



TRANSFORMATIONAL GOVERNANCE THINK LAB

INSIGHTS
FROM ENGAGING
THE LEGAL FUNCTION



United Nations
Global Compact

TABLE OF CONTENTS

| | | |
|-------------|-----------------------------|-----------|
| | Executive Summary | 3 |
| I. | Introduction | 5 |
| II. | Lawyers as Leaders | 9 |
| III. | Key Takeaways | 13 |
| IV. | Country Perspectives | 14 |
| | Reference Materials | 17 |

EXECUTIVE SUMMARY

Background

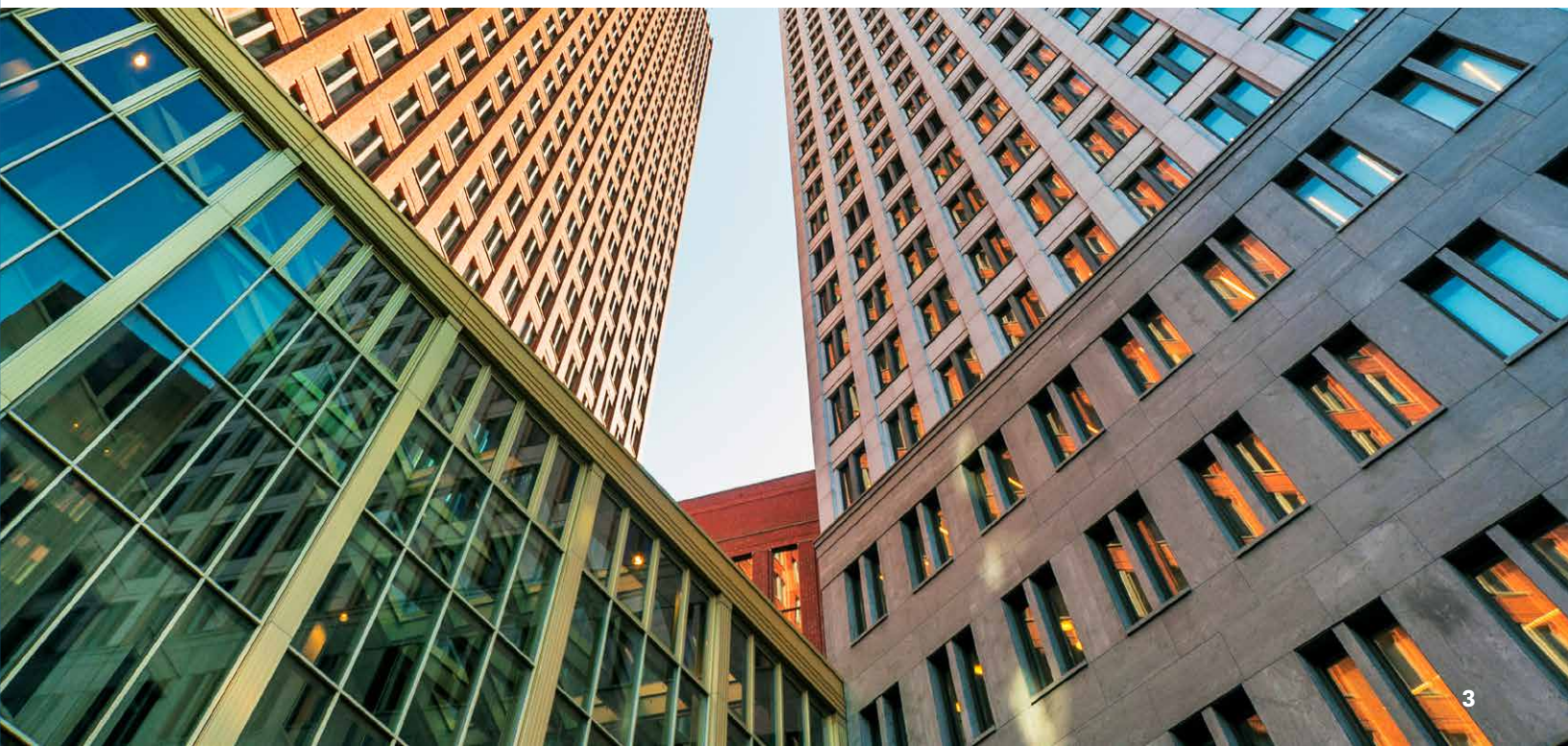
In today's rapidly evolving sustainability landscape, corporate legal functions are increasingly at the forefront of sustainability and broader environmental, social and governance (ESG) issues. In response, the United Nations Global Compact has positioned itself to engage these critical gatekeepers on corporate sustainability through a transformational governance (TG) approach. In June 2022, the UN Global Compact launched a Think Lab with corporate representatives from diverse geographies, designed to operationalize the TG approach. This working group engaged top-tier companies and legal functions at the highest level to share perspectives on emerging sustainability challenges and opportunities.

