

Aligning ESG and SDGs at the Urban Level



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Executive Summary

Sustainability efforts require not only public policy interventions and resources but also the initiative and innovation of the private sector. These are systematized through the UN Sustainable Development Goals (SDGs) for governments, including at the city level, and through environmental, social, and governance (ESG) principles for companies. Bringing these two approaches into alignment is a crucial step for fostering multisectoral sustainability efforts, but this alignment is largely unrealized.

The SDGs provide a high-level policy template for addressing nearly the entire scope of global and societal challenges. They include provisions for the environment, human development, economic growth, urbanization, industrial innovation, institutional coordination, and other issues. At the same time, the impacts of many global challenges are experienced at the local level, placing these governments in the position of managing emergent policy crises on multiple fronts. The increased interest that these governments are taking in global sustainability elevates the salience of SDG localization—that is, a local perspective on SDG implementation.

The private sector has long been seen as instrumental in helping governments address policy challenges that have scientific, technical, and innovation-based characteristics. While much private-sector activity has been implicated in the climate crisis, particularly

air pollution and carbon emissions, many companies have for decades made efforts to address environmental issues—not only to create business opportunities and manage risk but also to signal their sustainability commitments to a wider audience. Although different industries and companies have embraced a variety of strategies, ESG has the potential to make corporate sustainability efforts more systematic.

However, cities and companies have a long way to go when it comes to working together for sustainability. Among the local-government sustainability documents examined for this report, mentions of corporate activity are minimal and often superficial, primarily addressing the participation of companies in multi-stakeholder discussions about policy issues. In turn, ESG reports center on the decisions and actions of corporations, with public governance referenced largely in the context of regulatory limitations and policy objectives that affect business operations.

Local governments and companies are undertaking sustainability efforts in their own ways. Merging the two through shared focus and strategy can magnify sustainability efforts in ways that enable the broad systemic change needed to avert climate crisis and societal disruption. This report outlines how a more collaborative approach can proceed, first by providing an overview of policy and corporate sustainability efforts and second by detailing examples of both. The report concludes with a discussion about how sustainability narratives can be harmonized between the two sectors.

Background: The Age of Crisis



The world is at a crossroads, with complex crises putting pressure on the planning and response capacities of governments. Socioeconomic inequality, fiscal instability, domestic political discord, geopolitical tensions, and—most recently—a global pandemic are converging at a time when governments are struggling to manage policy solutions on multiple fronts. Movements across nations are calling for greater equality and an end to discrimination based on gender, ethnic group, race, sexual orientation, and other categories of identity.

Moreover, environmental degradation and climate change linger as long-running crises with no easy solutions. International scientific research and advisory bodies have issued numerous warnings about the imminence of climate crisis and the urgency of policy action, advocating principally for a shift in energy

production from fossil fuels to renewable and green sources. However, climate change is not the only environmental policy challenge. Deforestation, plastic pollution in oceans, unsustainable waste disposal, contamination of soil and groundwater, biodiversity loss, monoculture farming, and incidental human-made disasters such as chemical spills are among the numerous other problems that threaten environmental and public health. The environmental crisis is all-encompassing, and both the private and public sectors play an essential role in addressing it.

Government Efforts: SDG Localization and Voluntary Local Reviews

Global sustainability agreements are typically negotiated among national governments. At the same time, the impacts of climate change are experienced locally in rising sea levels, food insecurity, climate migration, economic instability, and numerous other ways. An on-the-ground perspective for addressing climate change matches the scale of the intervention to that of the practical realities. While local (i.e., city and municipal) policies for spot-level environmental problems (e.g., flooding and industrial emissions) have a long history, the connection between local policymaking and global climate change has only more recently been recognized in policymaking. Local action on global climate change has become more systematically conceptualized and implemented through the emergent idea of SDG “localization,” according to which local governments look to the SDGs for policy inspiration and guidance. The SDGs present as a shelf-ready policy template adjustable to local needs and contexts, expressed in detail

across 169 targets and 232 indicators that can be used to track governance performance over time. Indicators have typically been used at national levels, providing content for Voluntary National Reviews (VNRs) that help national governments publicize their performance (good or bad) on chosen metrics. Likewise, the newly emerging Voluntary Local Reviews (VLRs) function in much the same way, helping local governments showcase their achievements and target areas for improvement. VLRs also function as a facilitator of global-scale dialogue among local governments through the exchange of knowledge and best practices.

