ANALYSIS

Highjacking the SDGs?

The Private Sector and the Sustainable Development Goals
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Introduction

At the United Nations (UN) summit in September 2015, the 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals (SDGs) was adopted by all UN member states. The Agenda gives a comprehensive framework for a global socio-ecological transformation.

The novelty of the SDGs vis-à-vis the Millennium Development Goals (MDGs) is its paradigm shift: all countries, not just the countries of the Global South, have to implement the SDGs, working closely together to achieve the common goal of a sustainable future. By 2030, the SDGs are to be implemented by all states and at all levels.

Along with governments, various actors have been involved in the development of the SDGs, and are now part of implementation strategies. This is the case for organizations (CSOs) and academia as well as the business sector. As a matter of fact, the 2030 Agenda gives the private sector a significant role.

In many countries, the engagement of the private sector in the SDG implementation is part of official policies. Governments and UN are striving for increased commitment of the private sector to finance the SDG implementation. Along with this, many governments expect the SDG engagement of companies to lead to greater social and environmental awareness in business strategies.

The call for business engagement in the 2030 Agenda has been answered by various corporations and corporate lobby groups. Already during the SDG negotiations, the private sector was intensively engaged through many different channels. Now, with the adoption of the goals, several corporations have pledged their support for the SDGs or evaluated the relevance of the SDGs for their own business activities.

The idea of business involvement with the SDG is trending but so far there is little systematic analysis: In which way are businesses engaging with the SDGs? What is the actual impact on sustainability of businesses’ SDG activities? And which strategies are needed in order to better align business activities with the transformative Agenda of the SDGs? This analysis aims at answering some of those questions and thus contributing to the critical discourse on business engagement with the SDGs.

The first chapter gives an overview of business involvement with the SDGs and the relevant discussions following that trend. Then, the analysis looks at two different business sectors. The first case examines at the financial sector. The idea of “shifting the trillions” gained huge attention following the understanding that SDG implementation depends on redirecting financial flows from unsustainable areas to SDG financing. The case study examines the growing market of SDG related financial instruments like bonds and its impact on sustainable development.

Consumer goods are highly relevant for the 2030 Agenda because of their environmental and social impact along the supply chain. The second case examines tobacco companies and their involvement with the SDGs. Along with alcohol, tobacco is in fact the only consumer product explicitly mentioned in the SDGs. And of all consumer goods, tobacco touches on every SDG, be it health or agriculture or water, and has therefore a relevant role to play for the successful implementation of the SDGs.
The Private Sector and the SDGs – an Overview

Marie-Luise Abshagen and Anna Cavazzini

Following the argument that the SDG implementation might need an annual investment of 5 to 7 trillion US dollars with developing countries alone supposedly facing an annual gap of 2.5 trillion US dollars, governments, the UN and the International Finance Institutions are pushing for increased engagement of the private sector. In this process, the UN serves as a platform engaging business at the global level, following previous trends of establishing partnerships in order to advance global policies.

In 2014, the UN-Business Action Hub was developed by the UN Global Compact, the Hong-Kong based non-profit organization Global Hand, and 20 UN agencies. It is a forum where the UN and business can engage in dialogue, share information and take action to advance e.g. the SDGs. Business members include actors like DHL, BASF, IKEA and Bank of America. In the same year, the SDG Fund, an international multi-donor and multi-agency development mechanism to support sustainable development activities through integrated and multidimensional joint programmes, was established by the UN, with an initial contribution from the government of Spain. To better align public-private partnerships for sustainable development, the SDG Fund has established a Private Sector Advisory Group, formed by business leaders of major companies from industries worldwide, among them H&M and Intel.

The UN Private Sector Forum, an annual summit hosted by the UN Secretary General and organized by UN Global Compact since 2008, has had a strong focus on the SDGs ever since they were adopted, including pledges of multinational companies to support the SDGs with concrete measures such as pilot projects, gender quota or investment in sustainable infrastructure, among them Anglo American, Facebook, MasterCards, Nestlé and Siemens.

And finally, since 2016 the annual High-level Political Forum on Sustainable Development (HLPF) is accompanied by a SDG Business Forum, co-hosted by the International Chamber of Commerce (ICC), the UN Department of Economic and Social Affairs (UN-DESA), and the UN Global Compact. Its goal is to foster dialogue between governments and the private sector. Speakers at the two summits included Pfizer, Citigroup, Finnair and Danone. In 2017 there were 1500 representatives from businesses registered.

Besides the UN, many governments are equally interested in advancing the private sector engagement in

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2 — www.globalpolicy.org/images/pdfs/GPFEurope/Globale_Partnerschaften_online.pdf
4 — The SDG Fund includes business and academia. It supports joint programmes in 22 countries with an approximately US $70 million budget
5 — www.sdgfund.org/who-we-are
7 — www.sdgbusinessforum.org
the SDGs, making it part of official policies. In Canada, for instance, Global Affairs Canada and the UN Global Compact Network Canada (GCNC) have conducted several roundtable events on the role of the private sector in the 2030 Agenda. Under former President Barack Obama, the US Council for International Business founded the initiative Business for 2030. The Mexican Agency for International Development Cooperation created Partnership for Sustainability, a platform for strategic collaboration with business in support of SDGs. Other countries, such as Germany or Argentina, include the private sector, along with civil society and academia, as a key partner in their national SDG implementation.

Business engaging with the SDGs – hard to measure

Private sector engagement in the SDGs is clearly growing. In a way this follows the trend of the last couple of years or even decades. Businesses have been scrutinized for their impact on society and the environment, along with negative PR and consequently less profits or stock value. Consequently, most businesses now feature a sustainability strategy or a Corporate Social Responsibility (CSR) branch and have various social programs. Some have established new product lines following sustainability criteria or redirected their business model. The SDGs constitute a new but similar element in this shift towards corporate sustainability. While some companies use the SDGs for hardly more than PR, others have rigorously included them in their CSR strategies. In some cases, companies willing to change their business model have identified the SDGs as a tool to refocus their business practices to at least create more resilience in their value chains and to measure risks and opportunities with regard to their business model. And in others cases yet again, companies use the SDG as a business case with profit to be made in new products or areas.

However, the scope, intent and impact of business’ involvement in the SDGs often stays vague and hard to measure. One interesting way to shed some light on the reality of corporate SDG engagement is to look at corporate reporting, as the key instrument for disclosure of financial and non-financial information of a company. According to a 2017 study by KPMG four in ten of the world’s largest companies (Global 250 as ranked by Fortune by total revenues for their respective fiscal years) already reference the SDGs in their corporate reporting. Of those, most are located in Germany (83%), France (65%) and the UK (60%), followed by Japan (46%) and the USA (31%). The report highlights that it is mostly large companies in consumer facing sectors such as utilities, cars, retail, technology, media & telecommunications as well as health care that are more likely to report on the SDGs than those in heavy industry sectors such as manufacturing and oil and gas.

