a member of the *Dow Jones Sustainability Indices* and participates in these coalitions: *RE100*, *We Mean Business*, *Renewable Energy Buyers Alliance*. It hosted the Global Climate Action Summit in 2018 and created the *Step Up Declaration* alongside Mission 2020 (an alliance to decarbonize the economy).
- *One Planet Business for Biodiversity* (OP2B), led by Danone, launched a business-led agriculture coalition. This will encourage companies to protect and restore biodiversity within their supply chains and product portfolios. Its 19 partners (including Google, Nestlé and Mars) will work together on these goals on an individual and collective basis, through innovation solutions and frameworks.
- In September 2019, 130 banks from 49 countries have launched the *UN Principles for Responsible Banking*, a commitment with six principles. The group’s initial development was led by 30 banks.
- The Global Fund on Aids, TB and Malaria has successfully worked with corporate partners through RED and other initiatives to mobilize US\$2.7 billion and harness innovation, R&D, and supply chains.

Section 5 – What next?

*“We need **practical tools and advice** for leaders in this area. I just don’t think a CEO knows what needs to change in their daily work to make these goals a priority.” –*
 US Business Editor, global newspaper

In this section we outline our five fundamentals of purpose-driven business transformation. These are based on our research, and the practical support wanted and needed by companies.

Five fundamentals of purpose-driven companies

After distilling what leaders and experts told us, we have created **five fundamentals** which can accelerate transformational change.

1. Individual company leadership focused on ambition, actions and advocacy

Company leadership, combining purpose and profit, will be critical in accelerating change. CEOs should increasingly develop integrated purpose-driven business plans that harness their core business, innovation, R&D, supply chains, staff, advocacy, brand power and consumers – within one strategy.

- A clear north star/purpose statement where **ambition** is set and benefits multiple stakeholders (not just shareholders).

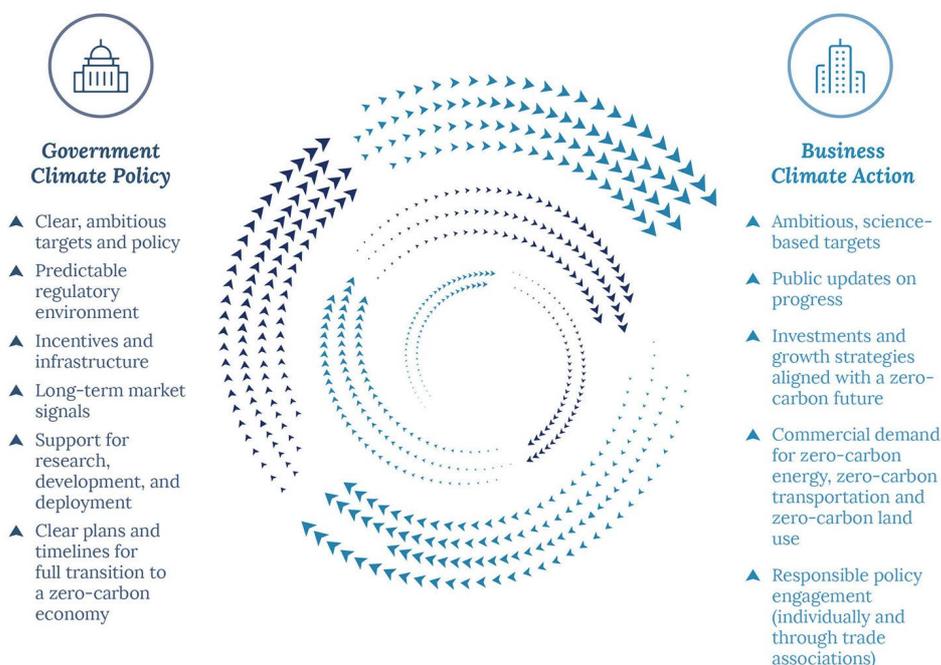
- A clear set of **actions** supported by operational plans and appropriate metrics and showcased as examples for other businesses to adopt.
- Business **advocates** for new regulation to level the playing field and de-risk long-termism. These 'ambition loops' signal a readiness for regulatory change and lead to a set of new standards.

