Novartis and the UN Global Compact Leadership Blueprint

2012 UN Global Compact Communication on Progress

"It is clear that philanthropic aid is no longer enough. The best way to improve global quality of life and health is to build locally sustainable solutions that will have an enduring impact. The most important societal issues in developing countries are healthcare education, infrastructure and distribution. We have launched a series of Novartis Social Ventures to address these issues by blending corporate responsibility with innovative business models."

Joseph Jimenez, CEO, Novartis
Annual report 2012

 NOVARTIS

Novartis and the UN Global Compact Leadership Blueprint

Implementing the ten principles into strategies and operations (see Annex 1, page 5)

1. Full coverage and integration across principles
   - For each of the 10 principles reported in our UN Global Compact Communications on Progress, we outline our commitment and policies; projects and activities; results; targets; and cross-reference GRI indicators. This reflects how Novartis Group companies implement the 10 principles from a strategic down to an operational level.

2. Robust management policies and procedures
   - Corporate responsibility (CR) is endorsed and ingrained at the highest level in Novartis. A Corporate Responsibility Steering Committee (CRSC) meets bi-monthly to give oversight and guidance. The committee is chaired by George Gunn, who is a member of the Executive Committee of Novartis (ECN).
   - Our Code of Conduct, Policy on Corporate Citizenship (reflecting the 10 principles of the UN Global Compact) and Corporate Citizenship Guidelines define the Novartis approach to CR and give Novartis Group company associates guidance in their daily work.
   - This overarching framework is reinforced by means of policies and guidelines relating to particular business functions – such as our Promotional Practices Policy and Guidelines (NP4) which set out what is permissible practice for the sales and marketing of our Pharmaceutical Division's products.
   - A Business Practices Office (BPO) offers Novartis Group company associates and external stakeholders a 'one-stop-shop' to which grievances and allegations can be submitted. All complaints are investigated and reported to management, so that appropriate action can be taken.

3. Mainstreaming into corporate functions and business units
   - The CRSC is made up of representatives with operational responsibilities in all divisions and major functions of the company. The CRSC is a decision-making body that makes recommendations to the ECN to ensure a coordinated and integrated CR approach that meets our aims of: reaching more patients; collaborating for results; and doing business responsibly.
   - The CRSC is mirrored by a Corporate Responsibility Communications network with communications and public affairs representatives from all the divisions and CR-specific functions.
   - Training of Novartis Group company associates, measurement and reporting are key processes to assess progress toward CR implementation.

4. Value chain implementation
   - Our Novartis supplier code sets out the CR requirements we expect our suppliers to meet. Novartis promotes the societal and environmental values of the United Nations Global Compact to its suppliers and uses its influence where possible to encourage their adoption.

Taking action in support of broader UN goals and issues (see Annex 2, page 23)

1. Core business contribution to UN goals and issues
   - Through its core businesses, Novartis focuses its CR contributions on the health-related Millennium Development Goals (MDGs). Novartis has made significant investments in the developing world to support access to quality healthcare and has helped to improve the lives of hundreds of millions of patients worldwide.
   - Novartis communicates on its contribution to the MDGs:
     – The Novartis commitment to women's and children's health: The contribution of Novartis to achieving the UN Millennium Development Goals (in particular, Novartis initiatives addressing MDGs 4 and 5 on women's and children's health, pages 4-5)
     – Achieving the UN Millennium Development Goals: The contribution of Novartis

2. Strategic social investments and philanthropy
   - Beyond the core business, philanthropic commitments by Novartis contribute specifically to the realization of the MDGs. The Novartis Foundation for Sustainable Development (NFSD) is focused on the poorest of the poor. It is committed to "development with a human face" and the projects it supports in developing countries are primarily focused on the achievement of the MDGs, particularly in relation to health.

3. Advocacy and public policy engagement
   - Novartis contributes to the international corporate responsibility and sustainability debates, participates in key UN summits and conferences and is actively engaged with corporate responsibility stakeholders within and beyond the UN system.

4. Partnerships and collective action
   - Novartis counts ongoing alliances and collaborations with public and private organizations worldwide. These are vital to advancing access to medicine and healthcare delivery to patients. Our company works with a range of organizations, including governments, international agencies such as the World Health Organization, foundations and nongovernmental organizations in improving access to healthcare.
   - "Collaborating for results" is one of the three key objectives of the Novartis CR strategy, together with "reaching more patients" and "doing business responsibly".

Engaging with the UN Global Compact (see Annex 3, page 27)

1. Local networks and subsidiary engagements
   - York Lunau, NFSD Corporate Responsibility Advisor, is a member of the Board of the UN Global Compact Swiss Network.
   - Novartis supports local UN Global Compact networks. Novartis subsidiaries are free to join their local UN Global Compact network (there is no "headquarter only" policy). Novartis subsidiaries in some countries also publish UNGC Communications on Progress reports (Argentina, Colombia and Mexico for instance).

2. Global and local working groups
   - Together with Nestlé, the NFSD co-chairs the UN Global Compact LEAD task force on Strategic Social Investments and Philanthropy.
   Klaus M. Leisinger, NFSD Chairman of the Board of Trustees, is also an active participant in two other UNGC LEAD task forces: "Board Education" and "Post 2015 Development Goals".

3. Issue-based and sector initiatives
   - Novartis Group companies are members of various chambers of commerce, sustainability industry associations, and pharmaceutical industry associations. We also participate in sector initiatives such as the Pharmaceutical Supply Chain Initiative to promote high ethical standards in the supply chain or the Pharmaceutical Security Institute to combat counterfeit medicines.

4. Promotion and support of the UN Global Compact
   - Klaus M. Leisinger, NFSD Chairman of the Board of Trustees, is a member of the steering committee of the UN Global Compact LEAD initiative.
   - In November 2012, Klaus Leisinger was appointed by the Global Compact as "Special Advisor on the Post 2015 Development and Business Ethics" and was also named a member of the Leadership Council of the United Nations Sustainable Development Solutions Network launched in August 2012 to mobilize scientific and technical expertise from academia, civil society, and the private sector in support of sustainable development problems.

Annex 1:
How Novartis lives up to the 10 principles

NOVARTIS

Principle 1

Principle 1 - Human rights: Businesses should support and respect the protection of internationally proclaimed human rights.

Commitment and policies	• Code of conduct: "We strive to ensure that activities within our sphere of influence do not negatively impact fundamental human rights, as set out by the United Nation's Bill of Rights and the core conventions of the International Labor Organization, either directly or through our business relations." • Corporate citizenship policy: "We seek to promote and protect the rights defined in the Universal Declaration of Human Rights of the United Nations within our sphere of influence." • Corporate citizenship policy: "We do not tolerate human rights abuses within our own business operations." • Corporate citizenship guideline 4 on human rights: "Novartis recognizes that the inherent dignity and the equal and inalienable rights of all members of the human family are the foundation of freedom, justice and peace. It therefore respects and supports the protection of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948." • Right to health: "Novartis endorses the right to health. We believe that each sphere of society – from government and charitable organizations, to medical professionals and business – has a role to play in support of the right to health... We believe the primary contribution of Novartis emanates from our normal business activities – discovering, developing and successfully marketing innovative products to cure disease, ease suffering and enhance the quality of life."
Projects and activities	• Access-to-medicine programs in collaboration with the World Health Organization (WHO) and other intergovernmental and nongovernmental organizations to combat malaria, leprosy and tuberculosis in developing countries. • Patient assistance program for oncology drug, *Gleevec/Glivec*, reaching patients worldwide. • Patient assistance programs for uninsured, low-income citizens in the US. • Research on neglected diseases (dengue fever, malaria and tuberculosis) by the Novartis Institute for Tropical Diseases (NITD). • Research on vaccines against diseases of the developing world by the Novartis Vaccines Institute for Global Health (NVGH). • Closing any gaps identified on living wages to ensure employees and their families can meet their basic material needs. • Innovative business model, i.e. "Arogya Parivar," to address the health needs of underserved rural regions of India known as the bottom of the pyramid (BOP).
Results 2012	**Right to health** • Total 2012 access-to-medicine programs valued at USD 2 billion, reaching more than 100 million patients globally. • Close to 100 million treatments of the anti-malarial Coartem delivered without profit to 40 malaria-endemic countries. • Coartem Dispersible, the antimalarial for children with a body weight 5kg-25kg developed by Novartis and Medicines for Malaria Venture, has been rolled out in 40 countries, up from 39 countries in 2011; 60 million Coartem Dispersible treatments were delivered in 2012. • Completed deliveries of more than 95 million Coartem and Coartem Dispersible treatments to the public sector under Phase 1 of the Global Fund's Affordable Medicines Facility-malaria to six countries. Access to Coartem and Coartem Dispersible was further expanded in the private sector in nine malaria-endemic countries.

	• "SMS for Life" pilots completed in Ghana and Kenya while Cameroon will go directly to the full rollout. • The NITD successfully completed clinical Proof-of-Concept for KAE609, an investigational new antimalarial with a novel mechanism of action, and initiated a Phase I clinical testing for a second new dual-acting class of antimalarial compounds with a potential to both prevent and treat malaria. • The NVGH developed a lab scale process for nontyphoidal salmonella vaccine; in preclinical studies, prototype showed activity against the two main serotypes in Africa. Pilot scale GMP production process was developed for Shigella vaccine and GMP bulk antigen was produced by late 2012. • 30% of Arogya Parivar cells now have direct distributors serviced from Novartis India warehouses, improving services and availability of medicines in remote areas. Arogya Parivar is a for-profit social initiative developed by Novartis to increase accessibility of healthcare education and products to underprivileged rural communities in India. **Human rights** • Living wage: the wage-level review identified no case of Novartis employees earning less than the living wage. **Global Compact** • The Novartis Foundation for Sustainable Development (NFSD) is represented on the steering committee of the UN Global Compact LEAD initiative.
Targets 2013	• Monitor three-year grant of Novartis to the One Million Community Health Workers initiative. Launched in January 2013, the initiative is designed to train, equip and deploy one million healthcare workers by the end of 2015 in Sub-Saharan Africa. Overseen by a steering committee at the Earth Institute, the campaign is run through the UN Sustainable Development Solutions Network. • Continue to use established process to update living-wage levels annually and adjust salaries of any Group company associates found below those levels. • Increase Arogya Parivar direct distribution to 50% of network.
GRI indicators	• HR1, HR2, HR3, HR8, HR9
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/access-to-healthcare/index.shtml ⊢→ www.novartisfoundation.com ⊢→ www.nitd.novartis.com ⊢→ www.nvgh.novartis.com ⊢→ www.who.int/en/ ⊢→ www.un.org

Principle 2

Principle 2 - Human rights: Businesses should make sure they are not complicit in human rights abuses.

Commitment and policies	• Code of conduct: "We strive to ensure that activities within our sphere of influence do not negatively impact fundamental human rights, as set out by the United Nation's Bill of Rights and the core conventions of the International Labor Organization, either directly or through our business relations." • Corporate citizenship guideline 2 on fair working conditions. • Corporate citizenship guideline 4 on human rights. • Novartis supplier code
Projects and activities	• Establishing a new position for global employee relations responsible for defining standards for global employee relations and setting up a network. • Started in 2011, the new the Novartis third party management program has now been successfully tested in China, France and Latin American countries. The program is called Responsible Procurement, reflecting the company's deep commitment to corporate responsibility. • Our third party management process is deployed in 164 different locations with an established organization of approximately 160 Group company associates to actively support these efforts within our supply chain of circa 200 000 suppliers. • Novartis supplier code is communicated to all class 1 suppliers (professional services, market research, etc.) to promote the Novartis and UN Global Compact principles. • Third party compliance assessment through on-site assurance visits for class 3 suppliers (contract manufacturing, waste management, animal testing, etc.) deemed to have a significant influence on Novartis business activities and/or a significant probability of nonconformity to the values of the UN Global Compact.
Results 2012	• Responsible Procurement (RP) Program approved and rolled out on a phased basis to high-risk regions including China and Latin America where new Responsible Procurement Managers were put in place; 250 affected procurement Group company associates have been trained face to face and via webinar, and materials have been developed for them to use when communicating with third parties. A capability project is underway with Chinese construction suppliers working on a major Novartis project. • Conducted 175 supplier assurance visits in 2012 in countries ranging from Argentina, Brazil and China to Colombia, India, and Mexico. • Held webinars for Novartis third party management Group company associates in APAC, LatAm, Europe and the US.
Targets 2013	• Complete global implementation of RP into lower-risk regions with associated training for all procurement Group company associates. • Integrate RP into new supplier onboarding requirements, including strategic procurement decisions. • Launch second capacity building project in a different high-risk region.
GRI indicators	• HR1, HR2, HR6, HR7
Additional information	⫧→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/index.shtml ⫧→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/responsible-procurement/index.shtml

Principle 3

[Principle 3 - Labor standards](#): Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Commitment and policies	• [Code of conduct](#): "We respect the right of associates to choose to join an association, provided that local law is respected. Novartis engages in constructive dialogue with associates and their representatives." • [Corporate citizenship policy](#): "We believe in constructive dialogue between employer and employees and support the principle of freedom of association." • [Corporate citizenship guideline 2](#) on fair working conditions, point 8 on freedom of association: "Novartis recognizes that each employee has the right to choose whether to join a trade union or employee association. Novartis companies shall give trade unions a fair chance to compete for unionization of employees and shall be comfortable with collective bargaining arrangements, individual arrangements, or a mixture of the two." • [Novartis supplier code](#), point 1.6 on freedom of association: "Suppliers shall respect the rights of workers, as set forth in local laws, to associate freely, join or not join labor unions, seek representation and join workers' councils. Workers shall be able to communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment."
Projects and activities	• Novartis Euroforum (NEF) is a consultation body consisting of approximately 45 employee representatives from Novartis Group companies in the EU and Switzerland. NEF represents approximately 52,000 employees and ensures formal consultation with elected employee representatives before decisions are taken. Frequent meetings are held to ensure ongoing, structured dialogue between Novartis top management and employee representatives about key initiatives and projects affecting Novartis Group company associates. • Continue to raise awareness among employees on freedom of association (as a part of our corporate citizenship commitment). • Continue reporting on corporate citizenship aspects related to human resources.
Results 2012	• Approximately 62% of Group company associates worldwide are represented by a trade union or covered by a collective bargaining agreement. • Approximately 45% of Group company associates are represented by internal personnel organizations, e.g. works councils. • Approximately 100% of Group company associates are explicitly informed about freedom of association. The new Novartis Code of Conduct explicitly states the right of Group company associates to choose to join an association provided local laws are respected. A copy of the new Code of Conduct was handed out to the Group company associates during December 2011.
Targets 2013	• Workshops and yearly mandatory trainings are foreseen to further enhance knowledge about rights and obligations under the new Novartis Code of Conduct, including the right of association.
GRI indicators	• [HR5](#), [LA3](#), [LA4](#), [LA5](#), [LA6](#)
Additional information	↦ http://www.novartis.com/corporate-responsibility/resources/index.shtml ↦ http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/index.shtml

Principle 4
Principle 4 - Labor standards: Businesses should uphold the elimination of all forms of forced and compulsory labor.