A Transformational Governance Approach

Transformational governance is not a new legal concept but a principles-based approach that calls on businesses to be accountable, ethical, inclusive and transparent. Unlike traditional corporate compliance, which requires companies to only meet current laws and regulations, TG asks not just what is legal but also what is right. It offers a comprehensive view for businesses on internal governance and strengthening institutions of public governance, enabling businesses to integrate policies benefiting themselves, their stakeholders and the societies in which they operate.

Insights from the UN Global Compact Activities (2022-2023)

- Roundtables: Six in-person roundtables and one workshop were organized across diverse regions globally, revealing current challenges and needs of legal functions in the sustainability sphere.
- Interviews: Ten interviews with members of the TG Think Lab were conducted, gathering insights from experts in the legal, compliance, risk and sustainability domains.
- Working Meetings: Three meetings, including one in-person, were convened with participant companies from the TG Think Lab.



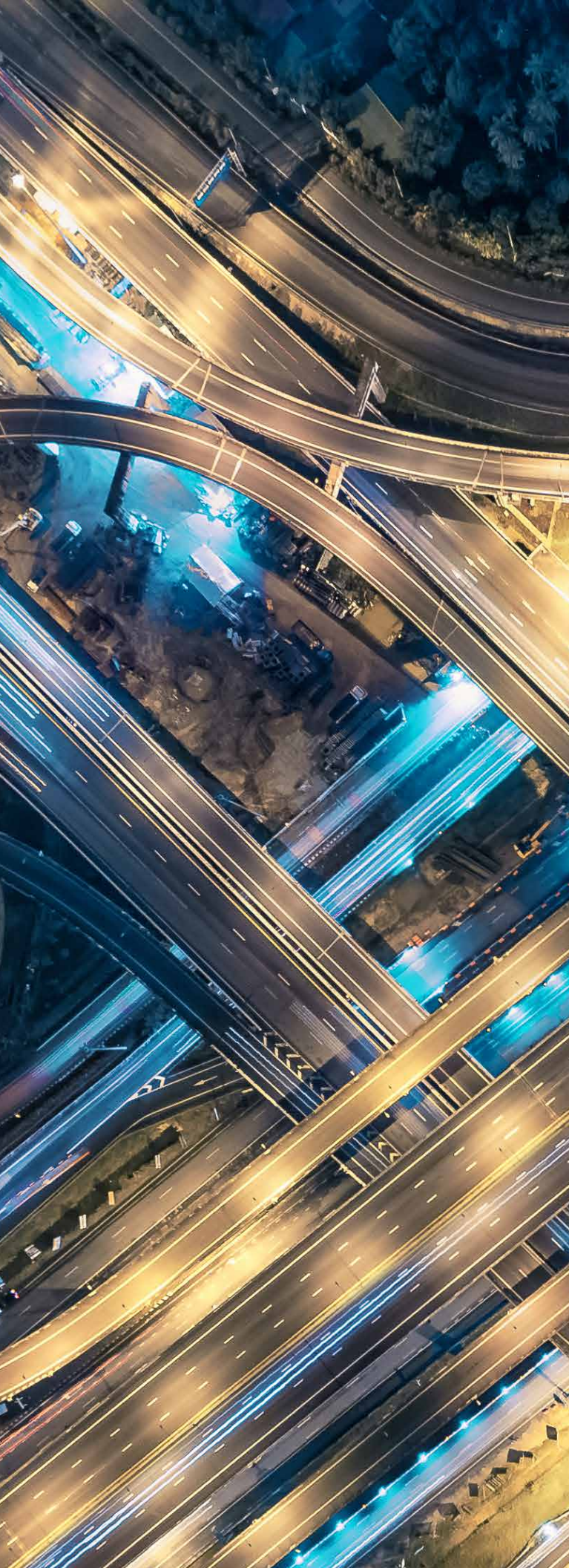
Landscape Analysis

- The legal functions - including those working in the fields of ethics, compliance and risk – are increasingly at the forefront of corporate sustainability and evolving corporate governance. In this context, their responsibilities have expanded, encompassing a range of new challenges and tasks. Legal compliance is only the floor. This means going beyond checking regulatory boxes and actively embedding sustainability into corporate strategies, guiding companies in redefining supply chain practices to align with sustainability goals and mitigating risks associated with the transition to a low-carbon economy.
- As ESG expectations and requirements increase, roles are evolving to tackle challenges from traditional corporate compliance to broader social and political issues. The legal function is now faced with weaving sustainability into corporate strategy while balancing legal, reputational and financial aspects.
- Strong leadership is crucial for organizations to navigate complex legal and ethical challenges, and legal professionals are emerging as strategists, ethicists and visionaries, embedding sustainability and ethical culture within organizations. In the face of anti-ESG backlash, it is paramount for companies to reinforce their ESG commitments and synchronize with broad sustainability goals.

