



Do intentions translate into reality?

The role of companies in transforming seven systems needed to put the world on a more sustainable path

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Executive summary

The world is far off track to achieve the [Sustainable Development Goals](#) (SDGs) and is failing on their defining principle to 'leave no one behind'. Across most of the SDGs, which cover intersecting environmental and social issues, global progress is slow and, in some cases, even moving in the wrong direction. Companies play a critical role in achieving the 2030 Agenda, but widespread corporate support has not translated into the real, SDG-aligned action that is needed to put progress back on track.

Our benchmarks show that companies have a long way to go if they really want to align their strategies with the SDGs. For example, even though the 2,000 companies included in our benchmarks could employ well over 1 billion workers throughout their supply chains, almost four out of five companies fail to disclose that they are conducting human rights due diligence in their supply chains. Additionally, while these companies are likely responsible for a third of direct energy-related greenhouse gas (GHG) emissions, most companies in energy-intensive industries fail to develop and act on credible transition plans. Moreover, while converting natural land to farmland accounts for 80% of all global land conversion, more than half of food and agriculture companies have not set deforestation targets for their high-risk commodities. Finally, whereas artificial intelligence is booming and becoming more and more sophisticated, just two out of five digital companies have publicly available ethical artificial intelligence principles. This is only a handful of examples that show how the majority of companies are not living up to their promises and potential to play their part in achieving global agendas like the SDGs, Paris Agreement and the Global Biodiversity Framework.

Indeed, companies' social and environmental performance and their contribution to sustainable development today simply do not have enough consequences to their success. And without accountability, there are no consequences for companies that lag behind, and little incentive for companies to make the effort and take the risk to change their strategies and practices.

About this paper

This paper is the third in a series of publications focused on the seven systems transformations needed to put our society, planet and economy on a more sustainable and resilient path to achieve the 2030 Agenda. The first paper, '[Measuring what matters most](#)', laid out the seven systems transformations and emphasised the urgent changes needed. It provided the strategic framework that guided benchmark development and the identification of keystone companies – companies whose contribution is vital to achieve the SDGs, referred to as the SDG2000. The second paper, '[It takes a system to change the system](#)', shone a light on the effects of the COVID-19 pandemic and how the World Benchmarking Alliance (WBA) is operationalising these seven transformations through our benchmarks and engagement, and highlighted early findings, learnings and insights. Supported by our most recent benchmarking findings, this third paper zooms in on relevant megatrends and developments related to each of the seven systems transformations, shows the transformations' relevance in today's world, and where company progress is needed most. It also highlights interactions between systems, showing that these interactions can involve trade-offs while others are more synergistic.



Introduction

The year 2023 marks the half-way point of the 2030 Agenda for Sustainable Development. However, according to a preliminary assessment of roughly 140 SDG targets (out of 169) for which data is available, only 12% of targets are on track to be achieved (UN, 2023). While achieving all SDGs and targets in the next seven years may not be possible, all progress is needed – and needed fast.

When we published our updated transformations paper two years ago, it was hoped that the COVID-19 pandemic could have a transformative impact, and catalyse positive change towards a more sustainable, inclusive and resilient future. However, the pandemic is still having profound negative impacts on progress towards the SDGs (UN, 2023): the transformations needed are still largely absent, progress is too slow, and in some cases even moving in the wrong direction. Compounding the negative effects of the pandemic, the world is experiencing the highest number of violent conflicts since the Second World War (UN, 2023), the cost of living and inflation are rising, and the number of natural disasters is surging (UN, 2023). Since the beginning of this century, the world has witnessed more than 2,500 disasters and 40 major conflicts, affecting the lives of over 2 billion people (UNEP, 2023). At the time of writing, the world was experiencing the hottest month ever recorded on Earth, and likely the hottest in about 120,000 years (Thomson, 2023). The climate crisis is escalating, yet the fight against climate change is slowing down.

According to António Guterres, Secretary-General of the United Nations (UN), we are “leaving more than half of the world behind” (UN-Habitat, 2023). The world is failing to translate the widespread support for the 2030 Agenda into real, SDG-aligned action. How can we move from ‘the sense of urgency’ to meaningful, tangible progress? How do we ensure that each player does their part to accelerate this progress?

Research shows that while the SDGs have shaped the ways that governments and companies speak, think and write about global sustainability challenges, they have unfortunately not led to meaningful change (Worth, 2022). There is little evidence of new policies, institutions or budget allocations designed to make progress on specific goals. In other words, the SDGs suffer from a lack of implementation (Biermann, et al., 2022).

Companies are increasingly powerful and vital drivers of progress on sustainable development. Every January since 2020, WBA has published its updated [SDG2000](#) list, which identifies the most influential companies around the world that hold the power to shape our future. In total, the revenue of these companies surpasses USD 43 trillion. They directly employ over 90 million people and millions more through their supply chains. Although reliable numbers are missing – due to the lack of transparency around the number of workers in their supply chains – research on 50 large multinationals shows that these companies employ only 6% of people in a direct employment relationship, while 94% work in their supply chains (ITUC, 2016). This means that as many as 1.4 billion workers could potentially be linked to the global supply chains of the SDG2000 companies. Considering companies’ environmental impacts, available data shows these companies are directly responsible for about one fifth of global energy-related emissions. In reality, this figure is probably much higher as we lack emissions data for over a third of companies. More precisely, no data was found for major Chinese power companies while emissions from electricity generation in China were almost 4.4 GtCO₂ in 2019, accounting for about 13% of global energy-related CO₂ emissions (IEA, 2021).

Overall, the impact of companies on social and environmental issues is high, but so too is their potential to create change – as long as they are held accountable.



The need for corporate accountability

Despite the massive influence and impact of companies, the world currently lacks effective mechanisms to hold companies to account for their contribution to, or hindrance of, sustainable development agendas like the 2030 Agenda and the Paris Agreement. Sustainable development today simply does not have enough consequences for companies. Without companies changing their business models and practices, there is no chance we will ever meet the SDGs and the transformations needed to put the world on a more sustainable trajectory. WBA's whitepaper '[Corporate accountability: Closing the gap in pursuit of sustainable development](#)' identifies pathways that can help bridge this divide.

Global megatrends

There are a number of megatrends that have an influence across different transformations, and which are impacting corporate progress and transparency on sustainability issues.

Governments are raising the bar on transparency and traceability

While sustainability has been on board agendas for years, a wave of new regulations and policies is coming into force that aims to improve risk management, accelerate funding for solutions and enhance consistency and availability of sustainability disclosures. In 2023, the [Corporate Sustainability Reporting Directive](#) (CSRD) entered into force in the European Union (EU). Approximately 50,000 large and listed small and medium-sized enterprises (SMEs) from the EU will now be required to report on sustainability. In addition, at least 10,300 non-EU companies, mostly from the United States (US), Canada and the United Kingdom (UK), will be subject to the CSRD (Philipova, 2023). In June this year, the [Regulation on deforestation-free products](#) also entered into force. It requires all companies that market commodities such as soya, beef, palm oil, wood and cocoa in the EU or exports these from the EU to be able to prove that the products do not originate from recently deforested land or have contributed to forest degradation. In the US, the Securities and Exchange Commission (SEC) released its proposed rules on mandatory climate-related disclosure for listed companies. The rules would require companies to disclose emissions and how their businesses are assessing, measuring and managing climate-related risks.

Scale and diversity of climate litigation is increasing

The world has witnessed a spike in climate litigation cases, and while growth rates in cases appear to be slowing, the diversity in cases is expanding (Setzer & Higham, 2023). Climate litigation is being used as a tool to advance climate action or to challenge the way in which climate policy is being implemented. In recent years, a specific increase can be seen in climate cases involving corporate defendants (Loyens & Loeff, 2023) and so-called 'climate-washing activities', concerning both climate misinformation and misleading green claims (Setzer & Higham, 2023).

Inequality continues to rise

Income and wealth inequality has risen in many countries since the 1980s and for the first time in a quarter of a century, global poverty and extreme wealth have been rising simultaneously (Stiglitz & Ghosh, 2023). Currently the richest 10% of the global population takes over half (52%) of global income, whereas the poorest half of the population earns just 8.5% (Cancel, et al., 2022). Without responsive policies to counter recent trends in inequality, inequality levels are likely to persist or rise even further in the future, exacerbated by new digital technologies, artificial intelligence and climate change (Qureshi, 2023). Rising inequalities and associated social discontent are a major driver of increased political polarisation and populist nationalism (Qureshi, 2023).

Adaptation is becoming more urgent

In recent years, many climate records have been broken. Oceans were the hottest recorded in 2022 (Cheng, et al., 2023), while ice levels in the Antarctic Sea fell to their lowest ever (WMO, 2023). On top



of rising global temperatures due to greenhouse gas emissions, the climate phenomenon El Niño is expected to push the world past a new average temperature record in 2023 or 2024 and could have drastic effects, from searing heat waves to flooding. If current trends continue, the number of extreme weather events could rise to 560 per year, a 40% increase since 2015 (UNDRR, 2022). Companies also increasingly consider adaptation as an immediate concern (WEF, 2023). Despite this importance, private funding for adaptation remains inadequate.

Recent breakthroughs in generative AI poses opportunities and risks

Generative artificial intelligence (AI) describes algorithms that can be used to create new content such as images, text, simulations, audio, video or code. Over the past five years, AI adoption has more than doubled. The potential impact on jobs or entire industries is potentially huge but still unknown, as are the risks (McKinsey, 2023). There are particular concerns around trust and security as AI can generate realistic, harmful content at scale.

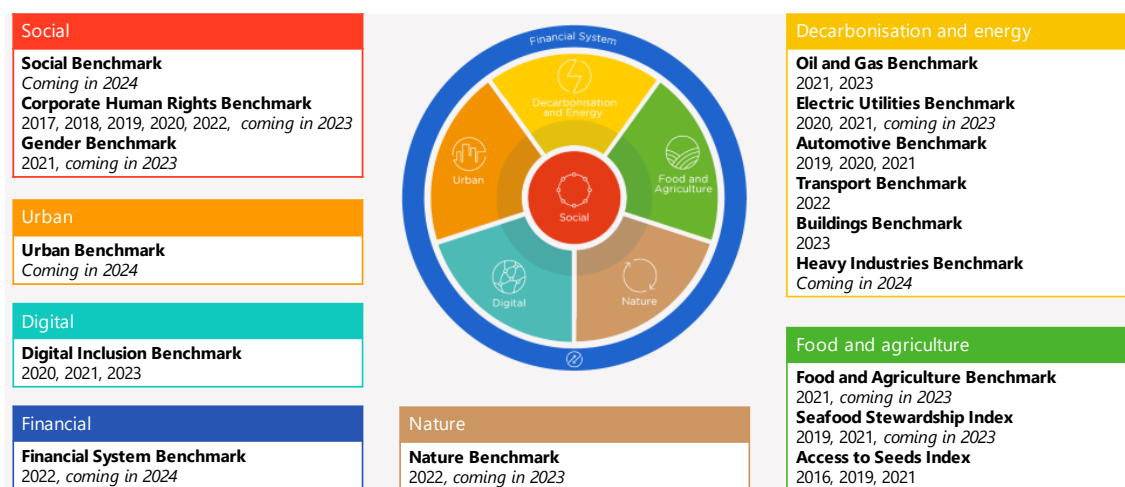
Nature and biodiversity rise on the corporate agenda

In December 2022, over 190 countries adopted the new Global Biodiversity Framework during COP15. Nature is declining at an alarming rate, which poses major risks to companies and their investors that rely on natural resources. There are clear requirements for companies to better understand their dependence on the ecosystem services provided by nature and to become much more transparent about these dependencies.

Benchmarking companies across seven systems transformations

WBA’s benchmarks are grounded in the seven transformations needed to put our society, planet and economy on a more sustainable and resilient path to achieve the 2030 Agenda. Figure 1 shows these seven systems transformations and associated WBA benchmarks.

FIGURE 1: WBA'S SEVEN SYSTEMS TRANSFORMATIONS AND BENCHMARKS



The section below briefly describes each of these seven systems transformations:

Social transformation

To create a world where companies contribute to a more equal, inclusive and just society that works for everyone.

Food and agriculture system transformation

A food and agriculture system that is healthy, sustainable and equitable.



Decarbonisation and energy transformation

Significantly reduce the world's dependency on carbon-based energy through a just and equitable transition while providing universal access to modern energy services and adapting to climate change.

Nature transformation

Change how companies interact with nature so that we protect it – and humanity – for generations to come.

Digital system transformation

Urgently charting the digital space to make technology safer, more inclusive and more trustworthy.

Urban transformation

Spurring private sector contribution to create resilient and sustainable cities where everyone can thrive.

Financial system transformation

Accelerating change in the financial system to create a just and sustainable economy.