Commitment and policies	- Code of conduct: "We protect associates from unfair or unethical working conditions, including bonded, forced or child labor, or any unsafe working conditions." - Corporate citizenship policy: "We do not tolerate forced labor and other forms of exploitational labor." - Corporate citizenship guideline 2 on fair working conditions, point 9 on forced, compulsory and bonded labor: "Novartis will not engage in forced, compulsory or bonded labor." - Novartis supplier code, point 1.1 on freely chosen employment: "Suppliers shall not use forced, bonded, indentured or involuntary prison labor."
Projects and activities	- Monitor adherence to labor standards within our operations. - Monitor adherence to labor standards within our supply chain (through assurance visits).
Results 2012	- No forced and no compulsory labor found. - No Novartis Group company associates were found below 18 who were not part of a regulated training scheme.
Targets 2013	Continue to monitor human rights compliance within our operations and supply chain.
GRI indicators	HR7
Additional information	- http://www.novartis.com/corporate-responsibility/resources/index.shtml - http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/index.shtml - http://www.novartis.com/corporate-responsibility/responsible-business-practices/responsible-procurement/index.shtml

Principle 5

Principle 5 - Labor standards: Businesses should uphold the effective abolition of child labor.

Commitment and policies	• Code of conduct: "We protect associates from unfair or unethical working conditions, including bonded, forced or child labor, or any unsafe working conditions." • Corporate citizenship policy: "We support programs to abolish child labor in a manner consistent with the basic interests of the child." • Corporate citizenship guideline 2 on fair working conditions, point 10 on child labor: "Novartis will not use child labor." • Novartis supplier code, point 1.2 on child labor and young workers: "Suppliers shall not use child labor."
Projects and activities	• Monitor adherence to labor standards within our operations. • Monitor adherence to labor standards within our supply chain (through assurance visits).
Results 2012	• No Novartis Group company associates were found below 18 who were not part of a regulated training scheme.
Targets 2013	• Continue to monitor human rights compliance within our operations and supply chain.
GRI indicators	• HR6
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/resources/index.shtml ⊢→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/index.shtml

Principle 6
Principle 6 - Labor standards: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Commitment and policies	- Code of conduct: "We treat our associates fairly, equally and respectfully. We expect associates to demonstrate respect toward each other and we do not tolerate any form of harassment or discrimination. […] We seek to create an inclusive work environment where associates regardless of their backgrounds can contribute fully. We appreciate the diversity and individuality of our associates and do not discriminate based on personal characteristics such as nationality, gender, age, ethnicity, religion, sexual orientation or disability." - Corporate citizenship policy: "The Novartis core values are based on the fundamental rights of every individual […], such as nondiscrimination […]. We base our human resources policies and practices on fairness […]." - Corporate citizenship guideline 2 on fair working conditions, point 11 on non discrimination: "Novartis will not tolerate discrimination based on personal characteristics that are not inherently relevant to the performance of a job. Such characteristics include race, color, sex, religion, political opinion, national extraction or social origin or any other characteristic protected under local law. […] Each Novartis company shall ensure equitable treatment among its employees in terms of basic employment terms, advancement possibilities, paid holidays granted, occupational safety and health, access to training and vocational guidance, and all other material terms and conditions of employment." - Novartis supplier code, point 1.3 on non-discrimination: "Suppliers shall provide a workplace free of harassment and discrimination. Discrimination for reason such as race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned."
Projects and activities	- Cross-divisional "Best-Talent" initiative to emphasize integrity and leadership standards for internal and external hires. - Group-wide Diversity and Inclusion (D&I) strategy to promote greater diversity of talent, inclusion, engagement, innovation and customer/patient focus throughout the organization. Use an integrated approach with Talent Management and Organizational Development to increase female representation, develop local leaders and track our leadership pipeline through the use of talent metrics in scorecards; leveraging the organizational talent review (OTR) process to further identify and develop key talents and continuing to focus on several development programs to increase diversity at leadership levels. - Leverage Diversity and Inclusion (D&I) initiatives through: 1) Building and advocating diversity; 2) Targeted recruitment of diverse talent; 3) Learning and development resources; 4) Initiatives to support a diverse workforce; 5) Internal network and Employee resource groups; 6) External network; 7) Participation in external platforms and recognition in external rankings and awards. - Conduct the bi-annual Global Employee Survey and implement outcomes related to employee engagement from survey results.
Results 2012	**Building and advocating diversity** - The proportion of women in management (local definitions and job grades) is 37% (from 28% in 2005). - The proportion of women in the top two job bands (Global Job Family Architecture 1 and 2) is respectively 27% and 30%. - The Corporate Executive Group (CEG) of Novartis – representing approximately the 400 most senior executives of Novartis Group companies – includes at least 34 nationalities. The proportion of women at CEG level is 20% (from 10% in 2005), and in the largest Novartis Division (Pharmaceuticals), this proportion amounts to 27%.

Targeted recruitment of diverse talent

- Research internships include 33 students from disadvantaged backgrounds in the US and UK; 6 from developing countries in Kenya and 23 from developing countries in Basel; and 2 with learning disability in the UK;
- 21 scientists from 9 developing countries participated in the "Next Generation Scientist Program," spending 3 months in Basel to improve clinical research and basic drug discovery in their countries.
- 34 participants from 13 countries participated in LEAD, an accelerated program to build a pipeline of leaders from diverse markets.
- Sandoz South Africa established a "Learnership Program" for Black South African university graduates who are unemployed; Sandoz India created DIVA, an initiative to recruit mothers who want to return to work on a part-time basis in the sales force.

Learning and development resources – Mentoring and training, and development programs

- Participants in the BOOST program to develop talent from new and emerging markets included 40% of women and 60% of men.
- 80% of all participants in the Novartis Pharma Executive Female Leadership Program have moved to a new role or were promoted, with 20% of participants moving into executive positions since the program was started in 2010.
- Women into Industry (WIN) program, a year-long mentoring program sponsored by the University of Basel and Novartis, to give female PhD students a better understanding of the business environment.
- Other initiatives and programs across Novartis divisions to advance diverse talent and women to senior leadership roles.
- 1200 participants have completed the D&I Essentials e-learning program to create greater awareness and understanding of diversity and creating an inclusive culture.
- Over 5000 Novartis Group company associates globally have completed the Pharma Inclusive Leadership Training program which was developed for associates who manage teams to embed inclusive leadership behaviors.

Initiatives to support a diverse workforce (flexibility, life work integration)

- Life Work Integration: global guidelines and a toolkit on Life Work Integration (LWI) were put in place in 2012.
- Countries and divisions introduced policies and practices including home office, remote access, care programs for children and the elderly, employee assistance programs and support for schooling.
- 179 participants were trained in the Novartis parental coaching program in Switzerland, where expectant/adopting parents and their managers explore and manage the transition into parenthood.

Internal network and Employee Resource Groups

- Internal D&I Strategic Council (DISC) has been working to develop a global strategy to address business needs within the Novartis Group. There has been an increase in D&I resources with most divisions having a dedicated D&I leader.
- There are 17 employee affinity groups in the US and a growing number of Employee Resource Groups in Europe, including 5 ERGs in Switzerland.

External network

- Diversity and Inclusion Advisory Council (DIAC), created in 2006, comprises external experts who meet twice a year to advise Novartis on the development and implementation of D&I strategies and practices The goal of the DIAC is to enable Novartis to achieve its D&I Vision and Strategy which look to address the needs of the future workplace

	Participation in external platforms and recognition in external rankings and awards • Novartis participated in UN Women & UNGC events in Switzerland and the US. • Novartis sits on the Steering committee of the International Labor Organization Business and Disability Network. • Novartis Pharmaceuticals Corporation in the US is ranked 6th on the *DiversityInc* 2013 list of "Top 50 Companies for Diversity" (out of 893 participating companies).
Targets 2013	Accelerate inclusion throughout the organization: • Maintain or improve the Global Employee Survey rating of the Diversity & Inclusion category scores. • Start tracking the Inclusion Index scores (Global Employee Survey 2013) which measures employees' perception of inclusion in the organization. • Track participation of inclusion oriented training modules and programs. Implement aligned group and divisional D&I strategy actions: • Benchmark inclusion internally via Global Employee Survey. • Execute talent strategy (e.g. learning and training/development programs).
GRI indicators	• EC5, EC6, HR4, LA10, LA11, LA12, LA13, LA14
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/diversity-and-inclusion.shtml

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Commitment and policies	• Code of conduct: "We systematically identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services." • Corporate citizenship policy: "We take a precautionary approach in the innovation and development of new products and technologies. To this end, we follow a step-by-step approach, we engage in scientific peer review, and we consider benefits and risks of innovation in a scientific and transparent manner." • Novartis position on precautionary principle: "The company applies the precautionary approach wherever a significant threshold of plausibility for a potential risk is reached and when science does not give a clear-cut answer on that potential risk. […] When an activity or a product poses a threat of serious or irreversible damage to the environment, precautionary measures are considered even if cause-effect relationships are not fully established scientifically. However, the precautionary approach needs to remain science-based in order to ensure continued innovation." • HSE guidelines: HSE management (#1); emergency management (#2); HSE risk management (#3); biosafety (#4); warehousing (#6); waste management (#7); contaminated site management (#10); transportation (#11); energy management (#13); energy standards for buildings and equipment (#14). • HSE guidance notes: risk management (8 GNs), biosafety (7 GNs), warehousing (4 GNs), waste management (2 GNs), contaminated site management (2 GNs), transportation (5 GNs), energy management (4 GNs), energy standards for buildings and equipment (3 GNs).
Projects and activities	• Precautionary approach applied in all operations to minimize environmental impacts (emissions to air and water, waste to landfill, efficient use of materials, water and energy resources). • Novartis Group companies manage risks proactively by implementing appropriate preventive and contingency measures. This risk management process is designed to identify potential hazards and take action to reduce the risk of an event – the likelihood of occurrence and severity of consequences – to an acceptable minimum level. Risk portfolios are elaborated on the sites, consolidated at divisional and corporate levels and reviewed by senior management. • Identifying and managing HSE risks by conducting site analyses and audits by corporate HSE and the HSE organizations of the divisions and businesses. • Business Continuity Management (BCM) efforts on pandemic preparedness (reviewed by a group audit).
Results 2012	Management of HSE risks • 12 corporate HSE and bio-safety audits and 13 divisional and business audits conducted. • The Novartis sites continued with the systematic identification and evaluation of HSE risks. Significant risks were reported and addressed. • Good progress was made in 2012, as a high number of risks could be removed from the 2011 Group Risk Portfolio. • A BC audit of the V&D Division was carried out, involving 3 key sites as well as senior management and Global function interviews. • Corporate energy audits were conducted at four sites in the Alcon and Sandoz divisions. HSE training • 5 regional courses on systematic incident investigation were held in Fort Worth (US), Emeryville (US), Huntington (US), Barcelona (Spain) and

	Ljubljana (Slovenia), with 80 participants trained. • 4 regional environment and energy workshops were held in Tokyo (Japan), Nyon (Switzerland), Sao Paulo (Brazil) and Fort Worth (TX, US). • 3 workshops were organized on Pharmaceuticals in the Environment and 2 stakeholder engagement workshops were held on Sustainable Packaging. • 7 process safety courses were held in Singapore, Fort Worth (US), Emeryville (US), La Jolla (US), Cambridge (US), Barcelona (Spain) and Ljubljana (Slovenia), with a total of 276 participants trained. • 4 Zurich Hazard Analysis and HZAOP workshops were held in Europe, the US and Asia. • 13 training courses on HSE data management and reporting were held in Singapore, Emeryville (US), Mumbai (India) and Basel (Switzerland) (10), with a total of 113 participants being trained in classroom and online courses. Business Continuity Management (BCM) • 71 Corporate Novartis Emergency Management workshops were held in 49 locations in 29 different countries with 1115 people trained. • 8 Corporate BCM workshops were held with a total of 143 participants trained in aspects of business continuity management.

Targets 2013	Management of HSE risks
	   – 14 corporate HSE and bio-safety audits and 13 divisional and business unit audits are scheduled for 2013.
	   – Preparation of the annual divisional and corporate risk portfolios and respective risk minimization actions.
	   – A Business Continuity audit of the Alcon Division is planned for 2013.
	HSE training
	   – 4 environment & energy, 4 process safety, 2 systematic incident investigation courses and 17 data management system (DMS) training courses are scheduled.
	   – Novartis Virtual University to be completely re-launched on a more modern IT platform with new courses accessible to employees worldwide.
	Business Continuity Management (BCM)
	   – At least 40 Corporate Novartis Emergency Management and 4 business continuity management workshops are planned.

GRI indicators	• 4.11, EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/protecting-the-environment/index.shtml

Principle 8

[Principle 8 - Environment](#): Businesses should undertake initiatives to promote greater environmental responsibility.