Roundtable Insights

- Engaging the highest-level executives is critical in driving effective sustainability initiatives.
- Cross-functional collaboration through a TG approach can transform corporate cultures and behaviors and go beyond the confines of laws and regulations.
- Legal functions play a pivotal role in driving responsible business practices, shaping governance frameworks and ensuring compliance with legal and ethical standards within a company and with guiding organizations and executives on what is socially permissible.
- There is clear value in fostering a robust network where legal professionals can collaborate, share experiences and learn from their peers.

Taken together, these findings indicate that the legal profession, historically perceived as risk averse, is emerging as an agent of transformative change. They are actively shaping the sustainability strategies of tomorrow, marking an evolution in their role, influence and leadership.



INTRODUCTION

In the sustainability landscape, robust leadership is indispensable for organizations to navigate intricate legal and ethical complexities.

The legal function is increasingly at the forefront of these discussions and has the potential to champion corporate sustainability.

Transformational Governance Think Lab

The transformational governance (TG) portfolio of the United Nations Global Compact is grounded in the SDG 16 Business Framework, which was launched in June 2021. The Framework introduces TG as a principles-based approach that calls on business to be more accountable, ethical, inclusive and transparent both internally and externally. It aims to drive responsible business conduct, improve ESG performance and strengthen public institutions, laws and systems. The TG portfolio draws on the extensive work of the UN Global Compact on anti-corruption and integrity, business support for the rule of law, the role of general counsel in upholding corporate sustainability and the relationship between business and peace. It also responds to the ambitious 2030 Agenda to advance the Sustainable Development Goals (SDGs). This has heightened the demand for the private sector to address societal challenges - including through SDG 16 on peace, justice, and strong institutions.



In response to the rise of the role of legal function, the UN Global Compact has positioned itself as a critical convener and thought leader in engaging these important gatekeepers within companies on corporate sustainability and supporting institutions, laws and systems.