Supported by our most research benchmark findings, the next section zooms in on relevant trends and developments related to each transformation, shows the transformations' relevance in today's world, and where company progress is needed most.

Social

Changes and updates

WBA translates the SDGs' promise to leave no one behind by putting social transformation at the heart of our seven systems model and underpinning the transformation of all the other systems, namely food and agriculture, decarbonisation and energy, nature, digital, urban and financial.

Successive crises, ranging from the COVID-19 pandemic to major conflicts in Europe, Asia and Africa, along with the looming climate emergency, have taken a toll on global society. These crises are not only causing widespread suffering and economic setbacks but also exacerbating existing inequalities in various regions. The principle of leave no one behind, a cornerstone of the 2030 Agenda, is now facing significant risk, as it appears that more than half of the world's population is being left behind (UN, 2023).

UN Secretary-General António Guterres has voiced concern over the growing disparity, stating that we are failing to ensure the well-being and progress of a large portion of humanity. Despite previous efforts to achieve the SDGs, the current state of affairs has led to a regression in human development, pushing us back to 2016 levels (UNDP, 2022). The hard-earned progress made on the SDGs is now at risk of being undone due to the relentless onslaught of crises that are stretching global resources and capacities to their limits.

Addressing these issues is crucial to building a more inclusive and resilient world. A unified and collaborative effort among nations is needed to find solutions, allocate resources and implement policies that prioritise the most vulnerable and marginalised communities. Only by working together can we hope to overcome the challenges posed by these crises and create a more equitable and sustainable future for all.

Relevance

The ongoing economic recovery from the COVID-19 pandemic, which is marked by surging inflation, supply chain disruptions, labour market pressures and unsustainable debt burdens, remains precarious and uneven. Between 75 million and 95 million more people have been pushed into extreme poverty as a result of the compounded crises (UNDESA, 2023). The world is on track to miss



the SDG target of eliminating extreme poverty by 2030. An estimated 575 million people will still be living in extreme poverty in 2030 (World Bank, 2022). This not only undermines the promise to leave no one behind but also intensifies a sense of injustice felt by people worldwide.

We know that our current systems must change to achieve a sustainable future for all, as envisaged by the SDGs, and the private sector has a key role to play in this. While it is true that business has been a catalyst for human development, our current capitalist models are leaving too many people behind. The exclusive focus on creating shareholder value is deepening inequalities and hindering the achievement of universal human development, exacerbating social crises like the ones described above. If companies support the SDGs, they must also embed a central principle of the SDGs: to leave no one behind.

Current harmful business models, such as fast fashion, need to change to ensure that companies do not continue to benefit from cheap, abusive labour practices and human rights violations in opaque supply chains across the globe. To ensure that people and communities linked to global supply chains enjoy human rights, and that companies work towards resolving inequalities in power and wealth, companies need to be held accountable for their influence. Recent legislative actions on supply chain due diligence and transparency are crucial steps towards creating a level playing field for companies. A company's commitments to supply chain due diligence must align with its purchasing practices and sustainability commitments. Companies need to integrate sustainability commitments in their decisions to purchase goods or services, such as improving working conditions throughout their value chains.

Unless companies truly value all people, the social transformation will not succeed, and the transformation of all other systems will be undermined. We need companies to contribute to the social transformation, by putting people at the heart of their business models and activities. We need companies to solve societal problems profitably, without profiting from social harms. And we need companies to ensure they leave no one behind as we transition to regenerative economies and equitable societies where people are empowered to pursue the opportunities and choices they value.

Insights

The Social Baseline Assessment 2022 assessed 1,000 of the SDG2000 companies. The assessment shows that only 1% of the companies assessed are meeting the majority of the fundamental social expectations. On average, companies achieved only 20% of the total score for the decent work indicators. WBA sees universal living wages as critical to decent work, an enabler for multiple SDGs and a key issue for companies that want to help address the systemic risk of social inequality. However, only 4% of the companies assessed had targets for or claimed to pay workers a living wage already.

The latest Corporate Human Rights Benchmark (CHRB), published in 2022, assessed 127 companies from three high-risk sectors: food and agricultural products, information and communications technology (ICT) manufacturing and automotive manufacturing. The results show that companies are improving: 66% of food and agricultural products companies, 65% of ICT companies and 57% of automotive manufacturing companies improved their scores on the CHRB indicators. However, progress is too slow, and legislation is needed to accelerate and close gaps of inaction.

A job is not a guaranteed way out of poverty

The richest 1% amassed almost twice as much money as the bottom 99% of the world population over the last two years (Oxfam, 2023). The pandemic caused widespread job losses, income declines and disruptions to livelihoods and remittances. The total number of hours worked in many countries remained below pre-pandemic levels. The global jobs gap stands at 12.3%, with 473 million people



falling within the unmet need for employment. In addition, around 2 billion workers are in informal employment and less than half of the people worldwide are effectively covered by at least one social protection benefit. The gap between the rich and the poor in terms of labour income is vast: only 8% of global labour income goes to the bottom half of workers (ILO, 2023). By ensuring fair living wages, companies have a direct impact on economic development, families and individuals. Unfortunately, the reality falls far behind expectations, with only a meagre 13% of companies included in the CHRB paying living wages or setting targets to do so across their operations and supply chains (WBA, 2022).

Corporate respect for human rights has gained momentum, but big gaps remain

The world's most influential companies are not meeting the fundamental expectations of socially responsible business conduct, including the principles outlined in the [UN Guiding Principles on Business and Human Rights](#). Of the 1,000 companies assessed, 78% fail to disclose that they are conducting human rights due diligence in their supply chains (WBA, 2022). Less than one out of ten companies report on including workers in their risk assessments (KnowTheChain and Business & Human Rights Resource Centre, 2022). Meaningful stakeholder engagement is essential for companies to address negative impacts and tailor their actions to the needs and experiences of rights holders. However, company performance in engaging with affected stakeholders, involving them in risk assessments and communicating negative impacts remains discouraging (WBA, 2022). In 2022, more than ten human rights defenders were attacked every single week for raising concerns about human rights violations by businesses (Business & Human Rights Resource Centre, 2023).

Immediate and coordinated actions on gender equality needed

Gender inequality is a pervasive issue that transcends systems, geographies and industries. By dismantling barriers to gender equality and promoting women's empowerment within the private sector, significant progress can be made across all the SDGs. Currently, the global gender gap remains alarmingly high, and at the current pace of progress, it will take over 131 years to close the gap completely (WEF, 2023). WBA's assessment shows that only a quarter of companies publicly commit to gender equality and women's empowerment. Transformative actions from the private sector, in coordination with government and civil society, can help accelerate progress and address social norms impeding gender equality.

Lack of corporate tax transparency undermines trust

Companies play an increasingly significant role in shaping national economies and global trade. They wield substantial influence through lobbying for legislative changes and supporting governments via corporate taxes, which can either enable or hinder sustainable development. Achieving the SDGs and addressing social inequality depends largely on access to essential services like healthcare and education, which in turn rely on a well-functioning economy where companies pay their fair share of taxes. Transparency on corporate taxes is a crucial step towards identifying the gaps in the system. Failure to do so not only undermines local economies but also challenges companies' claims of being responsible and ethical enterprises. The world's most influential companies fall short on meeting all the requirements for disclosing a global tax approach and their country-by-country corporate income tax payments. This opacity undermines trust in the global economic system and underlines the need for greater transparency regarding approaches to tax and the amounts paid by influential companies (WBA, 2022).

Food and agriculture

Changes and updates

Recognition of food systems and their substantial impact on people and planet has been gaining momentum over the past years. There is general agreement that we need a food systems transformation to produce healthy and nutritious food to feed a growing world population while



staying within planetary boundaries, and to offer workers, farmers, fishers and their families a decent standard of living. The highly anticipated 2021 UN Food Systems Summit (UNFSS) elevated public discourse about the importance of transforming the way the world produces, consumes and thinks about food as a crucial step in progressing on all SDGs and the Paris Agreement. The summit's multistakeholder approach enabled the involvement of companies and increased understanding of their impact and responsibilities in our food systems. Similarly, at COP27, held in Egypt in December 2022, food systems were prominent and enhanced global recognition of food and agriculture as both a climate culprit and solution. Further, the Kunming-Montreal Global Biodiversity Framework (GBF), adopted in late 2022, clearly points to the dependence of our food systems on biodiversity. The food and agriculture sector is the largest transgressor of our planetary boundaries, responsible for 90% of global deforestation (Pendrill, et al., 2022), as much as 80% of biodiversity loss (UN Convention to Combat Desertification, 2022), a third of global GHG emissions (Crippa, et al., 2021) and 70% of global freshwater supplies (UN Convention to Combat Desertification, 2022). It is evident that our food systems, and the entities that operate them, need to reduce their negative impacts on nature but also unleash their potential to build a nature-positive world. With the upcoming First Global Stocktake of the Paris Agreement in December 2023 at COP28 as well as the UNFSS+2 Stocktaking Moment held in July 2023, global leaders are taking note of the progress, or lack thereof, towards realising the global goals. The urgency is clear, and our planet cannot wait.

Relevance

About 735 million people faced hunger in 2022 (FAO, IFAD, UNICEF, WFP and WHO, 2023). While food systems contribute to economic prosperity and human health, at the same time, approximately 2.4 billion people are either moderately or severely food insecure. While these numbers did not change significantly between 2021 and 2022, they are above pre-COVID-19 levels, affecting around 9% of the world population in 2022, compared with 8% in 2019. Most severe food insecurity is found in developing and emerging countries that deal with food crises, including sub-Saharan Africa, the Middle East and parts of Asia. The world is not on track to meet the SDG 2 targets of ending hunger and all forms of malnutrition. The latest figures also reveal that the number of people unable to afford a healthy diet is still on the rise. For over 3 billion people, a healthy diet is not affordable (FAO, IFAD, UNICEF, WFP and WHO, 2023).

The global population is predicted to reach 9.7 billion by 2050, up from about 8 billion in 2022 (UN, 2023), but food systems are already operating beyond many planetary boundaries. Agriculture and its associated land-use changes are the biggest contributors to climate change and land degradation, with half of global food production relying on exceeding the planet's environmental boundaries (Gerten, et al., 2020). Without dedicated measures, these impacts could increase by 60% to 90% by 2050 (Springmann, et al., 2018).

The need for fundamental transformation of food systems has become undeniable. Research shows that more sustainable production and consumption patterns could support over 10 billion people within planetary boundaries (Gerten, et al., 2020). This transformation to healthy, sustainable and inclusive food systems needs to encompass how we produce food, the livelihoods of people in the food industry and what we actually eat. This makes food systems transformation a value chain challenge that requires action from farm to fork.

Particular focus should be on the impact of food systems on developing and emerging countries. Food insecurity, inequality and the impacts of climate change and biodiversity loss are hard felt in many developing regions. For decades, food and agriculture companies from across the globe have been impacting developing countries through purchasing raw materials, outsourcing production and selling their food products. These impacts cannot always be sufficiently absorbed or controlled by host countries, making the responsibility and accountability of companies more urgent.



Insights

Published in 2021, the first Food and Agriculture Benchmark assessed 350 companies across the food value chain. A closer look at these companies shows how interconnected the players are, crossing value chain segments and industries, up and downstream. For example, seed companies provide advice and solutions to retail companies regarding their fresh produce offerings, chemical companies work with food and beverage manufacturers to enhance sustainability and traceability in their value chains, and dairy companies collaborate with local distribution channels to reach vulnerable population groups with affordable, healthy foods. This interconnectedness and interdependence also means that downstream companies in particular are highly reliant on the performance of upstream partners for achieving their own sustainability targets. Transforming food systems thus requires companies to work with and incentivise suppliers or to partner with a broader coalition of companies to address mutual goals. The interconnectedness also means that keystone companies assessed in the benchmark are strongly linked to small producers and small and medium-sized enterprises (SMEs). A good understanding of and support for these actors is thus deemed crucial. Encouragingly, the benchmark revealed that a small group of companies shows leadership in several areas of the food systems transformation agenda. Companies from across the value chain are implementing leading practices and commitments to protect and restore our environment, improve the nutritional value of their products, protect their workers and enhance farmer resilience. However, change is not happening at the scale and speed required.

Food consumption is warming our planet and destroying biodiversity

More than a quarter of the world's GHG emissions stem from activities associated with agriculture, forestry and land-use change. To avoid catastrophic warming in the coming decade, emissions from agriculture need to be reduced dramatically. According to a recent study, if emissions released by the world's food systems continue at current levels, they will cause at least 0.7°C of additional warming by 2100, pushing the planet past the 1.5°C global warming target. However, shockingly, only 26 of the 350 companies assessed are actively working to reduce emissions from their direct activities (scope 1 and 2¹) in line with the Paris Agreement.

