

Chapter 33

Applying the UN sustainable development goals as a framework for corporate sustainability



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33.1 INTRODUCTION

The 17 United Nations (UN) Sustainability Development Goals (SDGs) adopted at the UN Sustainable Development Summit in 2015 provide a comprehensive framework for corporate sustainability across all sectors of enterprises (UN, 2020). This chapter explains how VCS Denmark, a large publicly owned water and wastewater utility, incorporated the SDGs into its strategic business plan in order to implement in practice the sustainability goals. It describes how Denmark became a global leader in sustainability which led to VCS Denmark's adoption of the SDGs, the approach the utility followed to bring the SDGs into its organization, the key issues encountered, and some general thoughts about the need for continued organizational development to achieve water sustainability.

33.2 UN SUSTAINABLE DEVELOPMENT GOALS AND CORPORATE SUSTAINABILITY

While the Sustainable Development Goals (SDGs) were adopted only within the past decade, the UN has explored the concept of sustainability over the course of several decades (Caradonne, 2014). Previous efforts are reflected in a series of international agreements, beginning in 1972 with the Stockholm Declaration and continuing through the Brundtland Commission Report (1983–1987), the Montreal Protocol (1987), and the International Protocol on Climate Change (1988). While these documents focused on the role of governments in protecting the environment, the concept of sustainability was ultimately expanded to include ways in which environmental protection could be harmonized with running a profitable business.

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One common denominator for this emerging perspective was a belief that the ultimate purpose of business is something more substantial than making money: *'The promise of business is to increase the general well-being of humankind through service, creative invention and ethical philosophy'* (Hawken, 1993). The concept of *triple bottom line* added to a company's accounting its impact on society and the environment (Elkington, 1998), and was subsequently embraced by businesses as a measure of their 'corporate social responsibility' (CSR). Another useful notion was the *ecological footprint* that gauged environmental impact in terms of the area required to produce a nation's goods and services (Wackernagel & Rees, 1996).

While these tools have given us high-quality information about our impact on the environment, by the turn of the 21st century it was increasingly evident that we were far from realizing the Brundtland Commission's ideal of development *'...that meets the needs of the present without compromising the ability of future generations to meet their own needs'* (Brundtland, 1987). We are only now beginning to address the challenge of sustainably providing for the world's 7.5 billion inhabitants – challenges which will only continue to deepen as the population climbs to an estimated 10.9 billion by 2100.

Described as *'a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere'*, the SDGs were adopted on September 25, 2015 by all UN member states as part of its 2030 Agenda for Sustainable Development (UN, 2020). Where earlier agreements were more limited in scope and geography, the ambitious agenda of the SDGs offered targets in 17 key areas (Figure 33.1) whose accomplishment would help ensure the health and prosperity of every country on earth. The SDGs took effect on January 1, 2016, initiating a 15-year plan to achieve them (by 2030) and setting the UN's course towards a more sustainable future.



Figure 33.1 The United Nations Sustainable Development Goals SDG Compass Guide (2015).

To reach these goals will require sustained and major contributions at all levels – locally, nationally and globally – as well as the active commitment from corporate sectors. Companies must be actively engaged in helping solve the problems addressed by the SDGs, because private enterprise helped to create them in the first place. To secure their involvement, however, business must see value in tackling these global challenges. Since 2015, UN Global Compact has inspired private enterprise to adopt the SDGs as a framework for the performance of corporate sustainability. Together with the Global Reporting Initiative (www.globalreporting.org) and the World Business Council for Sustainable Development (www.wbcsd.org), the UN Global Compact has developed guidelines advising enterprises how to adopt the SDGs. These guidelines has been a source of inspiration in the adoption of the SDGs as a framework for corporate sustainability in VCS Denmark.

33.3 DENMARK'S PATH TO SUSTAINABILITY

Just as decades of dedication to environmental responsibility by the UN eventually led to the adoption of the SDGs, so Denmark's national embrace of sustainability was the product of many years of social and political progress. Climate change led the agenda of Denmark's 2019 Parliamentary Election (dubbed 'The Climate Election'), but only because during the previous 50 years the Danish public, their politicians and their corporate executives all grew used to working together to fight pollution, protect the environment and address the challenges our society faces in general. Danish eco-literacy is taught at home and reinforced in school and at work, making Denmark a prime 'breeding ground' for sustainability.

