Consultation on the World Benchmarking Alliance

Amsterdam – 30 April 2018
Summary document
The last consultation of the World Benchmarking Alliance was held in Amsterdam on the 30th of April 2018. It brought together 27 participants representing companies, financial institutions, civil society, international organisations, governments, industry associations and research institutions.

The consultation aimed to lay out the general rationale and concept for the WBA, as well as explore the following strategic questions:

- How are companies in Western Europe integrating the SDGs into their business?
- How can corporate SDG benchmarks be designed to ensure they create value for stakeholders as well as the companies being assessed?

To build relationships and promote an open dialogue between the different stakeholder groups, the above issues were explored in two ways. The first consisted of discussions in small groups, enabling participants to have in-depth conversations with peers in their areas of primary interest as well as meet and share views with participants from other sectors. The second consisted of large group engagement, which sought to leverage the collective insights, energy and commitment of individuals focused on delivering the SDGs.

Below is a summary of the main themes and insights that emerged from these discussions.
The Amsterdam session was opened by Richard Kooloos, Director Sustainable Banking at ABN AMRO, an ally to the WBA. In his welcoming remarks, Kooloos reflected on the lessons learned from the CIRCL project (the green building where the roundtable took place) and how these could be applied in the context of the SDGs and the WBA.

The first lesson was the need to be ready to go back to the design board in order to meet the challenge of the SDGs. Many companies, he observed, already have sustainability strategies in place; they now need to review them on the basis of the SDGs. This, he pointed out, requires courage and the readiness to let go of anything that is unnecessary for – or goes against – meeting the global goals.

The second lesson was the need for innovative approaches. The challenge of sustainability requires to embed long-term thinking into corporate and regulatory decision-making processes. Banks, he pointed out, need to focus on long-term value creation as well as ensure – and disclose – that their loan portfolio is both ‘future-proof’ and aligned with the SDGs. This imperative of identifying long-term sustainability risks and opportunities also matters for corporates, which will have to integrate these considerations into their core business if they are to play their role in delivering the

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SDGs. The result, he pointed out, is a better business case for all; and it requires fact-based decisions. “We need open source, objective and verifiable information. Not just opinion. That’s where the WBA comes in” Kooloos said.

If big challenges require new and big ideas, they also require trust. The success of any sustainability endeavour, Kooloos noted, depends as much on the topic being explored as it does on how it enables stakeholders to interact with and learn from each other. “Open up. Learn from each other. Don’t be afraid of the outside world. Look for the future needs of society and integrate it in your core business”, Kooloos encouraged the participants.
Meeting the SDGs requires a dynamic approach. “Things typically change faster than we expect (e.g. cost of solar energy) and we have to capitalise on that. That’s what the WBA aims to do” said Carola van Rijnsoever, Director Inclusive Green Growth at the Dutch Ministry of Foreign Affairs – one of the funders of the WBA consultation phase. Business, she noted, is playing its role in a constructive way. “As a responsible company you need to be a leader.” We also need to accelerate delivery of the SDGs. This, she argued, required a new form of coalition involving all stakeholders, including corporates, governments, investors, NGOs and academic institutions. “Benchmarks and
indices are important instruments in helping form this broad coalition” van Rijnsoever said.

Benchmarks, in fact, have multiple advantages when it comes to delivering corporate alignment with the SDGs. First, they help track progress. “What gets measured gets done. If you have the data, it’s easier to design policy”, noted van Rijnsoever. Second, benchmarks create a race to the top – a particularly attractive and needed feature given the urgency to deliver green growth and the SDGs. Third, they are an important source of information for investors, who can use the results to guide their capital allocation. Last but not least, she noted, “benchmarks help bring about this multi-stakeholder collaboration that we need so much to deliver the SDGs.” The WBA, she said, would be an ideal umbrella organisation for such benchmarks.