There are various standards when it comes to the implementation of the goals in business models or business reporting. Guidelines include the SDG Compass by Global Reporting Initiative (GRI), UN Global Compact, and World Business Council for Sustainable Development (WBCSD) or the Sustainable Development Goals report by the International Integrated Reporting Council. KPMG has also come up with nine quality criteria for SDG reporting. Similarly there are various CSO publications for guidelines on SDG activities of companies, for instance by Oxfam and by CIVICUS.

References:
10 — http://globalcompact.ca/category/gcnc-news/
11 — www.businessfor2030.org
14 — http://fortune.com/global500/
The SDG business case – is this sufficient?

When it comes to getting business to take action on the SDGs, the main objective is often to demonstrate a business case. Investors and other stakeholders need to be convinced that the company’s action to the SDGs is worthwhile economically, especially in terms of business risk assessments and opportunities. This is also the strategy of the UN Global Compact. Its SDG Compass states that the SDG “present an opportunity for business-led solutions and technologies”. It furthermore argues that the SDG will provide new growth opportunities and lower risk profiles.

Non-surprisingly, many companies thus opt to implement specific SDGs most relevant to their businesses and stakeholders, or where they might have the most impact when it comes to their CSR strategy. In a 2018 study again on corporate reporting on the SDGs, KPMG highlights that companies are paying the most attention to SDG 12, SDG 8 and SDG 4 (55% of reporting companies), and paying the least attention to SDG 15, SDG 2 and SDG 14 (26% or less of reporting companies). Business networks such as the World Business Council on Sustainable Development, to name only one, have similarly done their own evaluation of those SDG relevant to their own or other companies.

While this might be understandable from a corporate perspective, the SDGs need to be considered as a connected, universal Agenda, where cherry-picking will not lead to the desired development result. Examples can be best found in the case study on finance, highlighting the limited areas of investments with SDG and green bonds (mostly infrastructure, construction and energy). Investments in e.g. small-scale agriculture, no-take conservation areas or community-based social services might be good for people and planet but are simply not profitable enough.

While the number of business pledges for the SDGs are high, the case studies show that in many cases much of the corporate SDG engagement focuses on PR-friendly business strategies that help companies shine in a brighter light, like additional projects instead of a change in the business strategy. Without an independent and thorough evaluation of corporate SDG engagement, one can thus not be sure about its real impact towards sustainability.

There are also risks in private sector involvement in the SDGs

There are also risks concerning the growing involvement of the private sector in sustainable development. Many CSOs worry about the power and expectations given to the private sector as a development agent and point to the obvious conflicts that exist between profit-based private sector activities and sustainable development.

CSOs’ arguments vary between case studies of human rights violations, examples of corporate tax evasion and fraud, criticism of greenwashing and a general rejection of a growth based economic system. One can observe a crack-down on CSOs, particularly when they are considered to be getting in the ways of a deal between government and private sector or hindering the realization of private projects e.g. in infrastructure. Business activities contribute on a large scale to \( \text{CO}_2 \) emissions, environmental destruction and biodiversity loss and the question remains whether “soft” involvement of businesses in the SDGs will have any effect if it is not accompanied by strict regulation and a fundamental shift in how the global economic system is functioning. Finally, the SDGs provide a gateway to challenge governments to either create an investment-friendly climate. The case study on tobacco has shown the power of corporate

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21 — According to KPMG, of 101 companies around a quarter prioritized up to five SDG, another quarter prioritized between six and ten SDGs, another quarter prioritized between 11 and 16 SDGs and the finale quarter prioritized all 17 goals. https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2018/02/how-to-report-on-sdgs.pdf
25 — See for instance publications by www.socialwatch.org
lobbying governments as well as UN, and many more examples can be found.  

Private or Public?  

With increasing private engagement in the implementation of the SDGs, governments tend to hand over ever more of their original functions and power to private companies, particularly in the social sector (i.e. health care, water and energy infrastructure, transportation, development cooperation). This trend thus further supports the increasing number of privatizations of public goods and services. The democratic legitimization as well as the budgetary rationale of Public Private Partnerships (PPPs) is being questioned by many, and supported by a growing body of research.  

Following the trend of the last decades, the discourse about financing the SDGs might make governments even more interested and depended on privatizing public services. Especially when it comes to basic public services, many cases have shown that the Bretton Woods development model of private investments in e.g. health, education, infrastructure, water and energy has often actually lead to the deterioration of these services or to a limited access especially for the poor.  

Money is nothing without coherence  

The SDGs are in itself a huge, global and diverse policy guideline. Implementing them is thus in many cases a question of policy-changes rather than investments (i.e. for peace, good governance and justice). It is a slippery...
slope continuously repeating the mantra “from billions to trillions”, as the focus of much need policy-changes gradually shifts to a pledge to secure finance as the only necessary criteria for the 2030 Agenda implementation.

As a matter of fact, one can argue that there is more money than ever: just allocated unevenly. According to a Tax Justice Network publication in 2012 “at least $21 trillion of unreported private financial wealth was owned by wealthy individuals via tax havens at the end of 2010. This sum is equivalent to the size of the United States and Japanese economies combined.” This number was raised to at least $24 trillion to $36 trillion in 2015. The Panama Papers alone showed that Panamanian law firm and corporate service provider Mossack Fonseca acted for about 300,000 companies and had among its clients five then-heads of state or government leaders from Argentina, Iceland, Saudi Arabia, Ukraine, and the United Arab Emirates as well as government officials, close relatives, and close associates of various heads of government of more than forty other countries.

The argument for SDG finance gaps would be quite a different one, if corporate taxes were properly paid and public money democratically spent. There is reason to worry that a strong corporate SDG engagement therefore creates a certain level of distraction from much needed economic changes at hand. If in the end businesses rather focus on the non-binding SDGs, along with their positive, consumer-friendly image, and wide range of entry points, than on the realization of hard law regulatory processes and rights-based approaches or legal frameworks such as paying their fair share of taxes as well as implementing human rights or environmental standards, the SDG implementation in facing a huge inherent problem.

**Government’s responsibility**

Keeping in mind the universality of the Agenda, this is particularly important for the countries of the Global North. With its huge environmental footprint at the expense of the people of the Global South, great export surpluses but also increasing inequalities within its own borders, governments and society in Europe and North America need to be at the forefront of implementing most of the SDGs. As most multinational corporations are located in those countries (at least their headquarters and the vast majority of their profit-making) the need for a change in the business model of those companies will have a huge impact on the world as a whole. This can only be achieved with strong regulation by governments in the interest of the common good. It is for instance clearly not enough to build up an alternative finance sector, with new sustainable financial products, as the chapter on finance shows. But divestment as well as strict and rigorously implemented tax policies, including a cut-down on corporate tax evasion, need to be the large part of this equation.

In order to implement the SDGs, there is a need for a substantial change in the paradigms of societies and economies as a whole and it is the duty of governments to realize a better world for the common good. After all, the SDGs are first and foremost an Agenda of the UN

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29 — www.foreignaffairs.com/articles/panama/2016-04-12/taxing-tax-havens
30 — https://en.wikipedia.org/wiki/Panama_Papers
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member states. Business engagement in implementing the Agenda might be an important contribution but the primacy of political governance can not be replaced, neither the monitoring and reporting structures necessary to bring the SDGs to life within the UN member states. Many CSOs have therefore created watch-dog structures to make sure that governments actually do what they agreed upon in 2015 — nothing less than to transform our world. This has to include progressive economic policies both with regulations that keep people and planet save from exploitation, as well as through the elimination of structural barriers that prevent sustainable business practices to grow.

