The Challenge of Staying Relevant: The SDGs & Cooperatives

Buenos Aires, Argentina

October 24, 2018

V Cooperative Summit of the Americas
Topics for consideration

Why the SDGs?

How to incorporate the SDGs?

How do firms report?
Importance of SDGs

- Provides universal goals and a framework
- Builds on a global language that was developed in close collaboration with the private sector
- Sees ambitious targets that presuppose an active role for private industry and investors
- Inclusive with seven targets for vulnerable populations
- Focuses agendas with potential for local benefits from targets
- Universal goals and a framework to unify and align approaches of disparate actors

In September 2015, 193 developed and developing countries agreed to implement a set of 17 goals for sustainable development to be achieved by 2030.

Why the SDGs?

- Require $2.5 trillion additional annual investment, creating many profitable opportunities for investment in SDG-linked sectors, e.g. infrastructure, health, “green” investments.
- Developed in close collaboration with the private sector.
- Many profitable opportunities for investment in SDG-linked sectors, e.g. infrastructure, health, “green” investments.
- Climate action
- Life below water
- Life on land
- Peace, justice and strong institutions
- Partnerships for the goals

SDGs

- No poverty
- Good health and well-being
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy
- Zero hunger
- Decent work and economic growth
- Industry, innovation and infrastructure
- Responsible consumption and production
- Reduced inequalities
- Sustainable cities and communities
- Sustainable development
- Peace, justice and strong institutions
- Partnerships for the goals

- Ending poverty
- Ensuring health for all
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable energy
- Zero hunger
- Decent work
- Industry, innovation and infrastructure
- Responsible consumption and production
- Reduced inequalities
- Sustainable cities and communities
- Sustainable development
The SDG market is global and vast.

Quantifying the market

$60 trillion of ESG investments are increasingly aligning with the SDG

SDG will open at least $1.2 trillion in new business opportunities by 2030 for the private sector and 50% of the SDG market will be in emerging markets.

2 to 3x more potential by 2030 for the global workforce by emerging markets or more than 10% of the global workforce by 2030 (90%) in million new jobs by 2030 (90% in

$ of ESG

annually to meet SDG targets $ millions is needed

SDG have potential to create 380

Why the SDGs?


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Partners

INGOs
Foundations
OECD countries
Emerging economies
Private individuals
LLCs
Pension funds

Bilateral
Multilateral Banks
Green Climate Fund
Bilateral

Corporates

B-corp
Benefit Corp

CSR/SV

Donors

Non-profit

NGOs

Business

Investors

Public Sector

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There are a range of social, environmental and development finance instruments, including:

**Financial Instruments**

- **Grants**
- **Capital Projects**
- **Program and mission-related investments**
- **Equity investments**
- **Payments for success schemes / Social Impact Bonds / DIBs**
- **Funds**
- **Social enterprises**
- **Social enterprises (labelled)**
- **Green bonds (labelled)**

+ Other instruments which finance impact but do not necessarily require rigorous measurement of outcomes or link payment to outcomes.
Summary

Raul Pomares, Founder of Sonen Capital

“SDGs are third party universally recognizable objectives that provide additional framework for investment and have the potential to mobilize other stakeholders and significant capital in a coordinated manner to work towards achieving a common set of goals.”
Topics for consideration

Why the SDGs?

How do firms report?

How to incorporate the SDGs?
KPMG’s survey shows that the SDGs have resonated strongly with businesses worldwide in less than two years since their launch. Around four in ten CR reports from both N100 and G250 companies make a connection between the company’s CR activities and the SDGs. How do firms report?

Number of companies that connect their CR activities to the SDGs.