Corporate Efforts: ESG and Corporate Citizenship

The nearly two-decade-old concept of ESG refers to environmental, social, and governance issues and takes a high-level view of the sustainability impacts of corporate decision making. ESG is strongly associated with corporate social responsibility (CSR) and allied concepts, which have a longer history but are often ambiguous. At the same time, a unified understanding of ESG remains elusive.¹ According to Deloitte, “The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company’s day to day activities.”² The pillars of ESG capture the mix of ambitions embodied by the concept. The environmental pillar is intended to account for all impacts of company operations on the environment, including energy production and consumption, as well as waste in the form of air emissions, water discharge, and other by-products. The scope of sustainability responsibility is also growing

to include product disposal after usable life (i.e., extended producer responsibility). The social pillar is intended to account internally for employment practices, including working conditions and worker development. It accounts externally for liabilities associated with products (i.e., safety and quality) and for the accessibility of products to underserved markets and underprivileged consumers.³ The orientation of a corporate board and executive leadership toward social responsibility can affect the type of variables measured in the social pillar. This orientation is shaped by factors such as the political ideology, values, and personalities of leaders and decision makers.⁴ The governance pillar is intended to account for issues related to shareholder relations, board management, and the alignment of board decisions with best practices regarding fair competition and prevention of corruption.

The nearly two-decade-old concept of ESG takes a high-level view of the sustainability impacts of corporate decision making.

Voluntary Local Reviews and ESG Reports



This section presents three examples of VLRs and three examples of ESG reports. This brief analysis is not intended to be comprehensive but instead uses case studies to better understand the interactions between city government and corporate action on sustainability.