Converting land, such as forests and peatlands, to farmland accounts for 80% of global land conversion, majorly impacting biodiversity and contributing to climate change. Yet companies are not curbing how their activities are impacting biodiversity and nature loss due to deforestation.

Worryingly, 189 out of the 350 companies assessed have not set deforestation targets for their high-risk commodities, and only 6% of companies assessed have quantitative data or company-wide targets specifically related to improving soil health and agrobiodiversity.

People's health and rights are not a priority for most food companies

The majority of companies struggle to tackle nutritional and health challenges in their core business and strategy. As such, 80% of companies in scope do not provide evidence of improving accessibility to and affordability of nutritious foods. In the social domain, most companies lack comprehensive commitments and procedures prohibiting child and forced labour in their operations and supply chain. The food and agriculture sector is globally recognised as a high-risk sector for human and labour rights abuses. The sector is characterised by long and sometimes opaque supply chains, highlighting the need for companies to ensure they are aware of human rights risks and act on them accordingly. While there are clearly defined and globally agreed frameworks, such as the UN Guiding Principles on Business and Human Rights and ILO conventions, our research finds that companies are

¹ Scope 1 emissions cover direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the purchase and use of electricity, steam, heating and cooling.



lagging, with less than one out of ten companies disclosing a full human rights due diligence mechanism.

Many of the world's smallholder farmers, who are often struggling below the poverty line and often go hungry, are located in the Global South. The findings of the benchmark show that over half of the 350 companies assessed invest in programs and interventions focused on supporting the productivity of smallholder farmers through their supply chain. However, companies are yet to demonstrate significant progress in extending comprehensive social protection systems to small food producers affected by particularly difficult working conditions.

Companies operate outside the limelight

Importantly, the 2021 benchmark showed that a significant number of companies operate outside of the limelight. A staggering one third of companies do not disclose information about their operations and their impact on people and planet. Understanding and measuring these impacts, and effectively holding companies to account, starts with a transparent system.

The impacts of climate change and biodiversity loss, the decline of crucial natural resources and increased awareness of and demand for the protection of social rights are likely to help drive the transformation. The need for corporate accountability is mounting in the food systems space, with companies, multilateral organisations, civil society organisations and business entities all supporting this process and actively seeking collaboration to accelerate progress.

In the autumn of 2023, the second iteration of the Food and Agriculture Benchmark will be published. These findings will be compared to the 2021 benchmark and will help to clarify where keystone food and agriculture companies stand on the food systems transformation agenda. As such, it will feed into wider conversations around corporate accountability and equip companies and their stakeholders with the information they need to learn from best practices in the system and to do more in areas where urgent action is required.

Nature and biodiversity

Changes and updates

The [Kunming-Montreal Global Biodiversity Framework](#) (GBF) agreed at COP15 in December 2022 sets out a shared vision of living in harmony with nature. This is supported by four goals for 2050 and 23 concrete targets for 2030, including a target to conserve 30% of our land and seas through protected areas and other conservation measures. This flagship '30x30' target is considered nature's equivalent to the Climate Change COP's goal of keeping global warming below 1.5°C.

The GBF has provided much-needed clarity on the goals and targets we need to achieve to protect and restore nature. It also makes it clear that reaching the goals of the GBF will require actions from the private sector as well as states. Target 15 specifically calls out the role of the private sector while target 19 underlines the importance of leveraging private finance. This sends a clear signal to financial institutions and businesses that they need to include nature as a focus in their strategies and actions, by shifting away from harmful activities and focusing on nature-positive investments and outcomes.

Outside of the GBF, there have also been many significant developments in 2023 in clarifying what companies should report and disclose, and how they should set targets for nature. In September 2023, the Taskforce on Nature-related Financial Disclosures will publish its final recommendations – meaning that for the first time, there is a globally-accepted framework for risk management and disclosure on nature-related issues. In May 2023, the Science Based Targets Network published the first science-based targets for fresh water and land use. Seventeen global companies are already



poised to set and have validated science-based targets for fresh water and land by the end of the year (SBTN, 2023).

The publication of these frameworks represents significant progress in building a common understanding of what is 'good enough' for business action on nature. This is an important step towards closing the corporate accountability gap on nature.

Relevance

Scientists warn that the ongoing sixth mass extinction may be a tipping point for the collapse of civilisation (Ceballos, et al., 2020). Mainly due to human activities, species are becoming extinct at a much higher rate than in the past. Research shows that about 25% of plant and animal species assessed are threatened by human actions, with a million species facing extinction, many within decades (Díaz, et al., 2019). Research also warns of a domino effect with the loss of one species resulting in the loss of others that depend on it (Ceballos, et al., 2020). These continued species extinctions will have irreparable effects on nature.

According to the World Economic Forum's 2021 Global Risk Report, biodiversity loss ranks third in terms of existential threats, behind weapons of mass destruction and state collapse (WEF, 2021). Biodiversity underpins current and future human health, well-being and economic prosperity (OECD, 2020). Ecosystem services, the goods and services that biodiversity provides, underpin all economic activity in our societies, and it is estimated that over half of global gross domestic product (GDP) is dependent on biodiversity and ecosystem services (Schelske, et al., 2020).

We know that climate change widens existing global inequalities. Likewise, the poorest, most vulnerable people are hit the hardest by biodiversity loss and need extra support in dealing with its impacts (Roe, et al., 2023). Ecosystem services include vital necessities that we fundamentally depend on such as food provision, air quality and the regulation of water supply and quality. The continual degradation and loss of nature therefore severely impacts people – particularly in the Global South – and their access to necessities such as food, water and clean air. Protecting nature is essential to improve the resilience and well-being of communities around the world. The Nature Benchmark methodology specifically includes indicators on social impact and community impact, to ensure that nature is not decoupled from people.

Insights

Ahead of COP15, we published the first iteration of the Nature Benchmark, which assessed 389 companies across eight sectors. The results showed that companies from almost all these sectors are represented among the top performers. In other words, environmental best practices are not something that can only be accomplished by companies in specific sectors: every company has its part to play.

Without understanding impacts and dependencies on nature, companies will not change

Companies need to understand how their business model and value chain relate to nature in order to take meaningful action on the most relevant issues and locations. However, our benchmark shows that only 5% of companies have carried out a science-based assessment of how they impact nature. Less than 1% understand how much their activities depend on nature and the ecosystem services it provides – despite more than half of global GDP being dependent on nature.

Without first understanding how their activities depend on and impact nature, it is very difficult for companies to prioritise their actions, and for stakeholders to hold them accountable. For this reason,



we consider assessing and disclosing nature impacts and dependencies to be an essential first step towards effective protection and restoration of nature.

Nature and people are inextricably linked

The Nature Benchmark methodology is built on three pillars: governance and strategy, ecosystems and biodiversity, and social inclusion and community impact. Nature and ecosystems cannot be decoupled from the communities and people who live in and around them.

There is no credible pathway towards a nature-positive future without respecting the rights of Indigenous peoples and local communities (IPLC). IPLC often live in critical ecosystems and coexist with threatened species. They manage about 40% of all terrestrial protected areas, and their ecological knowledge enables a sustainable existence worldwide. Yet less than 13% of companies assessed express a clear commitment to respect Indigenous peoples' rights. Before carrying out projects with the potential to affect IPLCs, companies must commit to obtaining free, prior and informed consent from them to ensure their agency in the future of their territories.

Companies can and should be taking action today

Nature has quickly risen up the global agenda, and therefore some companies may consider it a relatively 'new' topic that they are expected to act on. However, there are more mature topics, such as plastics use or water pollution that are already familiar to many companies.

Of the 389 companies assessed, 29% are reducing their plastic use and waste, 32% are reducing water pollution and 36% are reducing air pollution. However, it appears that there is still not enough clarity for companies on what is 'good enough' in some areas. For instance, only 13% have a time-bound target to reduce water withdrawal in their own operations and report against it. Many more companies have set some kind of water target, but it does not include a target year and/or a baseline year, or it relies on intensity metrics etc. These company-defined metrics lead to data that is hard to compare and track over time, which means it is difficult to hold companies accountable for their commitments and impacts.

Digital

Changes and updates

The COVID-19 pandemic highlighted the urgency of ensuring reliable access to digital technologies, for example to provide healthcare, education and mitigate the spread of the virus, especially among perpetually marginalised communities. In response to the crisis, governments, companies and civil society picked up the pace of digitisation. Today, 66% of the world's 8 billion people use the internet, including, for the first time in history, a majority of those living in lower and middle-income countries (ITU, 2023). Nonetheless, progress remains uneven and rife with inequities. Only a third of all people in the 47 least-developed countries use the internet, hampered by a lack of connectivity, skills gaps and prohibitive pricing (ITU, 2023). According to UN Secretary-General António Guterres, "leaving no one behind means leaving no one offline" (UN, 2022). His vision remains elusive, as even the pandemic-driven surge in internet usage failed to materialise in the world's poorest countries.

Digitisation impacts people's lives in profound ways. Most of the world relies on digital technologies to shop, learn, communicate, interact with public authorities, get directions, stay fit and make payments. However, the use of digital technologies carries significant risks, from online abuse affecting mental health and misinformation unsettling societies to violations of privacy rights and biased algorithms contributing to discrimination.

Since last year, the consumer tech industry has experienced two tectonic shifts. The first is the largest wave of layoffs since the dot-com crash of 2000. The other is the meteoric rise of generative AI. Mass



layoffs among the giants of the US tech industry began in late 2022, spurred by inflation, supply chain problems, the geopolitical impact of Russia's invasion of Ukraine and concerns about over hiring through years of high growth. This trend has continued into 2023, which saw more job cuts by its midpoint than all of 2022 (Stringer, 2023). The collapse of cryptocurrency schemes and banks linked to the tech sector chilled investors' confidence, as did the growing spectre of regulation (Lawler, 2023). Content moderators worldwide and teams overseeing companies' ethical AI efforts were hit particularly hard, generating widespread concern about online safety (Field & Vanian, 2023).

Just as the job cuts gained traction, AI laboratory OpenAI launched a public version of ChatGPT, an advanced AI chatbot trained on an enormous trove of data scraped from across the internet. Its unmatched speed, adaptability and precision in answering complex prompts triggered a surge of interest and investment in generative AI – the automated creation of media based on user inputs. Generative AI is a tipping point akin to climate change; without action, millions of jobs are at stake, and the existing human rights risks of AI are likely to be magnified in unforeseeable ways. While the purveyors of generative AI prefer to focus on alleged long-term existential risks to humanity, its current impacts are real and alarming, from job displacement to a fast-rising incidence of fraud (Sabin, 2023).

Limited or misguided regulation of the tech sector is exacerbating risks associated with digitalisation. Amid the patchwork of laws on privacy, transparency and online behaviour, UN Secretary-General António Guterres' Common Agenda proposed a Global Digital Compact (GDC), which aims to secure global alignment on how digital technologies should be used. Many of its pillars are already reflected in WBA's Digital Inclusion Benchmark, including digital connectivity, trust and security, data protection and upholding human rights. Since last year, another regulatory milestone has directly shaped the digital landscape: the EU's enactment of the Digital Services Act (DSA) and Digital Markets Act (DMA). The landmark regulations, which entered into force in late 2022, contain a host of provisions on disinformation, advertising, transparency reporting and privacy protections, with higher expectations for platforms with a large EU presence. The acts' full implications will begin to crystallise in 2024, when their final provisions enter into force. The DSA and DMA also highlight the urgency of considering key digital rights, such as freedom of expression and privacy, in the digital transformation.

As multilateral attempts to regulate technology companies pick up speed, the trade-offs and dilemmas inherent in some regulatory initiatives are becoming clearer than ever. New laws aimed at protecting children's safety illustrate the urgency of these dilemmas. The UK's Online Safety Bill, for instance, would grant government agencies extensive access to private communication, potentially breaking end-to-end encryption (Hern, 2023). Advocacy groups and companies themselves have pushed back against these provisions, arguing that they set a dangerous precedent for the future of privacy online. Similar dilemmas will continue to define the volatile regulatory landscape of the digital world. This only reinforces the need for continuous vigilance as we strive for a safer and more inclusive technological environment.

Relevance

Most of the world is already online, and for those who are not, the main reason is a lack of skills. According to the International Telecommunication Union, the number of internet users reached 5.3 billion people in 2022, representing two thirds of the world's population (ITU, 2022). In 2020, the first year of COVID-19-related quarantines and lockdowns, internet use increased six percentage points, the highest jump in the previous 15 years. By the end of 2022, just 5% of the world remained uncovered by mobile broadband signal (i.e. 3G/4G/5G). Around 400 million people, mainly in rural and remote areas, remain without access to the internet. A third of the global population have access to a broadband signal but do not use the internet, primarily due to a lack of skills or affordability.



Among those who do use the internet, many lack the media literacy to distinguish between real and false information and to protect themselves online. Greater effort is needed to teach basic digital skills, including media literacy. Governments and telecommunications operators also need to ensure the affordability of digital goods and services for vulnerable groups.