2. A 're-framed' relationship between business and the state driven by government regulation and policies

Company leadership is an important driver of change, but a purpose-driven company alone will not lead to system transformation without government action and regulatory frameworks. Strategies which lack underpinning by wider structural transformation of sectors and systems will lead to incremental progress at best. The traditional relationship between business and state needs re-framing. Business and governments (national, regional, local) must work together to create reinforcing 'ambition loops' at sector level. This includes regulatory structures to enable business to pursue bold, long-term ambition and action, not competitive races to the bottom.

'Ambition loops' can accelerate action and progress. Businesses signal to government that they are open to developing ambitious long-term targets (eg electrification of cars or access to medicines). A government sets standards, applies them to companies equitably, and provides a sense of stability. Thus, companies can justify developing products to meet new targets and, as progress is made, and more ambitious targets can be agreed. It's a team effort, designed to de-risk corporate long-termism.

'Ambition loops' can operate at national, state/regional or city level. They offer a powerful opportunity for local/regional government to play a crucial role in experimenting with new policies and leading change. They can be one of the core concepts that operationalizes the Global Goals.



(Source: [The Ambition Loop](#))

An example of an ambition loop is bus electrification in China where ambitious goals were set by the Chinese government which enabled the private sector to innovate. In 2009, Shenzhen and 12

other cities in China were chosen by the central government to pilot a scheme to reduce vehicle emissions. The government also recognized the need to move toward bus electrification, setting a goal of having 600,000 fully electric public service vehicles countrywide by 2020. In a bid to respond to these ambitious goals, manufacturers and city bus operators must innovate and commercialize new electric bus models.

3. Public benchmarking and measurement of company performance that is accountable to multiple stakeholders

We believe the metric and benchmarking frame is confused, proprietary, and secretive. It is time for a more radical solution: a clear and prominent scorecard, based on the Global Goals, could be a strong incentive for companies to act. The non-profit World Benchmarking Alliance (created by insurance firm Aviva, plus the Index Initiative and the UN Foundation), could play a role in this.

WBA was launched in September 2018 on the margins of the UN General Assembly. It aims to develop, fund, house, and safeguard free, publicly available corporate sustainability benchmarks (rankings) aligned with the Global Goals.

WBA's work is grounded in an understanding that progress on the Global Goals requires a systems-based approach that incentivizes transformation in institutions, practices, technologies, policies, lifestyles and thinking. As such, its benchmarks are anchored across seven systems transformations, with the intent of ranking 2,000 of the world's most influential companies by 2023. These companies will be announced at Davos 2020.

WBA's goal is to help investors, civil society, governments and individuals hold the private sector accountable in delivering the Global Goals. Through public disclosure via benchmarks, it wants to inform better decision making and support the strategic efforts of business with insights and data that can be pragmatically applied towards transformation. This will accelerate the private sector's contribution and facilitate a future in which the success of business is measured by its contribution to society.

The seven system transformations are:

- Social.
- Agriculture and food system.
- Decarbonization and energy.
- Circular.
- Digital.
- Urban.
- Financial system.

Work is under way on many benchmarks, including sustainable seafood (launched in November 2019), and climate (starting with the automotive industry, launched in December 2019), as well as digital inclusion, gender empowerment and equality, and food & agriculture, due in 2020.

The WBA is currently funded by the Dutch, UK and Danish governments, Aviva and philanthropic organizations. It is also building a global alliance around benchmarking for the Global Goals, and has over 100 allies globally (financial institutions, business associations, civil society, international treaty organizations).

4. Financial flows and investment driving transformational change

Business is a force for both good and bad. It can drive change by investing in purpose-driven business, but it can also do harm. For example, the world's three largest money managers have built a combined \$300 billion fossil fuel investment portfolio using money from people's private savings and pension contributions (*The Guardian*). The report reveals that two largest asset managers, BlackRock and Vanguard, have also routinely opposed motions at fossil fuel companies that would have forced directors to take more action on climate change.