In many ways Denmark has been a frontrunner in environmental action since 1973 when it passed the Danish Environmental Protection Act, one of the world's most ambitious. This strict regulation of business encouraged the development of both internal and external motivation towards sustainable behavior. Companies like the giant pump manufacturer Grundfos have long embodied Denmark's environmental ethic. It is no accident that their corporate purpose is 'we pioneer solutions to the world's water and climate challenges and improve quality of life for people' Far from 'greenwashing', this purpose reflects the national ethic of environmental protection. The company's corporate vision even includes a classic CSR acknowledgement that '*a high profit level is a means to the Group's continued existence and development - not a goal in itself*' (Grundfos, 2020). Grundfos former CEO Mads Nipper is joined by many other Danish executives like Novozymes' Head of Sustainability Claus Stig Pedersen and pioneering business consultant Prof. Steen Hildebrandt who demonstrated to business leaders that a sustainable business strategy is more than just a philanthropic indulgence.

But the Danish tradition of environmental awareness is not limited to business. On the political front, Mogens Lykkesøft and Kristian Jensen were instrumental in putting sustainability – and ultimately the SDGs – at the top of the national agenda. Lykkesøft, who held numerous elected and appointed positions in Denmark's Parliament (including Speaker) also presided over the 70th UN session in 2015 when the SDGs were adopted. During that same period, Jensen served as Foreign Minister and later on Finance Minister where he ensured that the SDGs were included in the national action plans by insisting on their relevance, their urgency, and their potential to benefit both individual citizens and corporate enterprises. It was in this context that, in October 2015, VCS Denmark CEO Anders Bækgaard (2020) heard Claus Stig Pedersen testify to Novozyme's success using the SDGs as a framework for corporate sustainability. The time was right for the spark of that presentation to ignite the SDG fire at VCS Denmark.

33.4 VCS DENMARK, CSR AND SDG

VCS Denmark, located in the Danish city of Odense, is the country's oldest and one of the largest water and wastewater utilities. Like most Danish water utilities, VCS Denmark is chartered a municipally owned limited company, operated on a non-profit basis, but with rates structured to fully recover all operating and capital costs. Since its founding in 1853, VCS Denmark's purpose has been to protect and improve public health. This commitment was proved early on when in 1854 a cholera epidemic felled 5% of Copenhagen's residents while their safe water supply protected the citizens of Odense from the water-borne plague. By 1866 sewers were installed and in 1908 VCS Denmark commissioned the city's first wastewater treatment plant. For VCS Denmark, its primary purpose has not been to make money for its shareholders but to create value in a broader sense for the community it serves.

It is no surprise, then, that VCS Denmark's corporate policies already included the concept of sustainability before the SDGs were formally inserted into its Owner Policies in 2018. Since 2007, the company had maintained a number of international certifications for health and safety and environmental practices (ISO 9001, ISO 14001, ISO 22000, and OHSAS 18001) so it was not unusual for them to go above and beyond their basic regulatory requirements.

On the other hand, while the Owner Policies identified sustainable development in general terms, neither the board nor VCS nor the utility's customers knew much about the SDGs to begin with. The decision to use SDGs as inspiration and as stepping stones towards fulfilling VCS Denmark's corporate responsibility originated somewhere else: CEO Anders Bækgaard. For years before coming to the company, Bækgaard promoted sustainability as head of the Danish Water and Wastewater Association (Feilberg, 2020) he brought that same sensibility to his new position. Conditions were therefore ripe at VCS Denmark, and the board welcomed his suggestion to adopt the SDGs as a framework for corporate sustainability.

33.5 ADOPTING THE SDG FRAMEWORK

To adopt the UN SDGs as a framework for corporate sustainability, VCS Denmark first had to evaluate each of the 17 goals and 169 target and identify goals and targets of particular relevance to the company. With goals and targets as broad as '*Eradicate extreme poverty for all people everywhere*' (Goal 1, Target 1) and as focused as '*Improve the regulation and monitoring of global financial markets*' (Goal 10, Target 5) it seemed necessary to determine which SDGs were in fact applicable to VCS Denmark's operations. The results of this initial screening were eye-opening, as the executive board identified 55 targets distributed between 14 goals where the utility might have an impact. This was surprising, as company managers had originally anticipated that its core business first and foremost related to Goal 6, '*Ensure availability and sustainable management of water and sanitation for all*'. The unexpectedly high correspondence between VCS Denmark's operations and the SDGs suggested the company had to take a more holistic approach to sustainability – a conclusion consistent with the logic behind creation of the SDGs.