Voluntary Local Reviews

— *Los Angeles (United States)*

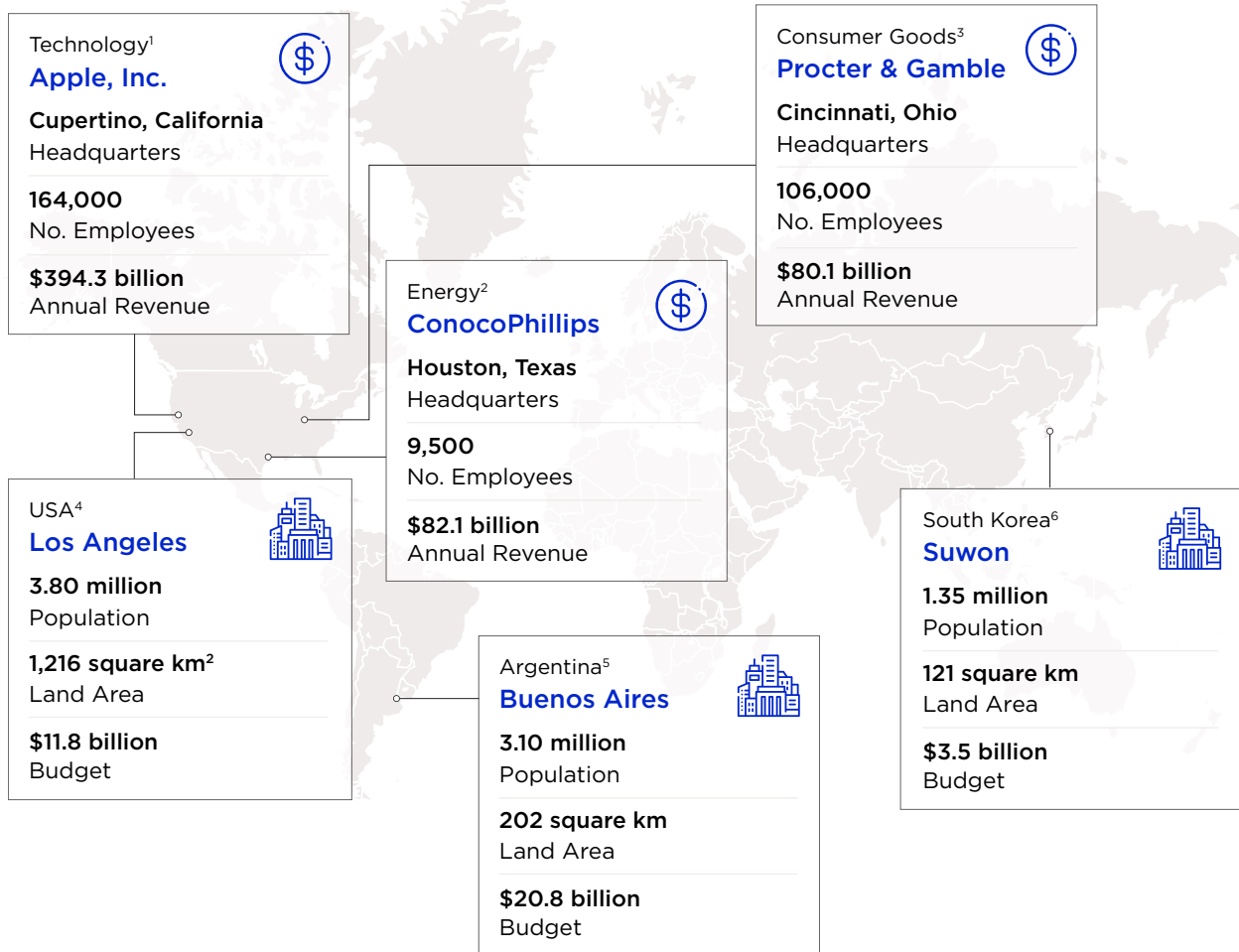
The government of the City of Los Angeles issued VLRs in 2019 and 2021, but the city’s stated commitment to the SDGs began in 2017 with a declaration by then-mayor Eric Garcetti that Los Angeles would adopt and implement the SDGs.⁵ “Summer cohorts” of students were convened in 2018 and 2020 to provide guidance toward this ambition,

helping to develop content informing the city’s VLRs. The 2021 VLR highlights the city’s commitment to all 17 SDGs and efforts on multiple fronts, including L.A.’s Green New Deal and targeted initiatives by the city’s tourism board, public library, and bureaus of street services and lighting. Building on a framework of measuring, mobilizing, and connecting, Los Angeles is focusing on housing, renewable energy, and participatory and fair public budgeting, among other goals.

Regarding SDG #9 (Industry, Innovation and Infrastructure), the city recognizes the intersection of government, companies, and communities on issues such as workforce development, mobility and transport, and internet accessibility and digital literacy in underserved communities. Regarding SDG #12 (Responsible Consumption and Production), the city’s focus on zero-waste programs includes efforts to develop a trading hub for production by-products,

Building on a framework of measuring, mobilizing, and connecting, Los Angeles is focusing on housing, renewable energy, and participatory and fair public budgeting.

Figure 1: Cities and Companies Surveyed



Note: All data are from 2022. Companies' annual revenue and cities' budget are based on aggregate exchange rate for month of January 2022. Historical exchange rate calculated using Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis.

Source: Apple, Inc.; City of Buenos Aires; City of Los Angeles; City of Suwon; ConocoPhillips; Procter & Gamble; US Census Bureau. For a complete list of sources for this figure, see figure endnotes on page 17.