Commitment and policies	• [Code of conduct](#): "We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle." • [Corporate citizenship policy](#): "We want to be a leader in Health, Safety and Environmental Protection (HSE). […] We strive to make efficient use of natural resources and minimize the environmental impacts of our activities and our products over their life cycle. We assess HSE implications to ensure that the benefits of new products, processes and technologies outweigh remaining risks. We periodically review such assessments in light of new concerns or evidence." • [Novartis supplier code](#), purpose: "Novartis promotes the societal and environmental values of the United Nations Global Compact to its Third Party Suppliers (suppliers) and uses its influence where possible to encourage their adoption." • [Novartis supplier code](#), point 2 on health and safety: "Suppliers shall comply with all applicable health and safety laws and regulation by providing a safe and healthy working environment, including for any company-provided living quarters." • [Novartis supplier code](#), point 3 on the environment: "Suppliers shall operate in an environmentally responsible and efficient manner and minimize adverse impacts on the environment. Suppliers are encouraged to conserve natural resources, avoid the use of hazardous materials where possible, and engage in activities that reuse and recycle." [HSE guidelines](#): HSE & BC management (#1); emergency management (#2); HSE risk management (#3); biosafety (#4); warehousing (#6); waste management (#7); contaminated site management (#10); transportation (#11); energy management (#13); energy standards for buildings and equipment (#14). • [HSE guidance notes](#): risk management (8 GNs), biosafety (7 GNs), warehousing (4 GNs), waste management (2 GNs), contaminated site management (2 GNs), transportation (5 GNs), energy management (4 GNs), energy standards for buildings and equipment (3 GNs).

Projects and activities	• Health
	  – Reducing accidents through behavior-based safety training for Group company associates.
	  – Health Promotion initiatives are being rolled out in all sites to support Group company associates with smoking cessation, hypertension, obesity, vaccinations and cancer prevention.
	• Resources
	  – Energy efficiency: investment policy, mandatory energy challenges on investments, energy audit programs, energy management structures and processes, regular workshops on energy management, and Novartis Energy Excellence Awards.
	  – Water management: efficiency measures for contact water, promotion of water recycling and water risk assessment at sites with water scarcity.
	  – Sustainable Packaging initiative to promote material use reduction, avoid use of environmentally-critical materials and establish requirements for suppliers of packaging materials.
	• Environment
	  – GHG emission management (Scope 1 and Scope 2): fuel switch to gas (level of 90% achieved), support of renewable resources (bio-fuels, gas from waste, solar, combined heat and power systems), air conditioning with surface or groundwater water.
	  – Waste management: waste separation and recycling/recovery strategies, segregation of materials in the demolition of old buildings.

	policy to favor recycling and incineration wherever feasible, and elimination of hazardous waste to landfill.
	– Management of historic soil and groundwater contaminations based on a cautious science-based approach and in full cooperation with the respective local authorities and governmental agencies.
	– Minimization of Active Pharmaceutical Ingredients (API) effluents to the environment, eco-toxicological testing of drug substances and evaluation of controlled disposal of medicines.
Results 2012	• Health
	– The Lost Time Injury & Illness Rate (LTIR) was further reduced from 0.19 in 2011 to 0.14 per 200 000 hours in 2012.
	– The Total Recordable Case Rate (TRCR), based on the total number of injuries and illnesses with and without lost time, stands at 0.45 per 200 000 working hours for 2012 (down from 0.54 in 2011).
	• The Be Healthy initiative, first introduced in 2011, expanded to include 100 new sites in 2012, reaching 95% of Novartis Group company associates worldwide. Be Healthy supports Group company associates to take care of their health by promoting healthy behaviors and by providing access to analysis of key metrics.
	• Resources
	– Novartis issued a new target in 2011 to improve energy efficiency by 15% by 2015 based on 2010. Energy efficiency improved by 11% in 2012, compared to the 2010 baseline.
	– Contact water use efficiency improved by 6.3% compared to the 2010 baseline, which means the target to improve by 4% was achieved. For the period beyond 2012, specific water saving targets have now been issued to top 10 sites in water-scarce regions.
	• Environment
	– In 2012 Novartis was able to reduce total GHG emissions by 3% despite continuing growth compared to 2011.
	– Reduction of CO_2 emissions from the company vehicles fleet from 192kt in 2011 to 175kt in 2012. .
	• Carbon-offsetting
	❖ Argentina: Land has been purchased in Argentina for afforestation of pasture land to sequester carbon. Afforestation started in 2007 and was complete by the end of 2009. It covers 2,350 hectares or 70% of the overall purchased land. Since 2008, the project annually receives Forest Stewardship Council certification, a quality label on the sustainable (environmental and social) aspects of the forest's management. Novartis seeks to maintain this certification in the future. Novartis is working on certification of the CO_2 sequestered as Certified Emission Reduction Units (CERs) by national and international CDM bodies. The carbon sequestration amounted to 118,000 tons of CO_2-equivalent by yearend 2012 and is expected to reach up to 3 million tons by 2040. The project has been registered by the UN Framework Convention on Climate Change in November 2010 and issuance of first credits is expected for 2013.
	❖ Mali: A second carbon-offset project sponsored by Novartis is a jatropha plantation and bio-fuels project in Mali, West Africa. The seeds of this shrub can be used for pressing oil, making bio-fuel for rural electrification and producing a natural fertilizer from the residues. Since 2007, approximately 5,200 hectares of jatropha were planted by more than 5,000 local farmers in numerous communities of three districts in south-western Mali. In 2011, harvest from these plantations was transformed into jatropha oil used for application of rural electricity generation and soap manufacturing. The project received certification under the Verified Carbon Standard (VCS) in 2012 as one of the first agro-forestry projects in Africa. At yearend 2012, offsets amounted to 1,100 tons of CO_2-equivalents.

	❖ China: A third carbon-offset project was started in Sichuan, China, to afforest 4,200 hectares of mountainous land with about 10 million trees of native species. In 2011, the first 507 hectares were planted and validation as a UNFCCC CDM project was completed in 2012. In addition to carbon sequestration, the project will protect the land from soil erosion, landslides and flooding and provide labor and income (from wood and non-wood products) to local communities. The project will also enhance biodiversity as natural forests will help to re-establish habitat for a variety of plants and animals. – Novartis achieved a further reduction in emissions of non-halogenated VOCs in 2012 to 934 tons, from 1071 tons in 2011.. – Emissions of halogenated VOCs decreased to 110 tons in 2012, from 147 tons in 2011. – Hazardous operational waste disposed in landfills remained less than 300kg in 2012. Novartis has eliminated disposing of non-inert hazardous waste to landfills and this small quantity represents non-organic ash waste from an onsite incinerator.
Targets 2013	• Health – Sustain 2012 performance of Novartis Group and improve Alcon Division performance by 12% based on 2012; 0.14 including Alcon. – Reduce TRCR of Novartis Group by 5% and improve Alcon Division performance by 7% based on 2012. – Expand and further embed Be Healthy in Novartis culture with a particular focus on topics of interest to Group company associates, for example, roll out of the Global Corporate Challenge and resilience. • Resources – Improve energy efficiency by 15% by end 2015, based on 2010. – Specific water saving targets issued to top 10 sites in water-scarce regions. • Environment – Keep Halogenated VOC emissions more than 45% below 2008 level by 2015. – Keep Non-Halogenated VOC emissions more than 40% below 2008 level by 2015. – Decrease total GHG emissions by 15% by 2015 and 20% by 2020 including carbon offsets, based on 2008 levels. – Improve efficiency of hazardous waste not recycled by 10% by 2015, based on 2010. – Improve efficiency of non-hazardous waste not recycled by 10% by 2015, based on 2010.
GRI indicators	• EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30, LA6, LA7, LA8, LA9, PR1, PR2
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/protecting-the-environment/index.shtml ⊢→ http://unfccc.int/2860.php

Principle 9

Principle 9 - Environment: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Commitment and policies	- Code of conduct: "We strive to be a leader in all aspects of occupational health, safety and Environmental protection. We systematically identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services. We proactively foster and encourage a strong culture of safe behavior. We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle." - Novartis supplier code, point 8.6 on continual improvement: "Suppliers are expected to continually improve by setting performance objectives, executing implementation plans and taking necessary corrective actions for deficiencies identified by internal or external assessments, inspections and management reviews."
Projects and activities	- Technology for best renewable/alternative energy use is one of the four criteria used to identify projects in the annual Novartis Energy Excellence Awards. - Research initiatives to generate essential know-how on the effects of pharmaceuticals in the environment (PiE). - Research collaborations between academia, regulators and industry, aiming at a more targeted and efficient environmental risk assessment for human pharmaceuticals. - Building construction contractors (Campus Basel): requirements on materials, energy management, waste separation, etc.
Results 2012	- Annual Energy Excellence Awards have been expanded in 2012 to include all aspects of environmental management. The new Environment & Energy Awards recognize outstanding examples of environmental and energy management and reductions of waste, water and air emissions across the Novartis Group. In 2012, the 179 projects submitted to the awards program (144 of them already implemented) have achieved annual resource and environmental cost savings of more than USD 20 million. Many projects demonstrate very short payback periods. For half of the projects, it is less than two years. The annual savings from completed projects amount to 650 TJ energy, 74kt GHG emissions, 300,000m^3 water and 20kt waste. - The release rate of our priority Active Pharmaceutical Ingredients (API) from the Pharmaceuticals Division with waste water streams has been reduced to less than 1.9t (or below 0.05%) of the total API production volume.
Targets 2013	- Environment & Energy Awards in environmental and energy excellence will continue in 2013. - With relaxed investment rules and promotional and educational activities, Novartis supports the achievement of increasing energy excellence and use of renewable energy in its facilities worldwide. - Eco-toxicity testing, effluent monitoring and research activities in relation to pharmaceuticals in the environment are ongoing.
GRI indicators	EC2, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30
Additional information	⤷ http://www.novartis.com/corporate-responsibility/responsible-business-practices/protecting-the-environment/index.shtml

Principle 10

: Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment and policies	**Code of conduct**, page 6: Anti-bribery and corruption: "We do not tolerate any form of bribery or corruption. We do not bribe any public official or private person and we do not accept any bribes." **Global Anti-Bribery Policy**: "Associates must not bribe and they must not use intermediaries, such as agents, consultants, advisers, distributors or any other business partners to commit acts of bribery. Novartis does not distinguish between public officials and private persons so far as bribery is concerned: bribery is not tolerated, regardless of the status of the recipient. Always ask yourself before offering or giving money or anything else of value to any person if what you are considering to do could be viewed as having an illegitimate purpose. If the answer is yes, you must not proceed. Novartis also prohibits facilitation payments. This applies irrespective of whether or not local law permits facilitation payments." **Code of Conduct**, page 6: Marketing practices: "We market and sell our products in compliance with all applicable rules and regulations, and in line with high ethical standards. This commitment also applies to all our other activities relating to the commercialization of our products, such as the collection and communication of medical and other information." Professional practices policies that provide the principles and rules for both promotional and non-promotional interactions with our Healthcare Partners are established for each commercially active Novartis division. All associates involved in such activities are regularly trained. Compliance with these policies is actively monitored by the Integrity & Compliance Function in each Division." **Code of conduct**, page 5: Conflict of Interest: "Personal interests must not influence our business judgment or decision making. Associates must disclose actual or potential conflicts of interest to their supervisor. Newly hired associates are requested to disclose any actual or potential conflicts of interest before they begin employment." **Conflict of Interest policy** dealing with giving and receiving gifts. "An Associate's personal interests should never influence his/her business judgment or decision-making on behalf of Novartis. Novartis fully respects the Associates' private life, but expects Associates to avoid situations that could result in a conflict between their personal interests and those of the company. The Conflicts of Interest Policy provides rules on how to avoid or handle such conflicts." - Sample provision for Novartis employment contracts: "The Code of Conduct, the Novartis Group Conflicts of Interest Policy, the Guidelines on Reporting Violations of Law and Policies and all other Novartis policies, procedures, guidelines and other such items applicable to your work are to be adhered to by you and you are aware that a violation of such policies could lead to disciplinary actions up to and including termination of the employment."
Projects and activities	- Continually improve the Integrity & Compliance Framework and Function around Code of Conduct, Anti-Bribery and Professional Practices. - annual training and certification of Code of Conduct for all Group company associates worldwide - establish and implement key strategies to further improve integration of integrity and compliance with business practices - develop and implement annual group wide e-training curriculum - align the current organization and resources with the increased requirements of an effective integrity and compliance program - continuous monitoring of compliance with our Code of Conduct, Anti-Bribery and Professional Practice Policies

	• Managing inquiries and complaints and conducting investigations (through the Business Practices Office, BPO, charged with receiving and investigating misconduct cases worldwide).
Results 2012	• Novartis completed the rollout of the Code of Conduct to all Group company associates in 2012, supported by local Code of Conduct awareness campaigns. All Group company associates received a hard copy of the Code of Conduct in their language. • All 100'477 Group company associates with email access were invited to an e-training and certification of which 98'175 had completed it by 31. December 2012. Face-to-face trainings have been conducted in parallel for Group company associates without email access. • Novartis rolled out the new Anti-Bribery Policy to all Group company associates in 2012. Anti-Bribery Third Party Due Diligence coordinators have been appointed. • Novartis refined and increased the number of Company Level Controls in the Area of Code of Conduct, Anti-Bribery and Professional Practices. • Novartis Compliance Officers participated in dedicated live training in Anti-Bribery due diligence and conducting investigations of misconduct. • In 2012, the BPO received 1675 complaints that became investigations. To date, 1548 of those complaints have been fully investigated and 907 fully or partially substantiated. Employment contracts of 426 Group company associates were discontinued while 354 warning letters were issued and appropriate training undertaken to improve behavior.
Targets 2013	• Rollout of a Code of Conduct refresher campaign and annual e-training and certification of Code of Conduct for all Group company associates • Completion of the e-training on Anti-Bribery to all Group company associates globally and strengthen our Anti-Bribery Controls • Provide training of Novartis Compliance Officers in the Company Level Controls concerning Code of Conduct, Anti-Bribery and Professional Practices.
GRI indicators	• 4.3, 4.6, 4.8, PR6, PR7, PR8, PR9, SO2, SO3, SO4, SO7, SO8
Additional information	⊢→ http://www.novartis.com/corporate-responsibility/responsible-business-practices/ethics-governance-and-compliance/index.shtml ⊢→ www.celc.executiveboard.com ⊢→ www.ifpma.org ⊢→ www.oecd.org ⊢→ www.iccwbo.org/policy/anticorruption/