Within the utility, this initial corporate embrace of the SDGs was characterized by elation and a pioneering spirit. The 'honeymoon period' soon ended, however, as staff confronted the challenge of anchoring the SDGs to the company's core strategies and plans, including its program of CSR. Integrating the SDGs into the actual activities of the company was necessary to avoid reducing them to an afterthought, but the number of potential focus areas made it difficult to know where to start. Where would efforts generate the most value? Where was the company's capacity for action strongest? As American author Patrick Lencioni put it, '*If everything is important, then nothing is*'.

To chart a roadmap for action, in 2017 VCS Denmark convened a cross-organizational team consisting of 10 employees recruited from each of the company's five departments. The project team included four women and six men: several engineers, a legal aide, a geologist, a journalist, a manager with a MSc. degree in Economics who specialized in human relations, and a plumber. Most members had no expertise in the area of the SDGs. A steering committee of senior management team was also established to ensure strong ties between the project and the board of directors. Together with the steering committee, the project committee defined five key characteristics of a successful SDG implementation project:

- **Core Business:** Make the SDGs a real and integral part of the core business rather than a philanthropic appendix of a more symbolic nature;
- **Materiality:** Create a basis for action that makes a real difference: no green-washing;
- **Involvement:** Acknowledge that active involvement of employees is a prerequisite for generating a sense of ownership and commitment in the organization;
- **Anchoring:** Ensure solid anchoring of the SDGs in the company's strategies, plans and responsibilities (CSR) as well as in the corporate culture;
- **Transparency:** Understand that transparency demystifies decision-making and generates better conditions for the sharing of knowledge internally and externally.

As a relatively small enterprise with 200 employees, VCS Denmark did not have capacity to allocate an entire department to the SDG agenda. Instead, it matched its organizational capacities to the process prescribed in the UN's [SDG Compass Guide \(2015\)](#), which divide the the process into five distinct phases as shown in [Figure 33.2](#).



Figure 33.2 The Sustainable Development Goal Compass. (Source: UN (2020) <https://www.unglobalcompact.org/library/3101>)

The five phases are described as follows:

Phase I: Understanding the SDGs: Create a shared understanding of the SDGs and the challenges they address to establish a sound basis for the project. This step includes not only the project group and the steering committee, but the entire organization, including top management and the board.

Phase II: Defining Priorities: Map the relationship between the SDGs and activities in the company's value chain to set the stage for selection of goals and targets.

Phase III: Setting: Goals Set business goals that support priority SDGs and related targets.

Phase IV: Integrating: Identify specific aspects of business operation that correspond to selected focus areas and develop an action plan with performance indicators.

Phase V: Reporting and communicating: Establish procedures for assessment and progress reporting.

33.6 ASSESSMENT AND PRIORITIZATION

Although an initial assessment of the SDGs showed that many were relevant to the goals and activities of the utility, it was clear that the organization needed to focus on a smaller number of priority areas. In order to evaluate the SDGs methodically, the organization developed a detailed assessment tool. The tool worked by posing a series of questions designed to identify areas of relevance, gaps, and business opportunities for each candidate target. As shown in [Table 33.1](#), responses were scored numerically, with the higher scores indicating higher priority.

Selection of a methodology for determining priorities is clearly an area where many choices need to be made. Some of the background questions the project team had to answer in developing the tool included:

- To what level of refinement should each SDG be evaluated?
- Does the team applying the tools have the skills and knowledge to make competent assessment?
- Have all the right and relevant variables been chosen?
- How should different variables be rated?

Table 33.1 VCS Denmark's assessment tool for evaluating the SDG targets.

Category/Question	Score
Relevance To what extent is the target relevant to VCS Denmark's activities?	1 = minor 2 = moderate 3 = major
Gap To what extent is there a gap between the target and the state of affairs in the geographical area influenced by VCS Denmark's activities?	1 = small 2 = moderate 3 = large
Business opportunity To what extent would achievement of the target represent a good business opportunity for VCS Denmark?	1 = minor 2 = moderate 3 = major

With regard to the last question, it should be noted that for a publicly owned non-profit company, a business opportunity can be rated based on value creation for owners and customers in a broader sense, on multiple 'bottom lines' or as 'shared value' ([Porter & Kramer 2011](#)).

In contrast to this approach, some companies might prefer a more classic ‘materiality analysis’ where goals are assessed based on whether their accomplishment is material to the company or its stakeholders. Others may choose from among the many SDG assessment tools developed over the last couple of years. Regardless, companies must bear in mind that assessment is not an exact science, and no tool can be relied upon exclusively to produce a clear-cut, conclusive result. The value of the selected assessment tool depends upon the extent to which it offers a new perspective that stimulates discussion about what is important to the company, and helps establish a useful and transparent basis for decision-making.