The rewards for clean and sustainable investments are potentially huge. According to the *Global Business Commission report* (2017) there is an estimated \$12 trillion in market opportunities (through saving and revenue). But the investment community has been slow to grasp this opportunity.

In the 2019 *Accenture survey* CEOs say investors are not the primary driver of the sustainability agenda today, but they will be in the future. Only 12% of CEOs – and 26% of the world's largest companies – say that pressure from investors and shareholders motivates them to act on sustainability. As one CEO said, "As long as investors see good business fundamentals, they are supportive of sustainability, otherwise they would say stop."

However, while investors are not considered the most important stakeholder, the number of CEOs citing "lack of recognition from investors as a barrier" dropped from 34% in 2010 to 13% in 2019. A CEO shared, "I have seen an acceleration in the last 12 months that I haven't seen before. A normal conversation with an investor or prospective investor used to have zero content on ESG or CSR, and now it's 15%-20%." In the words of Mark Rigotti, CEO of Herbert Smith Freehills (an international law firm, with a revenue of £965.7 million in 2018/19), "Sustainability is important for investors as they do not want to invest in companies with ESG issues."

The investment community needs to better engage companies on their sustainability performance and understand the trade-offs they face. According to Alex Ricard, Chairman & Chief Executive Officer of Pernod Ricard, "Investors should recognize that sustainability is a cost beyond the cost of doing business and that cannot be easily absorbed." Shifting the sustainability discussion from, as one CEO put it, "a nice-to-have conversation to a performance metric", has tangible benefits.

Six things this might mean, to investors, in practice:

- Institutional investors divesting from projects that do harm, and – as a minimum – applying higher risk discounts to projects that do not hurt people or planet.
- Encouraging long term institutional shareholders (ie pension funds) to see their fiduciary duty as encouraging company purpose-driven strategies that align with the Global Goals, Science Based Targets and high ESG evaluations. Moving from dedicated ESG funds to mainstreaming ESG across all investments.
- Dramatically increasing investments in regenerative and SDG business opportunities.
- Pushing for a financial system oriented towards longer-term sustainable investment and investing in courageous purpose-driven companies.
- Supporting transparent, consistent league tables of social and environmental performance, linked to the Global Goals and planetary boundaries.
- Aligning financial sector regulatory reforms with long-term sustainable investment.

5. Radical collaboration

Accelerate change by breaking down silos between environment, human rights and development worlds. Build joint initiatives and new collaborations that bring together governments, civil society and private sector, and around specific sectors, systems and business markets.

Example: *Countdown*

A multi-stakeholder partnership powered by TED, Future Stewards and YouTube to accelerate progress on climate change. The initiative was launched in December 2019 in New York, with a host of leaders from the UN Secretary General to business CEOs and youth activists.

Leaders' Quest, as co-founder, is helping to build this collaboration of citizens, companies, cities, and governments. The campaign will include a summit of 1,000+ global climate leaders – representing a cross-section of nations, businesses, philanthropy, cities and citizens – in Bergen, Norway from October 6-9, 2020. This event will connect with thousands of gatherings in cities, neighbourhoods, schools and workplaces around the world—coordinated by the global TEDx community and amplified by YouTube and other partners.

The months leading up to the Countdown summit will involve intense preparation by climate experts, policy makers, visionary business leaders and philanthropists, and thousands of local organizers who will debate and create a plan of action looking at five key questions:

1. How rapidly can we move to 100% clean energy?
2. How can we re-engineer the stuff that surrounds us?
3. How do we transform the ways we move?
4. How can we spark a worldwide shift to healthier food systems?
5. How extensively can we re-green the earth?

The practical support companies need and want

So how do we turn take the momentum that's building around these five fundamentals, and turn it into practical action?

In our conversations with business leaders, we asked them what support they want – and need – to address the “how” challenge. A number of them told us they want **simple tools to understand and navigate a complex purpose world**. They want help to weigh up the trade-offs and opportunities, and support to develop purpose-driven plans and leaders.