Recommendations

In order to implement the SDGs, all actors of society need to be on board, the private sector being no exception. It is therefore a good sign that some businesses to some degree have already integrated sustainability aspects or even the SDGs in their business strategies. However, this analysis also revealed a number of challenges.

The following policy recommendations try to serve as a contribution to the necessary discussion on SDG implementation and the role of the private sector.

Recommendations for policy-makers

- To draw up a comprehensive and binding national plan for the implementation of the 2030 Agenda with all goals and indicators giving consideration to human rights and social, ecological and economic dimensions.
- Guarantee accountability, transparency and effectiveness where private finance sources are involved in the 2030 Agenda
- Not to rely on voluntary sustainability strategies but introduce transformative regulation like e.g. due diligence along the supply chain in order to hold corporate actors responsible for the environmental and social impact of their actions
- To enact legislation to for fair and effective tax collection and curtail illicit financial flows in order to raise the revenue required to finance the public goods and services that people need
- To implement regulation that gives advantage to sustainable products like incorporating the real prize or introducing “sustainability balance” labels
- To develop transformation strategies how to cope with or opt-out of entirely unsustainable sectors/products like tobacco or tar sands.
- To introduce regulation on sustainability criteria for certain product groups like sustainable bonds
- To secure access to public basic services

Recommendations for businesses

- To support the SDG implementation in a way that their SDG- or CSR strategy and their regular business model respect and uphold the planetary boundaries and human rights
- To therefore not only change to SDG rhetoric and realize CSR-like projects but thoroughly assess what the SDGs mean for their core business strategy and e.g. their supply chains and adopt the relevant changes
- To implement SDG action plans with clear timetables and indicators
- To support progressive regulation in order to create a level playing field vis-à-vis their “laggard” competitors
- For businesses that operate within the concept of “Economy for the Common Good”, with a more ethical economic model, in which the wellbeing of people and the environment become the ultimate goal of business, to get engaged in the implementation of the SDGs

Recommendations for civil society

- To push governments and UN institution towards a progressive and successful implementation of the SDGs
- To assess partnerships with the private sector concerning its real value for the realization of the SDGs
- In its watch-dog function to critically assess private sector involvement in the SDG on their impact on all three dimensions of sustainable development and the level of trade-offs made in corporate SDG investments, and consequently apply a strict set of criteria to assess and measure corporate SDG-related activities.
How to finance the SDG?

The postulated needs for financing sustainable development in all its dimensions are substantially greater than for previous development Agendas like the Millennium Development Goals (MDGs), partly because the MDGs had been partly blind to environmental and economic aspects; but also because different from calculations for the MDGs, now assumed private investment needs are included. The financial demands of the SDG were prominently highlighted in an influential World Bank report setting the tone for the entire FfD debate ever since. In From Billions to Trillions: Transforming Development Finance authors argued that instead of the already many billions previously needed for the MDGs, the SDGs would demand many trillions in finance from all potential sources.31

This analysis is, however, challenged by CSO experts arguing that while additional finance is certainly needed or at least helpful, it would remain only one part of the solution. “More fundamental are the policy and regulatory challenges,” explains, for example, Stefano Prato, Managing Director at Society for International Development. Rosa Pavanelli, General Secretary of Public Services International, reasons along the same lines: “Policy coherence, regulations, transparency and public investment should be the priorities for governments, through strong governance inspired by a democratic participatory process. To serve the purpose of the 2030 Agenda, the contradiction between the need for rights-based social inclusion and the current profit-oriented economic model needs to be solved.”32

While finance is important, it is only one part in a larger discussion to be had. Nevertheless it is an important part. Numbers on the amount of money needed to finance the SDGs have put out in various estimates.33 Official development assistance (ODA) still remains one important source of income for many of the poorest countries in the world. The other traditional source for means, of course, is domestic resources raised by national or sub-national governments (through taxes and fees, for example). While the situation here is increasingly promising – from 2000 to 2012 countries in the global South had increased their public finance from around 6 trillion US-Dollars to almost 7.7 trillion per year34 – even those proceeds will fall short of estimated necessary expenditures for sustainable development. Thus, the classic international sources for financing needs are seen as inadequate.

Already during the Addis Ababa conference, but even more so during the follow-up process on FfD, organized in annual United Nations Economic and Social Council (ECOSOC) Fora on Financing for Development Follow-up, the conclusions drawn by many policy-makers, academics and civil society activists,35 were twofold. (a) Strengthen domestic resource mobilization through enhancing capacities of, inter alia, tax administrations and fighting tax evasion and avoidance as well as illicit financial flows, and (b) steer private investments in the direction of sustainable development. While both conclusions feature prominently in political debates, no least during the FfD Forums, the latter is clearly the flavor of the day. The discourse around stronger regulation and public agency has been largely sidelined.

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35 — With few exceptions, see, for example, Reflection Group on the 2030 Agenda for Sustainable Development (2017): Reclaiming policies for the public – Spotlight on Sustainable Development 2017. New York etc. [www.2030spotlight.org]
Private finance to the rescue?

The AAAA provides a whole range of ideas for what governments could or should do to increase private investments while making sure that these investments are long-term and in fact further sustainable development in the full meaning of the concept. Priority – at least in rhetoric – is given to domestic investments, which in general are more stable, more independent from international shocks, and directed at actually building productive capacities. They are therefore – at least economically – more sustainable.

But it will undoubtedly be necessary to not just tap into domestic, but make use of internationally available resources. This is in part sparked by the fact that institutional investors like pension funds alone hold assets to the staggering amount of around $41.3 trillion US-Dollars, not even counting other fund managers like US giant BlackRock that holds assets in the range of $6.3 trillion US-Dollars. For the year 2020, auditing company PricewaterhouseCoopers (PwC) estimates “funds under management” to amount to more than $100 trillion US-Dollars. In other words: There is a lot of money around. The problem, though, is long-term investment in sustainable development, as the 2018 report of the Inter-Agency Task Force on Financing (IATF) for Development – the UN body tasked with monitoring the results of the Addis conference – lays out. One of the greatest challenges policymakers face in raising resources for sustainable development was how to address excessive short-term oriented decision-making.

While the IATF report for 2018 outlines practical steps on what governments could or should do to incentivize long-term and sustainable investments, civil society experts have warned that investments do in fact not just come as opportunities, but can also pose risks. Especially portfolio investments (e.g. investments in financial products rather than the “real economy”) tend to be volatile in nature and can in fact deepen crises – if not drain finance out of countries in the global south altogether.

But it is not just governments looking into raising investments. In fact, a growing part of the business community is seeing the implementation of the SDGs as an outright business opportunity. The Business and Sustainable Development Commission (BSDC), a two-year initiative launched in 2016 with now 37 commissioners from business, finance, civil society, labor, and international organizations, says achieving the SDGs could unlock as much as twelve trillion US-Dollars in “market opportunities” in four sectors alone: food and agriculture; cities; energy and materials; and health and well-being. That’s money to be made, rather than investments having to be financed.