In 2015, the UN Global Compact released the [Guide for General Counsel on Corporate Sustainability](#) and the [Business for the Rule of Law Framework](#). The first provided practical guidance and examples for in-house counsel in their emerging role as key change agents in advancing corporate sustainability issues within their respective organizations. An updated version of the guidance was published in 2019. The Business for the Rule of Law Framework sought to advance the rule of law by engaging responsible business to support the building and strengthening of legal frameworks and accountable institutions – serving as a complement to, not substitute for, Government action. This work was expanded upon through the Action Platform for Peace, Justice and Strong Institutions (2018-2021), which launched the SDG 16 Business Framework | Inspiring Transformational Governance.

In June 2022, the UN Global Compact launched a [Think Lab](#) to operationalize the approach of transformational governance (TG). The Think Lab was formed by a diverse group of leading companies to shape thought leadership to empower business sector actors. Through the Think Lab, the UN Global Compact engaged legal, compliance and related functions at the

highest level (CLOs, compliance and ethics, corporate governance, risk management) to share their perspectives and best practices in addressing dilemmas and developing ideas as they relate to transformational governance and other sustainability considerations. Moreover, it sought to inspire CLOs and related functions to demonstrate their leadership and value in embracing greater responsibility in advancing ESG issues through an expanded 'G' in ESG. Transformational governance is a natural entry point for these leaders to embrace this role.

Transformational governance (TG) is a principles-based approach – not a new legal concept – that calls on business to be more accountable, ethical, inclusive and transparent to drive responsible business conduct, improve ESG performance and strengthen public institutions, laws and systems. In essence, a TG approach is the activator of SDG 16 for business.

In contrast, traditional corporate compliance requires only that companies meet the current set of laws, regulations and standards applicable to their business. Transformational Governance goes beyond traditional corporate compliance. It asks not just what is legal but also what is right. Unlike traditional corporate compliance, this holistic approach enables businesses to apply an expanded governance lens through which they can implement internal and external policies that can benefit themselves, their stakeholders and the societies in which they operate, thereby influencing economic and institutional systems as a whole.

SDG 16 and Enabling Environments

The relevance of SDG 16 to business and investment is two-fold. First, it can bolster progress in achieving the other SDGs. Second, it can support conditions that create sustainable, inclusive and profitable operating environments. A foundation of peace, justice and strong institutions enables companies and investors to spur economic innovation and development, generate jobs and incomes, diminish poverty and expand opportunities. However, SDG 16 is one of the most complex of the Global Goals – and, at times, the most sensitive. It raises profound questions of social and political order while posing challenges to adequate monitoring and reporting on progress.

SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Target 16.1 - All Forms of Violence

Target 16.2 - Abuse, Exploitation, Violence Against Children

Target 16.3 - Access to Justice and Rule of Law

Target 16.4 - Illicit Financial Flows and Organised Crime

Target 16.5 - Corruption and Bribery

Target 16.6 - Effective, Accountable and Transparent Institutions

Target 16.7 - Responsive, Inclusive, Participatory and Representative Decision-Making

Target 16.8 - Participation in Global Governance

Target 16.9 - Legal Identity

Target 16.10 - Access to Information and Fundamental Freedoms

Target 16.a - National Institutions

Target 16.b - Non-Discriminatory Laws

Given the centrality of corporate governance to prospects for business engagement, [The SDG 16 Business Framework: Inspiring Transformational Governance](#), was launched. While the targets of SDG 16 may appear to be aimed at governments, businesses are already demonstrating how they can contribute to their achievement, and the Business Framework includes multiple examples of specific company action on each of the targets.

Beyond mobilizing company action, the UN Global Compact recognizes that it must participate in and influence the broader environment within which businesses operate to enable significant and long-lasting change. This includes regulations, the financial system and competition. A conducive, enabling environment is vital for the achievement of SDG 16 and vice versa across societies and economies. This is a mutually reinforcing process, as an enabling environment supports further progress on SDG 16.

Many factors can contribute to an enabling environment. Notably, the drive for social and economic inclusion is reshaping the pursuit of both peace and justice. In advancing transformational governance, the private sector must look to the emerging policies, programs and partnerships that support more holistic, people-centered and impact-driven strategies.

SDG 16 aims to build peaceful, inclusive societies, provide universal justice access, and develop effective, accountable institutions for sustainable global progress.