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diversion of waste toward recycling, street surfacing using plastic-based asphalt, and regulations to minimize plastic use among consumers. Regarding SDG #17 (Partnerships for the Goals), the VLR highlights the city's urban network activities (e.g., the C40 Cities Climate Leadership Group) and partnerships with local universities.

The VLR places less emphasis on corporate engagement, except for mention of the waste trading hub and programs to help small-scale vendors procure operating licenses and help small businesses enhance digitization.

— ***Buenos Aires (Argentina)***

The government of Buenos Aires, Argentina, likewise takes a broad view of its role in localizing the SDGs. However, the city's third VLR report, from 2021, highlights contributions on only select SDGs (numbers 1, 2, 3, 8, 10, 12, 13, 16, and 17).⁶ With more than 3 million inhabitants, Buenos Aires faces the same issues and imperatives as do most large cities in middle-income countries: equalizing access to public services across population subgroups, promoting neighborhood-scale economic development and revitalization, facilitating collaborative governance, and protecting urban ecology. The VLR describes the city's commitment to the previously listed SDGs through descriptions of various policy and development initiatives (e.g., the "15-minute city") and specifies progress on the goals through data about baseline measures and quantification of both short-term (two-year) targets and 2030 targets. Regarding SDG #12 (Responsible Consumption and

Production), the VLR prioritizes two targets: waste reduction and circular economy, as well as sustainable public procurement. The primary focus of the waste reduction target is household recycling, waste sorting, and integration of waste management practices. Regarding SDG #17 (Partnerships for the Goals), the VLR focuses on three targets: international support for capacity building in developing countries, multi-stakeholder partnerships for knowledge exchange and support, and cross-sectoral partnerships (including those involving the private sector). In addition to the city's membership in C40 Cities, the city has participated in the Global Mayors Challenge (improvement of public space quality and access), Data for Health, and the Partnership for Healthy Cities' COVID-19 Response. Further, the VLR declares as a priority the development of a "new social contract" involving the public and private sectors, the knowledge community, civil society, and the citizenry. Corporate engagement does not receive a substantial level of attention in the VLR, except for mention of favored sectors in the context of post-pandemic economic recovery (e.g., technology, design, and the arts in priority districts) and multisectoral "work roundtables" focused on recycling.

— ***Suwon (South Korea)***

The 2020 VLR published by the government of the City of Suwon, South Korea, introduces the city's own SDGs, largely overlapping in thematic material with the UN SDGs but with their own order and wording.⁷ As presented in the VLR, each of Suwon's goals is linked to some number of SDGs and elaborated through targets, indicators, and existing performance

metrics. Suwon SDG #5 (Quality Jobs and Industrial Innovation) overlaps with UN SDG #8 (Decent Work and Economic Growth) and #9 (Industry, Innovation, and Infrastructure). It includes targets for ease of doing business, development of the social economy, and promotion of small and medium-sized enterprises (SMEs). Suwon SDG #6 (Sustainable Consumption and Production) overlaps with UN SDG #12 (an identical focus) and includes targets for waste reduction, promoting the purchase of green products, supporting companies with green certification, and raising awareness of resource circulation, among others. The VLR emphasizes citizen participation and individual well-being, aligning with the pillars of Suwon’s broader sustainability strategy (“participatory governance” and “ecological environment embracing everyday life”). As with the VLRs of Los Angeles and Buenos Aires, the Suwon VLR does not contain detailed information about ideal corporate strategies and activities, instead referring to the private sector only in the context of corruption

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control, promotion of green exports, and stakeholder participation in decision making alongside government and citizens.

ESG Reports

— *Apple Inc. (Technology)*

Apple’s 2022 ESG Report focuses on the company’s goal to make technology “an even greater force for good.”⁸ The company’s ESG approach is reported to be structured around corporate values such as environmental sustainability, inclusion and diversity, technology accessibility, and supplier responsibility. The report emphasizes several core actions that represent Apple’s commitment to ESG. These include 100 percent renewable energy across the company’s production facilities, reductions in energy consumption, a doubling of renewable-energy usage across supply chains, increased workforce diversity and fair pay, sustainable and local sourcing of materials, and adoption of product designs and features that advance social goals. The report also indexes the connections of corporate initiatives and practices to each of the 17 SDGs.