Some CEOs, in particular, seem overwhelmed by the blizzard of purpose initiatives, and are struggling to see the wood for the trees. They have asked for help to navigate the various initiatives and terminology.

We believe this is specifically where our private sector purpose project can have significant impact. A number of organizations – including Leaders' Quest and a coalition of expert partners like We Mean Business and Foundations like Porticus – have developed **a powerful mix of practical support, tools and interventions** to help companies develop purpose strategies and navigate wider system change.

These include simple open-source tools, modules and workshops to help leaders deep dive into a subject and explore options for progress. They could be expanded to include modules / workshops

on business purpose and the Global Goals. Quests are also a key tool – they allow leaders to explore their own leadership in real-life challenging situations – from a prison in Detroit to a slum in Mumbai – while practical tools include mentoring and coaching to help individuals develop their leadership skills.

These tools and modules can be delivered separately or as an integrated package of support, to help drive change at three levels:

- **Individual leadership development.** We know change starts with the individual. An organisation or system can't be transformed unless those leading it are willing to transform themselves. We need a critical mass of knowledgeable, wise, compassionate leaders to affect transformation at scale. CEOs and Boards also know that nurturing purpose-driven leadership and understanding from within is important to attracting talent and making long-term change. As one business leader told us: "We need to bring together our Sustainable Living Plan with our People Strategy".
- **Purpose-driven business strategy.** We need CEOs and Boards to harness the power of their companies to drive change through their core businesses, supported by investors. Some companies are moving to develop new, more ambitious purpose-driven strategies, linked to the Global Goals and Paris Climate targets. Some have set the pace with bold targets; others are just beginning.

We need to learn from those who have led the way but there is *no one-size fits all* approach. Each strategy needs to be tailored to the specific context. It will need to work through trade-offs and obstacles (including investor and Board scepticism) and build a roadmap for implementation.

Outside leaders and experts can support companies on this journey. They can offer a range of options, including a tailored team of leaders who have led change, combined with experts, strategists and communicators from government, technology, media, community groups, the arts and beyond. This team, with exceptional track records and fresh perspectives, can help, inspire and challenge corporate leaders and their teams to think and act boldly. This support can be delivered through a Quest, an off-site with the top-tier executives, and/or via a series of workshops or coaching conversations.

- **System change.** CEOs and individual companies, however important, won't be enough to drive Global Goals progress on their own. Entire sectors and systems need to change. This will require a combination of government regulation; new standards, benchmarks and metrics; and consumer power and employee pressure (as recently witnessed at Amazon). We are proposing LQ works with key conveners and data providers in this space.

Many companies engaged for this project and report were keen to explore these three levels (individual, company and system), and examine the practical support to deliver on them. Conversations underway include those with companies, investors and sector initiatives (eg vaccines).

Practical next steps

In terms of next steps, we will work with Gates and other partners to review the findings of this report. We know progress will require a combination of the following:

- Campaigns by employees, consumers and the broader public that motivate companies to act on the right side of history.

- Government regulation and policies designed to create 'ambition loops' and virtuous circles of progress, as opposed to merely restricting bad behavior.
- New standards and metrics to publicly measure and applaud real progress.
- Courageous individual CEO, staff and Board leadership.
- A change in practice by investors to make capital work for long-term good.
- Equipping business leaders with the tools to drive change from within, and understand and navigate complex issues.

To deliver this LQ will develop – with Gates and partners, such as members of the We Mean Business coalition – some practical suggestions to:

- Strengthen the purpose-driven business ecosystem – such as incentivising change through benchmarking and new metrics.
- Develop practical tools to help business with the 'how' of change.
- Work with, and support, a group of companies committed to the Global Goals and the respect of planetary boundaries – with Gates and Porticus – and supported by LQ and others.
- A sector-wide initiative on an area like vaccines or sanitation.
- Propose ways to harness the power of existing events (eg Olympics, UNGA and Goalkeepers) to drive progress.