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To be relevant from a company’s point of view, benchmarks need to help companies identify where and how to improve performance. There should be a clear learning for the companies being ranked and it should be clear for companies why, how and on what they will be assessed. This requires transparency around both process and methodology. Participants noted that this type of information and guidance can be limited in current benchmarks and if companies can’t learn from the benchmarks, the latter lose their relevance. Many participants added that benchmarks can bring a strong added value if they play a role in defining corporate strategy and informing “where we want to go”. This, in turn, requires them to reflect both societal needs and investors’ expectation. It also requires benchmarks to be up to date and provide disaggregate scores so that companies know where they score well and where they need to improve.

As for the reputational implications of the ranking, participants noted that even though all companies want to do well, reputation and trust implications would most likely be stronger for consumer-facing industries. That being said, many existing benchmarks do not necessarily focus on consumers issues and these aspects will matter for all companies. As one of the participants put it “if you don’t perform well, it will be picked up”.

Participants also highlighted that the expectation around the benchmarks will differ by stakeholder group, as will their use of the results. While companies want to learn, they argued, civil society tends to expect the benchmarks to keep companies accountable for good housekeeping, some participants noted. As a result, they noted, campaigning NGOs tend to focus on bad practices in supply chains.

The methodology design of the benchmark will thus affect the ways in which different stakeholders can use the benchmark and its results, and vice-versa. For example, considerations such as what are the biggest gaps in a particular region and whether they are being addressed by companies could be particularly relevant for investors, according to one participant. This, in turn, might raise the question as to whether a positive contribution to the SDGs in developing country should weigh the same as positive contribution in a developed country, for instance.
Overall, participants agreed that Western European companies were slowly but surely integrating the SDGs, notably on the philanthropic side. SDG integration into commercial strategies was seen as progressing, in part thanks to regulation. Integration of some SDGs into operations was seen as somewhat more difficult, however – SDG 2 (zero hunger) and SDG 3 (health and well-being) were cited as examples by one participant.

Very few companies also seem to integrate the SDGs at the SDG target level, according to participants. In addition, the most advanced companies may not necessarily want to change their focus as they have already put a lot of effort in defining and implementing their existing strategies. “Anything enabling companies to do a deeper dive in the SDGs will help” said a participant.

Embedding the SDGs within the broader investment community was seen as another important priority. One barrier identified by participants was the discrepancy between what asset managers need to help their clients invest responsibly and what companies report on. This discrepancy, participants noted, also prevents asset owners from assessing their own contribution to the SDGs as it can be hard for them (or their asset managers) to evaluate the SDG impact of their capital allocation.

Two additional barriers were also identified. The first was the information gap between positive and negative contributions to the SDGs. For obvious reasons, companies are keener to share information on their positive contributions to the SDGs than on their negative ones. This, however, makes it difficult for customers to evaluate the net impact of the companies they purchase from and for investors to evaluate their exposure to sustainability risks. “We’re really struggling on the negative side” noted one participant.
Regional considerations – from mapping risks to capturing opportunities

The second barrier identified relates to how companies have approached the integration of sustainability into their strategies so far. Today, participants noted, companies’ responses to the SDGs are much more focused on using the SDGs to inform risk strategies than they are on capturing business-related SDG opportunities. “There is almost nothing about what the SDGs mean for new business opportunities going forward” said one participant.

Some participants also argued that current SDG integration efforts have yet to translate into substantial change of corporate strategy. “It’s mostly business as usual with a slight twist” noted one participant. “If you ask them how it [the SDGs] relates to their relation with investment committees; it doesn’t. If you ask them if it increased the incentives to set a shadow carbon price; it doesn’t. If you ask them how it affects their involvement with the one belt one road project; it doesn’t.” that participant said.

Overall, most participants agreed that the full integration of the SDGs by European companies was inevitable and just a matter of time. “It’s like a snow ball: everybody knows that, at some point, they will have to react” noted a participant. However, the present lack of focus on identifying SDG-related opportunities will make it more difficult for countries to deliver on the global goals. “There’s an enormous gap between what governments think they have signed up for and what the vast majority of institutions are doing on the ground” one participant said.