The report features a detailed description of Apple’s carbon footprint, chemical mapping, and waste reduction efforts, highlighting the company’s various technological and process innovations (e.g., sustainable packaging and product take-back programs). Resource circularity is addressed in descriptions of materials recycling efforts, water use and discharge, and waste minimization. Given the distributed and global nature of Apple’s

supply chain, the report also outlines protocols for supplier relationships, including a code of conduct, assessments and investigations, training, and capacity building.

An example of Apple's direct involvement in a city's efforts to meet SDG objectives is the company's Apple Developer Academy in Detroit, which advances economic mobility in low-income communities. This initiative, a partnership with Michigan State University, aims to train aspiring developers from underrepresented backgrounds with the objective of promoting diversity in the industry. The report makes substantial mention of social goals, including human rights, diversity, and inclusivity.

— **ConocoPhillips (Energy)**

ConocoPhillips's *Sustainability Report 2021* demonstrates how ESG efforts, as a supplement to industry leadership and financial performance, can help companies build resilience amid shifting sectoral dynamics, energy transition considerations, and geopolitical events.⁹ The "triple mandate" embraced by ConocoPhillips supports the company's ambition to concurrently meet demand for energy transition, generate profit, and achieve net-zero operations. The report emphasizes how the company's accounting for ESG efforts is based on stakeholder expectations and engagement. Multiple priority issues are grouped under each component of ESG (nine for environment, six for social, and three for governance). Energy portfolio scenarios are developed using emissions projections, including scenarios for accelerated transition and

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adherence to the Paris Agreement. The ESG report also states that ConocoPhillips was the first energy company to adopt a climate risk strategy that aligns with the Paris Agreement. The associated Net-Zero Roadmap references planning, technology, and stakeholder partnerships as strategies to achieve long-term commitments.

Regarding engagement with government and policy, the report recognizes a role for government in scenario planning and in the application of policy levers to influence carbon pricing and foster technological change through subsidies and tax incentives. The report also recognizes the need for ConocoPhillips to maintain close communication with governments to monitor changes in policies and regulations. Finally, it underscores the imperative for global governments to collaborate on binding agreements for the reduction of

greenhouse-gas emissions, thus enabling the formation of management frameworks that can function as templates and guides for best practices.

— ***Procter & Gamble (Consumer Goods)***

Procter & Gamble's (P&G's) 2022 ESG report, *Citizenship Report 2022*, acknowledges heightened expectations among stakeholders (i.e., consumers, customers, employees, society, and "shareowners") for the company to meet targets on measures beyond balanced growth and value creation.¹⁰ The P&G report outlines elements of corporate citizenship in four areas that overlap with ESG concepts: community impact, equality and inclusion, environmental sustainability, and ethics and corporate responsibility.

First, for community impact, the report emphasizes the consumer benefits of its products and corporate initiatives including promoting access to clean water, alliances with charitable organizations such as United Way and Habitat for Humanity, contributions to disaster relief, support for victims of the war in Ukraine, and continued efforts to aid COVID-19 pandemic recovery. Second, for equity and inclusion, the report emphasizes diversity in the company's workforce and board membership, product accessibility, efforts to empower women-owned and women-led businesses, and support for Pride (LGBTQ+) celebrations.

Third, regarding environmental sustainability, the report highlights data about progress on the company's Ambition 2030 goals—the most explicit link to the SDGs among

ESG reports surveyed for this study. The goals include targets for climate, waste, water, and nature and are measured through a variety of statistics, including uptake of renewable energy, use of reusable packaging, reduction of water use in production processes, and reduction of impact on ecosystems from which raw materials are sourced. Finally, regarding ethics and corporate responsibility, the report outlines the company's core values and how they are realized in internal operations and external outreach. The report makes no explicit mention of the SDGs but offers an "ESG+" structure to emphasize the company's broader range of sustainability activities.