Annex 2: Overview of Novartis activities toward the MDGs

The Millennium Development Goals

	Improving access to healthcare (p. 28)		Strengthening human resources in healthcare (p. 30)		Empowering vulnerable people (p. 32)		

1 — ERADICATE EXTREME POVERTY AND HUNGER

2 — ACHIEVE UNIVERSAL PRIMARY EDUCATION

3 — PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

4 — REDUCE CHILD MORTALITY

5 — IMPROVE MATERNAL HEALTH

6 — COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

7 — ENSURE ENVIRONMENTAL SUSTAINABILITY

8 — A GLOBAL PARTNERSHIP FOR DEVELOPMENT

	Initiative	MDG 4: Reduce child mortality
Pioneering research and products	Pediatric policy	Systematically evaluate medical need and potential therapeutic use in children for all drug development projects; develop age-appropriate pediatric formulations; completed and continuing Pediatric Drug Development programs in several therapeutic areas
	NITD malaria research	Discovered new class of compounds, spiroindolones, to fight malaria parasites
	NVGH vaccine against salmonella	Developing cost-effective pediatric conjugate vaccine for Salmonella Typhi to combat typhoid; currently in phase two of clinical testing
	DTPw, hepatitis B and Hib combination vaccine	Produce single vaccine against five deadly childhood diseases
	Haemophilus influenzae type b vaccine	Produce pediatric vaccine to prevent pneumonia, meningococcal disease and other invasive diseases in children
	Live poliovirus vaccine	Produce poliovirus vaccine, a key tool in the WHO's Eradication Initiative to eliminate the spread of the polio virus
	Menveo® and Bexsero®	Develop two pediatric meningococcal disease vaccines
	Pipeline priorities	Researching pediatric formulation of acellular pertussis combinations and vaccine against respiratory syncytial virus
Improving access to healthcare	Malaria Initiative (including SMS for Life program)	Supply first pediatric formulation against malaria not-for-profit for public health-sector use; manage antimalarial stock levels to improve access to antimalarial treatments
	ACCESS project (Tanzania)	Train healthcare personnel in Integrated Management of Childhood Illnesses (IMCI); provide education campaigns in schools on malaria; quality-of-care improvement (including child health); health insurance protection plans
	Initiative Accès (Mali)	Promote child vaccination; village-based preventative and curative services; quality-of-care improvement (including child health); health insurance protection; measures against malnutrition in children
	Millennium Villages Project	Improving access to healthcare (including for children)
	Arogya Parivar	Provide access to ORS formulations against diarrhea; implemented Embrace infant baby warmer pilot; offer health education (including child health)
Strengthening healthcare systems	ICATT e-learning program	Developed innovative e-learning tool for training in Integrated Management of Childhood Illnesses (IMCI)
	Telemedicine in Ghana	Improve quality of healthcare through teleconsultation (including child health)
	Tanzanian Training Centre for International Health	Offer various training courses in childhood illnesses; center specializes in children's health; recruited new tutors with specializations including pediatrics
	Supporting Tiny Hearts (Finland)	Improved access to pediatric cardiovascular healthcare infrastructure
Empowering vulnerable groups	REPSSI – Regional Psychosocial Support Initiative for AIDS orphans	Offer support material to improve adherence to antiretroviral therapy, reducing mother-to-child transmission of HIV/AIDS; psychosocial support and advocacy for children affected by HIV/AIDS
	Leprosy care in India	
	Birth control and pregnancy education program (Venezuela)	
	Más Tiempo para Ti (Mexico)	
	Caring for those who Care (Argentina)	

The Novartis commitment to women's and children's health The contribution of Novartis to achieving the UN Millennium Development Goals, page 4

25

MDG 5: Improve maternal health

Discovered new class of compounds, spiroindolones, to fight malaria parasites

Researching group B Streptococcus vaccine for pregnant women

Evaluate efficacy and safety of artemisinin-based combination therapies for pregnant women; manage antimalarial stock levels to improve access to antimalarial treatments

Sensitize women in ante- and postnatal care and use of bed nets; quality-of-care improvement (including maternal health); attended deliveries; health insurance protection plans

Provide prenatal consultations; village-based preventative and curative services; quality-of-care improvement (including maternal health); health insurance protection

Improving access to healthcare (including for women)

Provide access to products such as calcium and nutritional supplements necessary during pregnancy; offer health education (including maternal health)

Developing Integrated Management of Pregnancy and Childbirth Training Tool (IMPACTT)

Improve quality of healthcare through teleconsultation (including maternal health)

Offer various training courses in maternal health; center specializes in maternal health; recruited new tutors with specializations including gynecology

Offer support material to improve adherence to antiretroviral therapy; psychosocial support to destigmatize HIV/AIDS; promote prevention, treatment and care of HIV/AIDS across all activities and publications

Integrated leprosy care, including better access to treatment, disability care, rehabilitation and reconstructive surgery; train health workers

Provided educational resources to address contraceptive care, antenatal care, and adolescent birth rate

Supply information and tools for women with osteoporosis

Offer educational and emotional support for caregivers

Annex 3: Example of Novartis contribution to major Global Compact themes: "The Global Development Agenda beyond 2015: Towards Sustainable Development Goals"

**The Global Development Agenda
beyond 2015:**

Towards Sustainable Development Goals

**Klaus M. Leisinger
Basel, March 2013**

The Global Development Agenda beyond 2015:
Sustainable Development Goals

Prof. Dr. Klaus M. Leisinger
Chairman of the Board of the Novartis Foundation for Sustainable Development
This Paper expresses exclusively the opinion of the author; it is 'work in progress' and should not be
considered an official statement of Novartis or its Foundation for Sustainable Development
(www.novartisfoundation.org)

Basel, March 2013

CONTENTS

I. Preface

Since 2000, the Millennium Development Goals (MDGs) have set the benchmark for global development policy. 2015 will mark the deadline for their achievement. Although much progress will have been made, many targets will not have been met. There is intense debate on what should replace the MDGs thereafter. Do we need a new set of global development goals? If so, should they be 'only' for the poorest? Or should they extend to the challenges that will face the more than 8 billion rich and poor people sharing the Earth by 2030?

Any attempt to answer these questions is potentially contentious. The world was a relatively simpler place in 2000 than it is today; 9/11 brought to the fore the danger posed by fragile and failed states; the financial crisis demonstrated how vulnerable we are to risks that transcend national borders. Globalization—its benefits apart—has increased the complexity of challenges facing the world. The past decade has seen impressive economic growth and significant increase in political importance of China, India, Russia, Brazil and other emerging economies, expanding the circle of nations that must be included in any attempt to create a prosperous and stable global order.

Striking an agreement for a renewed 'compact' among nations to end poverty and increase the potential for sustainable development for all is a test-case for whether the world's governments can converge around the common purpose of tackling long-term challenges. The potential dividend is great, but also hard to attain, especially in an age when many citizens all over the world are deeply skeptical of their political and corporate leaders' ability to offer an inspiring vision of the future.

Sakiko Fukuda Parr argues in her analysis that "...the expiry (of the MDGs) is an opportunity to correct some of the deficiencies of the MDG approach, and to set new goals that more adequately reflect the equitable growth and human rights based development strategy set out in the Millennium Declaration."[1] While I concur with Fukuda Parr's overall analysis and conclusions, I suggest that most of the existing MDG goals need not be reformulated so much as amended to apply to industrial countries (e.g. with regard to their ecological footprint), and underpinned by a set of principles that serves as an instrument for monitoring and evaluating the significance, effectiveness, and efficacy of development initiatives.

The MDGs already enjoy global consensus that efforts to achieve a world with greater prosperity, equity, freedom and peace—without compromising the opportunities of future generations—should continue to 2015 and beyond:

- In the *Outcome document* of the UN Summit of September 2010, Heads of State and Government request the UN Secretary-General to "make recommendations in his annual reports, as appropriate, for further steps to advance the United Nations development agenda beyond 2015."[2] A post-2015 agreement is already a growing agenda for Heads of State and Government, along with the private sector, foundations, international organizations, civil society and research organizations.

- On July 31st 2012, UN Secretary-General Ban Ki-moon appointed a High-Level Panel with three co-chairs to advise him on the post-2015 agenda: President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and Prime Minister David Cameron of the United

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[1] Fukuda Parr, Sakiko (June 2012): 'Should global goal-setting continue, and how, in the post-2015 era?' *DESA Working Paper*, No. 117. http://www.un.org/esa/desa/papers/2012/wp117_2012.pdf.

[2] United Nations (October 19, 2010): Resolutions adopted by the General Assembly. Sixty-fifth session: *Keeping the promise: United to achieve the Millennium Development Goals.* Page 29. http://www.un.org/en/mdg/summit2010/pdf/outcome_documentN1051260.pdf

Kingdom.[3] The Panel has been meeting in Monrovia and Bale and will give its final input to the Secretary General in may 2013.

- On August 9th 2012, the United Nations Secretary-General established a UN System Task Team to coordinate and support the work of the High-Level Panel. He appointed Prof. Jeffrey Sachs (Earth Institute of Columbia University and Special Advisor to the Secretary-General on the MDGs) to lead a new "Sustainable Development Solutions Network."[4] Prof. Sachs appointed the author[5] of this paper to lead the Corporate Responsibility work stream of this global network; Klaus Leisinger is also the "Special Advisor to the Global Compact on the post-2015 development" and a member of the Global Compact LEAD Initiative steering committee .[6]

- The Global Compact LEAD Initiative is in the process of making a significant contribution to the work and aspirations of other UN Agencies, funds and programs by inspiring action in support of broader UN goals and issues, and brokering mutually beneficial relations for engagement and partnership between LEAD members and relevant UN entities.

In preparation for the post-2015 MDG era, substantial emphasis will be placed on cross-country, multi-stakeholder collaboration[7] to analyze common problems and learn from each other's experiences. The global network will accelerate joint learning and help to overcome the compartmentalization of technical and policy work by promoting integrated systems approaches to address the complex economic, social and environmental challenges confronting governments. As part of this network, businesses—particularly those operating with cutting-edge technologies—will work alongside scientists, policy analysts and community leaders to understand and anticipate new opportunities to address economic, social and environmental constraints.

To arrive at a meaningful post-2015 agreement, it is essential we learn from the past and make the right plans for the future that are politically acceptable, effective in reducing poverty and successful in removing obstacles to sustainable human development. This paper maps my current thinking on the impact of the MDGs and options for the global development agenda beyond 2015. It is intended to serve as input to members of the High Level Panel, the Corporate Responsibility work-stream of the Sustainable Development Solution Network and the UN Global Compact.

I firmly believe that discourse about the Global Development Agenda beyond 2015 offers a great window of opportunity to find broad consensus on what sustainable development constitutes and what the global community can do to make it reality. As it is so obvious that tasks of the complexity and dimension as the one discussed here are beyond any single actor's capacity and resources, the post-2015 development agenda poses also a great opportunity for the creation of new "multi-stakeholder-solution teams" between international institutions, national government agencies, civil society organizations and the corporate sector: They all have specific skills, resources and networks which, put together, can create huge synergies.

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[3] United Nations Press Release (July 31st, 2012): UN SECRETARY-GENERAL APPOINTS HIGH-LEVEL PANEL ON POST-2015 DEVELOPMENT AGENDA.
http://www.un.org/millenniumgoals/Press%20release_post-2015panel.pdf
[4] http://www.un.org/millenniumgoals/pdf/SDSN%20FINAL%20release_9Aug.pdf;
http://www.un.org/millenniumgoals/beyond2015.shtml;
[5] Prof. Dr. Klaus M. Leisinger, Chairman of the Board of the Novartis Foundation for Sustainable Development.
[6] http://www.unglobalcompact.org/HowToParticipate/Lead/lead_participants.html
[7] http://www.unglobalcompact.org/HowToParticipate/Lead/lead_participants.html

II. Executive Summary

The Millennium Development Goals (MDGs) represent unprecedented global agreement on key measures to reduce poverty. The eight goals address targets to increase incomes; reduce hunger; achieve universal primary education; eliminate gender inequality; reduce maternal and child mortality; reverse the spread of HIV/AIDS, tuberculosis and malaria; reverse the loss of natural resources and biodiversity; improve access to water, sanitation and good housing; and establish effective global partnerships.

The MDGs have had notable success in encouraging global political consensus, providing a focus for advocacy, improving the targeting and flow of aid, and enhancing the monitoring of development projects. However they have also encountered a range of common challenges associated with their conceptualization and execution at three discrete levels: goals, targets, and indicators. The very specific nature of some of the goals leaves considerable gaps in coverage and fails to capitalize on synergies that could arise in their implementation—in particular between education, health, poverty, and gender. In some cases, targets present a measure of goal achievement that is too narrow, or might not identify a clear means of delivery. Other challenges encountered with several MDGs include a lack of clear ownership and leadership internationally and nationally, and a notable problem with equity. Issues of equity arise because many goals target attainment of a specific minimum standard, e.g., of income, education, or maternal and child survival. To lift people above this threshold might mean focus is placed on those requiring least effort, neglecting groups which—for geographical, ethnic, or other reasons—are more difficult to reach, thereby increasing inequity.