Misinformation on social media platforms continues to be an issue of grave concern. Today, only 37% of users trust social media (Edelman, 2022). If left unchecked, the spread of falsehoods can undermine democracy. One example is the contribution to violence in the aftermath of presidential elections in Brazil (Rossini, et al., 2023) and the US (Davies, 2023). Content moderation by large platforms is failing to stem this, even as companies ramp up the use of algorithms to identify and restrict content. Abuse of personal information is ongoing, particularly in countries that lack effective data privacy legislation or adequate enforcement measures.

Adolescents are consistently the most avid users of social media. In surveys conducted in the US, half of all respondents belonging to Generation Z (born between 1997 and 2013) state that they use social media as a source of news on a daily basis (Statistica, 2023). One of the most pressing concerns this trend generates is the impact of these platforms on young users' mental health. While some studies have shown that engaging with friends on social media apps has led to a higher level of closeness (Pouwels, et al., 2021), internal research by companies like Meta has found that these apps may harm teens, especially teenage girls (Abrams, 2022).

Young people are not just interacting with close friends on these platforms; they can never be sure who they are interacting with online. In 2022, the National Center for Missing & Exploited Children's CyberTipline disclosed that it had received over 32 million reports of suspected online child abuse in the US (National Center for Missing & Exploited Children, 2022). That is 3 million more reported cases than in the previous year and a 90% increase since 2019. While these cases are reported in the US, the problem is global, as most (90%) of those reports involve the upload of child sexual abuse material (CSAM) from outside of the US. These numbers show that there are more reports of CSAM today than three years ago, though they require more explanation and clarity with the public around whether this is due to increased reporting or whether we are witnessing an exponential rise in online abuse. In either scenario, companies' mitigation efforts in this area must be scaled up and made clearer.

As the world becomes more digitised, energy use and consequent GHG emissions by tech companies are growing. Large data centres in particular are consuming increasing amounts of electricity. This has prompted growing concern, especially in leading data centre hubs (Fitri, 2022). For instance, in Ireland, electricity consumption by data centres rose by 32% between 2020 and 2021, consuming 14% of the country's electricity in 2021 – up from 4% in 2015. By 2031, data centres in Ireland could be using anywhere from a quarter to half the country's electricity (EirGrid and Soni, 2022). In The Netherlands, the government has imposed a nine-month moratorium on the building of new hyperscale data centres until planning regulations are developed (DuchNews, 2023). Due to the large number of data centres and concern about growing electricity consumption in Singapore, the government prohibited new data centres in 2019 (EDB Singapore, 2022).

Insights

The latest Digital Inclusion Benchmark, published in 2023, assessed 200 keystone technology companies. The benchmark's findings show that commitment and contribution to digital inclusion is highly uneven across industries, themes and markets of operation. Only 26 out of the 200 companies assessed have a passing score of 50 or above, illustrating the enormous progress needed to realise a more inclusive digital transformation worldwide. In particular, software and IT services companies are lagging behind hardware and telecommunication providers. While a few leading companies



consistently demonstrate good practices, most have yet to embrace digital inclusion as a core responsibility.

Women are still underrepresented in tech roles

The low representation of women in technical roles such as software development is a recurring concern. For a digital company, women's representation is even more important in the tech teams that build products and services. Increasing the number of women involved during the design process is more than a matter of representation; it also leads to more innovation in the development of digital products and services. In 2021, just over a third of the 200 companies (78) in the benchmark reported the number of women in technical/engineering and R&D roles combined. Of those 78 companies, 70 reported the number of women in technical/engineering roles and only eight reported the number of women in R&D (WBA, 2022). The average proportion of women in technical and R&D teams among the 78 companies was around 23%, similar to the benchmark's finding the previous year. This shows there is still a long way to go towards gender parity in tech teams in digital companies.

Children need to be protected online

Another perpetual area of concern is children's digital rights. Access to digital products and the knowledge to participate in online spaces can empower children. However, these opportunities need to be safe. Digital companies bear the responsibility of ensuring that digital products and spaces are safe for children. While parents, caregivers and teachers must also ensure that children understand and navigate digital spaces safely, digital companies, through their actions and tools, are fundamental to safeguarding children's digital rights.

Yet only 13 out of the 200 companies in the 2023 Digital Inclusion Benchmark have a high-level commitment, published in a policy document, on keeping children safe online. Furthermore, only nine companies have strong commitments that go beyond just the company's products and are rooted in children's rights principles (UNICEF, UN Global Compact and Save the Children, 2012). Child safety is a fundamental human right, and safety needs to be a collaborative process. But digital companies are far from embracing uniformly good practices on this critical issue.

AI without ethical guidelines puts human rights and sustainable development at risk

AI developed without ethical guidelines can result in discrimination as well as other human rights risks and contribute to a lack of autonomy in people's lives. While it can create new opportunities for development, it can also skew them toward those with the most power. Mass-market AI tools are often trained by low-paid workers in the Global South, some of whom are indirectly working toward the elimination of their own jobs (Chandran, et al., 2023). Persistent algorithmic bias often results in the overrepresentation of affluent and less diverse populations in datasets. This can generate direct discriminatory impacts while perpetuating systemic inequality (Johnson & Johnson, 2023). Increasingly, companies are building datasets with highly sensitive biometric data collected from people in the Global South in return for symbolic financial incentives, with no clear contribution to inclusive development (Gadhia, 2023).

If left unharnessed, these trends can concentrate the power of AI in the hands of a few and make the challenges faced by the most vulnerable less visible, ultimately jeopardizing both human rights and sustainable development. Yet while the risks of AI are becoming increasingly tangible, only 44 of the 200 companies assessed in the 2023 Digital Inclusion Benchmark have publicly available ethical AI principles – a fundamental building block of progress towards the responsible development and use of AI. More companies are adopting principles every year, spurred in part by multistakeholder campaigns such as WBA's [Collective Impact Coalition for Digital Inclusion](#). But progress is too slow given the pace at which AI is proliferating and being commercialised, and more detailed disclosures about the safeguards that companies put in place are sorely lacking.



New generative AI tools are already expanding the use of automated tools to general audiences, amplifying these concerns. Combined with sparse and scattered self-regulation of AI in the tech industry and slow voluntary adoption of ethical AI principles, this points to the need for government regulation. However, regulation can take various forms. In the US, the lack of a federal privacy law has hampered the development of instruments stronger than blueprints and guidelines such as the AI Bill of Rights, published by the White House in 2022 (Whitehouse, 2022). In the EU, the Artificial Intelligence Act (AI Act) was overwhelmingly approved by the European Parliament in June 2023, bringing it one step closer to formal introduction into European law. The AI Act would ban certain uses of automated systems while assigning others to risk categories. China has taken some of the most assertive steps in AI governance of any country, enacting several sweeping provisions on recommendation algorithms and generative AI since 2021 (Sheehan, 2023).

While the regulatory landscape is evolving rapidly, it is perpetually behind the pace of technological developments. Independent scrutiny and thoughtful, consultative regulatory measures must both expand to meet this need.

Urban

Changes and updates

Three years after its announcement as a global public health emergency, the World Health Organization officially declared “with great hope” the end of the COVID-19 pandemic on 5 May 2023 (WHO, 2023). The statement brought a sense of optimism across the world. This was particularly the case in urban areas, which were previously recognised as ‘the ground zero’ of the pandemic, with 90% of reported cases taking place in cities (UN, 2020). Instead of the shared prosperity that the dense and interconnected urban structure was originally designed to promote, the high concentration of people, economic activities and interconnectedness in cities provided a medium for the virus’ transfer. In addition, the pandemic exacerbated long-standing inequities in cities, with this effect being especially prevalent for urban dwellers working in the informal sector.

Perhaps in recognition of the important role of cities in the recovery process, UN-Habitat established ‘resilient urban economies: cities as drivers of growth and recovery’ as its theme for World Habitat Day on 2 October 2023. As cities rechart their trajectory towards more inclusive, resilient and sustainable urban development, the rapid pace of urbanisation occurring across the globe is gaining traction again. Approximately 1 billion people now live in informal settlements and slums (UN-Habitat, 2020), which are often characterised by inequities, overcrowding, inadequate housing and limited access to basic services, including housing, clean water and sanitation facilities (UN-Habitat, 2021). Aside from urbanisation, however, three inevitable trends have also returned to the forefront of urban discussions during this recovery period: demographic shifts, climate change and rapid digitalisation (Das, et al., 2022).

Besides these challenges, cities are also grappling with the major behavioural shifts and new ways of interacting that came with the pandemic and persist, such as remote work, online grocery shopping, reduced air travel and changes in commuting patterns (Salon, et al., 2021). Municipal governments and other urban development stakeholders have an important role in enhancing the shifts that could contribute to a more desirable urban development outcome, such as increased cycling and walking frequency (ITDP, 2021), while also ensuring that cities and human settlements are inclusive, safe, resilient and sustainable.

Relevance

It is estimated that cities occupy just 3% of the Earth’s land but consume about 60-80% of the global energy supply (UNEP, 2019) and are responsible for up to three quarters of global CO₂ emissions, with transport and buildings being among the largest contributors (UNEP, 2023; Dasgupta, et al., 2023).



Emissions of CO₂ and other greenhouse gases dropped by 4.6% in 2020, as lockdown policies restricted mobility and economic activities, most of which are concentrated in cities. However, these reductions rebounded almost immediately the following year (Bhanumati, et al., 2022) as many sectors of the economy resumed their activities and attempted to make up for the losses they incurred during the pandemic.

More than half of the world's population now lives in cities (UNDESA, 2019), and this is expected to rise to two thirds by 2050 (UN-Habitat, 2019). Poor urban households were especially hard hit by the pandemic due to the loss of income (Yonzan, et al., 2022). The fact that the pandemic deepened existing inequities may indicate that cities are lagging in areas pertaining to inclusivity and resilience. Private sector actors –particularly those that operate in urban or larger metropolitan areas – can contribute to improving the economic resilience of urban communities and households, given their role as the primary employer in the global economy and urban areas. Research finds that urbanisation has a negative effect on vulnerable employment (Chen, et al., 2023), higher wages and higher chances of formal employment. In addition, private sector actors can also directly contribute to shaping the urban environment and behaviours, be it through land and real estate development (Li & Rama, 2022), or provision of key services such as public transportation, electricity, water, or waste and sanitation services. Private sector actors are therefore increasingly becoming a key partner for government stakeholders, as governments address the underlying causes of inequalities in cities, such as vulnerable urban populations' exposure to natural disasters and unequal access to key services, facilities and employment opportunities, among others.

It is estimated that only 25% of global urban infrastructure that will exist in 2050 had been built in 2015 (UNEP, 2018), indicating the enormous infrastructure deficits that cities are facing. Privately led infrastructure development could help address challenges and service gaps and facilitate better access to key services for more vulnerable groups, especially in rapidly urbanising cities and regions, where demands for new urban infrastructures and services are likely to be highest.

WBA's Urban Benchmark attempts to expedite the pace at which private sector actors contribute to government efforts to achieve a more inclusive, safe, resilient and sustainable urban environment. It provides companies, government actors and stakeholders with a measure of how keystone companies relevant for the transformation of the world's cities are contributing to this goal. The first Urban Benchmark is expected in 2024.

Insights

Initial scoping for the Urban Benchmark revealed that keystone urban companies are generally aware of trends and challenges that affect the urban development of areas in which they operate. An initial stress test of ten companies (out of the 400 to be assessed in the benchmark) revealed that companies have started to incorporate certain processes that the draft benchmark methodology covers, such as a policy commitment towards the SDGs, committing to be an equal-opportunity employer, providing a grievance redress mechanism for communities that are affected by their projects and reporting of water consumption and GHG emissions, among others. However, the sample was too small to draw any conclusions about where the sector as a whole stands.

Throughout 2023, the benchmark methodology has undergone several rounds of consultations with stakeholders in Asia, the Americas and Europe, with the latest consultation session conducted in Mexico City in June 2023, as part of WBA's Allies Assembly event. The consultation produced several key insights, namely that companies are generally aware of the environmental impact of their activities and the need to work with local communities to achieve sustainable urban environments. This was demonstrated by stakeholders' suggestions to include indicators pertaining to disaster resilience, emissions and water withdrawals, among others. However, little was said about companies' social and



economic accountability to the areas and populace they serve. The consultations also suggested that the Urban Benchmark will more likely than not need to account for variations in different sectoral and regional contexts.