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Overlap of Voluntary Local Reviews and ESG Reports

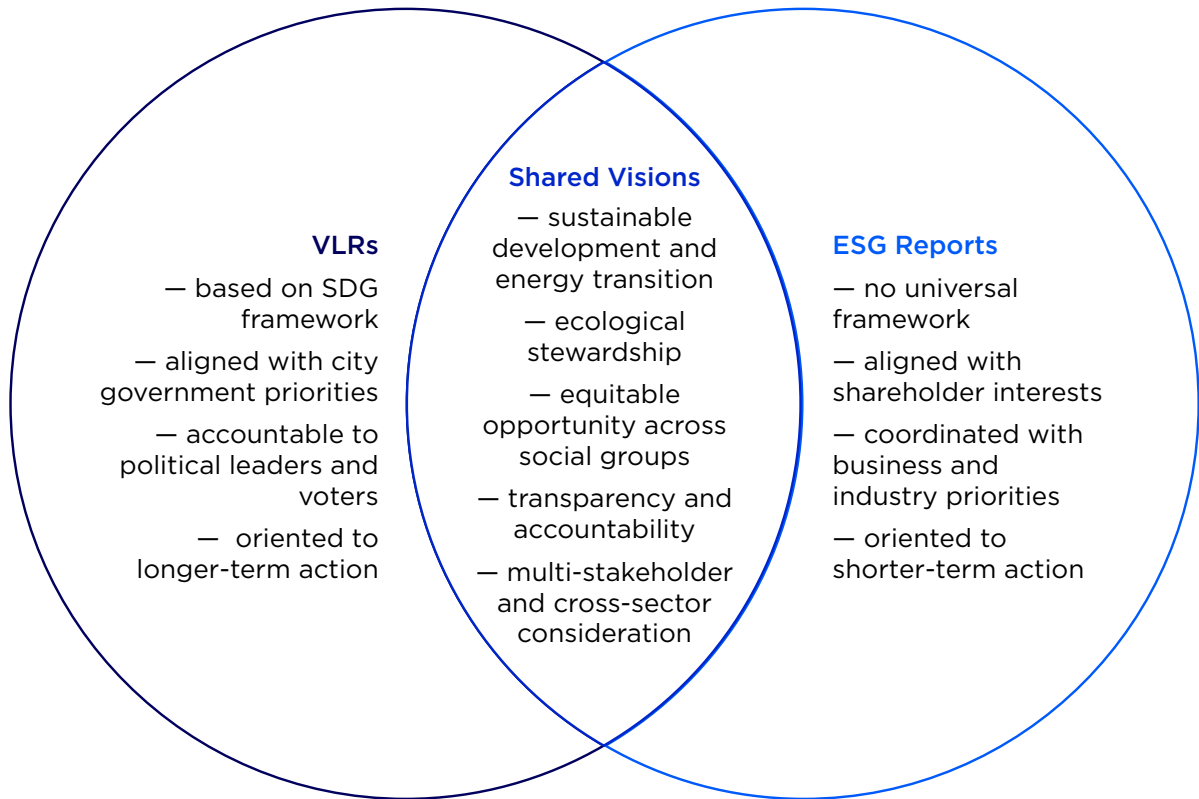
- *Overlap is primarily in visions and goals.*
- *VLRs are based on the SDG framework, but ESG reports have no universal template.*
- *VLRs and ESG reports tend to differ in their visions of the role of government, but both embrace cross-sector, multi-stakeholder collaboration.*