Future goals should be built on a shared vision of development, not on the bundling together of a set of independent development targets. Development is a complex and dynamic process involving sustainable and equitable access to improved wellbeing, which is achieved through higher and more secure incomes for the world's poor as well as expansion of access to services that deliver the different elements of wellbeing. These elements can be defined in many ways, and include those addressed by the MDGs. Instead of proposing a new set of elements, this paper suggests five pillars on which any future sustainable development initiative should rest. These five pillars are not new, indeed they are at the core of the existing MDGs:

- *Economic development* is needed to sustain momentum in the development agenda, to increase income and to widen choices. Economic growth should ensure synergy between its interlinked components—namely human, social, and environmental development.
- Elements of wellbeing should be delivered to ensure *social inclusion*, recognizing its complex and local nature, and addressing all communities while taking a deliberately pro-poor approach.
- *Environmental sustainability* is especially critical to the livelihoods of the poor, as is a clear commitment to focusing on sustainable productivity growth.
- A broad development agenda arising from this process should be agreed internationally, but developed locally, to ensure ownership of goals and national, regional and global monitoring. This requires *good governance.*
- This agenda should be based on strong acknowledgement of *global obligation* supported by effective international institutional frameworks.

III. Background to the Millennium Development Goals and Outcomes

At the 8th plenary meeting of the UN General Assembly in September 2000, the leaders of the world community set forth a shared vision for a global development path based on the fundamental values of freedom, equality, solidarity, tolerance, respect for nature and shared responsibility: The United Nations Millennium Declaration. For the first time in human history, all Heads of State and Government attending the UN General Assembly explicitly supported fundamental values including:

- *Freedom* from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people were seen to best ensure these freedoms.
- *Equity* of opportunity for all individuals and nations to benefit from development, with particular emphasis on equal rights and opportunities for women and men.
- *Solidarity*, in the sense that those who benefit least (e.g. from globalization and economic growth) deserve help from those who benefit most. Global challenges (such as climate change) ought to be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice.
- *Tolerance* with regard to issues like diversity of belief, culture and language. A culture of peace and dialogue should be actively promoted.
- *Respect for nature*, reducing the damage being done to the environment by humans.
- *Shared responsibility* for managing worldwide economic and social development, for instance, as well as threats to international peace and security.

Heads of State and Government also emphasized the overall importance of *peace, security* and *disarmament*, the importance of poverty eradication (and, in this context) *good governance* at the national and international level, as well as the necessity to grant more generous *development assistance*.

It is against this background that the Millennium Summit accepted the eight Millennium Development Goals (MDGs) with the overall target date of 2015.[8]

Positive Outcomes

Endorsed by 189 governments, the MDGs represent an unprecedented international development consensus. Compared with some of the UN's earlier development initiatives—such as the Development Decades of the 1960-90s or the resolutions about Least Developed Countries and Small Island Developing States—they have been considerably more successful in this regard.[9] The MDGs purport to be "the first global development vision that combines a global political endorsement with a clear focus on, and means to engage directly with, the world's poor people."[10]

Despite setbacks during the 2008-2009 economic downturn and the associated food and energy price crises, global poverty has declined and continues to do so; access to safe drinking water has been greatly expanded; and targeted investments in fighting malaria, HIV/AIDS and tuberculosis have saved millions of lives.

The evidence to date suggests the MDGs have made four important positive contributions:

1. Encouraging global political consensus,

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[8] Website on the MDGs: http://www.undp.org/content/undp/en/home/mdgoverview.html
[9] Manning R. *Using indicators to encourage development: lessons from the Millennium Development Goals*. Copenhagen: Danish Institute for International Studies, 2009.
[10] UNDP: Human Development Report 2003. *Millennium Development Goals: a compact among nations to end poverty*. Oxford: Oxford University Press, 2003.

2. Providing a focus for advocacy,
3. Improving the targeting and flow of aid, and
4. Improving the monitoring of development projects.

In a 2005 survey of 118 countries, 86% had reportedly acted in response to the MDGs.[11] Individual MDGs have benefited from increased advocacy, such as those to reduce poverty (MDG 1) and infectious diseases (MDG 6); for relatively neglected agendas such as child survival (MDG 4)[12] and gender (MDG 3),[13] the MDGs have served to reinvigorate these campaigns. The Fourth World Conference on Women in Beijing in 1995 had, for example, led to the establishment of gender mechanisms and approaches to mainstreaming of gender issues within several ministries, but achievements were limited[14] —until the MDGs stimulated donors to include gender equity in aid packages.[15]

The MDGs are thought to have generally improved the targeting and flow of aid and other investments, due to the way donors have linked the MDGs to their strategies for aid provision,[16] as evidenced by an increase in resource mobilization.[17] According to OECD figures, between 2000—when the Millennium Declaration was adopted—and 2010, aid to developing countries (ODA) rose by 63% reaching 133.5 billion USD in 2011.[18]

Shortfalls of the MDGs

Progress in human development has not happened in all countries, nor has it reached all poor people within these countries. The most vulnerable populations are still missing out on many dimensions and the aggregate 'success data' conceal important intra-national and regional differences. So whereas the number of poor living on less than US $ 1.25 a day decreased from 1.9 billion in 1990 to 1.3 billion in 2008,[19] this aggregate progress measurable in absolute terms is mostly due to the enormous economic development in China and the number of people living in absolute poverty in sub-Saharan Africa actually increased. Three quarters of the world's poor today live in what are now middle-income

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[11] United Nations Development Group. *Making the MDGs matter: the country response.* New York: United Nations Development Group, 2005. http://www.undg.org/archive_docs/6458-Making_the_MDGs_Matter__a_country_perspective.pdf

[12] WHO: Commission on information and accountability for Women's and Children's Health. *Keeping Promises, Measuring Results.* Advance copy: http://www.who.int/topics/millennium_development_goals/accountability_commission/Commission_Report_advance_copy.pdf

[13] See http://www.unifem.org/attachments/products/MDGsAndGenderEquality_2_UnfinishedAgenda.pdf

[14] Moser C., Moser A.: *Gender mainstreaming since Beijing: a review of success and limitations in international institutions.* http://www.sdc-gender-development.net/resources/sharewebResource_es_5310.pdf

[15] KfW Entwicklungsbank: *Gender Mainstreaming for Gender Equity - The Experience of International Development Agencies.* http://www.kfw-entwicklungsbank.de/ebank/DE_Home/I/Download_Center/PDF-Dokumente_Diskussionsbeitraege/AMD_41_e.pdf

[16] DFID. *Eliminating world poverty: building our common future.* Norwich: The Stationery Office, 2009. Downloadable here: http://south-south.ipc-undp.org/library/dfid-white-paper-eliminating-world-poverty-building-our-common-future.html

[17] Bourguignon F, et al.: *Millennium Development Goals at midpoint: where do we stand and where do we need to go?* Brussels, June 2009. http://ec.europa.eu/development/icenter/repository/mdg_paper_final_20080916_en.pdf

[18] http://www.oecd.org/newsroom/developmentaidtodevelopingcountriesfallsbecauseofglobalrecession.htm

[19] http://siteresources.worldbank.org/INTPOVCALNET/Resources/Global_Poverty_Update_2012_02-29-12.pdf

countries and countries not affected by conflict.[20] Gender gaps persist and continue to be an obstacle for progress in other areas.

Three groups sometimes called the 'traditional poor'—encompassing orphans, people with disabilities and elderly people who share similar livelihood strategies—have been found to be relatively disadvantaged. They experience less rapid progress than other population groups, suggesting the need for targeted efforts to support these disadvantaged groups to ensure progress toward meeting the Millennium Development Goals.[21]

In the three remaining years to 2015, some countries will achieve all or most MDGs; others will achieve few; none will achieve zero MDGs. Among the reasons for these shortfalls are the structural complexity of deep-rooted poverty, deficits in good governance, and rich countries not delivering on their promises to provide development assistance.

IV. The Post-2015 Task: Striving for Sustainable Development on a Global Level

The scale of effort required to deal with the global sustainable development challenge is immense:

- More than 1.2 billion people live under the US$ 1.25 per day poverty line and nearly 2.4 billion must do so on US $2 or less.
- Socio-economic inequalities continue to widen within most countries.
- With the world population above 7 billion today (projected to reach 10 billion by 2060) and a current annual GDP of US$ 70 trillion, human impact on the environment has reached dangerous levels and is likely to grow. The unsustainable consumption and production patterns of a small, but growing minority of the world's population are resulting in ecological impacts considered beyond the earth's carrying capacity.

While the remit of the Millennium Development Goals will continue to be relevant after 2015, a new and modified development concept is necessary, provided the political will to address global issues beyond poverty alleviation can be mobilized.

Drawing on existing consensus on global issues, a concept comprising incentives for *economic development*, increasing *social inclusion*, achieving *environmental sustainability*, assuring *good governance* and fulfilling the *global obligation* towards sustainable development goals is the way forward.[22] Such an approach would encompass the most important pending problems and build on the consensus coalescing since the 1990s.[23] The basic objective for sustainable development goals ought to be to enable all people to satisfy their needs in a way that leaves future generations opportunities and freedom of choice equal to the present generation. Built on the wisdom of scientific luminaries like A.C. Pigou, Th. Veblen, K. William Kapp, Irma Adelman, Cynthia Taft Morris and others, this paradigm

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[20] Sumner A.: *Where Do the World's Poor Live?* A New Update, IDS Working Paper Volume 2012 No.393, Brighton, June 2012; half the world's poor live in India and China (mainly India; a quarter of the world's poor live in other MICs (primarily populous lower MICS such as Pakistan, Nigeria and Indonesia) and a quarter of the world's poor live in the remaining 35 low-income countries. See also: Sumner A, Melamed C, eds.: *The MDGs and beyond.* IDS Bull 2010; 41: 1-134. http://www.eadi.org/fileadmin/Documents/Publications/policy_wp/EADI_Policy_Paper_March_2010.pdf

[21] Masset, Edoardo and White, Howard, (2004): 'Are Chronically Poor People being Left Out of Progress Towards the Millennium Development Goals? A quantitative analysis of older people, disabled people and orphans,' *Journal of Human Development and Capabilities*, 5, issue 2, p. 279-297.

[22] Sachs J. (June 9th, 2012): From Millennium Development Goals to Sustainable Development Goals. In: *The LANCET*, Volume 379, Issue 9832, p. 2206-2211.

[23] Leisinger K.M. (1998): Sustainable Development at the turn of the century: perceptions and outlook. In: *International Journal of Sustainable Development Vol. 1*, No.1, p. 73-98.

has been developed by the Brundtland Commission (Our Common Future) and continues to enjoy broad political and academic support.

Based on past experience, it is likely the sustainable development goals debate will be not only scientific and factual, but also political. The mainstream debate is likely to take place in the center ground between two poles: one arguing that 'the end is near' and that only drastic, widespread change in human behavior can stop the downward spiral to self-destruction; and—at the opposite end of the political spectrum—the other maintaining that there is no real reason to worry since new technology will resolve the issues; doomsayers have been wrong in the past; and since major trends measuring the physical quality of life have shown improvement until now, they will continue to do so in future.[24]

Although history would appear to indicate that drastic and widespread change is not very likely and that significant technological progress can be expected to bring about revolutionary solutions (e.g, think of ICT in the past 20 years) work on mapping the path of future Sustainable Development Goals ought to start from the middle ground. Mapping such a path is a complex, political, multi-dimensional and highly differentiated process: those tasked with doing it will have to grapple with diverse axiomatic assumptions, heterogeneous value premises and conflicting interests. But, wherever the political and public debates lead, consensus should be achievable around five crucial pillars:

1. Of paramount importance is incentivizing and supporting sustainable *economic development* and personal income growth that allows everyone, everywhere, to satisfy at least their basic needs (access to safe water and sanitation, adequate nutrition, safe housing, access to good quality primary healthcare, access to primary and secondary education, as well as access to basic infrastructure such as roads, electricity and connectivity). Economic growth is a necessary, but not in itself sufficient condition to 'lift all boats:' without increased social inclusion efforts it will not translate into increased wellbeing of the lower strata of the income pyramid.[25] Empirical evidence of the trickle-down-effect is available, but its results are modest and in most cases take too long to make a significant difference in the quality of life of the poorest billion. What is needed is, to quote an aphorism attributed to John F. Kennedy, "a rising tide that lifts all boats", i.e. economic development that benefits all members of social strata.

2. *Social inclusion*: Commitment from all members of society in all countries to ensure that future economic development and technological progress have a broad social impact is critical. This means promoting the wellbeing and capabilities of all citizens so that people can make full use of their potential, irrespective of social class, gender, ethnic origin, race, or religion. The reduction of inequalities in opportunity, in access to quality health and education services, and to other essential goods, as well as political participation in the decisions that shape their daily lives is vital to improve the livelihoods of the poorest. Creation of productive employment on a broad scale is essential, along with coherent and inclusive social policies (e.g. providing access to basic needs and health insurance schemes). Conditions of fairness in opportunity and entitlement, as well as equitable access to public services, are not only of intrinsic value but also have a positive impact on the reduction of violence, insecurity and societal fragility in local communities and beyond.

   As early childhood is the most crucial period for brain development, formation of cognitive and emotional skills, as well as vital health outcomes—all of which have significant lifetime implications—special attention must be given to children under 5 and their caregivers.

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[24] A view that was articulated by the late Julian Simon: Simon J.L.: *The Ultimate Resource 2*; Princeton University Press, Princeton, 1996.

[25] Much evidence about the basic do's and don'ts is available, see e.g. Sachs J.: *The End of Poverty. Economic Possibilities for Our Time*. (Penguin) New York 2005; Sachs J.: *Common Wealth: Economics for a Crowded Planet* (Penguin), New York 2008.

3. *Environmental sustainability*: The clear focus for 'rich' countries must be on the development of low carbon impact energy solutions, and changed production, mobility and consumption patterns to reduce the ecological footprint of the top 10% of global consumers. To support these changes, technological progress, tax incentives and levies to make the prices of goods and services reflect their true ecological cost and consistent application of the polluter-pays-principle (internalization of external costs) are necessary, along with education about the consequences of non-performance and a higher degree of individual responsibility. Technological options for increasing resource-use efficiency must go hand-in-hand with education[26] for sustainable development, and sensitization on the shift in values that will accompany new consumption and preservation patterns. Transfer of green technology ought to become a far greater part of development cooperation.