There are many instruments being discussed as sources for additional finances for development, ranging from blending official development finance with private investment, to insurance schemes (like climate risk insurances), public-private partnerships (particularly for infrastructure investments) and others that largely rely on public subsidies for private investments. But there are also instruments proposed that are “purely” private.

Bonds as the answer?

One instrument discussed not just in the AAAA but also by both private and public actors during its follow-up is bonds. Bonds are generally being used to finance all...
kinds of investments. They are debt instruments issued by banks or companies with the help of an issuer (usually another bank). Bonds can then be (but not always are) traded. They differ from shares in that they constitute no (partial) ownership, but rather the right to interests (at fixed rates or bound to an index) as well as their repayment. The default risk of a bond is usually determined by the credit worthiness of the issuer or its credit rating. The better the rating, the smaller the risk, the smaller the rate of return. Usually, investors would not know what the money raised through bonds is being used for.

Two rather recent additions to the bond portfolio are different in that way. Green bonds are issued to finance climate and environmental protection. SDG bonds aim at financing projects concerning various sustainability goals. These types of bonds are of interest, inter alia, because they could – given the credit worthiness of the issuer – serve as an intermediary between institutional investors and projects in urgent need of finance. If, for example, a bond is issued by a public bank (like the World Bank) or large financial institution, their credit worthiness (as well as the security for the investor) is usually much higher than that of a commercial issuer since it is secured by public money or size. This enables better interest rates than direct borrowing.

### Saving the environment with green bonds

First green bonds were issued already in 2007 by the European Investment Bank in order to finance the climate goals of the European Union (EU). In following years, notably development banks like the World Bank or the German Kreditanstalt für Wiederaufbau (KfW) issued green bonds, which have since raised more the 380 billion US-Dollars (by the end of 2017). However short of overall financing needs these may fall – and considering they constitute only 2 percent of all bonds being issued – they are a potential addition to public and private investments. Since 2014 at the latest, more and more private issuers have joined, with green bonds being issued by companies like Toyota, Unilever, Apple, or Starbucks to raise funds for new investments in more sustainable business practices. Green bonds generally work like any other bond, the only difference being that issuers commit to use the proceeds for environmentally and climate friendly investments by the issuer or others for which the proceeds of the bonds will be provided as credits. This constitutes a clear earmarking for environmental and climate protection.

So far, there seems no economic advantage in issuing green bonds. While demand seems high, interest rates have remained at usual market levels. For issuers, other factors like a reputational gain seem more important. However, green bonds may be able to attract investors determined in investing in ecologically sound projects that so far have stayed away from bonds.

The UN Development Programme (UNDP) gives some case studies of green bonds that illustrate the varieties of their use as well as potential problems. Examples given range from sub-national government entities having issued bonds to finance sustainable projects of their

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46 — See www.undp.org/content/sdfinance/en/home/solutions/green-bonds/. The site also gives a more technical description of various types of green bonds and analyses risks and opportunities.
Examples for Green Bonds and how they are used

The French regional government of Île de France raised 950 million Euros through two bonds (one in 2012, one in 2014) to finance an eclectic mix of green investments. They are calling this a Green & Sustainability Bond. Proceeds of the bond will be used for a broad array of investments including the construction and renovation of buildings such as high schools and public transport, renewable energy projects, purchase of green space and creation of “ecological corridors.” The Climate Bonds Initiative, however, sees room for improvement, for example in the specification of building level efficiency.

The city of Johannesburg issued Africa’s first municipal green bond in 2014 to the amount of 1.46 billion Rand. The proceeds of the bond will be used to finance emissions-reducing projects, including for the development of biogas energy, solar power, and sustainable transportation. Standard Bank Group has acted as co-arranger on this green bond.

The World Bank manages a large portfolio of green bonds (100 plus), mostly in middle-income countries. The Group has issued more than 10 billion US-Dollars in green bonds, for which currently (mid 2017) 91 projects were eligible. The World Bank reports on the impact of those projects in annual reports showing achievements according to certain specific indicators, like energy being saved or generated.

Engie (formerly GDF Suez), the French utility company, is one of the world’s largest corporate issuers of green bonds. By 2017, all bonds issued by Engie totaled more than 5 billion US-Dollars. “The proceeds of this bond”, Engie says, “will be used to finance the Group’s growth in renewable energy or energy efficiency projects. Furthermore it will be used in natural resources preservation projects, as well as R&D investments in those areas and equity participations in projects of the social impact ENGIE fund ‘Rassembleurs d’Energies’.” This example shows one of the “most notable controversies in the green bond market.” A previous 2.5 billion Euro bond by Engie in 2014 was the largest corporate bond issued at the time. Among the projects it financed was the Jirau Dam in Brazil.

Ryan Brightwell of BankTrack comments: “This massive, already-completed hydropower project has contributed, together with another dam on the same river, to the flooding of 362 square kilometres of rainforest, as well as being associated with labour rights violations, adverse impacts on indigenous communities and destruction of habitat. After strong community resistance against the dam over many years, supported by campaigns by International Rivers, Amazon Watch and Survival International among others, Engie putting green-bond finance into this project was rubbing salt in the wound.”

Voluntary self-regulation schemes for green bonds

Green bonds do provide an opportunity for investors eager to invest in sustainable projects – however vaguely

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47 — For more on these corridors, see www.sicirec.org/definitions/corridors.
48 — See www.climatebonds.net/2014/05/%C3%A9le-de-france-issues-eur600m-83yr-12yr-aa-green-muni-they-had-so-many-orders-one-hour, also for more information on the bond.
49 — For more, see https://kurzlink.de/joburg_green_bond.
53 — Ibid.
defined – rather than traditional ones. However, so far there are no clear regulations or definitions for what constitutes a green bond. Voluntary international standards aim at creating market transparency and increasing trust in the green bond market. The most important standard is the Green Bond Principles (GBPs), developed and supported by the International Capital Market Association (ICMA). The GBPs recommend criteria for the design of green bonds. It includes rules on what proceeds can be used for, the way projects are being chosen, the governance of capital raised and reporting as well as external certification (or second opinion provision) by sustainability rating agency like Sustainalytics or Oekom.

The list of potential projects named in the GBPs intends to be indicative and capturing the most commonly used types of projects supported or expected to be supported by green bonds. It includes amongst others renewable energy, pollution prevention, terrestrial and aquatic biodiversity conservation, sustainable water and wastewater management, climate change adaptation, circular economy adapted products. While the GBPs certainly provide an important framework for investors and bond issuers, they remain rather vague and – most importantly – voluntary. To ensure that investments are indeed “green”, issuers are increasingly asking for second party opinions. However, there are also no standards for those opinions. Nevertheless, the earmarking of funds allows for a better and in-depth view into what the proceeds from bonds are being invested in. It remains for investors to determine whether this corresponds to their views on what constitutes a “green” investment.

Despite all these weaknesses, the market for green bonds has grown in absolute terms. In 2017, the global volume of issues was around 155.5 billion US-Dollars, more than three times the amount in 2015 – and already surpassing global ODA. Analysts expect this trend to continue with large investors coming into the market.