<table>
<thead>
<tr>
<th></th>
<th>N100</th>
<th>G250</th>
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</thead>
<tbody>
<tr>
<td>43%</td>
<td>39%</td>
<td>43%</td>
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</tbody>
</table>

Source: KPMG Survey of Corporate Responsibility Reporting 2017
Base: 3,543 N100 companies that report on CR, 2,333 G250 companies that report on CR.
<table>
<thead>
<tr>
<th>SDGs</th>
<th>Most prioritized by G250 companies</th>
<th>Moderately prioritized</th>
<th>Less prioritized</th>
<th>Base: 85 companies that disclose the process used to prioritize the SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero hunger</td>
<td>21%</td>
<td>36%</td>
<td>49%</td>
<td>12%</td>
</tr>
<tr>
<td>Clean water and sanitation</td>
<td>34%</td>
<td>26%</td>
<td>40%</td>
<td>6</td>
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<tr>
<td>Access to health care</td>
<td>46%</td>
<td>25%</td>
<td>29%</td>
<td>11</td>
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<tr>
<td>Industry, innovation and infrastructure</td>
<td>49%</td>
<td>31%</td>
<td>16%</td>
<td>9</td>
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<td>Decent work and economic growth</td>
<td>50%</td>
<td>32%</td>
<td>18%</td>
<td>8</td>
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<td>Good health and well-being</td>
<td>55%</td>
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<td>Life below water</td>
<td>18%</td>
<td>31%</td>
<td>51%</td>
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<td>26%</td>
<td>34%</td>
<td>40%</td>
<td>15</td>
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<tr>
<td>Gender equality</td>
<td>52%</td>
<td>31%</td>
<td>17%</td>
<td>5</td>
</tr>
<tr>
<td>Peace, justice and strong institutions</td>
<td>32%</td>
<td>37%</td>
<td>31%</td>
<td>14</td>
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<tr>
<td>Climate action</td>
<td>64%</td>
<td>28%</td>
<td>7%</td>
<td>13</td>
</tr>
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<td>No poverty</td>
<td>28%</td>
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#### Which SDGs are most and least prioritized by the G250? 

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Among the N100, the survey shows that 50 percent of reporting companies set carbon reduction targets.

A solid majority of the world’s largest companies (G250) now disclose targets to cut their carbon emissions.

How do firms report?

Case studies

Climate reporting

Source: KPMG Survey of Corporate Responsibility Reporting 2017

Based: 233 G250 companies that report on CR

67% 67%

58% 58%
They found that only 28 percent of companies currently acknowledge the financial risk of climate change in their annual reports. But reporting change varies...
Topics for consideration

Why the SDGs?

How do firms report?

How to incorporate the SDGs?
Industry Approaches

**Itau Unibanco (Brazil)**
- 22 material reporting themes
- Links to GRI reporting standards
- Uses GRI reporting standards
- Industry, innovation and infrastructure which is closely related to their core business practice
- Charter linkages with the other 16 goals (e.g., Quality Education via Telefónica (Spain))
- Material reporting themes uses GRI reporting standards.
- Links to SDG 1 on the topic of improving access by poor and vulnerable to economic resources, ownership of land and property, and financial services like microfinance.
- Charter linkages with the other 16 goals (e.g., Quality Education via Fundación Telefónica).
- Identify a core topic SDG 9:

**Telefónica (Spain)**
- Industry, innovation and infrastructure which is closely related to their core business practice
- Charter linkages with the other 16 goals (e.g., Quality Education via Fundación Telefónica).
- Material reporting themes uses GRI reporting standards.
- Links to SDG 1 on the topic of improving access by poor and vulnerable to economic resources, ownership of land and property, and financial services like microfinance.
Safaricom Ltd. Case Study

Transparency International's corruption factor applied to economic value add

Economic impact assessment of Safaricom's activities

Value of statistical life applied to health and safety incidents

Valuation of social impact using market research and Social Return on Investment principles

Social cost of carbon and social value of water applied to Safaricom's water consumption and carbon emissions

Safaricom financial results

Sum of financial earnings and net societal value creation

Earnings Economic value add

'True' earnings

Social externalities

Environmental externalities

Economic externalities

Revenue, Cost, Profit

Source: KPMG 2015, KPMG True Value Case Study – Safaricom Ltd

How to incorporate the SDGs?
The True Value analysis shows social value is 10x the company’s actual financial profit.