The priority focus of resource-poor countries and regions will need to shift towards sustainable, low-input agriculture, efficient water management and improved pollution management of urban slums. Incentives for smaller families will have to stay on the development agenda: while overall fertility rates have decreased, absolute population growth is still nearly 80 million every year, with fertility rates exceedingly high in the poorest countries.[27] This means that economic, social and ecological resources for up to 10 billion people will be needed by the end of the century. 85% will be living by then in developing countries, the majority in cities. Some countries will face special challenges due to the combination of agricultural resource scarcity and high population pressure: Nigeria, for instance, will grow from 170 million people today to more than 400 million by 2050; India will add more than 400 million to its population, while Pakistan's population will grow by three quarters. The picture is even more challenging in some small countries: Rwanda and Burundi are projected to more than double their population, Uganda to nearly triple.[28]

Social policies that incentivize lower fertility rates must therefore be part of the environmental (and social) package, along with productive rural development in order to reduce rapid urbanization. The combination of high population growth, rapid urbanization and rising incomes will lead to changed dietary habits (increased meat consumption) and thus considerably greater demand for grain. Adding rising demand for 'fuel grain' (biofuel) poses immense challenges to sustainable agriculture. Raising productivity, ensuring sustainability and strengthening resilience of the 500 million small farmers in the developing world will not only enhance food security, but also contribute to raising rural income, helping to stem the rural exodus.

It is already well-recognized that[29] as parents all over the world want 'surviving offspring' and not just 'born babies,' endeavors to improve infant and maternal health, access to family planning methods and means to avoid unwanted pregnancies remain among the most important elements of a population policy with a human face—together with efforts to strengthen the role of women in society.

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[26] Defined as the "transmission, acquisition, creation and adaptation of knowledge, skills and values", see UN SYSTEM TASK FORCE TEAM ON THE POST-2015 UN Development Agenda: *Realizing the Future we want for all. Report to the Secretary-General*, New York June 2012, p. 30.
[27] See Population Reference Bureau 2012 Data Sheet, Washington D.C. July 2012. (http://www.prb.org/Publications/Datasheets/2012/world-population-data-sheet.aspx)
[28] ibid.
[29] See: Leisinger K.M., Schmitt K.: *All Our People. Population Policy with a Human Face* (with a foreword by Robert S. McNamara), Washington, D.C., 1994 (Island Press).

4. **Good governance** on all levels—national and international—is a necessary condition for the achievement of sustainable development. Again, the necessary components for this are well-known:[30]

   - *Rule of law*, including compliance with international norms, and an independent and efficient judicial system;
   - *Protection of and respect for human rights* including freedom of expression and access to information;
   - *Transparency in political decision making* and accountability of political institutions;
   - *Responsiveness* to priority needs;
   - *Institutional pluralism*, i.e. promotion of independent institutions and allowing special interest groups such as trade or other professional associations, an independent press as well as non-governmental organizations to ensure a strong civil society. In this way, support is mobilized for various positions and interests, dovetailing with government efforts;
   - *Participation* in the conception, implementation and evaluation of programs that affect the daily lives of citizens, with access to opportunities available for all members of society; and finally,
   - *Sound economic institutions* enabling economic empowerment.

   Regardless of the opportunities offered by the global economy and the resources made available by the international community, good governance remains one of the most important success factors for human development efforts.[31] As a just and peaceful society is a non-substitutable precondition for economic development, preventing internal or international conflicts and ensuring security for all citizens is a must. Effective systems of justice and inclusive political processes (as well as fair distribution of resources) are also vital elements.

5. **Global obligation.** Good governance is not only about government: in order to have the desired combined global impact, all societal institutions (e.g. Civil Society Organizations, religious communities, companies, etc.) must abide by the principles of good governance for sustainable development including among others accountability, transparency and preferential treatment for the poor. Good governance is not everything, but without it little is possible—and it should not go unmentioned that many of the commitments and pledges made by the 'rich' countries, e.g. at the Gleneagles conference in 2005, remained unfulfilled.[32]

These five elements are interrelated and mutually interdependent; progress in one dimension is not achievable without progress in the other. Of course, there are many trade-offs between them, and there is no one-size-fits-all solution that suits all countries. But while different social, economic and ecological conditions may prevail at country level, consensus on these core pillars should be achievable.

V. Desiderata for the SDG Process

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[30] Leisinger K.M.: Gouvernanz oder "Zu Hause muss beginnen, was leuchten soll im Vaterland". *In Entwicklung mit menschlichem Antlitz. Die Dritte und die Erste Welt im Dialog.* (Hrsg.: Klaus M. Leisinger, Vittorio Hösle), Verlag C. H. Beck, München 1995, pp. 114-172.

[31] See Acemoglu D., Robinson J.A.: *Why Nations Fail. The Origins of Power, Prosperity, and Poverty.* Crown Business, New York 2012.

[32] See MDG Gap Task Force Report 2011: *The Global Partnership for Development: Time to Deliver*, New York 2011 (www.un.org/en/development/desa/policy/mdg_gap/mdg_gap2011/meg8report2011_engw.pdf), see also www.guardian.co.uk/global-development/2011/apr/06/g8-fails-to-meet-gleneagles-aid-pledges

Much has been written about the positive impact of the MDGs, their conceptual shortfalls and the lessons learned.[33] Reasons for progress vary from country to country and it is almost impossible to filter out global trends (e.g. low interest rates or high raw material prices) from local development endeavors, but it is probable the MDG process did make a difference. Given the ideological pluralism of the international development debate, it is likely that many of the same theoretical and political MDG controversies will reappear in the SDG context. Preliminary evaluation of the experiences and lessons learned from the MDG process points to organizing the sustainable development goals process as a normative framework with the following characteristics:

1. Definition of a *small number of significant, clear, ambitious yet feasible goals* in order to facilitate identification and advocacy by a large number of people all over the world. The goals must be global in reach and should be organized around the 5 pillars of *economy society, environment, governance* and *global commitment*. Overloading the agenda would be counterproductive.
2. Definition of *quantified, measurable goals as well as intermediate milestones*. There must be a target date for the SDGs and—as we are currently facing complex changes—this ought to allow sufficient time for action (e.g. 2030 or 2040). There must also be intermediate milestones to measure and discuss progress made, identify obstacles and decide on necessary modifications at regular intervals (e.g. 3-5 years). For this, timely and accurate information must be made available to experts, policymakers, the business sector and the general public, using the most modern information and communication technologies (ICT).
3. *Differentiation of national implementation priorities* and programs, as countries are confronted with different challenges (e.g. the ecological footprint of some OECD countries, versus infant and maternal mortality issues in some of the poorest countries)—for this reason a blueprint approach is likely to fail.
4. Giving the remaining shortfalls in poverty alleviation—with more than one billion people still living on less than one Euro a day—the *focus on poverty eradication* must be maintained. There is evidence that 'Bottom of the Pyramid,' 'Creating Shared Value' and other business-driven approaches can achieve a lot for the 'upper-class-poor' and some 'middle-class-poor.'[34] However, the 'bottom billion,' or poorest of the poor are not likely to benefit from business-driven models for the simple reason that they do not have the purchasing power to make an attractive market. Those living in absolute poverty need support to escape the 'poverty trap,'[35] be it through state programs, development assistance, philanthropy or—better still—a constructive mix of all three.[36]
5. Issues resulting from *unsustainable economic, social and environmental patterns* (e.g. widening inequalities, climate change as well as consumption of non-renewable resources) must be addressed with the same vigor: 'Green growth' will be of crucial importance to generate the

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[33] See e.g. Fukuda-Parr S.: *Should global goal setting continue, and how, in the post-2015 era?* DESA Working Paper No. 117 (ST/ESA/2012/DWP/117). New York July 2012; Fukuda-Parr S., Hulme D.: 'International Norm Dynamics and the "End of Poverty": Understanding the Millennium Development Goals.' In: *Global Governance, Vol. 17.* No. 1, p.17-36; Melamed Cl.: *After 2015. Contexts. Politics and processes for a post-2015 global agreement on development.* (Overseas Development Institute) London 2012; Vandemoortele J.: 'The MDG Conundrum: Meeting the Targets Without Missing the Point.' In: *Development Policy Review Vol. 27* (2009) No.4, pp. 355 – 371; Vandemoortele J., Delamonica E.: Taking the MDGs Beyond 2015: Hasten Slowly. In: IDS Bulletin Vol.41 No.1 January 2010.

[34] Jenkins B., Ishikawa E. (with Geaneotes A. and Paul J.H.): *Scaling Up Inclusive Business: Advancing knowledge and action agenda.* IFC / Harvard John F. Kennedy School of Government Washington D.C. April 2010.

[35] For a good description of the poverty trap and its consequences see Sachs J.: *The End of Poverty. Economic Possibilities for Our Time.* (Penguin) New York 2005.

[36] Which was also noted by C.K. Prahalad, who saw that some people are so destitute, so deprived and so consumed by war and disease, that they need other forms of help. See *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits.* Updated 5th Anniversary Edition. Wharton School Publishing, (New Jersey 2010), p. 8.

resources needed for the societal transformations and the undesirable side-effects of industrial development as occurred during the 1950s and 1960s in Europe and the US must be avoided.

6. Appreciation of *differences in underlying conditions as well as national capacity* is recommended—namely to urge greater ambition where appropriate and, on the other hand, be fair to the poorest countries. Some African countries, for example, have made substantial progress but have not yet been able to meet the global target, leading to a perception of failure, where acknowledgement of results achieved would have been more appropriate. 'Average targets' may be set too high for some and too low for others: specific national goals must therefore be set by local authorities using the global goals as a reference. There need to be differentiated responsibilities for different countries—a process that will be complex and not without controversy.

7. The simplified view that the MDGs could be attained wherever economic growth was rapid, foreign aid substantial and governance good, has underestimated the complexity of the poverty system and the underlying context of many problems.[37] But the complexity of a comprehensive sustainable development goals path is likely to be greater still, meaning axiomatic assumptions ought to be made transparent and openly debated. Innovative thinking as evidenced by the Stiglitz, Sen, Fitoussi report on the development of measurement systems of economic performance and social progress should be part of the conceptual deliberations.[38]

8. SDG-related problems should *not be approached with an 'either market or government'* mindset: There are issues the market can solve, and there are those (e.g. public goods) where markets fail and governments must step in—an optimal mix of market solutions and state interventions is therefore among the most important national responsibilities.

9. Making the SDG process *as inclusive as possible* by inviting the private sector to participate is not only important to secure ownership of the process, but also to leverage managerial expertise and business processes, as well as contribute an enlightened private sector point of view. Governments continue to be responsible and accountable for the results achieved on the SDG path, but all other societal actors—including NGOs, academia and the private sector—are expected to lend their support. As the private sector is the repository of both the key technologies but also the best organizational management capacity, its role is pivotal. Without a global leadership business community, there will be no sustainable development.

10. *International development resources* will remain important for the SDG process, but they are no substitute for the investment and proper use of domestic resources, allowing international development cooperation resources to focus on:
    - Expanding access and facilitating the adoption of crucial technologies for the world's poorest (ICT, health technologies, alternative energy production, high yielding and robust food crop varieties)[39],
    - Promoting the transfer of green technologies, particularly to emerging countries; and
    - Supporting investment in infrastructure (e.g. health), particularly in remote rural areas.

11. *Monitoring and benchmarking* are crucial along with targeted research.

12. *Build on extant knowledge of successful strategies* to generate strategic options, identify conditions for success, identify barriers, and create simple rules for managing strategic bottlenecks— so that options with the fewest barriers to success can be developed.[40]

13. Last but not least, create terms of reference and define concrete tasks for all 28 UN Institutions involved so that duplication is minimized and optimal synergy created.

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[37] See Nayyar D.: *The MDGs after 2015: Some reflections on the possibilities.* (Background paper prepared by the UN system Task Team on the post 2015- UN Development Agenda) New York April 2012 p.4ff.

[38] www.stiglitz-sen-fitoussi.fr

[39] See United Nations MDG Gap Task Force Report 2011: *The Global Partnership for Development: Time to Deliver.* New York 2011, p. 65-75.

[40] Harvard Business Review September 2012: *The (surprisingly) Simple Rules of Strategy.* pp. 55-83.

Developments in conceptual thinking since the late 1990s should be integrated into intellectual deliberations around the SDGs. Of particular importance are the results of the Commission on the Measurement of Economic Performance and Social Progress:[41] In business as in politics, what gets measured affects what gets done—and if measurements are flawed, unbalanced or selective, decision-making may be distorted.

- Where income and wealth distribution is very unequal, Gross Domestic Product or any other per capita aggregate may not provide an accurate assessment of the livelihood conditions of the poorer strata. Many households at the bottom of the income pyramid might find themselves worse off despite an average increase of per capita income;
- Where inputs—rather than outputs or outcomes—are measured, important allocation differentials and quality differences (e.g. in public health services or education) are ignored;
- Many of the goods and services that make a difference to quality of life for the poorer strata are produced by, or received from, family members. They constitute an important part of economic activity and yet are not reflected in national accounts—thus non-market activities ought to become part of the income measures;
- As quality of life is the combined result of income, consumption and wealth as well as health, education, political voice and governance, social connections and relationships, environmental integrity and security, combined measurement systems such as the Physical Quality of Life Index or Human Development Index ought to be further developed; What really matters, according to Stiglitz, Sen and Fitoussi, is the capability of people—that is, the extent of opportunities open to them and of their freedom to choose according to what they value as important in daily life.[42] This recognizes the intrinsic diversity of human desires and relative importance of different factors that influence subjective wellbeing.
- Inequality should be measured in all its manifestations and in every aspect, i.e. socio-economic, gender-related and generational.

Stiglitz, Sen and Fitoussi also demand "new political narratives" to determine where global society should head—in itself an important part of the Sustainable Development Goals process.