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55 — Ibid., p. 3.
New bond on the block: SDG Bonds

In March of 2017, the World Bank opened yet another way for investors to directly participate in the fulfillment of the SDGs: SDG Bonds. The rate of return of these bonds – or equity-index linked bonds⁵⁸ to be more precise – is not fixed, but linked to the performance of companies listed in the Solactive Sustainable Development Goals World Index.⁵⁹ Their worth is therefore not determined by the credit rating of the issuer, but by the price of shares for certain companies. The index lists 50 companies that “dedicate at least one fifth of their activities to sustainable products, or are recognized leaders in their industries on socially and environmentally sustainable issues”.⁶⁰ The bonds were arranged by French bank BNP Paribas and are intended to support the financing of projects supporting the SDGs. The bonds have so far raised 163 million Euros from institutional investors in Europe.

This was soon followed by private issuers. In November of 2017, British bank HSBC issued bonds in the value of one billion US-Dollars “used to offer broad social, economic and environmental benefits as aligned to seven selected UN SDG targets”⁶¹ maturing in 2023 and according to HSBC were three times oversubscribed at the time of issuing.

What the proceeds of the HSBC SDG bonds will be used for is laid down in the HSBC Sustainable Development Goal (SDG) Bond Framework⁶² which is “in alignment with the 2017 Green Bond Principles and 2017 Social Bonds Principles and the Sustainability Bond Guidelines” developed by the ICMA (see above).⁶³ More importantly, HSBC has developed an assessment of what kind of project or business will be eligible for lending from the proceeds of the SDG bonds. Amongst them are projects for healthcare, education, and access to safe and affordable drinking water, renewable energy, sustainable infrastructure, affordable housing and reducing vulnerability to climate change.⁶⁴

The framework also excludes certain sectors, among them nuclear power generation, weapons, alcohol, gambling/adult entertainment, and palm oil. Furthermore, it expresses rules for reporting on the allocation and impact of the investment, for example the number of hospitals being built or upgraded.⁶⁵

Issues in private finance for sustainable development

To be able to judge the effectiveness, efficiency and relevance of green bonds overall is currently more or less impossible. Useful overviews exist only for certain issuers, while the number of a great variety of bonds is still growing. The situation for SDG bonds is even more difficult, since the first ones were only issued in 2017. Reports on their use and impact will likely be published only in 2019. However, it is possible to say something about the direction sustainable development finance is taking of which bonds are just one expression.

Even though the mentioned ‘innovative’ instruments are rather young and relatively small in size, they certainly have a role to play, and if it’s a small one. If the SDGs or the outcomes of the Paris Agreement do have a chance of being realized, this will rely on businesses changing behavior – and quickly. It will not be enough to garnish largely unsustainable business practices by some additional environmentally sound initiatives. The best renewable energy project will not balance out coal powered electricity production.

It is important to emphasize now and again that sustainable business practices are not a matter of diversifying, but of replacing unsustainable ones. In this regard, green or other bonds must not be just another playground

⁵⁸ — An equity-linked bond differs from a standard fixed-income bond in that the final payout is based on the return of the underlying equity, which can be a single stock, basket of stocks, or an equity index. Most equity-linked bonds are not traded and are designed to be kept to maturity.
⁵⁹ — www.solactive.com/de/?s=development&index=DE000SLA2M49
⁶² — HSBC (2017).
⁶⁴ — HSBC (2017).
⁶⁵ — Fore more, See www.facing-finance.org/de/publications/dirty-profits/dirty-profits-5/
for businesses. If green or SDGs bonds can help in that direction at all, that could be welcomed. One first, yet small, step in this direction are principles for their issuance and use. But this is far from sufficient. German CSO Südwind Institut, experts in matters of sustainable finance, has raised at least four issues with green bonds that will have to be addressed if the bonds ever live up to their full potential:

The first issue is transparency: Green bonds are a useful first step into the direction of greater transparency in the bond market in general. They earmark their proceeds to actual projects. External oversight over the actual use of funds during the full time until maturity as well as full transparency of financed projects would be even better. Here is room for improvement.

Another aspect is the use of proceeds from these kinds of bonds: The categories listed in the GBPs are still too vague. Südwind Institut fears that, for example, the financing of “renewable energy” could encompass large-scale hydroelectric dams with questionable social and sustainability impacts.

Lastly, the question of who issues bonds should not be ignored. Some green bonds are issued by rather unsustainable corporations like Electricité de France, which runs several nuclear power installations, or the Agricultural Bank of China, one of the largest investors in coal. Even if all proceeds from green bonds would go into actual renewable energy, investors should make sure they are not supporting actors gaining more maneuvering capacity through green bonds.

**Much needed regulation for SDG and green bonds**

The same arguments are equally true for SDG bonds. A worthwhile answer to these criticisms should come in the form public regulation on what constitutes a green or an SDG bond, what criteria should be applied and how public oversight can be secured. WWF France argues along a similar line and expresses seven demands towards green bond standards that could serve as basis for internationally agreed and publicly overseen rules:

1. “Green bond standards should cover and address all critical environmental challenges.
2. They should focus on achieving verifiable ‘actual’ instead of ‘promised’ or ‘pledged’ environmental benefits.
3. They should be science-based, long-term-oriented and resilient.
4. They should apply a sector-by-sector approach to determine what is green.
5. The burden of proof lies with the issuer: in sectors where certification schemes are currently not yet available, standardized disclosure is needed to demonstrate actual environmental benefits.
6. Green bond standards should include independent third-party assurance and accreditation as an essential element to enhance credibility.
7. Existing environmental standards can provide shortcuts and help close the existing gaps.

This indeed should be the bare minimum. This indeed should be the bare minimum. In fact, the SDGs are not just about environmental issues, but cover other aspects that need to be taken into account. This includes, inter alia, prominent human rights issues like the rights to water or nutrition. Indeed, a human rights based approach to the formulation of rules and regulations for Green or SDG-Bonds could give much insight into the complexities of the issue. If private issuers are in fact allowed to use a public brand like the SDGs at all. Even though, for example, the criteria in HSBC’s SDG Bond Framework seem very elaborate and are strict in that they define exclusion criteria or sectors, it will remain to be seen which projects are finally financed. Only then can critical investors be certain that by buying SDG bonds they are indeed furthering the SDGs in general.

Again, the question of the issuer is of importance. HSBC, while maybe deserving praise for their SDG Bonds, has been shown in the past to not always having an exemplary business conduct. The International Consortium of

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Investigative Journalists, for example, alleges that the bank profited from doing business with corrupt politicians, dictators, tax evaders, dealers of blood diamonds, arms dealers and other clients. Investors would be hard pressed to ignore this when buying into SDG investments of HBCB. As should an organization like the UN be when ‘allowing’ corporations to use its name or product for the promotion of their corporate goals.

**Are bonds really the solution?**

There are voices that even question the overall usefulness of the approach, like Chee Yoke Ling, director of programmes at Third World Network: “The rates of return promised on some of the proposed ‘innovative’ financing mechanisms just don’t make any sense. In fact, rather than showing sensible ways of tapping into much needed long-term financing instruments, the suggested ‘bundling’ of risky loans into AAA packages to be sold to pension funds reminds me of practices that are proven to have led us into the latest global financial crisis.”