Raising awareness on how companies can capture SDG-related opportunities will be critical in closing that delivery gap. Participants also agreed that benchmarks that can identify corporate contributions to the SDGs (both positive and negative) and generate a race to the top would be particularly useful in that regard. “That’s why the WBA is so important” said one participant.
“You always have a group [of companies] that is self-motivated, but the majority of the market moves because of pressure from investors.”

Companies often get overwhelmed by the scope of the SDGs. “It’s so easy to get lost in that forest of goals and targets” one participant said. All participants agreed that WBA benchmarks can help address this challenge. They saw in the WBA approach a powerful way to help companies prioritise and in the benchmarks a powerful way to track progress while creating a race to the top.

To deliver on this potential, WBA benchmarks will need to be widely used. This, participants noted, requires them to be designed with the end-user in mind. “For many companies, [public oriented] benchmarks are not really practical” noted one participant. Another pointed out that benchmarks should avoid being dogmatic. “It shouldn’t be a law, otherwise it creates a compliance mindset” that participant noted. “Keep it light and practical, not too heavy” another suggested. Participants agreed that while benchmarks should be simple, they should not be simplistic. “The principle of
keeping it simple makes a lot of sense but there are some issues that are dangerous to oversimplify” noted one participant.

Benchmarks should also contribute to constructive behavioural change. “You want people to change” one participant said, adding that “the theory of change needs to keep the end-user in mind.” Participants also highlighted the need to create a mechanism of external validation by stakeholders, as the absence of it often discourages companies to act on the SDGs agenda. The WBA’s ambition to celebrate leaders and encourage laggards to improve was seen as extremely important in that regard.

Ensuring pick-up by investors was seen as critical for the WBA’s success. “You always have a group [of companies] that is self-motivated, but the majority of the market moves because of pressure from investors” noted one participant. Other participants also pointed to new drivers of corporate behavioural change. The universal nature of the SDGs, for instance, has made employees and consumers important drivers of change for companies. These constituencies’ importance, they argued, is only bound to increase over time given the awareness and concerns of the youth and young adults around sustainably issues.

More generally, the ability of benchmarks to track both the state of play and the trends was seen as particularly important for keeping the discussion alive between stakeholders. “If you create a benchmark and need multiple years to get the trend, you may lose interest” noted one participant. One way to avoid this situation could be to ask companies for past performance over multiple years, that participant noted. The need to complement this information on past performance with forward-looking elements was also highlighted by participants.
Participants agreed that delivering on the SDGs is about ensuring a net positive contribution from companies. This, in turn, requires to maximise positive contributions, while minimising – and in some cases stop – negative ones.

With respect to positive contributions, alignment with the SDGs was seen as essential. As one participant noted, while European companies often have targets in place, “what is missing [from companies] is that they don’t come out with new ambitions in line with 2030 targets.”

Some participants wondered if the lack of corporate ambition might be related to the fact that SDGs had been designed for governments. At the same time, noted others, the SDGs offer a unique opportunity for companies to reflect on their purpose and contribution to society. As one participant put it: “these are the most important issues for society. As a company you need to have a position on what you’re going to contribute to them.”

Achieving net positive impact also requires companies to face hard questions about which activities they will have to slowdown or stop altogether. According to participants, this angle has hardly been explored to date. Identifying the business opportunities that come
Positive net impact and the SDGs

with the SDGs can be a way to start the conversation. Such an approach, they argued, would make it easier for companies to let go of unsustainable activities that destroy value in the short to medium term. It can also help inform the company’s transition towards a more sustainable model. Creating a vision and a strategic plan to deliver on this vision will be key, noted one participant. Questions such as “What is your ideal situation? What is your ambition? What do you do more? What do you less? What do you stop doing on the SDGs? And how do you insert this in KPIs that appear in the general management dashboard?” would be important questions to answer in that regard.