The Millennium Development Goals process has helped to raise global consciousness about poverty, to communicate complex development issues to a wider audience, as well as to make available and focus resources. The Sustainable Development Goals process can do the same—and in addition, contribute to focusing and measuring progress against the sustainable development agenda. This has to be a shared responsibility and represents a unique opportunity for all societal forces to work together in good faith to develop a new generation of solutions to the highly complex challenges facing humanity in the 21st century.

VI. What is the Role of Enlightened Corporations?

Given the scale and complexity of problems to be solved, it is clear single actors or institutions alone cannot make a decisive difference. Game-changing progress towards sustainable development demands a multi-stakeholder approach, whereby the international community, multi-lateral institutions, national governments, regional institutions, civil society and the business sector share responsibility and commit resources, skills and know-how to achieve sustainable solutions in a fair way.[43] In the same manner as a nation's economic and social success is greatest when there is a fair

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[41] Stiglitz J.E. / Sen A. / Fitoussi J.P.: Report of the Commission on the Measurement of Economic Performance and Social Progress. Paris 2008 (www.stiglitz-sen-fitoussi.fr)
[42] Ibid, p. 43 ff.
[43] See UN General Assembly: *In Larger Freedom: towards development, security and human rights for all.* (Report of the Secretary General, A/59/2005), New York 2005; also The Global Compact/Global Public

division of labor and responsibility between different societal actors, sustainable development will benefit from shared values and common understanding over the basic issues and opportunities.

The primary responsibility for human development undoubtedly continues to rest with national governments and their administrations. It is their duty to set the appropriate priorities, allocate the resources available to them accordingly, and work in the most cost-effective way.[44] But the private sector – the single most efficient source of economic activity – has its share of responsibilities too.

Sustainable Development needs business support

Business enterprises have specific duties and responsibilities in society's division of labor—primarily to provide goods and services that succeed in meeting customer demands and can be sold at competitive prices, in a profitable way, while adhering to law and regulation. The goods and services made available through markets provide society with many different kinds of social value—for example in the case of pharmaceutical corporations, medicines that reduce the severity of disease, protect life by reducing morbidity, improve quality of life for patients (less pain and disability, fewer side effects) and allow for a (relatively) normal private and professional life.[45]

Successful entrepreneurial engagement is the most important drivers of economic growth and hence in improvements of living standards. Inclusive economic growth increases the freedom of choice and widens opportunities, including at the 'bottom of the pyramid,'[46] thereby rendering all other development efforts easier to achieve.[47] By creating employment and income, developing and providing technical and managerial skills, generating social benefits, paying taxes, contributing to pension funds and deriving innovative solutions to economic, social and environmental problems, corporations and their management can be a substantial force for good. Indeed, "it is companies, not abstract economic forces or governments, which create and distribute most of a society's wealth, innovate, trade and raise living standards."[48] The profits generated by successful companies are usually not the result of a zero-sum game in which all other actors lose: corporate success stimulates economic growth through linkage effects with other sectors, triggering further economic activity and more income, thus making the 'cake' bigger. In a number of emerging economies, business engagement

Policy Institute: *Business UNusual. Facilitating United Nations Reform through Partnerships*. New York 2005.

[44] See Leisinger K.M.: 'Overcoming poverty and respecting human rights: ten points for serious consideration', in: *International Social Science Journal Vol. 180*, published on behalf of UNESCO by Blackwell Publishing, Oxford 2004 pp. 313-320.

[45] See e.g. Epidemiology and End Results Program, 1975-2000, Division of Cancer Control and Population Sciences, National Cancer Institute, 2003; Cancer Facts & Figures 2004, American Cancer Society; *Journal of Pediatric Oncology Nursing, Vol. 21* (2004), No. 3, 160-164; Leukemia Research Foundation, December 2003.

[46] I share C.K. Prahalad's notion that if one stops thinking of the poor as victims or as a burden, and starts recognizing them as creative people, potential entrepreneurs and consumers, new opportunities will open up (as elegantly described in his book: *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Updated 5th Anniversary Edition. Wharton School Publishing, (New Jersey 2010).

[47] Birchenhall J.A.: 'Economic Development and the Escape from High Mortality,' in: *World Development Vol.35* (2007) No.4 pp.543 – 568; policies to improve income distribution in the context of economic growth will help to "lift more boats." For the introduction to this debate see Chenery. H.: *Redistribution with Growth* (Oxford University Press / World Bank) New York 1974.

[48] Birkinshaw J., Piramal G. (Eds.): *Sumantra Goshal on Management: A Force for Good* (FT Prentice Hall) Harlow 2005, p.2.

has created substantial employment and income, thereby contributing significantly to poverty reduction.[49]

Of course, it is not entrepreneurial engagement *per se* that is desirable. It is competing with integrity[50]—i.e. entrepreneurial engagement conducted in a responsible manner in line with international norms such as those underlying the corporate responsibility platform of the Global Compact[51]—that makes the development impact of enterprises positive. By definition, 'being responsible' is first and foremost the non-negotiable duty to refrain from harm (*primum non nocere*). No matter their different world-views, goals and expectations, people all over the world largely agree on what is harmful or should be avoided. Enlightened management knows that unfair labor conditions, harmful environmental practices, or worse 'collateral damage' in the form of human rights violations, are not acceptable. Some practices are illegitimate even if they are legal in some countries. Inadequate national law is no excuse for corporate responsibility shortcomings: in the face of dubious legal standards, enlightened managers exercise self-restraint and avoid morally ambivalent business practices.[52] One such company practice involves spreading proactive sustainability messages through their communication offices on corporate responsibility, while simultaneously investing heavily in lobbying efforts to shape legislative and regulatory rules that undermine sustainability.

Competing with integrity is not only the 'right thing to do' from an ethical point of view, there is also credible evidence of a business case.[53]

State of the art leadership strives for more than operational excellence.

For an increasing number of citizens in modern societies, 'doing no harm' is no longer sufficient for a company to be regarded as 'part of the solution.' Competing with integrity and minimizing corporate misconduct through value management remains non-negotiable, but does not assure that all stakeholder expectations are met. One of the most interesting results of the Edelman Good Purpose study in 2012 was the revelation of a gap between the performance expectations of society and the deliverables of business corporations: while 87% of global consumers believe business needs to place at least equal weight on society's interests as on business' interests, less than a third believe business is performing well in addressing societal issues. This performance gap is likely to drive disillusionment, disengagement and outright distrust from consumers. Rather than merely exercising their 'license to *operate*,' leading brands and corporations of the future must move beyond operational imperatives and social add-ons to establish their "license to *lead*."

The significance for the business case is as follows: "Approximately half of respondents believe organizations should donate a portion of profits (51%) and products or services (50%), while 49% believe companies should be creating a product or service that helps address a societal issue. 80% of global consumers believe it is important for companies to make them aware of their efforts to address

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[49] See Dollar D., Kraay A.: 'Spreading the Wealth', in: *Foreign Affairs, Vol. 81* (2002), no. 1, p. 120-133. While absolute poverty decreased, income disparities increased. See Wade R.H.: 'Is Globalization Reducing Poverty and Inequality?' in: *World Development Vol.32* (2004) no. 4 pp.567-589.

[50] "Competing with Integrity" is the title of a book that still merits professional attention: De George R.: *Competing with Integrity in International Business.* Oxford University Press, New York 1993.

[51] www.unglobalcompact.org

[52] See e.g. Küng H. / Leisinger K.M. / Wieland J. (eds.): *Manifesto for a Global Economic Ethic. Consequences and Challenges for Global Businesses.* dtv, München 2010; also Leisinger K.M.: 'The Role of Corporations in Shaping Globalization with a Human Face.' In: Straus J. (Ed.): *The Role of Law and Ethics in the Globalized Economy.* (Springer) Heidelberg, 2009, pp. 27-48; and cited literature.

[53] See Leisinger K.M.: 'Corporate Responsibility for Pharmaceutical Corporations,' In: Crouch C.(Ed.): *The Responsible Company,* Oxford University Press 2011, pp. 95 – 117;

societal issues. When these actions are taken, consumers will praise those brands and corporations that support a good cause—and they will also punish those that do not."[54]

While many industry leaders still conceive their role as being 'to mind their business' in a traditional way, public opinion, leaders of civil society and UN bodies consider this view myopic. For several decades, corporate activities to promote human welfare and increase positive impacts on society over and above core business activities have been regarded by academia[55] and enlightened firms[56] as an integral part of their corporate responsibility.

Such thinking is also encouraged by the Global Compact *Blueprint for Corporate Sustainability Leadership*, which expands on the original 10 principles of the UNGC to urge companies to take "action in support of broader UN Goals and Issues,"[57] such as helping to achieve the Millennium Development Goals. The LEAD initiative of the Global Compact encourages companies "to undertake more outward-oriented actions to increase their positive impacts in society" (p.7) and to

- Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy;
- Coordinate efforts with other organizations and initiatives to amplify—not negate or unnecessarily duplicate—the efforts of other contributors;
- Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities or pertinent individuals and groups; and
- To strive for partnerships with UN entities, governments, NGOs and industry peers.

Enlightened corporate contributions to the Sustainable Development Goals process will not be restricted to adding value through corporate activities or core competence while complying with the 10 Global Compact principles, but go beyond short-term financial objectives to increase positive impacts in society—e.g. by contributing to the achievement of broader UN goals such as the Sustainable Development Goals.

There are many ways for companies to create value for society in addition to positive 'externalities' created by normal business activities. Companies in different sectors of the economy create different kinds of value, opening up many possibilities for supporting complementary objectives that amplify the business contribution. All such activities can increase corporate impact in society, making companies 'part of the solution' in the wider sense, and we should not discourage creative entrepreneurs from finding new ways to combine business ideas with social considerations. Corporate impact will be enhanced further still through new partnerships between governmental institutions, international development organizations, civil society groups, the private sector and foundations, since exposure to views considered unorthodox by conventional business actors is likely to result in new solutions, models and innovative approaches.

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[54] Edelman: *Good Purpose*, 2012 http://www.scribd.com/doc/90411623/Executive-Summary-2012-Edelman-goodpurpose%C2%AE-Study p.4f

[55] See Carroll A.B.: 'A Three-Dimensional Conceptual Model of Corporate Social Performance.' In: *Academy of Management Review. Vol. 4* (1979) Nr.1. 4, pp.497-505, also 'The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders.' In: *Business Horizons* (Elsevier), July-August 1991, pp. 39-48.

[56] The Novartis Foundation for Sustainable Development (www.novartisfoundation.org) was founded by the predecessor company Ciba-Geigy in 1979. Novartis has one of the world's leading corporate responsibility portfolios today. See www.novartis.com/corporate-responsibility/index.shtml.

[57] Referring to an "array of global issues—based on the most acute or chronic global challenges, including Peace & Security; the Millennium Development Goals; Human Rights; Children's Rights; Gender Equality; Health; Education; Humanitarian Assistance; Migration, Food Security; Sustainable Eco-Systems and Biodiversity, Climate Change Mitigation and Adaptation; Water Security and Sanitation, Employment and Decent Work Conditions; and Anti-Corruption. See UN Global Compact: *Blueprint for Corporate Sustainability Leadership*, New York 2010, p. 4f.

Approaches explicitly recommended by the Global Compact are *strategic social investments* and *corporate philanthropy*. Both are valuable—indeed in many cases there is a continuum between the two types of engagement and all other corporate activities. The creation and support of 'Social Enterprises' are another way to support broader UN Goals and increase corporate impact on society.[58]

To counter the resistance—or even skepticism—from Civil Society Organizations (CSOs) which such corporate initiatives frequently incur, companies should ensure they have semantic and conceptual clarity on their chosen approach, underlying motivations and corporate expectations.[59] Transparency over motivation and purpose help avoid misconceptions by potential civil society partners.[60]

Supporting Sustainable Development Goals with a 'Business Mindset'

Whatever the chosen strategy or strategy mix is in support of the Sustainable Development Goals, corporate managers have a fiduciary obligation to protect the company's resources. Managers have discretion to allocate resources, but they must see to it that these are deployed in the most cost-effective and efficient way.

Experience shows that the impact of corporate philanthropy, strategic corporate philanthropy and strategic social investment is higher wherever activities in support of broader UN goals and issues are:

- aligned with the corporate core competence and in line with the company's values and culture and do not address generic issues: good practices include the identification and analysis of the societal issue areas where the company can create best social value by playing an optimal role due to its specific professional know-how, skill-portfolio, experience, networks and wealth of innovation and creativity;
- focused in order to create more impact with the available resources, since experience shows that too broad a portfolio of activities is usually associated with a smaller impact and lower efficiency;
- based on research to understand the complexity of an issue before becoming engaged: complex issues never have simple solutions and successful strategies always depend on the social (local) context of the problem; awareness of the interests involved in maintaining or solving the problem; and considering the impact of activities on power structures and other factors necessary to create win-win-constellations. Success in solving complex issues depends predominantly on behavioral and social change, not just technology. Since social change is complex and unpredictable, resistance and conflict should be expected; they can—to a certain extent—be anticipated and proactively mitigated by listening to beneficiaries and learning from their points of view;
- managed transparently with regard to the processes of problem identification and the selection of solutions, and with regard to the goals and rationale, as well as activity plans and related budgets. It is also good practice to be transparent about the successes achieved and failures suffered: lessons learned should be continuously integrated, and long-term commitment should build in the flexibility to respond to new challenges, with 'exit' points defined from the outset;

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[58] see HM Government: *Growing the Social Investment Market. A Vision and Strategy.* London (Cabinet Office) 2011; see also Mair J. / Robinson J. / Hockerts K. (Eds.) *Social Entrepreneurship.* (Macmillan) New York 2006.

[59] Some civil society representatives see Corporate Social Responsibility in general as an "invention of PR", see Frankental P.: 'Corporate social responsibility—a PR invention?' In: *Corporate Communications: An International Journal Vol. 6* (2001), No.1, pp.18 – 23.