Customers benefited mostly due to increased personal savings, lower transaction costs and less theft.

## Other Impacts

- Increase in personal savings due to reduced travel
- Increase in personal savings due to increased receipt of money and its control as well as financial resilience
- Increase in personal savings due to convenience and reduced transaction costs when sending money
- Increase in personal savings due to reduced money being lost to theft
- Other

Source: KPMG 2015, KPMG True Value Case Study – Safaricom Ltd

Bob Collymore, CEO, Safaricom

“Transforming Lives” mission. It is important for us to understand how our business operations, environmental footprint and our social investments impact our ecosystem and the Kenyan economy as a whole. This True Value Report expands the way in which we assess and communicate our "Transforming Lives" mission.”

How to incorporate the SDGs?
### Level of Effort (LOE)

#### High LOE
- Positive ROI expected in > 3 years
- May require significant capacity
- Relatively new or innovative
- Typically > 3 years

#### Low LOE
- Positive ROI in < 3 years
- Typically accepted as leading practice
- Operationalized with existing resources and through cost savings
- Relatively simple to implement

#### Transactional
- Positive ROI expected in < 3 years
- Management approach and activity accepted as leading practice
- Operationalized with existing resources and through cost savings
- Relatively simple to implement

#### Transformational
- Positive ROI expected in > 3 years
- Typically accepted as leading practice
- Operationalized with significant capacity
- Relatively new or innovative
- Typically > 3 years

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### How to Incorporate the SDGs?

<table>
<thead>
<tr>
<th>Role</th>
<th>Level of Effort</th>
<th>How to Incorporate the SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailer</td>
<td>High LOE</td>
<td>Implement value chain to improve building in core business and operations, and may require significant capacity</td>
</tr>
<tr>
<td>Brand</td>
<td>Low LOE</td>
<td>Operate socially accepted as leading practice, operationalized with existing resources and through cost savings, typically simple to implement</td>
</tr>
<tr>
<td>Supplier</td>
<td>Transactional</td>
<td>Operate socially accepted as leading practice, operationalized with existing resources and through cost savings, typically simple to implement</td>
</tr>
</tbody>
</table>

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### Creating Value

- **Business value**: Narrow focus on value creation, positive ROI in < 3 years, management approach and activity accepted as leading practice, operationalized with existing resources and through cost savings, typically simple to implement.
- **Shared value**: Medium to long term horizons, integration of social and environmental impacts into the business to drive economic value and reduce or eliminate negative externalities.
- **Citizenship/Philanthropic**: Broader focus on value creation, medium term horizons, optimize and promote the welfare of others and public good.
- **Transactional**: Positive ROI expected in < 3 years, management approach and activity accepted as leading practice, operationalized with existing resources and through cost savings, typically simple to implement.
- **Transformational**: Positive ROI expected in > 3 years, may require significant capacity, relatively new or innovative, typically > 3 years.

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### Level of Effort (LOE)

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- **Transformational**: Positive ROI expected in > 3 years, may require significant capacity, relatively new or innovative, typically > 3 years.
Key elements to aligning with SDGs

How to incorporate the SDGs?

- What are the conditions that improve the chances of success?
- Who are the stakeholders in the market(s) of interest?
- How does the impact translate across the value chain?
- How do we know we are on track?
- What are the best measures of success?
- Are there proxies we can use?

Enabling Environment

Investment

Strategy

Monitoring & Evaluation

- What are the goods/services that achieve greater positive societal impact?
- What are the best business models/investments to reach our corporate strategic goals?
- How can our core business lever social impact?
- What are the best business practices to achieve greater positive societal impact?
Thank you