Bonds, secondly, are a special form of debt. While at first glance, the issuer and its credit worthiness determine the rate of return, their proceeds will only in the rarest of cases be given away below market value. So the projects they are investing in will likely add to the rising levels of debt, particularly in countries in the global South.

Thirdly, sustainability or even “green” investment is a very difficult thing to do – they can never be considered in isolation. This is highlighted not least by the integrated nature of the 2030 Agenda that is full of interdependencies and interconnections – but also contradictions. While investment in infrastructure, for example, may be economically sound, it could cause environmental or even social risks (e.g. roads might increase CO₂ emissions and air pollution known to harm especially poorer sectors of societies; or associated resettlements might violate basic human rights standards.). The magnitude of a task to develop a truly encompassing set of categories for sustainable investment is shown in the criteria Brot für die Welt and Südwind Institut have developed for the FairWorldFonds, an investment fund aimed at supporting sustainable development.

Sustainability, fourthly, will not be achieved by just more economic growth. This, however, seems to be the underlying narrative of the various bonds initiatives. Only if humanity stays within planetary boundaries as a whole, will all this have made a difference. To that end, unsustainable economic growth will not just have to be complemented with a set of sustainable investments, but will have to be replaced.

Fifth, it is urgently needed to have an analysis of possible trade-offs and unintended consequences of the shift towards “innovative” development finance of which green or SDG bonds are just one part. This relates as much to the problem of increasing indebtedness as to potential effects this approach may have on corporate concentration and inequalities of wealth and income. A market based approach to FfD – of which these bonds are but one expression – does intrinsically build on high levels of financial concentration and in fact could contribute to even strengthening it. Furthermore, this approach advances a trend towards financialization that at the very least needs to be considered as just one element in overall financing and investment strategies when weighing up the pros and cons of bonds.

Lastly, while investments into sustainable sectors, activities and possibly fiscal incentives in order to promote sustainability in general or the SDGs in particular may seem to be steps into the right direction, they must not serve as distractions from the fact that investments in unsustainable production patterns need to be dis-incentivized at the same time. Environmentally harmful subsidies, for example, need to be phased out as soon as possible. Money saved that way should be used to put societies and economies on sustainable pathways rather than retain old and harmful patterns. At the same time, this illustrates that in many occasions sustainable development does not cost money, but rather would help save it.

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69 — www.icij.org/project/swiss-leaks
Case 2, Tobacco industry: Truly transformed or using SDGs as a smokescreen for old strategies?

By Laura Graen

While many different business and industry sectors have its role to play in the implementation of the SDGs, the consumer goods sector is quite an interesting one to look at. With SDG 12, policies for more sustainable consumption and production patterns are reflected in the 2030 Agenda with its own specific goal and targets. The change of consumption patterns is one of the main issues governments focus on when it comes to the realization of the SDGs. This is due to its global and transnational business character, its close relation to society, and potential for great controversies when it comes to regulation of particular products, and the potentially great positive impact this might have.

Not only policy-makers but also businesses see an increased relevance in the SDGs. Because of climate change, poverty or working conditions, the goals have become relevant for the whole consumer goods sector, and many companies engage in them with projects or by adapting their business strategies. The 2016 SDG Industry Matrix published by the UN Global Compact (UNGC) and the audit firm KPMG71 showcases examples ranging from charity projects over enhanced consumer engagement and workplace improvements to technological innovations and adjusted marketing strategies. These include among others Cargill selling edible oil brands fortified with vitamins that are supposed to help combat malnourishment in India (SDG 2); Colgate-Palmolive making its products available in less developed areas and at more affordable prices to the poor (SDG 10); Coca-Cola investing in water projects (SDG 6); and several companies organizing school projects (SDG 4).72 All of these business initiatives raise the question where desirable contributions end and marketing efforts or strategies to avoid government regulation begin.

Looking closely, alcohol and tobacco are in fact the only consumer products explicitly mentioned in the SDGs. This is mainly because of their toll on public health. Interestingly, tobacco corporations belong to the early adopters of SDG rhetoric. This chapter will demonstrate how the tobacco industry uses the SDGs in a broad strategy to circumvent regulation. This way, the example of tobacco companies is a cautionary tale that shows the limitations of corporate engagement in the SDGs and the need for governments, international institutions as well as civil society to protect the SDG process from undue corporate influence.

Tobacco – a burden on sustainable development

Mentioned explicitly in SDG 3, the regulation of the tobacco industry is part of the 2030 Agenda. For good reason, considering the fact that more than 7 million people die each year as a result of addictive tobacco products.73 Tobacco related diseases are the leading preventable cause of death from non-communicable diseases (NCDs). Cutting global tobacco prevalence would therefore significantly contribute to the goal of one third reduction of premature mortality caused by NCDs, as stipulated in SDG 3.4.

The WHO Framework Convention on Tobacco Control (WHO FCTC), whose implementation is demanded by SDG 3.a, came into force in 2005 and to date was ratified or acceded by 180 countries and the European Union (EU),74 covering about 90% of the global population. It contains measures such as tobacco taxation, protection from exposure to second-hand smoke, packaging and labelling provisions, tobacco dependence treatment as well as a ban on tobacco advertising. The treaty also promotes alternative livelihoods for tobacco growers.

Internal industry documents show that tobacco corporations have known for decades that they are selling a

product that kills when used as intended, while reassuring governments and the public about the safety of cigarettes. Contrary to the companies’ claims to only market tobacco to adults who already smoke, in its need for “replacement smokers” the industry targets children and youth with advertising campaigns, because people who have not started to smoke at age 18 are unlikely to ever do so. For decades, tobacco companies have undermined the tobacco control efforts of the WHO and governments worldwide, using manipulated science, overt and subvert lobbying, front groups, Corporate Social Responsibility (CSR) projects, as well as threats and legal action in national courts or investor-state dispute settlement tribunals. Learning from the experience that the tobacco industry makes huge efforts to delay or water down regulation, the FCTC includes a provision that restricts the interaction between industry actors and public institutions to the amount strictly necessary for regulation and condemns CSR projects and partnerships with the tobacco industry (Art. 5.3).

