WORKSHOP 1: SYSTEMS TRANSFORMATION

KEY TAKEAWAYS:

• The COVID-19 crisis has highlighted interconnections that weren’t as visible before, particularly the fundamental links between human health, country health and economic health. The realisation of this connectivity could create a fertile ground to build on.

• The crisis has also accelerated a number of trends. On the positive side for sustainability, there has been more investment in renewables, more experimentation with different business models, and a digitalisation process for greater access to healthcare and education. However, others are hindering progress such as much heightened inequality or greater polarisation between short term/long term and global/local dimensions.

• In that context, our assumptions about pathways to deliver sustainability have altered. Adopting a systems lens can help us think about building back better, in a way that’s stronger for sustainability.

• There is an enabling environment making the transition easier: this is a narrative-shifting moment, and what was felt to be impossible even a year ago is now ‘the necessary’. The whole context of this conversation has shifted. On the opposite, some things are harder: corporate bandwidth is very limited and there’s a tendency to go back to solving with old solutions - i.e. the finance system is replicating what happened in 2008.

• As organisations, there are things we might choose to do differently. For instance: more policy advocacy, more partnerships between public and private sector, and greater reliance on publicly available data.

• At a macro level, systems thinking needs to be used to help ensure resilience and create greater sustainability going forward, with the key levers of change being economic reform, regenerative goals, and financial incentives.

• As the goals of the economy and the purpose of business are being reframed, WBA benchmarks can be critical ingredients of systemic change. However, they can drive that change only as part of the Alliance. There is lots of collaboration going on already across the benchmarks with Allies, and we can do more together to explore different roles in the Alliance.
KEY TAKEAWAYS:

- Looking at the WBA’s 7 systems in a holistic way has never been so important. Looking at the Food and Agriculture Benchmark specifically, it has become clear that the key issues within the food system are interlinked, and that we shouldn’t look at the impacts of COVID-19 in isolation.

- Multinational corporations have a unique role to play in driving change globally due to their presence up and down value chains. This often gives them a larger influence than governments and multilateral organisations.

- Transforming how companies operate their supply chains in developing countries can only be effective if they ensure sufficient investment in sustainable sourcing and resilience of local capacities. As such, corporations should collaborate with SMEs and smallholder farmers to produce key commodities. **WBA has a role to play in how we support companies to understand that it is not just about business but the survival of these local actors and communities.**

- In addition to the endeavour of making multinationals’ supply chains more resilient, there’s been a push over the last few months for equity and social inclusion when it comes to access to healthy food.

- WBA hopes that its benchmark methodologies will provide roadmaps and support multinational corporations to understand what they need to do within their own operations and supply chains, as many companies don’t know where the gaps are. **The Alliance comes into play here, to translate these expectations around the globe.**

- We also need to elevate non-financial data to the same level and standard as financial reporting. The EU is currently working on such a framework, and there is an opportunity for WBA to work with Allies and partners to consider what a global framework could look like.
KEY TAKEAWAYS:

- The definition of influencing needs to be expanded to be wider than just lobbying to also consider marketing, advertising, and broader stakeholder engagement.

- On climate specifically, lobbying trends often lead to blockages to action. These trends include a focus on action by companies and associated industry groups around specific issues of interest that benefit them most, action by large cross-sector groups that claim to represent diverse constituencies but only reflect views of the fossil fuel value chain, and – as a result of the COVID-19 pandemic – action by industry in asking for holidays on climate-related regulations.

- In response to the pandemic, there need to clear steps for climate action, including sharpening existing infrastructure, ensuring strong data and policy, and identifying the levers that can be activated to ensure that climate action is prioritised while also ensuring strong inclusion protections. The central question here is, “Can a consensus be achieved to lobby for climate positively, while not compromising on other big-ticket items that deserve importance like economic recovery, unemployment, and more?” WBA and the Alliance have a critical role to play here.

- The EU has demonstrated considerable leadership on this agenda through its Next-Generation EU recovery plan for Europe and the Green Deal, but other regions need to follow suit, drawing on best practice, pushing for increased disclosure and due diligence, and embracing generational influence on climate action. “Governments need to strike the balance between managing the needs of companies and managing the expectations of shareholders,” and the EU Commission will rely on WBA to maintain this focus.

- Resilience of communities, business, and government should be central to conversations on climate action. There is an increased need for knowledge-sharing between governments, investors, and businesses – who all have a role to play in identifying gaps, raising ambition, and ensuring action.
KEY TAKEAWAYS:

- There is a wide spectrum of awareness, knowledge, interest and commitment regarding the SDGs among financial institutions. Even in those institutions that have sought to consider their social and environmental impact, engagement is usually viewed from an ESG financial risk mitigation perspective rather than through a corporate responsibility lens that would consider (negative or positive) contribution to people and planet. These two approaches are not necessarily inherently contradictory, but the conception of risk and returns to incorporate impact should be reframed.

- We should be wary of false choices, for example between prioritising engagement with investors that have already demonstrated their interest and commitment to the SDGs, versus bringing in investors from the much broader pool of those who have not.

- The disruption created by the COVID-19 pandemic, and more recently the protests in favour of racial justice in the US and elsewhere, is an opportunity to engage with more actors within the financial system regarding their ability to re-set their contributions to the well-being of people and planet. But it is unclear whether the upheavals will lead to systemic change or a return to business as usual with some changes at the margin.

- We need to focus on four tipping points for action: 1.) business models that consider both positive and negative long-term impacts and associated financial risks; 2.) CEOs and their role in shaping conceptions of stakeholder capitalism and the need to integrate ESG/impact into purpose, strategy, and business model; 3.) fund managers and the need to move them to the next stage of integrating ESG/impact into their investment and stewardship decisions; and 4.) asset owners who can engage fund managers on their approach to ESG/impact investment and stewardship.

- **WBA should not only produce indices and benchmarks, but also create coalitions of users so that the benchmarks become tools to engage financial system actors.** The work to build benchmarks should be accompanied with organisational efforts to build coalitions around the WBA benchmarks, expand their adoption beyond the SDG2000, and make sure that the benchmarks feed into decision-making by investors and businesses to keep them on their toes.

- **The Alliance can support in tailoring the benchmark to the language of the financial industry, so they are compelled to join the journey.** The diversity of the WBA creates a clear opportunity to develop this language as it brings together Allies from the financial industry, civil society, and regulators. We should be ambitious in our goals but also practical in our approach.
KEY TAKEAWAYS:

- WBA’s Theory of Change emphasizes the role that stakeholders have to play in using benchmark data and influencing corporate behavior change. This is central, and **WBA should prioritise exploring how Allies can contribute to this.**

- The main task at hand is to turn benchmarks into action, and specifically to translate the data to language that is understood by, and usable for, different stakeholder groups. “Legitimacy of WBA does not come from donors or internal capacity. It comes from the rigour of how we build the methodologies and how these are used by stakeholders”.

- To move forward, we need to identify the right people or influencers within companies who can help to accelerate the change and ensure they understand the goals and outcomes we’re trying to achieve. “Reaching the key person needs a multi-pronged approach, and WBA has enabled that with the Alliance.”

- **To strengthen the sense of community within the Alliance, it is important to harness the geographical spread of the Allies, map their expertise, promote mutual exchange of ideas and learning of best practice, and leverage our collective strengths and networks.**

- **WBA’s strength lies in its ability to convene multi-stakeholder dialogue.** This should continue to be a focus so that all stakeholders feel empowered and that their voices are heard, and so that the balance of influence is equally distributed.