Decarbonisation and energy

Changes and updates

The UN Secretary-General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG)² has set out a list of criteria and provides guidance on what non-state entities need to consider through each stage of their progress towards being credibly 1.5°C-aligned. The [HLEG recommendations](#) seek to bring clear standards and harmonised criteria to the heterogeneous and rapidly changing world of corporate net-zero commitments and transition plans. These have been tainted by varying levels of robustness, which the UN fears can mislead consumers, investors and regulators. In terms of regulation, the [EU's Corporate Sustainability Reporting Directive \(CSRD\)](#) entered into force in January 2023. Under this new regulation, companies will be required to publish detailed information on their sustainability performance on an annual basis. The CSRD also makes it mandatory for companies to have an audit of the sustainability information that they report. Notably, if a business is found to be non-compliant with the CSRD, it can expect three types of penalties: public denunciation, an order to change conduct and – ultimately – potential financial punishment. Each EU member state will set the penalty and define the limits of the sanctions within their jurisdiction. These developments bring both high-level institutional and regulatory might to elevate corporate integrity, transparency and accountability in setting and monitoring credible transition plans.

The two developments mentioned above are extremely timely, as a dangerous imbalance between setting targets and publicising progress towards them appears to be emerging in the corporate sustainability sphere. Despite companies increasingly engaging with and committing to ambitious emissions reductions targets, research found that out of 1,200 corporate leaders, nearly a quarter (23%) decided not to publicise their science-based target milestones (South Pole, 2023). This not only makes it harder to scrutinise progress but, equally importantly, can result in lower diffusion of best practices and opportunities for sectors to work together and learn from each other. With global energy-related CO₂ emissions growing by 0.9% in 2022 and reaching a new high (IEA, 2023), cooperation and transparent reporting are paramount.

Relevance

Reducing GHG emissions continues to be the most important lever to limit global warming to around 1.5°C and avert the most severe negative climate impacts to society, ecosystems and the economy. Despite the importance of reducing GHG emissions, the leverage is shrinking given the limited carbon budget available, which by some accounts can run out as quickly as six to nine years from now (Liu, et al., 2022). With the window for a 1.5°C warmer world closing fast, severe widespread climate impacts are looming. Presently, attributable anthropogenic impacts are already thought to be occurring across 80% of the world's land area, where 85% of the population resides (Callaghan, et al., 2021). Failing to decarbonise will push the intensity of impacts for companies even further, and adapting to them will become increasingly difficult as we approach 1.5°C or 2°C above pre-industrial temperatures. For example, economic productivity losses associated with heat exposure accelerate as the globe warms. USD 1.6 trillion annual losses for a 12-hour workday are estimated to be plausible in a 2°C warmer world, with low-carbon, low-energy adaptation options (e.g. shifting working times) only offsetting about 30% of those losses (Parsons, et al., 2021). Other business-disruption events linked to climate

² This group was established in March 2022 to develop stronger and clearer standards for net-zero emissions pledges by non-state entities – including businesses, investors, cities and regions – and to speed up their implementation. The group concluded its work with a report, including recommendations going forward.



change are already affecting companies. In recent years, manufacturers relying on the River Rhine in Europe have increasingly faced reduced shipping capacity due to low water level that disrupted both inbound raw material and outbound product delivery flows (Davis, n.d.).

By failing to decarbonise, companies are also exposing themselves to avoidable financial risk. Carbon pricing schemes are expanding globally and now cover 46 countries and almost one third of global emissions. More countries are considering introducing such schemes. While for now average global carbon prices are low, for some markets – such as the EU – the price has been steadily increasing and is now hovering at EUR 90/tonne CO₂ (Ember, 2023). Over the long term, the International Energy Agency projects an average carbon price of USD 250/tonne CO₂ is a pre-condition for achieving net zero by 2050 (IEA, 2021). Carbon pricing and taxation will need to be factored in by companies and will impact their profitability in the long run, unless companies lower their carbon intensity in time.

Insights

Transition planning and adequate investment levels need to be stepped up

After an expansion phase in which companies focused on disclosing their – often ambitious – commitments to lower emissions and plans for a sustainable transition, they are now being confronted with the full scale of the challenge. In 2023, the third iteration of the Oil and Gas Benchmark revealed that although median scores have improved overall, compared to the previous iteration, most of the 100 companies assessed are not reducing their operational emissions fast enough to limit global warming to 1.5°C. When companies' progress is mapped to the HLEG criteria for a credible transition plan, the overall performance of the oil and gas sector is paltry, with most of the companies assessed only making convincing progress on less than a third of the criteria. The situation is similar for companies assessed in the Transport Benchmark. A substantial step up in companies aligning their transition plans with the HLEG criteria is urgently required. Specific details on how the transition plan will be fully funded would go a long way to enhance the credibility of the company's planning. Despite the fact that profits from fossil fuel sales more than doubled compared with the average in recent years, with global oil and gas producers receiving around USD 4 trillion (IEA, 2023), our benchmark analysis reveals that only 25% of the companies report on their investments in low-carbon technologies. Against this backdrop, the oil and gas sector shows no sign of curtailing production in the near future, and the keystone companies are set to burn through their carbon budget by 2036. A similar type of lock-in is observed in the 2023 Buildings Benchmark. We found scant evidence that property developers and construction companies are committing to invest in efficient low-carbon and zero-carbon-ready buildings or planning to convert existing buildings to zero-carbon-ready through deep renovations and retrofits. Tellingly, more than half of the world's 50 most influential building companies have not yet developed a transition plan even though capital is available. As long as there is a disconnect between the level of allocated investment in low-carbon technologies and profits, companies will not pass the credibility test in implementing their transition plans.

Folding society into the transition

A just transition has been increasingly gaining attention. It has been used in the context of climate change policy (UNDP, 2022) and focuses on minimising the unintended socioeconomic consequences of climate actions. Aware of this trend, WBA undertook a just transition assessment in 2021 across 180 companies in the oil and gas, electric utilities and automotive manufacturing sectors. Based on their publicly available disclosures, companies were assessed against our core social and just transition indicators. The analysis uncovered a systemic lack of action by companies to identify, prepare for and mitigate the social impacts of their low-carbon strategies, with only two companies meeting all the elements of just transition planning. For society to support the transition, it needs to be folded into it. This means that companies should provide convincing planning, advocacy and information regarding



their overall influence in protecting workers, while at the same time making the labour force an integral part of transition planning. Our analysis indicates that these conditions are not being met. Only a quarter of the companies assessed disclose a commitment to re-skill and up-skill the workforce most at risk from the negative impacts of the transition. In addition, nearly all companies fail to demonstrate how they contribute to addressing the impact of the low-carbon transition on workers' social protection, and just seven companies show that they advocate policies and regulations for a just transition.

Planning early for adaptation as substantial climate risk is unavoidable

For each opportunity lost to decarbonise, the stakes must be raised in preparing for the unavoidable impacts that climate change will impose on companies and businesses. The World Economic Forum's 2022 Global Risks Perception Survey identified climatic extreme events as the second most relevant global risk after failing to reduce emissions (WEF, 2022). Outside of the most carbon-intensive industries, too few CEOs are paying enough attention to the physical and transition risks that a changing climate poses to their companies, research finds (Cox, et al., 2022). This is a blind spot as impacts from climate change will hit businesses fast and unexpectedly, leading not only to major economic losses but even calling into question companies' and businesses' economic feasibility. PG&E, a California electric utility, sought bankruptcy protection in January 2019 after accumulating an estimated USD 30 billion in liability for fires started by its poorly maintained equipment (Penn, 2020). State Farm, an insurance company, announced in May 2023 that it will not accept any new applications for business or personal property and casualty insurance in California (Flavelle, et al., 2023). These cases, for now isolated, risk becoming part of a wider pattern in the event that companies do not adapt to the new climate reality. For some climate-sensitive sectors, the impact goes beyond individual companies and can reshuffle entire climate-sensitive industries. For example, winegrowers will need to abandon centuries-old grape varieties and exploit the full potential of new drought-tolerant species to preserve yields. Planning for adequate adaptive responses will require companies to address operational and identify market conditions that exacerbate vulnerability to the impacts of climate change, as well as strengthen inclusive decision-making institutions and implement effective and robust adaptation strategies. Given the consistency between the ACT adaptation and mitigation methodologies (already used in our benchmarks), WBA will be uniquely positioned to provide a comprehensive evaluation of a company's full climate strategy.

Financial

Changes and updates

Finance has a major impact on the real economy and is therefore recognised as the game-changer in helping fund the SDGs. Global sustainable investment increased to USD 35.3 trillion in 2020, representing over a third of total assets under management (GSIA, 2021). This could exceed USD 50 trillion by 2025 (Bloomberg, 2022). The biggest question is whether this amount in sustainable investment will actually have a meaningful impact on the SDGs.

Over the last two years, the backdrop of the financial system has changed dramatically. The COVID-19 pandemic accelerated the financial system's recognition that sustainability issues are material to business and therefore to finance as well. Policymakers and regulators also realise that they pose a systemic risk. Consequently, we have seen regulations ramping up focused on sustainability risk management and reporting. Civil society has also increased pressure on the financial system. The majority of financial institutions have moved from asking why they should act to how they should act.

This is a good first step, but the increasing urgency to act on longer term climate issues coupled with the short-term cost of living crisis affecting so many is causing polarising opinions. This is affecting politics and pitting those stakeholders that need to come together against each other. The financial



system alone cannot solve these issues without multi-stakeholder agreement. Trusted global insight on the state of play is required to guide agreement on what needs to be done and how to execute it.

Given the crucial role of private finance in funding the SDGs, over the last decade we have seen a plethora of principles, frameworks and standards introduced across different industries and regions related to sustainability reporting. Their sheer number has caused confusion in an arena that needed clarity. We are now seeing a response to the call for consolidation, with many initiatives merging and aligning. We have the global baseline of ISSB withdraws from existing initiatives. However, all parties recognise that this is indeed a baseline and will not contribute to funding the SDGs. The need for a higher bar and clearer directions that these baseline standards can follow is essential.

While mandatory disclosure rules in Europe and emerging regulation in the US and Asia are also contributing to the growing availability, quality and accessibility of environmental, social and governance (ESG) data, they are not focused on positive impact. In addition to reporting, which is essential for transparency and informed decision-making, we must therefore remind ourselves that this is not a solution in itself. Given that the financial system is motivated by both risk management and opportunity, we must recognise that it is opportunity that will get us to scale. With nature and biodiversity becoming a major priority, alongside resolving social issues, the financial system cannot continue business as usual.

We need a paradigm shift on the risk-return equation. Our current system will not create the financial flows necessary; we need innovation within investment structures and processes. The impact investing community is at the forefront of this innovation, showing what can be done. We need to move this into the mainstream to create scale, and to do so requires recognition and buy-in from all stakeholders. Trust and transparency are essential for this, which WBA benchmarking provides.

Relevance

Influenced by declining investments during the pandemic, recent estimates show that the SDG investment gap in developing countries has widened from USD 2.5 trillion when the SDGs were adopted in 2015 to a staggering USD 4 trillion per year today (UNCTAD, 2023). In stark contrast with the increases in sustainable investments observed over the last years globally, advances are limited mainly to higher income markets. If equity is left unaddressed, it is likely that financing gaps in the most vulnerable countries will be amplified and ultimately contribute to even greater setbacks over the long term (OECD, 2023). The financial system is often seen as opaque, and we are far from having a comprehensive picture of how the financial system will help to address the systemic risks posed by climate change, biodiversity loss and rising inequality. Individually, let alone collectively, these risks pose an existential threat to people and planet. They also pose an existential threat to the financial institutions that drive and shape – negatively and positively, in intended and unintended ways – the economy as well as people and planet by extension.

The financial system is interwoven and complex, with institutions having distinctive and interchanging roles across the system. However, there is an underlying order of hierarchy, where the demands of one sector influence the actions of another. For example, asset owners such as pension funds, sovereign wealth funds and state-backed institutions influence the actions of asset managers and banks through their investment mandates and due diligence processes. Aligning these institutions across common principles is essential to accelerate mainstreaming sustainable finance.

Insights

Launched in 2022, the first Financial System Benchmark assessed 400 of the financial institutions that are key to triggering a domino effect in mainstreaming sustainable finance. The results show that the financial system is a long way from global expectations on supporting a sustainable and just world.



The difference in performance on sustainability in the financial system, both across different sectors within the industry as well as geographically, has widened dramatically. There has been a significant increase in regulation in some sectors where there is systemic risk or political will. There are sectors of finance that are operationalising some aspects of sustainability and others that are only just starting to do this. Greenwashing has become a significant risk to making real progress, as is the confusion around and highly politicised backlash to ESG. Underlying these strong forces is an even greater need for finance to accelerate its role in supporting society as well as the planet.

The majority of financial institutions do not acknowledge their impact on the environment or society

Only 20% of financial institutions publicly acknowledge their impact on people and planet. This is a minimum requirement for financial institutions, as without acknowledgement they are unable to put processes in place to identify and manage the impact they have, set targets and monitor progress.

