12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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17 ROOMS GLOBAL FLAGSHIP
2021 ROOM DOCUMENTS
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This document summarizes the ideas and actions that emerged from Room 12, a working group for Sustainable Development Goal 12 on Responsible Consumption and Production, that convened as part of the annual 17 Rooms global flagship process in 2021. The 17 Rooms initiative is co-hosted by the Center for Sustainable Development at The Brookings Institution and The Rockefeller Foundation. Each Room, one per SDG, was asked to identify actionable priorities that can be advanced by the end of 2022 to improve some component of 2030 outcomes for its respective Goal. Corresponding documents prepared by the other flagship Rooms are available here, alongside a synthesis report prepared by the 17 Rooms secretariat.

Room 12: A Campaign for ESG Accountability

Moderators: Matthew Bishop and Raj Kumar

Our Challenge

The massive engagement of private capital and business will be crucial to achieving the Sustainable Development Goals (SDGs). One of the critical challenges is to create a data and reporting ecosystem that helps direct and monitor private sector activity towards the Global Goals. While there has been rapid recent progress in producing relevant new environmental, social, and governance (ESG) data, efforts to standardize it, and investors and businesses setting ambitious targets for aligning with the sort of environmental, social and governance envisaged in the SDGs, there is growing concern about the possibility of “green” or broader “goal” washing. There is an immediate, urgently needed, opportunity to establish an ecosystem of accountability for private capital, by bringing together key players ranging from regulators to investment analysts and, crucially at this stage, the business media to ensure that this new era of data and reporting results not in slick marketing but real, deep, positive impact.

Context

The idea that private capital and business have an essential role to play was one of the founding principles of the SDGs, embodied in the multistakeholder partnerships envisaged in Goal 17, and in the responsible business and consumption ambitions of Goal 12, the primary focus of this room. This reflected a significant shift from the earlier Millennium Development Goals (MDGs), which essentially approached the global development challenge through a classic late 20th century government-centric lens. By contrast, the private sector had a formal role in the process that set the SDGs that it was expected to help implement. It was widely recognized from the start that the amounts of private capital needed to achieve the SDGs would run to trillions of dollars annually.

While so far nowhere near enough private capital has been deployed in pursuit of the SDGs, there have been many encouraging signs that the necessary sea change in how investors and businesses operate is still possible. These range from the landmark decision by America’s Business Roundtable to abandon, at least rhetorically, the profit maximizing shareholder-first philosophy of Milton Friedman in favor of a more sustainable, society-friendly “stakeholder capitalism” to the surge in signatories to the United Nations Principles of Responsible Investing (now over 4,400 investment firms, together investing over $120 trillion) and the scores of big companies publicly pledging to make “net zero” carbon emissions within a few years (or, at least, by 2050).

Yet what is measured gets done. Without an effective system of reporting to hold them to account, there is every chance that these pledges to do the right thing, however well-intentioned, will result in unprecedented amounts of green and rainbow-tinted goal washing, rather than the giant changes needed if the SDGs are to be achieved. In recognition of this, there have been significant recent efforts to develop better metrics and more effectively hold investors and firms to account for their performance.

Reporting on the private sector impact on climate change has made the biggest advances, through efforts such as The Carbon Disclosure Project and the merger of America's Sustainable Accounting Standards Board with the International Integrated Reporting Council to form a new global standards setter, the Value Reporting Foundation. Initiatives around how firms report their treatment of employees are rapidly gathering momentum, too. The World Benchmarking Alliance is doing good work in developing systems to track companies' impacts on the SDGs. A new G7 Taskforce on Impact Investing hopes to drive the development and adoption of "impact-adjusted accounting". An announcement last year at the World Economic Forum by the Big Four audit firms that they will develop a set of sustainability/stakeholder-centric reporting standards has been called "accounting's kumbaya moment".

Yet for all this effort, much remains to be done to deliver a truly effective accountability ecosystem that can separate the green and goal washers from the real deal, and thus help drive capital to where it can have the biggest positive impact.

Many parts of this nascent ecosystem need urgent attention, from what is taught to aspiring investment professionals and corporate executives in business school to how products are marketed to consumers. But arguably the most pressing need, given its outsized role in shaping narratives and influencing public debate, is for the media, especially the business media, to engage in earnest with this new fire hose of information about the impact of investors and business on society and the planet.

It seems increasingly clear that the media, especially the dedicated business media with its obsession with quarterly profits and daily share price movements, has contributed more to the blight of short-termism in the private sector than it has helped solve it. While there have been some encouraging developments, such as the launch of products such as the *Financial Times*'s Moral Money and Bloomberg Green Finance, there is too little integration of reporting on financial results with efforts to understand the broader impact of private capital on society. The media's voice has been largely absent from discussions of proposed new data standards or in efforts to rapidly use the new data to provide a fuller, more holistic analysis of the performance of investors and businesses against broader social and planetary goals such as those set out in the SDGs.

How to change this is the focus of Room 12 in 2021, inspired by SDG 12 targets:

12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

A campaign for ESG accountability

Room 12 proposes a broad campaign to engage the media in operationalizing an upgraded accountability ecosystem for private capital and business. This campaign will be launched with an attention-grabbing (we hope) open letter to business journalists, which will aim to help catalyze a broad alliance as the world turns its attention to the role of the private sector in the remainder of what is increasingly recognized as a probably decisive decade for the SDGs and the battle against climate change. We anticipate a series of high level meetings between Room 12 members and editorial boards/journalists focused on how to establish a new kind of ESG coverage.

One immediate idea is a preliminary roundtable discussion with a small group of respected business journalists. Potentially, this could be held at the Brookings Institution in Washington, D.C., or perhaps at the Rockefeller Foundation in New York City. Based on feedback from that group, and others we consult, we would look to host a larger, commitments-focused summit, perhaps in the Bellagio Center, by Spring 2022, that would bring together media leaders, business (and other relevant) journalists, and influential ESG figures.

Our goal is to build a coalition of partners to drive this movement, bridging together mainstream media organizations and relevant mission driven organizations, ranging from the Solutions Journalism Network to Make My Money Matter and Imperative 21.

As we put flesh on this ambitious mission, we are enthusiastically seeking input from our colleagues in the 17 Rooms process, especially the several rooms that we note have focused to some degree on increasing private sector data and accountability as a way to accelerate progress toward the SDGs.

Appendix:

Below is an outline of some potential themes we are exploring for the open letter, which might begin: “Dear Business Journalists, Don’t Be Complicit in Greenwashing”

Possible key recommendations:

1. It should be seen as best practice that coverage of business results, such as quarterly earnings reports, will reflect *both* financial and ESG metrics
2. Pledges to achieve “Net Zero” and other lofty-sounding claims will be scrutinized and measured against exacting standards
3. Coverage of banks and other financial institutions will reflect their outsized role in ESG and, where appropriate, point out where they fall short of internationally-recognized standards