Overlap between VLRs and ESG reports is evident primarily at high levels. The pillars of sustainable development principles are common to both: ecological and natural resource protection and stewardship; a transition from fossil fuels to renewable energy; fairness in opportunity across social groups (often expressed as diversity, equity, and inclusion [DEI]); and governance practices that center on transparency, accountability, regulatory compliance, and multisector engagement. At the same time, divergence in the content of these documents can be attributed to the differing needs of primary stakeholder groups (society for governments and shareholders for companies) and to varying priorities, depending on urban context (VLRs) and industry circumstances (ESG). While VLRs are tightly connected to the SDGs in their framing, ESG reports and sustainability statements do not have a

universally agreed-upon framework on which to draw. Most ESG reports overlap significantly in thematic content, but this content is presented in a variety of ways, often with little explicit reference to the SDGs.

The understanding of governance practices also differs between VLRs and ESG reports, albeit in rather expected ways. VLRs are oriented more toward the actions of local governments, global networks involving local governments, and the relationship of both with global institutions such as the United Nations. Of the VLRs examined for this report, mentions of corporate governance are minimal and concern primarily the participation of companies in multi-stakeholder discussions about policy issues. By contrast, ESG reports are centered on the decisions and actions of corporations, with public governance referenced typically in the context of regulatory limitations and policy objectives that affect operations. At the same time, the ESG reports examined for this report also recognize the role of companies as stakeholder participants in policy discussions and initiatives. Even given these differences, expressions of effective governance in both VLRs and ESG reports emphasize multi-stakeholder collaboration, transparency, accountability, and the concept of a shared fate with regard to ecological, social, and economic issues. Coordination about these goals between public- and private-sector actors can improve sustainability outcomes.

Figure 2: VLRs and ESG Reports: Key Differences, But Shared Visions



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Where Can ESG and SDGs Align?



- ***The global community speaks about sustainability and equity in universal ways.***
- ***Experiences with sustainability and equity differ across countries and communities.***
- ***Implementation of common goals can conflict with differing experiences on the ground.***

The globalization of policy debates has brought attention to existential challenges that require immediate and collaborative action. Climate change—given its potential to destabilize economic systems and compromise human well-being—has been the primary global policy issue of the past two decades. Collective efforts to address the causes of climate change

(e.g., use of fossil fuels) and environmental degradation (e.g., ocean pollution and groundwater depletion) underpin discussions about the urgency of sustainability challenges, ways of monitoring conditions, and appropriate policy interventions. This growing consensus is reinforced by global institutional actors that validate knowledge inputs and policy instruments. While each community experiences climate change and environmental degradation in unique ways, policy approaches tend to reflect similar practices and common understandings about environmental challenges.

There also exists a growing global consensus about equal opportunities for personal well-being and individual advancement regardless of demographic and identity characteristics (e.g., gender, race, ethnicity, religion, national origin, and sexual orientation). While social equity is a global policy objective, the varying roots of inequity require policy interventions that differ across contexts. Some contextualization and adaptation to local conditions can be observed among VLRs, including issues of high salience in the communities they represent. While VLRs typically reference general ambitions about global social conditions, political imperatives guide language and targets to reflect local experiences. By contrast, the pursuit of social equity manifests itself differently in ESG reports, which focus more on internal corporate objectives such as board diversity, product accessibility, and fairness in hiring and compensation practices. In some cases, ESG reports consider global social equity a broad goal, especially where this goal aligns with best practices in a particular industry and with the expectations of shareholders, stakeholders, and corporate partners.

Challenges



- ***The private sector is motivated primarily by the need to deliver shareholder value.***
- ***The public sector must balance political expectations with maintenance of economic growth.***
- ***These two perspectives require different strategies and time frames.***

Notable challenges remain in aligning sustainability objectives between VLRs and ESG reports. First, commercial and competitive pressures compel companies to operate primarily in the interest of shareholders. For the long-term perspective, transformation of production systems to minimize environmental impact is essential for maintaining economic and social stability that secures profit opportunities. However, private management perspectives are often

focused on shorter-term goals and may thus be unduly focused on immediate economic returns, discouraging investment in or efforts toward a sustainability transition.