Commitments to a net-zero strategy remain low, with virtually no interim targets and tracking in place

Only 37% of financial institutions assessed disclose long-term, net-zero targets. Disappointingly, only 2% of these commitments have been translated into interim targets applied across the institution's financing activities, and only 1% are backed by scientific evidence. While many institutions are actively discussing their role in reaching net zero, these results paint a depressing picture of reality versus perceptions. Both disclosure and action in this area are essential to rebuild trust among stakeholders, to align across the system on action needed and to ensure informed decision-making by all.

Human rights risk and impact reporting almost non-existent in the financial sector

Financial institutions have an important role to play in human rights due diligence when financing and investing in companies. Outside of the minimum legal requirements, less than 7% of the 400 institutions assessed disclose the process they have in place to identify human rights risks and impacts within their own operations, and less than 3% within their financing activities. It is therefore impossible to evaluate whether they are fulfilling their role managing and incentivising businesses in their portfolios to operate ethically, even at the most basic level. As the financial sector acknowledges its role in the climate transition, there is much work to do in its contribution to the social transition.

Financing to low-income countries, SMEs and other excluded groups exceptionally low

While 80% of assets held by leading global financial institutions are based in OECD countries, these assets can and should flow across borders globally. Given that only 2% of financial institutions disclose their financing to low-income countries, 14% to excluded groups and 23% to SMEs, there is little transparency regarding the extent or lack of progress. This needs urgently addressing given the economic crises globally, dramatic withdrawal of assets from these areas and systemic risks to financial systems from societal failure.

Most financial institutions have no process to identify the impact of their financing activities on nature and biodiversity

Although we recognise that this is a new area of focus within the financial system, and multi-stakeholder work is underway to create the same framework on nature and biodiversity as was created for climate-related disclosure, there are virtually no existing processes in place within mainstream finance. Less than 5% of financial institutions assessed acknowledge they have a process to identify the impact of their financing activities on nature. Given the intimate connection between climate and nature, and the underlying systemic risk related to nature's contribution to the global economy, alignment within the financial system and all its stakeholders is essential to accelerate efforts in this area.

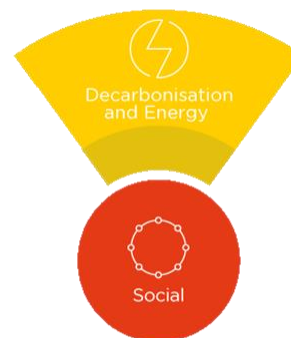


Interactions between the seven systems

The SDGs are deeply interconnected and include many interlinkages and spillovers. Whereas some involve trade-offs (e.g. increasing food production and GHG emissions), others are synergistic such as education for women and girls and child health (UN, 2023).

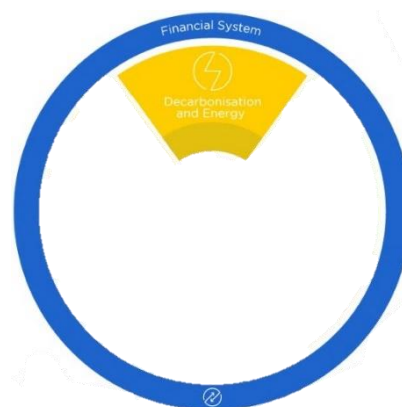
Decarbonisation and energy – social

- *Ensuring a just transition.* Certain industries, such as fossil fuels, might experience job losses as they decline due to the energy transition. Ensuring a just transition involves providing retraining and alternative employment opportunities for workers in these industries to prevent economic hardships and unemployment.
- *Maintaining decent working standards.* The transition can affect wage levels as new industries emerge and traditional ones decline. Ensuring fair wages in green sectors is crucial to prevent income inequality. Policies that promote fair wages, collective bargaining and income equality within emerging green industries are important for maintaining decent working standards.
- *Involving workers in transition planning.* Involving workers (e.g. via trade unions) in low-carbon transition planning leads to workers' empowerment and ensures that their rights and concerns are considered. This promotes transparency, accountability and democratic processes in the energy transition.
- *Promoting gender equality and diversity.* The energy sector has traditionally been male-dominated. The transition provides an opportunity to promote gender equality and diversity in the workforce. Policies and initiatives to encourage diversity balance across underrepresented groups in green industries can contribute to more inclusive and equitable employment opportunities.
- *Ethical practices and decent work along the renewables supply chain.* The supply chain for renewable energy technologies involves raw materials extraction and manufacturing. Ensuring ethical practices and decent working conditions along the supply chain is a pressing endeavour.



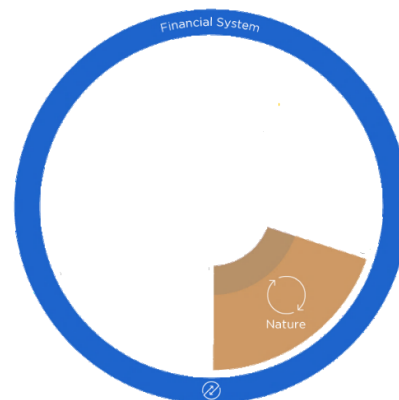
Decarbonisation and energy – financial

- *Mobilising and shifting capital to decarbonise the economy.* Approximately USD 50 trillion in incremental investments is needed by 2050 to transition the global economy to net-zero emissions (Colas, et al., 2021). The financial system is a key enabler of real-economy activity, so transforming the practices and priorities of financial institutions will be critical for delivering a rapid, just and inclusive transition. This will need to include both accelerating flows of capital towards innovative solutions and climate-aligned assets, as well as supporting the decarbonisation or phaseout of high-emitting assets.
- *Global warming poses catastrophic risks impossible to ignore.* Identification, mitigation and adaptation must be an essential part of financial institutions' strategies and policies.

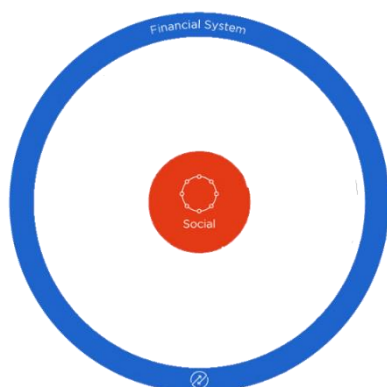


Financial – nature

- *Considering impacts and dependencies on nature.* Through their financing and investing activities, financial institutions can have an impact on nature through e.g. deforestation and pollution. The financial sector plays a key role in shifting global financial flows from nature-negative to nature-positive ones. At the same time, degradation of ecosystems can result in loss of their services, which in turn can create risk for real-economy companies. The ripple effects then impact the financial institutions that offer finance to these clients.



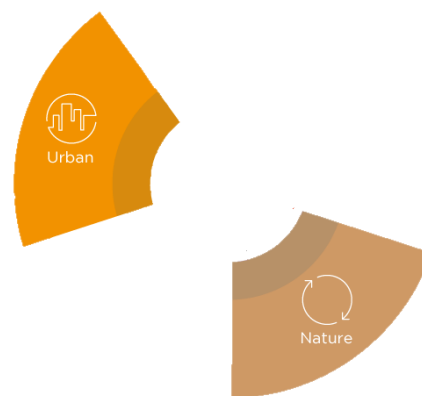
Financial – social



Shaping real-world social outcomes through financing. Financial institutions can protect people's human rights by leveraging their position as a provider of investments and financing, and by identifying, preventing and mitigating the social impacts of their financing activities. The finance industry is also in the unique position of being able to help underserved, usually excluded groups to access financing. This capacity to address poverty by directing financial flows to where they are needed is crucial, as inequality is growing for more than 70% of the global population.

Urban – nature

- *Cities are resource intensive.* While more than 80% of global GDP is generated in cities, cities are also the world's most resource-intensive regions. Much of the resources that fuel urban growth are extracted from the natural environment, resulting in both depletion of resources and loss of natural environment.
- *Cities are also impacted by resource shortages.* Activities hundreds of kilometres from a city can have a huge impact on the lives of urban residents. For instance, high consumption of water for agricultural or industrial purposes can contribute to water shortages in urban areas, affecting the availability of water for drinking, washing or cooking.
- *Meeting the needs of the growing urban population.* As urban populations grow, cities need to think about accommodating needs while at the same time managing their resource consumption more efficiently and minimising waste generation – both of which are key to achieving environmentally sustainable urban areas. Nature-based solutions can help to address environmental challenges by bringing ecosystem services back into cities.



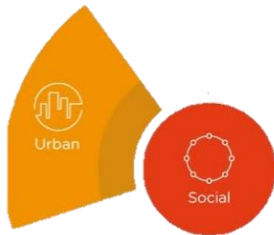
Urban – digital

- *Ensure digital services are accessible to all.* Digitisation strongly impacts how urban services will be delivered in the future. However, considering the rapid pace of technological innovation, commensurate levels of investments are needed to make sure that no one is left behind in the



transition to an increasingly digital economy. This relates especially to those groups that are more at risk of being left behind such as the elderly, youth or informal sector workers.

- *Smart cities can bring efficiency but must be designed responsibly.* ICT and data provides an opportunity for urban areas to manage their resources effectively, efficiently and optimise service delivery, be it through automation or the use of analytics to inform urban policymaking and infrastructure investment planning processes. This can result in more efficient use of public resources and better citizen welfare, provided that supporting technologies are designed responsibly, with citizens' access to information, privacy and security in mind.



Urban – social

- *Social issues are concentrated in cities.* Being home to more than 50% of the global population currently, and close to 70% of the global population by 2050, social issues are often concentrated in cities and are multifaceted. Issues range from poverty, inequality and crime to youth unemployment and aging populations.

Nature – decarbonisation and energy

- *Climate change and nature loss are interlinked.* Climate change and nature loss are two sides of the same coin. Climate change is a key driver of biodiversity loss, while deforestation and land-use change are contributing to rising emissions. At the same time, nature offers many solutions which can help climate change mitigation and adaptation and make our communities more resilient.
- *From silos to systems.* Climate change and nature loss are often approached and tackled in silos. The increasingly visible link between nature and climate means that expectations of companies will also shift towards nature positive and net zero.



Nature – food and agriculture

The nature and food crises are inextricably linked. Food production and its associated land-use changes are the biggest contributors to climate change, land degradation, deforestation and biodiversity loss, with half of global food production relying on exceeding the planet's environmental boundaries. Without dedicated measures, these impacts could increase by 60% to 90% by 2050.

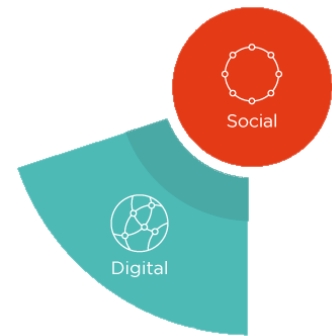
Food and agriculture – social

Many cannot afford a healthy diet. Globally, 3 billion people cannot afford a healthy diet, and 2.3 billion people are moderately or severely food insecure. Moreover, smallholder farmers produce one third of the world's food but often live in poverty on less than USD 2 a day.



Digital – social

- *Digital rights are human rights.* Among the communities that monitor technology companies' impact on their world, privacy and free expression are widely viewed as enabling rights – rights whose protection allows people to enjoy an array of other rights. Both have also been a persistent focus of regulators around the world. Companies should embody transparency on these topics through the dual lenses of digital inclusion and digital rights.
- *AI's impact on the most vulnerable warrants a new level of scrutiny.* Generative AI may ultimately render white-collar work more efficient, but its widespread and reckless use can easily lead to rampant misinformation and erosion of trust, exacerbate inequality and magnify power disparities. These risks are especially salient in countries with weak privacy protections. These new technologies also directly affect millions of the most vulnerable workers in tech, including content moderators and international customer support teams. As AI proliferates and reaches new communities, it is critical to keep its numerous and rapidly evolving impacts on people in focus.



Global South impact

The seven systems transformations that are at the heart of WBA's benchmarks are the systems that need to be transformed to achieve all 17 SDGs. WBA focuses on industries and companies that are influential in changing these systems. Just like the SDGs, these transformations are interconnected: ending poverty has to go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change and working to preserve our oceans and forests (UN, 2023).

The impact of companies on people and planet spans domains, but for the purpose of this paper we look at impact through three lenses: operations, supply chain and sales (Figure 2). Understanding the footprint and impact of companies in the Global South is particularly important from the perspective of achieving the SDGs. This is because significant progress needs to be achieved in Global South countries, but they often have more restricted access to the finance needed to implement the goals.

