

## WHY THE UN SUSTAINABLE DEVELOPMENT GOALS MATTER TO CLIENTS

Sara K. Orr, Kristina S. Wyatt, and Bobbi-Jo B. Dobush

### Introduction

As investors, community members, and other stakeholders increasingly prioritize environmental and social governance (ESG) issues, a number of entities have publicly committed to advancing the United Nations' (UN) 2030 Sustainable Development Goals (SDGs). In the corporate world, ESG issues form a thread that runs through many key organizational activities, including mergers and acquisitions, project finance, supply chain management, regulatory compliance, capital raising, human capital management, environmental compliance, and public disclosures. The ambitious SDGs provide a unifying framework by which to measure ESG-related performance, and help structure implementation of ESG initiatives. Counsel can play a significant role in helping clients understand risks and opportunities associated with ESG commitments, which include advancing the SDGs.

### Background: The 2030 UN Agenda for Sustainable Development

Adopted in September 2015, the UN SDGs are an ambitious set of goals with a time horizon that looks out to 2030. <http://www.un.org/sustainabledevelopment/development-agenda/>. (The SDGs build on the UN Millennium Development Goals of 2000.) The SDGs aim to combat and reverse the world's systemic global economic, social, and environmental challenges through collective action by the world community, including governments, companies, and individuals. The SDGs, which are summarized at the end of this article, focus on addressing global issues such as good health and well-being, eradication of poverty, gender equality, and environmental sustainability.

Governments, corporations, and nongovernmental organizations (NGOs) have widely embraced the SDGs, with many organizations publicly committing to advancing the framework. Corporate commitments in particular are on the rise. In 2017, the UN Global Sustainability Index Institute found that 75 percent of the world's 400 largest blue chip companies (with a combined market capitalization of \$25 trillion) have publicly highlighted their commitment to advancing the SDGs. "SDG Commitment Report Empowering Investors on Both: Profit and Impact," [https://docs.wixstatic.com/ugd/d97ebd\\_cbba48f780c04d9ebf0037029d6c6686.pdf](https://docs.wixstatic.com/ugd/d97ebd_cbba48f780c04d9ebf0037029d6c6686.pdf). This is unsurprising given global trends in sustainability generally, including increased global pressure on corporations to disclose information on their ESG performance. Most corporations now report on ESG issues in some fashion, whether as required by law or voluntarily via annual sustainability reports, websites, social media, or other communication methods. This trend in disclosure is driven in part by major investors and other stakeholders. For example, in early 2018, more than 225 investors with collective control of more than \$26.3 trillion joined forces to advocate for increased governance, oversight, and disclosure of climate-related risk at the companies in which they invest. <https://climateaction100.wordpress.com/>. Additionally, many of the world's largest investment fund managers have signed the UN's Principles for Responsible Investing, which use the SDGs as one touchpoint to help investors align their investment practices with society's larger sustainability goals. <https://www.unpri.org/sdgs>.

The SDGs create a common framework for addressing sustainability issues across organizations, industries, and geographies in a common language, which is increasingly valuable. Organizations may use the SDGs as a convenient and trusted guideline by which to set goals, implement strategies to achieve those goals, measure ESG performance, and craft communications to stakeholders on ESG issues. How targeted and specific those goals are varies by organization. In the corporate world, some companies may commit to only certain goals with detailed specificity, while others make broader commitments. Companies may develop new business opportunities while addressing potential ESG issues (in their own value chain, that of their suppliers or partners, or in their industry as a whole) identified by reference to the SDGs. Other stakeholders may find the SDGs useful to frame and compare aspects of a company's ESG performance that is most relevant to each stakeholder's respective mission or goals, or as a framework to create and advance partnerships or alliances.

## **How Companies Are Integrating the UN Sustainable Development Goals**

In order to effectively integrate the SDGs into operations and establish concrete targets, organizations should first evaluate and prioritize specific goals. This process may include:

- *Identifying the SDGs that most closely align with the mission and goals of the company and its stakeholders, and that are practically achievable.* For example, an organization may focus on setting goals related to protecting the natural environment(s) in which it operates (SDGs 14 and 15) or enhancing the quality of life of its employees and those of its suppliers (SDGs 1, 3, and 5). Relevant SDGs will also be industry dependent.
- *Establishing priorities and setting quantifiable goals.* The UN encourages the establishment of concrete goals. A key part of this exercise is inventorying current practices and creating a baseline from which to establish key performance metrics. For instance, if a company sets a goal to reduce employee safety incidents by 40 percent by 2030 (in furtherance of SDG 8), it might establish a process to track reported incidents, near misses, compliance with company and regulatory standards, and other measures. A similar process would apply whether the goal related to reduced greenhouse gas emissions, improved water quality, or promoting opportunities for women.
- *Integrating the SDGs into core operations, governance, and culture.* In order to implement an organizational commitment to the SDGs, executives and advisors may strategize concrete steps to integrate relevant SDGs into their business processes. For example, if a company establishes a goal to reduce its greenhouse gas emissions by 50 percent by 2030, it must first perform an analysis of baseline energy usage and predicted future energy needs, after which it could develop a strategy outlining specific measurable operational changes that could be made in order to reduce greenhouse gas emissions (for example, sourcing energy from renewable sources).
- *Measurement, reporting, and communication.* Organizations may decide to use the SDGs as a tool to help structure internal ESG-related data gathering, measurement, and accountability. SDGs can also be used as a framework for communications to both internal and external stakeholders. Such an approach provides a benchmark for ESG performance, allowing external stakeholders to meaningfully compare ESG performance across companies. SDGs may also be used in connection with a company's public disclosure on ESG issues, traditionally in the form of an annual sustainability report, sustainability website, or on social media.

## The Role of Counsel

In-house and external legal counsel can play an important role in helping companies use the SDGs to manage corporate governance and ESG issues while creating financial value. Attention to ESG and sustainability issues is growing at a rapid pace, with new regulations, policies, and industry practices rapidly proliferating. Environmental counsel are best situated to advise clients on compliance and risk-related issues from climate change to corporate governance to environmental justice issues, and companies are increasingly paying attention to ESG risks and performance across the board.

Environmental attorneys are well suited to advise on many of these issues, along with advice from corporate, litigation, and finance specialists. Attorneys who advise clients on ESG issues can draw on several key tools, including their thorough understanding of the SDGs and their knowledge of how a commitment to the SDGs may impact organizational operations, as well as their insights into potential stakeholder priorities, regulatory requirements in various US and international jurisdictions that require corporate disclosure on certain ESG issues, and how best to manage litigation risks associated with ESG disclosures. For example, attorneys can advise boards and senior management on the opportunities associated with making SDG-related commitments on global platforms (such as a company website) while being mindful of the disclosure requirements, implications, and risks in the various jurisdictions in which a company operates. Counsel can also help clients evaluate whether a commitment to some of the SDGs may support an organization's strategic goals, and identify options and solutions for any client-specific business need. Counsel can also assist clients with designing appropriate and meaningful actions toward achieving SDGs, keeping in mind reputational and litigation risk issues. For example, counsel may help a transactional client assess and conduct due diligence on potential target entities through the lens of the SDGs. In such instances, counsel may assist clients in assessing and managing the ESG risk of a potential target or choosing strategic community service projects, partners, and supporters.

The SDGs are transforming how organizations operate and how they approach sustainability across their value chains or in relation to their missions. Counsel can add significant value by helping clients evaluate their ESG performance issues and risks and establish ESG-related goals, including those aligned with SDGs. As industry continues to explore how environmental, social, and governance practices can create value, counsel skilled in sustainability issues, including expertise with the SDGs, will play a more significant role across disciplines and practice areas including, among others, environmental regulatory counseling, environmental litigation, project finance, capital markets, public company reporting and governance, mergers and acquisitions, sourcing, and supply chain management.

## Sustainable Development Goals

<https://unstats.un.org/sdgs/files/report/2017/TheSustainableDevelopmentGoalsReport2017.pdf>

**Goal 1:** End poverty in all its forms everywhere

**Goal 10:** Reduce inequality within and among countries

**Goal 2:** End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

**Goal 11:** Make cities and human settlements inclusive, safe, resilient, and sustainable

**Goal 3:** Ensure healthy lives and promote well-being for all at all ages

**Goal 12:** Ensure sustainable consumption and production patterns

**Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**Goal 13:** Take urgent action to combat climate change and its impacts

**Goal 5:** Achieve gender equality and empower all women and girls

**Goal 14:** Conserve and sustainably use the oceans, seas, and marine resources for sustainable development

**Goal 6:** Ensure availability and sustainable management of water and sanitation for all

**Goal 15:** Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**Goal 7:** Ensure access to affordable, reliable, sustainable, and modern energy for all

**Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions for all levels

**Goal 8:** Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

**Goal 17:** Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

**Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

### Authors

**Sara K. Orr** is a counsel with Latham & Watkins in Chicago and is a member of the firm's Environment, Land & Resources (ELR) Department. Her practice focuses on environmental transactions, corporate sustainability, and project development.

**Kristina S. Wyatt** is senior counsel in Latham & Watkins' Office of General Counsel in Washington, DC, and formerly was counsel to SEC Commissioner Roel Campos.

**Bobbi-Jo B. Dobush** is an associate with Latham & Watkins in San Diego and is a member of the ELR Department. Her practice focuses on environmental regulatory and sustainability compliance matters.