Second, in order to align public and corporate sustainability objectives, each actor must maintain credibility and legitimacy with its constituents and stakeholders. This ambition highlights an inherent tension that underlies negotiations and collaborations between the private and public sectors, making it more difficult to coordinate actions when aligning VLRs and ESG reports.

Finally, a still more critical perspective holds that multisectoral solutions to sustainability challenges are shaped largely by pro-market motivations—with resource extraction, production, consumption, and profit fundamentally woven into the logic of sustainability solutions provided by the private sector. Sustainability is thus conceptualized as the stabilization of ecological conditions to enable the perpetuation of the economic status quo—one that contains the seeds of the sustainability crisis to begin with. Marginal gains made through technology, process reengineering, and public awareness generate results on ring-fenced metrics. However, these actions alone may not be enough to avert a crisis that has the potential to overwhelm society and fundamentally disrupt economic and social systems.

Recommendations



Align standards between sustainability reporting and sustainability action.

Governments and companies should work toward closer alignment on strategies in a way that generates actionable frameworks relevant to both actors. The SDGs and elements of the UN New Urban Agenda are used by many city governments as a template for structuring urban plans. This structure is evident in how VLRs are approached and in the issues they prioritize. On the other hand, ESG reporting remains highly varied and draws from the targets and indicators that individual companies choose to adopt. Cities' VLRs tend to approach the SDG agenda more comprehensively than do corporate ESG reports. Beholden less to political forces and more to shareholder expectations, companies are more likely to highlight only what they do best. A more thorough accounting of

sustainability progress from all actors would advance the cause of cross-sectoral alignment.

Systematize ESG reporting across firms and industries.

While reporting requirements guide publicly traded companies to standardize disclosures of financial information and, in some cases, environmental impacts, similar expectations of reporting on social issues are not as universal. Bringing ESG expectations into a standard template can facilitate transparency on a broader range of issues, comparison of performance across companies, and industry-wide sustainability action. Pressure to do so can come from a variety of sources, including customers, investors, local communities, nongovernmental organizations (NGOs), and—perhaps most

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importantly—peers and collaborators within the private sector itself. Evidence of this type of corporate “peer pressure” can be observed in the increasingly common vocalization of ESG objectives in corporate communications. At the same time, ESG rhetoric is often ambiguous in a way that trivializes metrics. Indeed, metrics are risky, and companies avoid exposure on issues that jeopardize brand image. Therefore, a community-wide commitment to sustainability across the business sector may have the same normalizing effect that the global sustainability discourse has on governments: nudging actors to signal their “good citizenship” by aligning with universal standards and practices.

Develop cross-sector venues in which cities, companies, and NGOs can communicate and work toward alignment.

Given the incongruity between cities and companies regarding approaches to measuring sustainability progress, there exists a need for collaborative venues. These include cross-sector forums and events such as conferences, organizations that convene public- and private-sector actors, and publications with broad appeal. These venues can provide opportunities for cities and companies to communicate about their goals and work toward more productive strategic alignment. While the global governance realm is crowded with such events (some more valuable than others), this approach provides a road map for

how companies and industries might also engage at a collaborative and even global level. Existing events should be more systematic about ensuring equal participation by public- and private-sector representatives.

The environmental and social challenges of the modern era have global scale, and efforts to address them should match this scale. The short history of VLRs illustrates how cities draw from common language and frameworks (i.e., the SDGs) in ways that enable comparison among urban plans around the world. By contrast, ESG statements may overlap in high-level thematic content but lack a universal framework for strategies and targets. This variability complicates global comparison and conversation. In addition to alleviating this obstacle, a more standardized ESG reporting template can better facilitate integration of VLRs and ESG statements in ways that strengthen partnerships among corporations, city governments, and other stakeholders.

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