It was noted that the WBA’s focus on SDGs and industries might not necessarily answer the net contribution question as they show how companies perform on specific topics. One participant noted that while corporate SDG benchmarks will show which companies do better relative to their peers, they do not always provide the full picture of the entire company. Participants suggested that big data solutions – or alternative sources of information – could provide additional insights in areas not addressed by a benchmark.
By far and large, participants agreed that criteria such as consistency, transparency, accuracy were pre-requisites for any benchmarks, including the WBA’s. “People have expectations about benchmarks in general” noted one participant. Another remarked that transparency can sometimes act as a double-edged sword. According to that participant, if a company becomes too transparent, the information it discloses can be used as a stick rather than a carrot. Benchmarks should not just act as stick, the participant argued, but rather try to act as an incentive for companies to improve as well. One way they can do so is by providing recommendations, facilitating knowledge sharing between companies by sharing best practices and highlighting the commonalities between the companies being benchmarked.

The nature and objective of the WBA also require WBA benchmarks to do more than the average benchmark. One important area identified was the need to focus on impact, with participants strongly agreeing with the WBA’s proposition to consider both SDG-focused and industry-focused benchmark. “The WBA’s approach is very smart because it enables to focus on impact” noted one participant. Another suggested sector road-mapping as a useful way to identify areas of maximum impact. Collaboration with initiatives involved in such exercises would be a win-win, according to this participant: the initiatives could help the WBA identify areas of impact, while the WBA would help these initiatives track progress.

Fairness was another key criteria for WBA benchmarks. The race to the top, participants pointed out, requires rankings to be fair and rigorous processes to be in place to ensure this fairness. Benchmarks should also ensure comparability between
companies. According to one participant, two important questions in that regard would be how to deal with supply chains issues and how far up the chain one should go to evaluate a company’s performance.

Participants also agreed on the critical importance of developing the benchmarks in an inclusive manner. Companies, they noted, rarely have the opportunity to engage or input on the methodologies through which their performances are evaluated. Engaging companies throughout the benchmark development process is thus key to ensuring they understand why and how they are going to be ranked, participants said. Given the alliance nature of the WBA, this will also require the involvement of other stakeholders. While this might make agreement on all aspects of the benchmark methodology more difficult, in practice participants agreed this would not be a barrier to benchmark development. As one participant put it: “you can’t get everybody to be happy with everything but as long as you get a critical mass, you’re fine. The key is to find balance.”
Governance considerations

Participants highlighted that a key question for the WBA is “who decides what the impact is?” Delivering on the WBA’s mission requires an inclusive governance that is reflective of the different stakeholder groups, they argued. One participant suggested using feedback loops in the governance structure as a way to ensure all views were considered. Another noted that while this can help, it can be challenging to have governance feedback loops and produce fast. Such complex structures can also be costly to set up, that participant noted.

At the benchmark level, participants agreed it would be important to ensure that experts from multiple stakeholder groups have a chance to feedback on the methodology design. “You need a committee to reflect what their angle [the stakeholders’] is and how it [the benchmark] should be constructed” one participant said. The WBA’s suggestion of creating an expert review committee for each benchmark was seen as a good way to address this consideration.

Participants also discussed the importance of incentives structures in maximising company participation to the benchmarking process. One participant suggested a two-tiered approach, with one tier consisting of companies whose evaluation is made anonymously and the other tier consisting of companies whose names and
performances would be made public. Such a structure, the participant argued, would help maximise data collection for the WBA: reluctant companies have an incentive to contribute – as they would get a sense of how they perform with no risk of impact on their public image – while those who agree to get their names disclosed have a higher opportunity of investors rewarding them for their performance. Keeping in mind competitiveness issues will also matter. “If you feel you understand the issue of sustainability better than your competition, you may not want to collaborate” noted one participant.