Research and participant company input has shown that issues related to Transformational Governance have increasingly become the responsibility of corporate legal functions.

In the context of this work, the UN Global Compact organized several activities to gather insights and better understand the needs and challenges that the legal function faces in an increasingly complex sustainability landscape and to incubate the idea of a function-based network. These activities included:

- Six in-person roundtables organized across diverse regions (Australia, Brazil, Bolivia, UK, South Africa and Türkiye) with the active participation of more than 100 leading lawyers.
- Ten interviews were conducted with members of the TG Think Lab, composed of experts and thought leaders in the legal and sustainability domains.
- Three working meetings, including one in-person, with 20 participant companies from across regions in the TG Think Lab.

The challenges of integrating ESG factors into the core decision-making processes of companies clearly emerged. Applying the transformational governance approach, working cross-functionally and supported by strong leadership, makes ESG integration more straightforward.

Through the Think Lab and its activities, the UN Global Compact strives to understand and address the challenges faced by the legal function in today's multifaceted sustainability landscape.

This report shares the results and insights from these efforts.



LAWYERS AS LEADERS

THE LANDSCAPE

The world of sustainability and corporate governance is changing, and legal professionals, particularly Chief Legal Officers (CLOs), General Counsel and Chief Ethics and Compliance Officers, are at the forefront of this change. No longer just focused on compliance, they are now key players in driving responsible business practices and societal impact.

The increased involvement of legal function in sustainability is a response to how central environmental, social and governance (ESG) issues have become to business strategies. Legal functions are moving past traditional roles, helping companies navigate ethical governance, manage risks and embed sustainability into their operations and strategies. This expanded role means these functions are doing more than just following the law; they are leading the way in corporate sustainability. They guide companies through the complex world of ESG, balancing the need to be profitable with the need to be responsible. In this evolving landscape, their responsibilities have expanded, encompassing a range of new challenges and tasks. They are no longer confined to ensuring legal compliance.

This means going beyond checking regulatory boxes and actively embedding sustainability into corporate strategies. For example, they are guiding companies in redefining supply chain practices to align with sustainability goals and mitigating risks associated with the transition to a low-carbon economy.

Legal professionals are now experiencing a profound transformation in their roles from compliance enforcers to sustainability champions and strategic visionaries, and this shift is driven by more attention from stakeholders, regulations and a global push for ethical business.¹

Stakeholders, including customers, investors, employees and the broader public, **are increasingly paying attention to environmental and social issues:**

1) Consumers call on businesses to be responsible societal actors, including by delivering goods or services that do not harm people or the planet and by speaking out on social issues that affect the communities they serve; 2) Investors, including institutional investors, sovereign funds managers and others who develop and/or use indices that include ESG factors to determine which companies to invest in and, in some cases, to take action against those that have underperformed; 3) Employees and prospective employees aligned with certain values, culture and commitments in order to increase attraction to and decrease attrition from the business.²

These expectations raise the bar for businesses to adopt an ethical and values-based approach to culture, governance and leadership, resulting in greater shared value for the business and this shift is also, in turn, driving an evolution of the role of the legal team to be more involved across all these issues.

Regulation and standard-setting are advancing, with various authorities and exchanges enacting rigorous ESG-related requirements. An instance of this is the EU's Taxonomy Regulation, which establishes a framework for environmentally sustainable economic activities. However, the challenge lies in navigating areas with no clear regulatory guidance. In-house lawyers are indeed challenged with continuously updating their knowledge of regulations and effectively converting them into implementable policies. They bear the responsibility of setting environmental standards, navigating the complexities of external pressures and dealing with often ambiguous regulatory frameworks. This evolution has transformed their risk assessment from one of compliance to a broader scope based on corporate responsibility within this new and complex environment.