FIGURE 2: COMPANY IMPACT AREAS



Operations

Companies have an impact on people and planet through their direct operations. This is often linked to companies' physical locations (e.g. headquarters and subsidiaries) and their activities. Research shows that large, profitable and innovative firms greatly contribute to the development of their respective home countries (Casanova & Miroux, 2021) and often have much stronger knowledge of the local context and know how to deal with institutional voids compared to their international counterparts. As a result, their products, price points and value propositions are often more tailored to local markets, allowing them to better serve local, and often lower-income, customers (Khanna & Palepu, 2006). This makes them best placed to understand and address those SDGs most critical to their home countries and regions. To ensure global relevance and spread of the companies in WBA's benchmarking universe, we specifically focused on including influential companies headquartered in the Global South. Consequently, over a third (709) of SDG2000 companies are headquartered in the Global South,³ in countries ranging from Fiji to Angola. Most of these companies are headquartered in China (208), followed by India (103) and Indonesia (47). Figure 3 shows the spread of SDG2000 companies headquartered in the Global South.

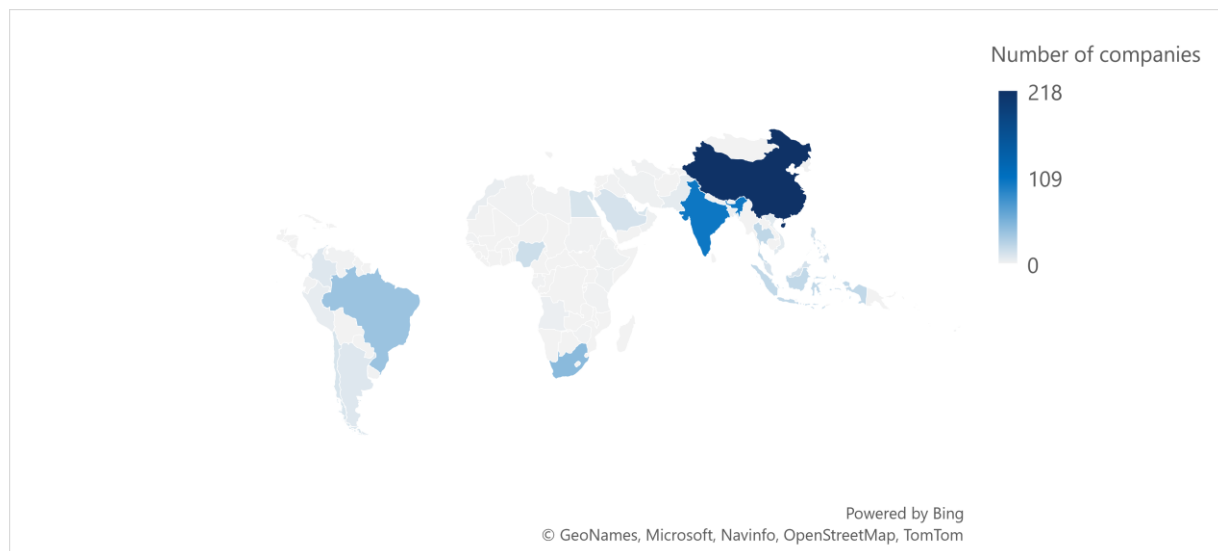
Most companies included in our SDG2000 have operations in different countries. A study focusing on the largest 360 US and China-headquartered companies by revenue, showed that respectively 330 and 321 operated in more than one country. The US companies had subsidiaries in 173 countries whereas the Chinese companies were present in a total of 160 countries (Casanova & Miroux, 2022).

³ Information on company headquarters is the most straightforward measure of operational presence. Information on subsidiaries is challenging to obtain for larger datasets and is often behind a paywall.



This sample shows that most large companies tend to have a local presence in different countries, ranging from the Democratic Republic of Congo to Cambodia. In addition, research shows that multinational enterprises (MNEs), particularly when they operate in emerging and developing economies, tend to provide better pay than their domestic counterparts. In addition, investments by foreign MNEs can have positive spillover effects on wages and non-wage working conditions of employees in domestic firms (OECD, 2008).

FIGURE 3: SDG2000 COMPANIES HEADQUARTERED IN THE GLOBAL SOUTH



Supply chain

Even though companies might not be physically present in specific regions or countries, they can still have significant influence and impact through their value chains. Nowadays, companies operate in complex, interconnected networks of businesses that are involved in the production and supply of products and services. We estimate that as many as 1.4 billion workers could potentially be linked to the global supply chains of the SDG2000 companies. Powerful companies, like the ones included in our SDG2000, are considered to be 'at the helm of these networks' and they 'orchestrate the global networks in search for efficiency and flexibility gains' (Panwar, et al., 2022). Consequently, they impact not only their direct suppliers but also entire industries. This is because the standards they impose spread widely, also affecting sub-suppliers, which are often subject to the same audits as first tier suppliers (ibid). It should also be noted that global value chains are characterised by enormous power inequalities, whereby lead firms essentially govern upstream supply chains. Take the example of a chocolate bar: most cocoa is farmed in Côte d'Ivoire and Ghana (almost one third of global cocoa production). Most cocoa farmers in these countries make less than USD 1 a day, which is significantly below the extreme poverty line of USD 1.90 a day. As a result, child labour is rampant with an estimated 1.5 million children working in cocoa agriculture in these two countries alone. Additionally, cocoa farming is primarily responsible for deforestation and illegal farming in Côte d'Ivoire and Ghana. Whereas these countries are the largest exporters of cocoa beans, most of the importers are based in Europe (the Netherlands, Germany, Belgium) and the US. Germany, Belgium, the Netherlands and Poland are the leading exporters of chocolate (by value). When we look at how earnings are distributed throughout the supply chain, it can be observed that farmers are among the lowest earners (6.6%) whereas retailers (44.2%) and manufacturers (35.2%) receive the highest proportion of the final sale price (Bhutada, 2020). These figures also show that if we want to consider the global impact of a product, service or company, we need to go far beyond where companies are headquartered and where their subsidiaries are located.



Similar complexities can be seen in many other global value chains. Rare earth elements (RREs), for example, are crucial in modern and emerging technologies such as smartphones, electric vehicles and renewables. Yet, their supply chains are very complex due to the different processing steps associated with RREs' production and the involvement of international networks of suppliers, manufacturers and distributors. These examples also highlight that lead firms have a vital role in raising global standards along their – often – global supply chains through strong supplier codes of conduct and sustainable procurement practices.

Sales

It is estimated that 86% of global consumers live in the Global South (Mahajan, 2020), representing enormous market potential for companies. Companies can adapt existing products, market existing products and services in new ways, or create entirely new ones to meet specific needs, for example those of lower-income groups or women. Understanding the needs of lower-income individuals is particularly important as research shows that these individuals are not only restricted by what they can financially afford but also what they are socially permitted to purchase (Hagerty & Barasz, 2020). By ensuring products align with consumer needs and preferences and are affordable and accessible, new markets can be tapped while at the same time offering solutions to problems such as lack of digital access or nutritious food.

The section below zooms in on how the companies included under each of the seven systems transformations can impact the lives of people in the Global South through their direct operations, supply chains and product and service offerings.

Social

The social transformation sits at the heart of our seven systems transformations. Therefore, all 2,000 companies in WBA's scope are assessed on respect for human rights, promotion of decent work and living wages, and acting ethically. Our social transformation framework follows the SDGs promise to leave no one behind and interprets the societal expectations placed upon the world's most influential companies concerning human rights, decent work, gender equality and ethical action. The indicators under these three broad measurement areas incorporate various elements that consider supply chain requirements, and therefore highlight the importance of the value chain perspective for all companies. In addition, comprehensive human rights and gender methodologies are applied to companies within high-risk sectors as part of the CHRB and Gender Benchmark. One out of five (21%) companies in scope of the CHRB and 14% of companies in scope of the Gender Benchmark are headquartered in Global South countries. Furthermore, as many companies based in the Global North engage in operations in Global South nations, the assessment encompasses targeted indicators that scrutinise company operations at their headquarters, subsidiaries as well as in the supply chain.

Over 650 million people live below the poverty line (World Bank, 2023), and 85% of the world's extreme poor live in the Global South. The pervasive economic inequality has been exacerbated by disparate growth rates, particularly pronounced in the Global South. In sub-Saharan Africa, the richest 1% of people own more than 40% of the wealth. In South Asia, the richest 1% of people own more than 30% of the wealth (Cancel, et al., 2022). This inequality obstructs economic growth and development, propelled by factors such as globalisation, technological change, and unjust labour and tax practices.

Issues such as low wages, poor working conditions, lack of job security and limited representation are common in many countries in the Global South. Challenges related to human rights violations, including political repression, lack of freedom of expression and limited access to justice, weakens people's ability to fight against inequality and injustice.



Food and agriculture

Operations

Of the 350 companies in scope of the Food and Agriculture Benchmark, a quarter (92) are headquartered in the Global South. Most of these companies are in the food and beverage industry (42%), followed by producers of agricultural products (32%).

Supply chain

Agriculture remains the largest employer: worldwide, the sector employs about one fourth of the entire workforce. For least-developed countries, this number increases to more than half (55%). The FAO estimates that 2.5 billion people in developing countries depend on agriculture for their livelihoods. However, wages in agricultural production are low, and even below subsistence level, work in agriculture tends to be seasonal, with labour productivity often low and unpredictable. In addition, when producers lose income, there is a greater risk of child labour, forced labour and other human rights abuses (UNCTAD, 2020). Research finds that growers' prices only represent a very small proportion of the retail price for finished products, ranging from as little as 4% for raw cotton to 28% for cocoa (FAO, 2004).

Food and agriculture companies have long and complex supply chains due to the many intermediaries involved and have become more global as more countries participate, in particular developing and emerging economies (OECD, 2020). Food and agricultural supply chains represent a high percentage of global trade, both in volume and calories. The economies of many developing countries strongly rely on agriculture (UNCTAD, 2020). Whereas international trade is important for agricultural commodities like cocoa, rubber, coffee and tea, domestic value chains supply the great majority of food in developing countries, including processed foods (Barrett, et al., 2020). Domestic value chains can be operated by multinational and domestic firms, and often involve a mix, as when a locally-owned farm sells its produce to a multinational processor or trader that sells its products to either multinational or domestic retail chains and food service outlets (Barrett, et al., 2020). Spillovers between multinational and domestic players can be positive, for example technological spillovers and increases in productivity. Data from our Food and Agriculture Benchmark in 2021 shows that 81% of the 350 companies assessed do not disclose any of their suppliers. Moreover, suppliers perceive a clear lack of support from the companies they service, including capacity building and training on key issues such as becoming certified. In December 2022, we published [a report](#) that analysed the impact of food and agriculture companies on their supply chains. Key findings included the fact that a low level of public disclosure by food and agriculture companies about their supply chains is preventing change in the sector. In addition, suppliers view companies' policies and commitments as important for supporting sustainability practices. The findings suggest that the sector is performing poorly when it comes to promoting and investing in sustainable practices along companies' supply chains, confirming the need to keep a clear (methodological) focus on supply chains.

Sales

It is estimated that hunger still affects over 9% of the global population. Moreover, for many a healthy diet is not available or affordable, particularly in low- and middle-income countries. Current estimates show that more than 3.1 billion – or 42% of the world's population – cannot afford a healthy diet. This is an increase of 134 million people compared to 2019, before the onset of the COVID-19 pandemic. While in 2021, Asia had the largest number of people who were unable to afford a healthy diet (1.9 billion), in 2023, Africa reported the highest proportion of the population unable to afford a healthy diet (78%), followed by Asia (44%) and Latin America and the Caribbean (23%) (FAO, IFAD, UNICEF, WFP and WHO, 2023). Companies can play a role in leveraging their expertise and reach to deliver innovative solutions to end hunger.



The growing corporate control of the global food system has also resulted in greater availability of highly processed food and beverages. Unhealthy diets are one of the leading contributors to the global burden of disease, mainly noncommunicable diseases such as cardiovascular diseases, diabetes and cancer. Particularly upstream food companies, with their concentrated and substantial market power, play a role in shaping food supply chains, food environments and consumer behaviour (Wood, et al., 2021).

Nature and biodiversity

Operations

Most of the world's remaining biodiversity hotspots are located in the Global South (CEPF, 2023). In the Nature Benchmark, WBA has sought to include companies that have a disproportionately positive or negative influence on nature and biodiversity loss specifically in developing countries. For example, within the paper and forest industry, while there are companies headquartered in Europe and North America which have much larger revenues and operations, companies were also selected if they have significant operations or activities in high-risk regions for biodiversity. The selection process also sought to bring regional balance to the company sample to ensure every region is represented, given the global scale of biodiversity impact and loss. For example, in the utilities segment, consideration was given to the number of people who are served by or reliant on the company's services in high-risk regions, ensuring that companies from countries such as Brazil, India and China are also included.

Of the 1,000 companies in scope of the Nature Benchmark, about a third (323) are headquartered in the Global South. Of these, most are in the metals and mining sector (15%), followed by food and beverages (13%) and oil and gas (13%).

