Accountability of the Private Sector

Business coalitions and private sector leaders had a prominent voice in the process to craft the 2030 Agenda, and they are playing an active role in efforts to implement the SDGs, with companies announcing SDG alignment processes, lenders creating 'SDG Bonds' and corporate reporting on the SDGs becoming more common. UN officials and governments, likewise, frequently stress the need for private funding to implement the 17 SDGs.

But stakeholders have highlighted risks of public-private partnerships (PPPs), and called for developing mechanisms to protect the sustainable development agenda where it may conflict with private interests. As expectations of businesses evolve in the new era of the SDGs, businesses need to be accountable for maximizing positive development outcomes. They need to fully understand, take responsibility for and learn from the range of their impacts. Civil society actors need means to ensure this takes place.

This section describes: what UN agreements say about business' role in the 2030 Agenda; what kind of actors the "private sector" includes; and why accountability is important. It outlines tools for holding businesses accountable in the national context.

UN agreements' references to private sector involvement

The 2030 Agenda specifically mentions the need to involve the private sector, with governments calling on all businesses to help solve sustainable development challenges with their creativity and innovation.[244] Similarly, the Addis Ababa Action Agenda on financing for development (AAAA) urges businesses to embrace a business model that takes account of the environmental, social and governance impacts of their activities, and encourages impact investing, which combines a return on investment with non-financial impacts.[245] The AAAA also recognizes "the enormous investment needs" and encourages increased private investments.[246]

What is the private sector?

The 2030 Agenda acknowledges the private sector's diversity, "ranging from micro-enterprises to cooperatives to multinationals".[247] Experts stress that "the private sector" is not a homogenous group but contains both a multinational corporation on one end of a spectrum and a small, local business on the other. The needs of the latter, "seeking to sustain itself or even expand and those of a large multinational looking to invest in a foreign country rarely have much in common and are

244 2030 Agenda, paragraph 67.

245 2030 Agenda, paragraph 37.

246 2030 Agenda, paragraph 13, inter alia

247 2030 Agenda, paragraph 67.

often diametrically opposed."[248] Treating each private actor as an individual may reveal different opportunities than assuming that one's motivations and priorities are the same as another's.

Why is private sector accountability important?

Because they are not part of a government, private businesses exist outside traditional accountability systems. Therefore, the private sector's involvement in meeting a country's social, environmental and economic needs poses an accountability "deficit." This is a particular problem in countries where governments are enthusiastically and uncritically embracing PPPs for development.[249]

Despite these risks, it may be necessary to find ways to engage the private sector without threatening progress towards the inclusive, sustainable world we want. A shift towards more accountable business behaviour would have a dramatic effect on the world's ability to achieve the SDGs.

Accountability mechanisms for private sector

The following tools can be used by civil society groups in their national context in order to hold private actors accountable.

Norms: Principles and Rights – The AAAA outlines a role for the private sector in mobilizing financial resources for the 2030 Agenda, but it also underlines that business must act in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) and other relevant international standards and agreements.[250] The UNGPs establish the corporate responsibility to respect human rights, which implies businesses' addressing negative impacts of their activities, and communicating about such impacts.

• **Reporting** – Governments have begun conducting national-level review processes of SDG implementation in their countries (called the Voluntary National Review). The 2030 Agenda suggests that these processes should incorporate the activities of the private sector. To facilitate this and other components of the follow-up and review architecture for the 2030 Agenda, per SDG target 12.6, companies are encouraged to report on their impacts on sustainable development through a "sustainability reporting" process. Current trends and practices in sustainability reporting build on "corporate social responsibility" practices including environmental, social and governance (ESG) reporting.

Key frameworks and initiatives for sustainability reporting[251]

• The **UN Global Compact** provides ten principles that participating companies should adhere to with regards to human rights, labour, the environment and anti-corruption. Further, companies are required to submit an annual Communication on Progress (COP) outlining progress made in implementing the ten principles. The ten principles of the UN Global Compact are aligned with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).[252]

• **Paragraph 47** of the 2012 Outcome Document of the UN Conference on Sustainable Development (Rio+20), 'The Future We Want,' acknowledges the importance of corporate sustainability reporting, and encourages companies, especially publicly listed and large companies, to integrate sustainability information into their reporting cycle. Since then, a number of governments have formed the "Group of Friends of Paragraph 47," to advance the promotion of corporate sustainability

248 Glennie, J. The Guardian (2011). https://www.theguardian.com/global-development/poverty-matters/2011/may/10/private-sector-small-business-not-just-multinationals

249 Donald, K. (2018). Blog.

250 HRs in Follow-up and Review, p. 61

251 HRs in Follow-up and Review, p. 64-65

252 https://www.globalreporting.org/Pages/default.aspx

reporting. The Group is supported by the UN Environment Programme (UNEP) and GRI.[253]

• The **OECD Guidelines for Multinational Enterprises** provide recommendations for responsible business conduct, stipulating, inter alia, that enterprises should 1) contribute to economic, environmental and social progress with a view to achieving sustainable development, and 2) respect the internationally recognised human rights of those affected by their activities. Enterprises must ensure disclosure of timely and accurate information. The 44 countries adhering to the Guidelines have made a binding commitment to implement them.[254]

• GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) have developed the **SDG Compass** to support companies in aligning their strategies with the SDGs and in measuring and managing their contribution.[255]

• The **UN Guiding Principles Reporting Framework** provides comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights, as specified in the UNGPs. The Framework provides a set of questions that companies should strive to answer in order to know and show that they meet their responsibility to respect human rights in practice.[256]

• The **EU Directive on disclosure of non-financial and diversity information** is an example of a strong regional framework. In accordance with this Directive, businesses should disclose: relevant and useful information on their policies, main risks and outcomes relating to at least environmental matters; social and employee aspects; respect for human rights; anticorruption and bribery issues; and diversity in their board of directors.

253 http://www.unep.org/resourceefficiency/Business/SustainableandResponsibleB usiness/Reporting/FriendsofParagraph47/tabid/105011/Default.aspx

254 OECD (2018). http://www.oecd.org/daf/inv/mne/oecdguidelinesformultinationalenterprises.html

255 HRs in Follow-up and Review, p. 62, http://sdgcompass.org/

256 UN Guiding Principles (2018). The UN Guiding Principles Reporting Framework is the world's first comprehensive guidance for companies to report on how they respect human rights. http://www.ungpreporting.org/