The concept of extraterritoriality in sustainability regulations adds another layer of complexity to this evolving scenario. These regulations, like the EU Directive on Corporate Sustainability Due Diligence, extend beyond the EU's borders, impacting global supply chains and business operations. Companies outside the EU, especially those with significant ties to the European market, must adapt to these rules, which demand due diligence on human rights and environmental standards throughout their value chain.³ This extraterritorial approach underscores the need for multinational enterprises to reassess their global operations in light of these new sustainability benchmarks. The challenge for legal functions is to interpret these far-reaching regulations and integrate them into their companies' existing compliance and risk management frameworks, ensuring that their business practices align not just with local laws but also with these influential international standards.⁴

On the other hand, **the increasing pushback against ESG initiatives** in areas like Europe and the United States signifies a concerning divergence in the global sustainability agenda.

This backlash not only complicates the global business environment but also risks delaying regional progress in sustainability-focused investing.⁵ However, there is substantial evidence indicating that strong ESG practices correlate with enduring financial stability and resilience, aligning with the preferences of a growing segment of consumers and investors who prioritize corporate accountability.⁶

In response to this shift explained above, **legal departments need to carefully evaluate legal risks, recognize reputational risks tied to stakeholder expectations, and weigh financial considerations**, while aligning these aspects with the company's sustainability ambitions.

ESG issues are indeed a core part of strategic decision-making, and legal departments are in a unique position to help companies navigate these changes. As anticipated, they are not just interpreting laws; they are helping embed sustainability at the heart of business, finding the balance between profit and doing the right thing.

Legal departments need to carefully evaluate legal risks, recognize reputational risks tied to stakeholder expectations, and weigh financial considerations, while aligning these aspects with the company's sustainability ambitions.

BUSINESS ANALYSIS

Legal professionals have evolved into strategic leaders, acting as change agents within their organizations. They play a pivotal role in shaping the long-term vision and strategy of companies, ensuring alignment with global sustainability trends. This might involve advising on mergers and acquisitions with a strong ESG focus or developing policies to address stakeholder expectations and ensure ethical conduct across the organization.

“We are evolving into agents of change, guiding companies through global expectations while ensuring compliance. Our role includes leading in areas of regulatory ambiguity and setting environmental benchmarks, aligning operations with broader sustainability goals.” - Head of Corporate Responsibility at a multinational analytics company.

“As expectations around ESG tighten, companies must acknowledge their interplay with broader geopolitical and societal standards.” - Senior Director at a global public affairs and strategic communications consultancy, a perspective that emphasizes the shift from traditional corporate compliance to transformational governance (TG).

The role indeed goes beyond law, making ethical business a standard practice. In-house counsel do not simply advise on legal matters; they are crucial in supporting companies to operate responsibly, balancing what is legally required with what is ethical and socially permissible and encouraging meaningful change that matters globally.

This forward-thinking position can help businesses better manage risk and prepare for future regulations. These important gatekeepers within companies on ESG issues are indeed a strategic entry point to champion transformational governance, and they benefit from utilizing a more holistic approach to address these new and complex issues while offering several concrete benefits:

- **Long-Term Value Creation:** Assist companies in embedding sustainability into their corporate strategies, aligning operations with global sustainability trends and fostering responsible practices. This approach enhances companies' capacity to create long-term value by proactively addressing ESG.
- **Risk Mitigation:** Legal professionals adept in TG help organizations navigate regulatory ambiguities, set environmental benchmarks and manage legal risks associated with ESG issues. Their proactive stance reduces volatility and enhances stability, shielding companies from costly legal complications.
- **Meeting Stakeholder Expectations:** Guide companies in meeting evolving stakeholder expectations, building trust and loyalty among shareholders, customers, regulators and the broader public. This alignment with societal and geopolitical standards ensures that companies remain responsive to stakeholder demands.
- **Brand Reputation Protection:** By emphasizing ethical conduct and guiding companies in adopting responsible practices, they minimize the risk of reputational damage and related financial losses.
- **Future-Proofing:** By championing TG, legal professionals help companies prepare for future regulatory changes and global standards. They proactively address emerging ESG issues, ensuring that organizations remain compliant and adaptable to evolving legal requirements.