To speed up the process, the project team added 16 targets to the 55 targets identified by the executive board during its initial screening and limited its assessment to those 71 targets. The result of the assessment is shown in [Figure 33.3](#), where the extension of each SDG icon is proportional to the average score of relevant targets on a SDG level, and the SDGs shown in color were prioritized by VCS Denmark for implementation.

The VCS Denmark board of directors received these results in late 2018 and chose to follow the project group’s recommendations, prioritizing the following goals: 6 (clean water and sanitation); 7 (affordable and



Figure 33.3 Results of the SDG assessment by VCS Denmark ([VandCenter Syd, 2019](#)). The size of the individual icons reflects the average score of the relevant targets for every goal in the SDG assessment. The five goals appearing in colour represent the five SDGs that VCS Denmark has decided to give high priority ([VandCenter Syd, 2019](#)).

clean energy); 9 (industry, innovation and infrastructure); 12 (responsible consumption and production); and 14 (life below water).

33.7 INTEGRATION IN THE BUSINESS STRATEGY

In a planning effort of this type, a key strategic issue is how high to set the goals for achievement. The preparation of a new business strategy for VCS Denmark in 2019 provided an opportunity to incorporate the SDGs into the utility's new strategic plan. It was soon clear that incorporating goals of this magnitude into the strategic plan would require the formulation of ambitious, long-term and inspiring goals whose accomplishment would require a high degree of creativity and innovation. In the term coined by business writers [Collins and Porras \(1996\)](#), BHAGs (Big Hairy Audacious Goals) or 'bee-hags'. Accordingly, during the process of updating its business strategy, company leadership developed BHAGs in five priority areas closely related to the challenges addressed by the prioritized SDGs. These BHAGs are listed in [Table 33.2](#), along with a brief description of the challenges they address. Notice that the BHAGs and prioritized SDGs aren't related one to one. Instead the BHAGs mirror a thematization fitting the activities of VCS Denmark.

Why five BHAGs? Would it not have been more manageable to focus on a few? Maybe – but VCS Denmark adopted the perspective that innovation must be 'multifunctional'. Walking the path of sustainability is a balancing act: we must take into account the complex nature of the challenges we face, and avoid creating 'suboptimal' solutions. Furthermore, we must carry out our new ideas with an eye to the potential synergies that may arise from their interaction with other bold solutions.

Any one of these five BHAGs could undoubtedly be considered unrealistic if the company intended to accomplish it alone. From the outset, however, VCS Denmark has set out to collaborate with its partners and stakeholders including suppliers, customers, local communities, authorities, private and public enterprises, NGOs and knowledge centers. Recognizing the importance of collaboration, the company also realizes that success depends not only on its own efforts, but also on the applied effort of other local, national and global agents as well. The importance of collaboration is further highlighted in the slogan the company chose to label the program: 'Together towards sustainable development'.

33.8 CONCLUSION AND PERSPECTIVES

This chapter has presented an approach used by one utility to apply the SDGs as a framework for corporate sustainability. This approach might not be workable, practical, or even advisable in other organizations. At a minimum, any organization would want to modify the methodological approach to meet its own needs. Nevertheless, one utility's experiences may be helpful, in a broader sense, to those organizations now considering implementing the SDGs. Complying with the intention behind the UN Sustainable Development Agenda means taking the opportunity, as VCS Denmark did, to review and examine established corporate practices in order to apply a holistic perspective to these activities throughout the entire value chain. Efforts like VCS Denmark's inclusion of the SDGs in its updated business plan can even provide an organization with an opportunity to shape future regulations through the establishment of 'best practices'.

Not everyone sees the SDGs as an opportunity to review their established practices and strategies. Some companies merely use the language of the SDGs to enhance their existing organizational branding. Worse yet, the SDGs may be misappropriated as a vehicle for 'greenwashing'. But if the SDGs are taken seriously and applied wholeheartedly, the effort can help transform the organization's business practices,

Table 33.2 ‘Big Hairy Audacious Goals’ (BHAGs) for focus areas corresponding to the five prioritized SDG goals, identified in conjunction with the development of the new VCS Denmark business strategy in 2019.