Summary examples of purpose-driven business

Unilever – an example of a company with a comprehensive purpose plan, with measurable targets and reporting. Its Sustainable Living Plan sets out to decouple growth from its environmental footprint, while increasing Unilever’s social impact. Its three big goals are: improving health and wellbeing for 1 billion, reducing environmental impact by half, and enhancing livelihoods. These aims are underpinned by nine commitments and targets – reported on annually. Within the plan are 28 purpose brands (see link below) which supercharge progress on goals. It recently reported that these Sustainable Living Brands grew 69% faster than the rest of the business (compared to 46% in 2017).

GSK has developed an ambitious purpose plan – focussed on global health and wellbeing (SDG 3). It includes commitments on access to drugs and pricing – GSK comes top on the Access to Medicines Index – plus commitments to R&D on drugs for neglected diseases. In 2018, GSK set out 13 public commitments to deliver on the Global Goals.

Reckitt Benckiser has tried to build a purpose and profit plan around three aims: Better Business, Better Society and Better Environment. Working with RED, it has championed sexual health through its Durex brand. Within this strategy it has focussed on innovations including new product R&D. One of these products was a pit latrine powder product (initially tested in India), to stop the spread of rotavirus (diarrhoea) by absorbing toilet fluids and condensing waste. It is also developing a safe soap for new-borns that helps prevent rotavirus.

LIXIL is a core business directly aligned to company purpose – ie developing affordable toilets for all. Lixil’s starting point was the one-in-three people who lack basic sanitation around the world. Of these 2.3 billion people, nearly 892 million relieve themselves outside. Nearly 800 children die every day from inadequate sanitation and poor hygiene, and poor access to safe toilets exposes women and children to violence and harassment. This often leads to girls dropping out of school.

Danone has a comprehensive purpose plan linked to achieving the Global Goals. This includes Manifesto Brands (including 40+ Danone brands) – which must justify their existence by purpose and social engagement. The push for a sustainable world is closely linked to its business model, and there’s a key focus on long-term value over short-term gain.

Natura committed to ethical, sustainable practices in 1969 (when it was founded) – long before this became fashionable. It takes responsibility for the environmental impact of every activity along its complex supply chain. This includes collecting and harvesting a range of plants and natural ingredients from Brazil’s jungles and rainforests, in close alliance with local communities.

Appendices

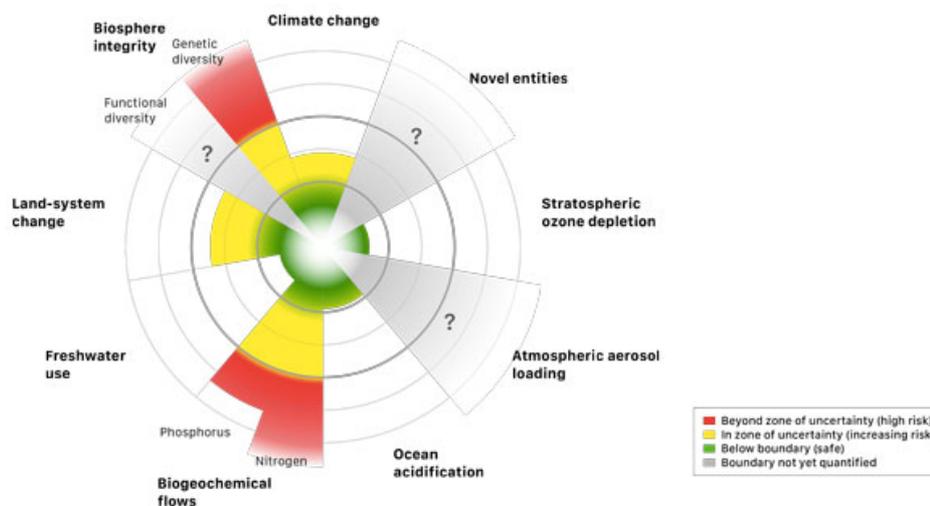
Appendix A

THE GLOBAL GOALS For Sustainable Development



Global Goals. Available at: <https://www.globalgoals.org/resources>

Appendix B



Planetary boundaries. Available at: <https://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html>

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