Much more than a health issue

Tobacco control is relevant for the achievement of sustainable development far beyond public health (SDG 3): Across the world, socially and economically disadvantaged groups are more likely to start smoking, leading to addiction and diseases that in turn can impact income and increase poverty (SDG 1). A ban on tobacco advertising is one of the measures the WHO FCTC, whose implementation is demanded by SDG 3.a. It came into force in 2005, until to date it was ratified or acceded by 180 countries and the European Union.
available for purposes such as food (SDG 2) and education (SDG 4). It is estimated that in India alone, an additional 15 million people fall below the poverty line once the effects of tobacco consumption within the family are taken into account. In low- and middle-income countries, only 8% of women smoke compared to 49% of men. This can worsen gender inequality when household income is spent on tobacco instead of the needs of women and children (SDG 5). Workplace second-hand smoke exposure causes 433,000 deaths each year globally, accounting for almost 20% of deaths caused by occupational diseases and injuries and hampering the achievement of decent working conditions (SDG 8). Additionally, tobacco growing is shaped by intensive use of chemical inputs and smallholder farmers often lack appropriate protective clothing. Occupational injuries like poisonings with agrochemicals are prevalent (SDGs 8, 3.9). The tobacco plant itself contains the neurotoxin nicotine that causes an acute poisoning known as Green Tobacco Sickness (GTS) when absorbed through the skin. It leads amongst others to dizziness, nausea, diarrhoea and muscle weakness. Severe cases need emergency care in hospital. In this context, the widespread use of tobacco goes along with poverty, food insecurity as well as deforestation and other environmental damage (SDGs 1, 2, 6, 12 and 15). Tobacco consumption costs the world more than US$1.4 trillion (1.8% of the global Gross Domestic Product/GDP) in healthcare expenditures and productivity losses each year, an enormous waste of resources given the funding gap that needs to be filled to achieve the SDGs. At the same time, one of the most effective measures to reduce smoking prevalence – increasing tobacco taxes – is an important, yet mostly untapped domestic resource for funding development (SDG 17.1). According to a study by Goodchild et al, a worldwide average 80% tobacco tax increase would generate income to the amount of US$1.41 billion annually and decrease prevalence significantly, saving 15 million lives. Low- and middle-income countries would benefit the most because public revenue from tobacco taxation there would rise between 50 and 68%. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development recognized tobacco taxation and the WHO FCTC as important development measures.

Additionally, various human rights bodies and treaties have recognized the importance of implementing the FCTC, such as the UN Human Rights Council, the UN Committee on the Rights of the Child (CRC) and the UN Committee on the Elimination of Discrimination Against Women (CEDAW). The UN Guiding Principles on Business and Human Rights (UNGPs) have also been

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84 — Graen.
interpreted as irreconcilable with the production and marketing of tobacco⁹⁰

Tobacco industry engagement in the SDGs

The tobacco world market is controlled by four transnational cigarette companies and the Chinese state monopoly China National Tobacco Corporation (CNTC) that has a global market share of more than 44% but sells only in China. Together, they have a market share of more than 80%.” Information about CNTC is very limited, so this study focuses on the four transnational tobacco companies that control most of the market outside of China. These are Philip Morris International (PMI, 14.6% global market share), British American Tobacco (BAT, 10.7%), Japan Tobacco International (JTI, 8.6%) and Imperial Brands (4.7%).⁹¹

On a rhetorical level, all four multinational tobacco companies support the SDGs. Imperial Brands mentions them in its 2017 annual report to investors, announcing a review of the company’s CSR programs in view of the SDGs.⁹² BAT’s Chief Executive Officer Nicandro Durante sees “a clear alignment between the SDGs and our own sustainability priorities” and the company’s sustainability report several times mentions specific SDGs such as poverty, gender equality, clean water, decent work and

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⁹² — Statista.
Tobacco in the Agenda 2030 is not just a health issue, because tobacco consumption and production also hinder sustainable development.
Consumption and production of tobacco also impede sustainable development. Tobacco within the post-2015 agenda is not a pure health topic, because...
economic growth.\textsuperscript{94} The Swiss headquartered JTI has used the SDGs to attack the WHO.\textsuperscript{95} In a press release, cigarette corporation PMI welcomes the adoption of the SDGs “as an additional motivation for our journey to transform PMI”, without mentioning that tobacco control is part of the goals.\textsuperscript{96}

Tobacco companies have a long history of CSR programs and have begun to link them to the SDGs. JTI for example through its JTI Foundation supports water and disaster relief projects in Bangladesh, referring to the SDGs\textsuperscript{97} and BAT’s Bangladesh subsidiary funds water filtration in rural communities claiming this is aligned with the government’s SDG aim for safe drinking water.\textsuperscript{98} This is not new for BAT: previously, subsidiaries in Nigeria and Brazil had linked their CSR projects to the respective governments’ efforts to achieve the UN Millennium Development Goals, using this as an avenue to influence political decision makers.\textsuperscript{99} PMI connects its good agricultural practices program to SDG 2, describing that they support food production alongside tobacco farming in Mozambique, Malawi and Tanzania.\textsuperscript{100}

In the name of sustainability in general or the SDGs in particular, tobacco corporations also engage in business and multi-stakeholder programs or partnerships. As part of the corporate group World Business Council for Sustainable Development (WBCSD), PMI has for example endorsed the Paris climate agreement.\textsuperscript{101} BAT’s Chief Executive Officer Nicandro Durante emphasizes: “Goal 17, with its focus on partnerships, is also particularly relevant. Working collaboratively as part of multi-stakeholder


\textsuperscript{100} — Philip Morris International, Sustainability Report: Communication on Progress 2016, United Nations Global Compact, 50, 76.

partnerships has always been central to our approach to sustainability.” The company lists a number of actors they work with, for example NGOs and development agencies, governments, as well as international organizations such as the UN and the International Labor Organization (ILO); and it is a member of various sustainability groups. JTI is a member of the UN Child Labour Platform and the Alliance 8.7 whose name refers to SDG 8.7 (child labour).

Changing its core business strategy?

Besides rhetoric and CSR projects, the question remains: Does the tobacco industry change its core business strategies? As a matter of fact, their biggest impact on sustainable development lies in public health. All four multinationals emphasize their research efforts for novel tobacco products they claim to be potentially less risky, similar to the industry’s promotion of filter and low-tar cigarettes in the 1950s and 1960s. They have started to admit the “health concerns associated with smoking” and that “[s]moking cigarettes causes serious disease” usually in tandem with praise for their e-cigarettes or heated tobacco products. Nevertheless, they continue to fail to admit the responsibility for millions of deaths in the past, present and future in which they keep on selling cigarettes. JTI, BAT and Imperial Brands completely ignore SDG 3 and therefore do not acknowledge the area of their biggest impact. PMI does refer to SDG 3 as the area of its greatest potential impact, but fails to mention that the WHO FCTC, whose regulatory measures the company describes as a high business risk is an integral part of this SDG. At the same time, all four corporations not only continue to sell combustible tobacco products, on which they spend the lion’s share of their promotional budgets, but also geographically expand and scale their markets for them.

But why do tobacco companies bother to engage in the rhetoric around the SDGs instead of ignoring them altogether? By recognizing the FCTC as an important means to achieving sustainable development, the SDGs are a threat to the tobacco industry, even more than the FCTC itself was before. In a 2015 internal document leaked by Reuters, PMI describes the potential inclusion of additional tobacco control measures in the SDGs as an “alarming development” because the company feared “that it could lead to the creation of another international body at the UN that would deal specifically with tobacco issues”. PMI based this scenario on unspecified “intelligence” and there is no evidence that this was ever discussed at UN level. However, the company subsequently lobbied representatives at Ministries of Foreign Affairs and the UN with the argument that the inclusion of tobacco could lead to the need of bigger national contributions to the UN. Now that the FCTC was included in the SDGs, the tobacco industry cannot ignore them.