BHAG	SDG Focus	Challenge
Potable water based on clean groundwater in 2050	Groundwater protection (SDG 6)	Danish groundwater is highly vulnerable to pesticide pollution. Approximately one-third of the abstraction wells in VCS Denmark’s catchment areas have been found to have pesticide concentrations exceeding Danish drinking water standards. The national goal of abstracting potable water from only clean groundwater requires massive effort and commitment.
Climate neutral in 2050	Greenhouse gas reduction (SDGs 7, 9, and 12)	Despite major efforts to reduce net energy consumption at water resource recovery facilities (WRRFs), when emissions are assessed from the entire value chain (scope 3 in the GHG Protocol) VCS Denmark’s carbon footprint remains high. Major efforts are required to reduce direct and indirect emissions from construction projects and daily operations.
Future-fit, flexible and sustainable infrastructure in 2050	Sustainable infrastructure (SDGs 6, 7, 9, 12 and 14)	In Denmark, climate change is expected to lead to more precipitation, a higher frequency of heavy rainfalls and rising water tables. This poses a major challenge (or threat) as existing water infrastructure is not geared to the new conditions. Major investments in water infrastructure and innovation are required to manage increased and more intense precipitation combined with rising water tables in shallow groundwater aquifers.
The world’s most resource-efficient water utility in 2030	Natural resource conservation (SDG 12)	Wastewater constitutes a valuable resource that can be utilized rather regarded as a waste product to be disposed of. Though the transformation is still in its early stages, VCS Denmark has taken the first steps to sustainability through a gradual transition of the wastewater treatment plants (WWTPs) into water resource recovery facilities (WRRFs). Reducing consumption and increasing resource recovery of resources from all of VCS Denmark’s construction, maintenance and operation activities will require a substantial and targeted effort to improve resource efficiency throughout the entire value chain.
Satisfactory ecological status in waterbodies in 2027	Wastewater treatment (SDGs 6, 9, 12 and 14)	The aquatic environment in Denmark does not currently meet the EU Water Framework Directive requirements, due to intensive agriculture in rural areas as well as discharge of treated wastewater and sewer overflows in cities and towns. Reducing pollution from nitrate, phosphorous and other contaminants and restoring the aquatic environment requires major efforts and dedication.

strengthen its operation, and provide a competitive advantage ensuring its future relevance and, ultimately, its survival.

Another key lesson learned is that for this process to work, both the goals and the perspective they reflect must enter into the corporate culture. In the words of Peter Drucker: *'Culture eats strategy for breakfast'*. The value of incorporating the SDG agenda must be more than a strategic exercise for top-management or an opportunity to brand the company as 'sustainable'. If employees do not perceive the SDGs as relatable and relevant to their work, they will not be successfully implemented. For this reason, the importance of company-wide communication and training programs cannot be emphasized enough.

In VCS Denmark, the SDGs were presented in the context of the company's core narrative, highlighting its values, its unique history and the corporate *raison d'être*. Viewing the SDGs from this perspective embeds them as a natural next steps in the company's evolution, while integrating the SDGs into the utility's sustainability plan bolsters the corporate narrative and encourages employee engagement. This happens when employees see their company as a partner in the important work of solving the problems faced by communities, society and humankind in general. It also contributes to creating a workplace that is able to attract the bright minds of the future.

It is also worth noting that VCS Denmark's ability to use the SDGs grew out of Denmark's embrace of sustainability as a national value. Previous UN environmental initiatives were often regarded as 'minimum development goals' for developing world countries, and when the SDGs were released they were also regarded at first as something exotic. In time, however, society caught on to the fact that they involved everyone, the politicians joined in, and many Danish companies took up the challenge. The background of environmental activism in Denmark set the stage for the companies to accept the challenge.

How can this level of support for sustainability be replicated in other countries? What does it take for the idea to seep through the national fabric and manifest itself in the way companies do business? There is no one simple recipe, but it takes the combined actions of many different kinds of people to have an impact. The environmental legislation of the 70 s and 80 s that imposed environmental regulations on Danish companies were important, but so were the ethical and moral values of the public as a whole, the ideas of progressive thinkers in academia and the innovations of the companies themselves.

At some point, sustainable action becomes a reflection not only of outer restriction but also of inner motivation, and corporate priorities extend even beyond environmental concerns to the welfare of society as a whole. This does not happen overnight, but when such values are shared by increasing numbers of individuals and companies, the enthusiasm snowballs. As the Senegalese forester Baba Dioum so eloquently expressed *'In the end we will conserve only what we love, we will love only what we understand, and we will understand only what we are taught'*.

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