Overall, there was a general consensus among participants that the incentive structure and how it carries out throughout the benchmark design processes is essential to maximise company participation. As a result, participants argued, it is key for the WBA to be explicit and clear about the added value companies (and more generally all stakeholders) can expect as a result of their participation in the benchmarking process (and the alliance).
On data

Participants also explored the different types of data that could be used to score companies. All agreed that while publicly available information should be used, it might also be useful to provide companies with the possibility to disclose some data under Non-disclosure Agreements. This would be particularly useful for more commercially sensitive information that might be relevant for benchmarking purposes, such as marketing or pricing strategies.

There was no consensus within the group on how data-driven the WBA benchmarks should be. Some participants remarked that a lot of existing reporting frameworks tend to be input-focused (e.g. energy use, water consumption) or output-focused (e.g. CO₂ emissions). It might be more relevant, some participants argued, to track trends (e.g. change in energy consumption) as well as innovation. Benchmarks should avoid being too prescriptive as otherwise they might miss those activities, they argued. One participant also argued that it would potentially be more valuable for a company to provide data and get an independent analysis of its net positive impact in return. Another challenged that idea, arguing that benchmarks should combine both quantitative and qualitative information.

Irrespective of the type of data collected, all participants agreed on the need to reduce the reporting burden on companies. Many participants noted current rating and ranking initiatives sometimes ask for different data, different formats or different timeframe. Methodologies are not necessarily consistent, they argued, and while sometimes differences can be minor, they still often require sustainability officers to go to colleagues in order to get the data in a different format. All participants also agreed on the importance of ensuring that the benchmarking process does not become a ‘tick the box’ exercise but rather delivers true value and insights, and identifies areas for improvement.

Ensuring access to different data sources was another critical element identified. As some participants pointed out, companies can be selective in the information they provide – not necessarily by providing wrong or inaccurate information, but rather by potentially sharing more information on positive performance than on negative ones. It may also be difficult for companies to provide information they don’t already track. Some participants suggested that looking into supply chain issues might help achieve that independent, objective assessment. Using third party sources was also suggested as a useful way to complement data provided by companies.
The Amsterdam consultation – the last consultation of the first round of WBA global engagement – provided key initial inputs and ideas on the WBA concept, including its added value, institutional and governance considerations, and priorities areas in terms of SDG benchmarks.

Key considerations arising from this roundtable included:

- The importance of the WBA in providing open source, objective and verifiable source of information on how companies align with the SDGs.

- The added value of the WBA in creating the type of multi-stakeholder coalition needed to deliver the SDGs.

- The importance of an inclusive benchmark design process and how the choice of methodology affects the way in which different stakeholders can use the benchmark.

- The progress of SDG integration in Europe and the need for companies to do more on mapping out their SDG-related business opportunities.

- The added value of the WBA in helping companies prioritise their actions on the SDGs.

- The importance for the WBA to be clear and explicit about the added value that companies (and more generally all stakeholders) can expect as a result of their participation in the benchmarking process (and the alliance).

Over the next month, the WBA will condense the insights generated from the WBA consultations into a synthesis report. This synthesis report will also contain insights gathered through the additional research, interviews and online consultations that were held in parallel to the WBA roundtables.

Continued feedback is welcome. We look forward to comments, questions and suggestions to ensure that the World Benchmarking Alliance consultation is inclusive and builds on stakeholder inputs.
List of participants

ABN AMRO
Access to Nutrition Foundation
Access to Seeds Foundation
Actiam
AkzoNobel
ASN Bank
CHRB
Economics and Peace
Equileap
Ferero
FMO
Forum for the Future
Geneva Association
Kempen Capital Management
Leaps Innovation
Ministry of Foreign Affairs the Netherlands
NBA Amsterdam
Neuberger Berman
PwC

The Prince's Charities' International Sustainability Unit
Triodos Investment Management
TruePrice
Unilever
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