[60] For more details see Leisinger KM. / Schmitt K.: *Corporate responsibility and Corporate Philanthropy,* New York 2012. (a contribution to the work of the UN Development Cooperation Forum; available on www.un.org/en/ecosoc/newfunct/pdf/leisinger-schmitt_corporate_responsibility_and_corporate_philanthropy.pdf

- Constituted of more than simply 'writing checks'; a company should "Do more than give"[61] and, wherever possible, bring in management techniques and processes, business skills, human resource support, access to networks, and other assets to achieve a greater impact. Deeper involvement, however, necessitates the allocation of appropriately trained human resources—attached to a professional corporate philanthropy program rather than in the communication, public affairs or marketing departments—to allow for unbiased priority-setting.[62] External experts should be brought in wherever internal competence is not available and evaluations ought to be done by credible Third Parties.
- underpinned by performance-based funding and SMART objectives (specific, measurable, attainable, relevant and time-bound) along with frequent thorough evaluations. If sustainable outcomes are to be achieved, long-term program needs rather that short-term project support and cooperation with suitable partners are necessary parameters of professional corporate philanthropy;
- founded on the right choice of partners and networks that share the corporate values and goals and provide the necessary complementary skills, resources and experience needed to maximize impacts. Applying the same criteria used in the business sphere to the partner selection process and to due diligence is also recommended;[63] and
- communicated in a fact-based, honest and non-euphemistic manner. Successes must be put into the context of the scale of the problem and acknowledge the contributions of all partners involved. Using euphemisms as a strategic tool for communication risks being perceived as hypocrisy.[64]

Corporate philanthropy and other activities in support of broader UN goals and issues are not substitutes for responsible corporate conduct. They should therefore not be part of the corporate activity portfolio until the corporate 'house' is in order: to support kindergartens in the community while tolerating child labor in the supply chain, for example, is at best cynical.[65]

Is there a 'business case' for supporting the Sustainable Development Goals?

As mentioned above, the great majority of global consumers (80%) believe it is important for companies to also address societal issues—and are happy to reward them through their allocation of purchasing power.[66] Many highly successful companies support programs that address fundamental societal challenges such as those mentioned by the UN Global Compact LEAD initiative.[67] And, last but not least, many top-managers have a value mind-set according to which "broader shoulders should carry more" and therefore support an enlightened and expanded interpretation of what a good corporate citizen ought to do—namely strive for shareholder *and* stakeholder value.

[61] Crutchfield L.R. / Kania J.V. / Kramer M.R.: *Do More than Give. The Six Practices of Donors who change the World.* Jossey Bass, San Francisco 2011.

[62] For substantiation see Maas K. / Liket K.: 'Talk the Walk: Measuring the impact of Strategic Philanthropy.' In: *Journal of Business Ethics.* Vol. 100, (2011) pp. 445 – 464.

[63] Simon F.L.: 'Global corporate philanthropy: a strategic framework.' In: *International Marketing Review* Vol.12, No.4, (1995) pp. 20-37.

[64] La Cour A. / Kormann J.: 'Euphemisms and hypocrisy in corporate philanthropy.' In: *Business Ethics: A European Review* Vol. 20 (2011) Nr. 3. pp.267-279.

[65] Chen, Patton and Roberts found cases where companies with a poor record of integrity in their normal business activities were more likely to make charitable contributions and conclude that corporate philanthropy may be more of a legitimization tool than a measure of corporate responsibility; see Chen J.C. / Patten D.M. / Roberts R.W.: 'Corporate Charitable contributions: A Corporate Social Performance or Legitimacy Strategy?' In *Journal of Business Ethics* Vol. 82 (2008) pp. 131-144.

[66] Edelman: Good Purpose, 2012 http://www.scribd.com/doc/90411623/Executive-Summary-2012-Edelman-goodpurpose%C2%AE-Study p.4f

[67] See e.g. Accenture / CECP: *Business at its Best: Driving Sustainable Value Creation.* New York 2011 (www.CorpratePhilanthropy.org/research).

Many years ago, Archie Carroll made the case that "companies will be expected to be profitable, abide by the law, engage in ethical behavior, and give back to their communities through philanthropy."[68] This continues to be true: Financial success will always be a top priority. But there *is* evidence that managers engaged in corporate support for solving social issues beyond direct marketing interests produce better and more sustainable financial results than managers who focus on economics alone.[69] There is also evidence that corporate philanthropy—part of the "can-dimension"[70] of corporate responsibility—makes "employees and their families feel proud"[71] and creates an "insurance effect" counteracting negative societal perceptions during accidents or other unfortunate events.[72] Corporate philanthropy is also likely to have positive reputational effects,[73] building trust and better relations with stakeholders[74] and customers.[75]

Yet the overall relationship between good social and financial performance is too complex to discern a measurable causal relationship between action and investment to increase positive corporate impacts on society and shareholder wealth. If there were such an easily quantifiable causal relationship we would see more members of management become engaged: it therefore comes largely down to the value mind-set of top-management: It is the top management's value framework and social awareness that determine the company's commitment to activities beyond the conventional business model. This determines the definition of 'enlightened self-interest' and therefore the structure, content and volume of what is done.[76] The more needs-oriented corporate philanthropy becomes, the more inadequate a 'philanthropy-pays-for-shareholder-value' approach becomes. Without referring to the value premises of top management, it is impossible to answer questions about the 'whether,' the 'how,' the 'for whom,' and the 'how much' of "action in support of broader UN Goals and Issues."

VII. Outlook

[68] Carroll A.B.: 'Ethical Challenges for Business in the New Millennium: Corporate Social Responsibility and Models of Management Morality.' In: *Business Ethics Quarterly Vol. 10* (2000) Issue 1, p.41.

[69] Wang H. / Choi J. / Li J.: 'Too little or too much? Untangling the relationship between corporate philanthropy and the firm's financial performance.' In: *Organization Science Vol.19* (2008) No.1 pp 143 – 159; also Choi J. / Wang H.: *The Promise of a Managerial Values Approach to Corporate Philanthropy*, op.cit; Worden S.: 'The Role of Integrity as a Mediator in Strategic Leadership: A Recipe for Reputational Capital.' In: *Journal of Business Ethics Vol. 57* (2003) pp. 31 – 44.

[70] See Leisinger K.M.: 'Capitalism with a Human Face. The UN Global Compact.' In: *The Journal of Corporate Citizenship*. Issue 28, winter 2007, 113-132.

[71] If and when certain conditions are given, see Muller A. / Kräussl R.: 'The Value of Corporate Philanthropy During Times of Crisis. The Sense-giving Effect of Employee Involvement.' In: *Journal of Business Ethics* published online 17. April 2011 (DOI 10.1007/s10551-011-0861-6.

[72] Godfrey P. / Merrill C. / Hansen J.: 'The Relationship between Corporate Social Responsibility and Shareholder Value: An Empirical Test of the Risk Management Hypothesis.' In: *Strategic Management Journal Vol. 30* (2009) pp. 425-445.

[73] Bramer S. / Millington A.: 'Corporate Reputation and Philanthropy: An Empirical Analysis.' In: *Journal of Business Ethics* Vol. 41 (2005) pp.26-44. Bramer and Millington consider that the reputation effect also depends on the quantity of philanthropic expenditure, which is a function of the financial performance of the company, making this part of the reputation equation. They also see an industry-specific effect in-as-much-as industries that exhibit significant social externalities—such as the alcoholic drink and tobacco sector—are likely to gain better reputations through philanthropy.

[74] Wang H. / Choi. J. / Li J.: 'Too little or too much? Untangling the Relationship between Corporate Philanthropy and Firm Financial Performance.' In: *Organization Science Vol. 19* (2008), pp.142-159.

[75] Sen S. / Bhattacharya C.B. / Korschun D.: 'The Role of Corporate Social Responsibility in Strengthening Multiple Stakeholder Relationships: A Field Experiment.' In: *Journal of the Academy of Marketing Science*. Vol. 34 (2006) No.2 pp.158-166; Barnes R.: 'Americans value business' philanthropic performance.' In: *The Chronicle of Philanthropy* Vol. 13 (1995) pp 1-4. Barnes claims "three out of four" Americans take a company's philanthropic record into account when deciding to do business with it.

[76] See Corvino J.: 'Reframing "Morality Pays": Toward a better Answer to "Why be Moral"in Business. In: *Journal of Business Ethics* Vol.67 (2006) pp. 10ff.

If we understand development to be the result of complex interactions between interdependent economic, social, ecological, cultural, political and legal factors (as it is conceived by the UN System Task team on the post-2015 UN Development Agenda), there can be no 'one-size-fits-all' approach. Instead what is needed is guidance on priority-setting at international, national and sub-national levels. Given today's immense global economic, social and ecological interdependence, a new paradigm is needed that emphasizes our common interest on a planet with limited resources—one that does not maximize short-term advantages for a few, to the detriment of the vital long-term interests of the many. The Millennium Declaration—with its values and principles and the courage to formulate concrete, quantified, time-bound and achievable goals—should therefore be the foundation for the post-2015 Sustainable Development Goals process.

Achieving progress towards sustainable development will be a multi-disciplinary, multi-sector and therefore multi-stakeholder affair: All societal actors all over the globe will have to contribute their share. The business sector is not a one-stop-shop solution for achieving the Sustainable Development Goals, however these might be defined—there is a well proven division of responsibility (and rights); and common prosperity is best served if all societal actors shoulder their specific responsibilities. But corporate resources, skills, experience and the 'business mind-set' have proven valuable in helping to tackle socio-economic obstacles—and they will be equally helpful in finding solutions to most of the current obstacles that stand in the way of achieving our Sustainable Development Goals. The private sector is a source of dynamic innovation and a repository of key technologies to overcome the technical challenges of sustainability: this is no substitute for changed consumption and production patterns, but it will help mitigate the transition.

Entrepreneurial support of a global change in course towards sustainability can be viewed as mere enlightened self-interest, because sustainable business success is only possible under conditions of peace and security. New market opportunities can evolve where human rights are respected, inclusive economic growth helps impoverished people to prosper, and equal opportunities create new possibilities for economic empowerment. Therefore responsible business leadership for sustainability is not only the 'right thing to do' but is underpinned by a clear business case. As always, early adopters of the process will benefit most.

The business contribution will be predominantly through creating value via the corporate core competence, exercised in a responsible way. But there is much potential beyond that: conventional business approaches, innovative business models, strategic social investments, strategic philanthropy as well as altruistic philanthropy constitute a continuum that creates corporate *and* social value. The entire portfolio is important: its different elements can be fine-tuned according to the specific circumstances, particular stakeholders and constituencies, and organizational and cultural contexts of the company's activities.

All enlightened individuals, local communities, nation states, foundations, multi-lateral institutions and corporations have a role to play. Indeed, if all bring their specific contribution to the table and co-operate in good faith in piecing together the 'solution mosaic,' it will be easier to tackle the challenges targeted by the Sustainable Development Goals process after 2015.

We should approach the international community from the perspective of a learning community, or 'community of practice,' in which members develop and apply knowledge collectively, forge a shared vision and create new capacities for coordinated collective action. All of the "component technologies" elaborated in the concept developed by Peter Senge[77] are important. Three of them have special significance for the Sustainable Development Goals process:

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[77]   Senge P.: *The Fifth Discipline. The Art and Practice of the Learning Organization.* Currency Books / Doubleday, New York 1990.

- *Shared vision and values*, i.e. the necessity for SDG stakeholders to share a commitment to the values, goals, and actions required for achievement of their aim: people who share bold vision and have a larger purpose over and above the daily routine have higher motivation to cope with workload and obstacles;
- *Team learning*, i.e. the willingness to learn together and from each other, as the team's intelligence is greater than the intelligence of its individual members; dialogue and the clash of ideas spur innovation and help arrive at out-of-the box solutions: note Einstein's dictum that one cannot solve a problem from the same level of consciousness that created it;
- *Systems thinking*, i.e. to conceive the sustainable development path as a socio-politico-economic system consisting of a great number of elements that are causally interrelated—in that a change in one will cause changes in all others. This dynamic complexity (including important differences in the texture of the elements, in mind-sets and attitudes, in valuations about the importance of specific changes as well as the fact that there will be counteracting forces whenever vested interests are touched) makes it clear how important coherence and persistence are in sustainable development endeavors.

Despite the immense importance of financial, scientific and technological components of sustainable development solutions, a technocratic approach will not be sufficient to achieve a future we all want. What is equally essential is an ethical underpinning: 'sustainable development' is not only a concept with economic, social, ecological and governance elements. Sustainable development is a fundamental vision of a just and fair world where people act in a legitimate way and cooperate to honor human dignity and human rights, freedom, justice, peace and the preservation of creation on a global level. Endeavors to achieve sustainable development therefore have a fundamental ethical dimension.

There is already an established consensus concerning binding values, irrevocable standards, and non-negotiable moral attitudes. Starting with the "Declaration Toward a Global Ethic" deriving from the Parliament of the World's Religions (Chicago September 1993) there has been continuous work to deepen this concept and apply it to different spheres of human activities.[78] The application of the "World Ethos" vision to business activities in a globalized context is of particular value in a sustainable development goals process, along with knowledge and value-management concepts. [79]

In June 2013 it will be 50 years since John F. Kennedy gave his famous speech at the American University in Washington and expressed what he thought was "the most important topic on earth: world peace. In this context he made a remark that we should remember when dealing with sustainable development: "Let us not be blind to our differences. But let us also direct attention to our common interests and to the means by which those differences can be resolved. And if we cannot end now our differences, at least we can help make the world safe for diversity. For, in the final analysis, our most basic common link is that we all inhabit this small planet. We all breathe the same air. We all cherish our children's future. And we are all mortal."[80]

[78] http://www.weltethos.org/
[79] Küng. H. / Leisinger K.M. / Wieland J.: *Manifesto Global Economic Ethic. Consequences and Challenges for Global Businesses*. (dtv) Munich 2010.
[80] http://www.humanity.org/voices/commencements/john.f.kennedy-american-university-speech-1963