Supply chain

The Nature Benchmark covers sectors such as food and agriculture, apparel and footwear, and metals and mining. Due to their global value chains, companies headquartered in the Global North are very likely to have links to the Global South through their supply chains. Over 50 developing countries are classified as resource rich, of which many are in Africa (IMF, 2012). This means that companies that rely on these natural resources (e.g. metals and mining companies, food producers, oil and gas companies) have an inherently global impact on nature and the lives of local communities.

Many of the issues covered in the Nature Benchmark directly or indirectly affect people's lives and livelihoods. For example, declining water quality and water pollution have significant impacts on people, particularly in the Global South. Companies in seven major sectors – food, textiles, energy, industry, chemicals, pharmaceuticals and mining – are affecting more than 70% of the world's freshwater use and pollution (CDP, 2019). Deteriorating water quality is stalling economic growth, worsening health conditions, reducing food production and exacerbating poverty in many countries (World Bank, 2019). More than 90% of pollution-related deaths occur in low- and middle-income countries (Fuller, et al., 2022). Finally, nature loss also reduces the resilience of countries and communities in the face of climate change, compounding the exposure of countries in the Global South to climate hazards. For example, mangroves and coral reefs can contribute significantly to coastal protection from flooding and storms. Therefore, the degradation and loss of these natural defences exacerbate climate change adaptation challenges.

Sales

A lack of circular business models has also led to well-documented issues of huge amounts of waste such as textiles, plastics and electronics being dumped in the Global South where much of it may be landfilled, burned or littered in the environment. For example, linear business models such as fast fashion and single-use plastics and product mismanagement after use are causing significant damage to the environment and public health.



Digital

Operations

Of the 200 companies in scope of the Digital Benchmark, over a third (68) are headquartered in the Global South. Half of these are telecommunications companies, followed by IT software and services (19%). In addition, many digital companies headquartered in the Global North have a presence in the Global South through subsidiaries. Digital companies have significant socio-economic impact in developing countries, contributing to their respective economies and achieving the SDGs. Examples include investments by digital companies in local manufacturing plants, R&D and better service offerings. This is contributing to local employment generation and digital development.

Digital companies can also have negative impacts on the environment, human rights and labour practices in the Global South. For instance, they may have laxer environmental practices where there are less stringent regulations. The potential for negative human rights impacts is a particular challenge for social media companies. Numerous cases have been identified over the years regarding the use of social media platforms to incite violence and spread false information. The labour practices of so-called 'gig economy' companies have also been called into question. However, there is evidence that at least in platform development countries, social media companies are contributing to employment with wages often higher than what contractors would earn elsewhere.

Supply chain

There are 58 hardware companies in the benchmark (29%) producing semiconductors, smartphones, computers, network equipment and other digital goods. Most are headquartered in high-income nations with manufacturing largely outsourced to East Asia. The only hardware companies in the benchmark not headquartered in high-income countries are Chinese.

The proportion of hardware companies committed to human rights is higher than other digital industries. However, hardware companies, which have the most tangible supply chains among the digital industries, perform the worst with respect to expecting their suppliers to commit to the ILO fundamental labour rights. Nonetheless, the major companies have significant initiatives regarding working with their suppliers to improve human rights and working conditions and minimise environmental impact.

Hardware supply chains are complex due to interconnected systems of components, software applications and services. Geopolitical considerations also loom large in such a strategic industry with some hardware companies seeking greater diversification in their supply chains.

Sales

An estimated one third of the world's population, or 2.7 billion people, remain unconnected to the internet (ITU, 2022). Although this number has decreased significantly over the last decade, those living in remote areas or belonging to disadvantaged groups are disproportionately not using the internet (ITU, 2022).

The main barriers to not using the internet are a lack of digital skills followed by affordability. Some digital companies have initiatives in these areas such as supporting digital literacy training and lower pricing for vulnerable groups. These initiatives need to be adopted by more companies and scaled up so that they have a greater impact.

Urban

Operations

Of the 400 companies to be assessed in the Urban Benchmark, more than half (52%) are headquartered in the Global South. Of these, 40% are real estate companies, 20% are utility companies and 18% are construction and engineering companies.



Supply chain

Construction is one of the largest employment-generating industries, after agriculture, and typically employs between 4% and 11% of the workforce in emerging countries (Acolin, et al., 2021). The industry tends to outsource the supply of goods and services required in the production process, and the vast majority of enterprises involved in on-site construction are small and local contractors and subcontractors (ILO, 2023). This characteristic, while often contributing to the local economy in which construction projects are undertaken, also means that, contrary to sectors such as manufacturing, the supply chain of urban companies is often one-off and short-term in nature. This makes integrating processes a challenge, be it in terms of material supply, procedures or workforces (Badi & Murtagh, 2019). Construction workers are largely employed informally, typically have limited education and face high exposure to health and safety risks (Acolin, et al., 2021).

Sales

Many of the companies included in our Urban Benchmark provide basic infrastructure and services. Cities in developing countries often struggle to provide basic infrastructure and services for a rapidly growing population, leading to widespread inequalities. It is estimated that up to 70% of people living in emerging cities in Asia, Africa and Latin America are underserved and lack access to one or more core services such as housing, water and sanitation, energy or transport (Hart, 2020). Access to basic infrastructure and services is central to the quality of life of urban residents, their economic opportunities and feelings of social inclusion. As it is projected that 96% of an over 3 billion increase in urban populations will be absorbed by cities in the Global South, companies operating in these regions are expected to play an important role in providing basic infrastructure and services.

Decarbonisation and energy

The world's most vulnerable countries are at the frontline of the climate crisis. Without rapid mitigation and accelerated adaptation measures, losses and damage will continue to increase, particularly in Africa, least-developed countries, small island developing states, Central and South America, Asia and the Arctic. Although these countries contribute the least to global carbon emissions, the effects of climate change will be strongly concentrated in these countries and will disproportionately affect the poorest and most vulnerable populations (IPCC, 2023). The rural and urban poor and remote groups and communities have limited adaptive capacity due to their economic status, making them more vulnerable than others (UNFCCC, 2018).

Operations

Of the 450 companies included in the Climate and Energy Benchmark, 41% are headquartered in the Global South. Of these, most are in the oil and gas industry (19%), followed by utilities (15%), real estate (15%), construction materials and supplies (12%), and metals and mining (10%). In terms of scope 1 emissions, Global South companies assessed in the Climate and Energy Benchmark accounted for 2.7 GtCO₂eq in 2021 (based on reporting, which was only available for 55% of the cases).

Supply chain

Rare earth elements, cobalt and nickel are essential for building renewable energy technologies – from batteries to solar panels – and driving the green transition. The Global South is responsible for between 40% and 70% of the global production of these materials (Kowalski & Legendre, 2023). With the total mineral demand for clean energy technologies required to increase sixfold by 2040 in a 1.5°C scenario (IEA, 2022), the Global South is a key player in keeping the race to net zero alive. The maintenance of a well-functioning global supply chain for these materials is very important and will need to be balanced against stricter forms of environmental and social protection for regions and communities active in mineral extraction. Moreover, if the Global South is crucial for the supply chain of clean energy technology, the trade of other energy-intensive products will come under increased pressure from climate legislation being prepared in the Global North. In less than three years, the EU



will require importers of aluminium, cement, iron and steel to pay for their products' embodied carbon emissions – a regulation known as the [Carbon Border Adjustment Mechanism](#) (CBAM). As carbon intensity of production tends to be higher in the Global South, the application of CBAM could impact 0.2% to 6% of developing countries' output (Magacho, et al., 2022), adding further pressure to their value chains and the global economy. Companies' transition to less carbon-intensive means of production – as highlighted in the Climate and Energy Benchmark – will allow the Global South to navigate around CBAM and at the same time contribute to the stability of the global supply chain.

Sales

Many countries in the Global South are still suffering from energy poverty despite their large potential for renewables. Scaling renewables and attaining universal energy access – in line with SDG 7 – is impossible with the current generation, transmission and storage infrastructure. Given the budget constraints of national governments and the limited funds available from multilateral and bilateral aid organisations, investment from the private sector is vital. For sub-Saharan Africa alone, the use of solar PV to solve the energy poverty problem by 2030 requires a total of 665 GW capacity to be installed at a total annual cost of USD 36 billion (Mukhtar, et al., 2023). The role for companies to provide clean electricity generation technologies in the Global South is substantial as growing economies will continue to drive electricity demand upwards.

For a number of industries included in the Climate and Energy Benchmark, most impact in terms of carbon emissions happens at the end-user level. This is particularly pronounced in the automotive and oil and gas industries. Fostering the adoption of electric vehicles (EVs) to curtail transport emissions and oil demand has long been a policy in Europe and the US, but there are now promising signs of EV adoption in major Global South markets like India, Thailand and Indonesia. Collectively, sales of electric cars in these countries more than tripled in 2022 compared to 2021 (IEA, 2023). Importantly, several manufacturers from emerging markets, mainly China, are offering EVs at lower prices to facilitate widespread adoption. In 2021, EV registrations in Europe were still dominated by incumbent brands operating in the more lucrative high-end segment, such as VW with 21% share of EV registrations. In the same year, Chinese manufacturers accounted for almost one in five EV registrations in Europe with a positive growth outlook in the more affordable and, in terms of emissions, more significant middle/lower segments (FleetEurope, 2022).

Financial

Operations

Out of the 400 companies included in the Financial System Benchmark, 27% (108) are headquartered in the Global South. Most of these are banks (64%), followed by insurance (14%) and sovereign wealth funds (12%).

Supply chain

The financial system is fundamentally linked to global supply chains, from financing start-ups and underpinning expansion plans to insuring goods and businesses. As well as an enabler, the financial system is also an important leverage point that influences where and how companies do business. Finance crosses borders, and financial institutions are often each other's clients across the Global North and Global South. This is exemplified by development finance institutions (DFIs), which exist to finance private sector development in developing countries, often in collaboration with Global South financial institutions. For example, US development bank IFC collaborates with local banks in East Asia and the Pacific with the aim of increasing access to finance. Given that many globally influential financial institutions are each other's clients in various ways, the Financial System Benchmark offers an opportunity for financial institutions to hold each other to account regarding social and environmental impacts, with asset owners and allocators having a particularly powerful role to play.



Sales

Increasing access to finance can have far-reaching positive impacts on society, the environment and the economy. By supporting the businesses of marginalised and habitually excluded individuals and communities, financial institutions can foster inclusive growth, generate employment opportunities and reduce poverty. The IFC estimates that more than 200 million formal and informal micro-, small- and medium-sized enterprises (MSMEs) in developing countries are underserved in terms of their financing needs. This translates into a financing gap of over USD 5.2 trillion for formal businesses and another USD 2.9 trillion for informal MSMEs (World Bank, SME Finance Forum and IFC, 2017).

Increasing access to finance can also facilitate investments in green technologies, such as renewable energy projects, and initiatives that address pressing social challenges. The Financial System Benchmark tracks policies and contributions to inclusive finance, feeding into multiple multilateral and industry initiatives. Importantly, it shines a light on those institutions that are operationalising financial flows into the Global South, and it gives WBA agency in championing the progress other financial institutions should be making in these areas. The finance industry recognises that a thriving society underpins a thriving economy. Finance has a role to play in achieving a just society. The Financial System Benchmark provides an insight into the status quo regarding finance and society.

Conclusion

The world is facing a triple climate crisis: our climate is changing, we are losing biodiversity at an unprecedented pace and pollution is rampant. This is impacting humanity at large and is putting peace, security and human rights at risk. The climate crisis is worsening inequalities by impacting those who are poor, vulnerable or marginalised in a disproportionate manner. New technologies further contribute to a new generation of inequalities. Without concrete actions, not just promises, we risk leaving even more people behind than the staggering 4 billion who are already struggling. Without real action we will undoubtedly fail on the central, transformative promise of the 2030 Agenda to leave no one behind.

While everyone has a part to play in addressing these challenges, WBA's research finds that companies, in general, are not living up to their promises and potential. Although there is an encouraging number of companies that are taking meaningful and impactful steps, business as a whole is not taking the bold action that the SDGs require. Our benchmark results clearly indicate that if we want to tap into the transformative power of companies, the SDGs and other global agendas need to become much more consequential to business success. We need to develop pathways that encourage companies to align their practices with sustainable development.

The potential for positive change is enormous if we can bridge this gap and if companies play their part in building a fairer and more sustainable world. This potential is significantly large in developing countries where SDG financing gap is widening and under increasing pressure. Companies that align their business and investments with the SDGs can provide resources, advanced technologies and help develop local capabilities. This, in turn, can drive economic growth, create jobs and build essential local infrastructure. Furthermore, private sector investments are crucial for funding sustainable development initiatives like renewable energy projects and environmental protection programs. As the urgency of the climate crisis grows and inequalities is on the rise, it is essential for businesses to take meaningful action now. By doing so, they can be instrumental in creating a fairer and more sustainable world, benefitting everyone everywhere.



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