The SDGs embed tobacco control in a broader Agenda and lead to the engagement of UN institutions

103 — British American Tobacco, 34.
and government departments beyond Ministries of Health. These other departments, for example Ministries of Agriculture and Trade, have been traditionally lobbied by tobacco companies to create conflict over tobacco control measures and stop them from being implemented. The tobacco industry cannot afford to lose this stronghold. At the same time, the SDGs provide the opportunity for new public private partnerships (SDG 17.17), a form of engagement the tobacco industry has used to block or water down regulation for decades. This perfectly lays out an avenue for PMI’s “normalization” strategy to address issues such as a ban on lobbying and political or charitable contributions or the exclusion from trade agreements. One of the planned actions is to “[b]uild on existing, and foster future, stakeholder relations with International organizations, politicians, NGOs”.14 PMI’s goal is to be viewed “as a trusted and indispensable partner, [...] bringing solutions to the table” – a table that it has been largely barred from because of Article 5.3 of the FCTC. Novel tobacco products are an area the company tries to use for this.15 The same internal plan says that the corporation should “[a]mplify voices of ‘harm reduction’ which it has put in action in a September 2017 public relations coup: The new “Foundation for a Smoke-Free World”, led by Derek Yach, who formerly worked with the Tobacco Free Initiative at the WHO before changing over to PepsiCo.16 The foundation claims that it is independent, despite PMI’s yearly recurring funding of US$80 million (about 0.1% of the company’s revenues) for 12 years.17 In its 2017 annual report, PMI explicitly names this foundation as a contribution to SDG 3, saying that it will fund research in the context of alternative tobacco products.”18 The tobacco industry has used distorted research and front groups before to influence tobacco control efforts.19 Tobacco companies additionally make use of partly conflicting aims within the SDGs – e.g. increasing employment and economic growth (SDG 8) versus public health (SDG 3). JTI publicly attacks the WHO, stating that it “has been dangerously jeopardizing many programs which enhance tobacco communities’ livelihoods and meet the United Nation’s (sic!) Sustainable Development Goals”.”20 In this statement, JTI reveals an old tobacco industry strategy: pitting other UN agencies against the WHO. Although JTI does not explicitly mention it, the quote refers to the ongoing debate within the ILO governing body over ceasing its collaboration with JTI and other tobacco companies. A growing number of UN agencies is adopting policies against tobacco industry interference and the ILO is one of the last that cooperates with tobacco industry. Most recently, the UNGC in September 2017 announced the exclusion of tobacco corporations, expelling among others PMI and Souza Cruz, the Brazil subsidiary of BAT.21

**Conclusion and recommendations**

Business engagement in the SDGs is not a bad thing per se. Especially when it comes to a change of business behavior to a more sustainable way, an increased responsibility of businesses is much needed. However, policy-makers, UN and civil society supporting the engagement of
business have to be careful as it can be difficult to differentiate certain business activities and their goals. A new company policy could signal a shift of business strategy or it could merely be public relations rhetoric. A program on working conditions promoted as change in supply chain management might turn out to be a greenwashing project with limited scope or impact. Additionally, corporate influence on a political level, e.g. through business or multi-stakeholder groups, can lead to softened government regulation with negative consequences for the public.

The tobacco industry may be seriously working on a change of product line, having understood that their current product is not a sustainable source of profit with the WHO FCTC and the SDGs against it. Nevertheless, a change of business strategy is not done by merely changing a product. The tobacco industry does not show change in its behaviour towards stakeholders and regulation. References to the SDGs are part of a broader, multi-layered strategy with the aim of stopping tobacco control measures such as taxation, advertising bans or plain packaging. Therefore, the tobacco industry activities do not meet the basic principles of engagement in the SDGs. In contrast, the industry’s use of the SDGs to circumvent regulation impairs sustainable development instead of increasing it.

The biggest impact the tobacco industry can have on the achievement of the SDGs is the immediate cessation of all marketing efforts for cigarettes and other harmful tobacco products, and subsequently the stop of manufacture and sale of these products. No other measure taken by tobacco companies – no investment in disaster relief, supply chain management, reforestation and novel (yet not proven to be nonhazardous) products – can offset the harm these companies continue to do. There is no other consumer goods industry that has a similar impact with a similar solution.

The leadership of companies like AXA, ABN Amro and other insurance companies should be followed by (public) pension funds and the initiative should be extended to stopping investment in other harmful industries. There is huge interest from consumers in such funds, as the Fair World Fonds that among others excludes arms, tobacco and alcohol industries, shows. The tobacco industry clearly shows the limitations of public-private partnership models, a tool for the SDG implementation heavily pushed and pursued by the UN as well as governments. While there may be no other consumer products as harmful as tobacco, other products come with serious health concerns as well. There are 6.7 million deaths related to processed foods, sugar and alcohol and these industries have been found to employ strategies similar to the tobacco industry. The sugar industry promotes biased studies to create doubt about the link between sugar drinks and obesity, Coca-Cola organized heavy opposition against soda taxes in 14 countries and food companies employed intellectual property and trade arguments to pressure the government of Chile on health labels. In these areas, governments, civil society and the UN should be cautious about public-private partnerships and safeguard the SDGs against corporate interference. The guidelines to Article 5.3 of the WHO FCTC and the related UN model policy give guidance for that.

In order to make food, sugar and alcohol companies more sustainable and tackle insufficient regulation, the tobacco sector might actually be a helping role model. The WHO instrument used to develop the FCTC was long buried and could be used to develop other treaties to introduce measures like advertising restrictions, health labels and taxation for products that cause serious harms to public health, human rights or sustainable development.

Role of other business sectors

The private sector, in line with ethical banking principles, has already started to end investments in the tobacco industry and thereby support sustainable development.

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## Abbreviations

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<th>Abbreviation</th>
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<tr>
<td>AAAA</td>
<td>Addis Ababa Action Agenda</td>
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<td>BAT</td>
<td>British American Tobacco</td>
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<td>BSDC</td>
<td>The Business and Sustainable Development Commission</td>
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<td>CEDAW</td>
<td>UN Committee on the Elimination of Discrimination Against Women</td>
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<td>CNTC</td>
<td>China National Tobacco Corporation</td>
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<td>CRC</td>
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<td>CSOs</td>
<td>Civil Society Organizations</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>ECOSOC</td>
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<td>EU</td>
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<td>FCTC</td>
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<td>FCTC</td>
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<td>FtD</td>
<td>International Conference on Financing for Development</td>
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<td>ICMA</td>
<td>International Capital Market Association</td>
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<td>GCNC</td>
<td>UN Global Compact Network Canada</td>
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<td>GBPs</td>
<td>Green Bond Principles</td>
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<td>Global Reporting Initiative</td>
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<td>GTS</td>
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<td>GDP</td>
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<td>HLPF</td>
<td>High-level Political Forum on Sustainable Development</td>
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<td>FATF</td>
<td>Inter-Agency Task Force on Financing</td>
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<td>ICC</td>
<td>International Chamber of Commerce</td>
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<td>JTI</td>
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<td>Kreditanstalt für Wiederaufbau</td>
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<td>SDG(s)</td>
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