“We are in a time where we are experiencing one crisis after another. We have to navigate our organizations through transformation, weaving sustainability into corporate strategy while balancing legal, reputational, and financial aspects.” - Chief Sustainability Officer at a global law firm.



LAWYERS AS NEW LEADERS

“Strong leadership is crucial for organizations to navigate complex legal and ethical challenges. The legal function plays a central role in shaping corporate behavior, managing risks, and ensuring compliance with laws and regulations.”

- Chief Compliance Officer at a multinational energy company. The emphasis is on the transformative role of legal professionals, who are now more than just interpreters of the law. They are strategists, ethicists and visionaries, embedding sustainability and ethical culture within organizations.

As strategists and ethicists, corporate legal functions have noted the opportunity and importance of partnerships and cross-functionality, stating: **“Through partnerships, we can unlock the full potential of collaboration, creating a harmonious tapestry of shared learning that paves the way to impactful leadership. Embedding ethical culture as the bedrock, we should foster cross-functional collaboration that unites diverse expertise, including legal and other functions.”** - Chief Compliance Officer at a multinational software company.

Moreover, they have recognized that in the face of escalating anti-ESG backlash, it is more important than ever for companies to reinforce

their ESG pledges and synchronize their business strategies with broad sustainability goals. **“Beyond the confines of law and regulations, we embrace our role as gatekeepers, safeguarding companies and their deals by upholding the essence of reputation and values. Our commitment extends beyond legal frameworks, intertwining integrity with corporate ethos, as we strive to shape a prosperous future.”**

- Chief Legal Officer at a global manufacturer company

In conclusion, the legal profession, historically perceived as risk averse, is emerging as an agent of transformative change. Legals are now actively sculpting the sustainability strategies of tomorrow, marking a profound evolution in their influence and leadership not only to ensure a more responsible and ethical business but also to set companies up for long-term success and impact in an ever-changing global landscape.

By actively participating in creating an enabling environment, businesses will also contribute to a world where peace, justice, and sustainable practices are the norm.



KEY TAKEAWAYS

The following key takeaways have emerged from the Think Lab activities:

- 1. Engage Executive Leadership:** Engaging the highest-level executives in an organization plays a critical role in driving effective sustainability initiatives. The importance of professionals deepening their ESG expertise is evident. Leaders, especially at the board level, must be equipped to guide their organizations towards genuinely embedding ESG values into operational activities.
- 2. Embed Cross-Functional Collaboration:** Embedding sustainability in governance requires working cross-functionally, breaking down silos and advocating for holistic approaches such as transformational governance. This can make corporate cultures more accountable, ethical, inclusive and transparent.
- 3. Harness Legal, Compliance and Ethics Leaders:** Sustainability challenges heighten the role of legal functions in driving responsible business practices. Legal functions are pivotal in ESG decision-making, shaping governance frameworks, ensuring compliance with both legal and ethical standards and managing risks associated with sustainability. Organizations must prioritize a culture of ethics, integrity and robust compliance mechanisms, emphasizing the importance of doing what is right.
- 4. Increase Collaboration and Partnerships (SDG17):** The value of fostering a robust network where legal professionals can collaborate, share experiences and learn from peers is clear. Such collaborative spaces champion solution-driven communities. Furthermore, the significance of partnerships, as highlighted in Sustainable Development Goal 17, is crucial in amplifying the impact of sustainability efforts and bridging the gaps among diverse stakeholders in the governance landscape.

Companies also highlighted the need and value of the UN Global Compact convening top-tier executives lawyers and creating a safe space for them to connect, to exchange experiences and challenges related to Transformational Governance and to learn from each other's successes and failures. Such collaboration will lead to a solutions-driven community of leading lawyers that integrates ESG into executive decision making and scales impact globally.

IV.

COUNTRY PERSPECTIVES

In the context of the Transformational Governance Think Lab, the UN Global Compact organized several activities to gather insights and better understand the needs and challenges that the legal function is facing in an increasingly complex sustainability landscape, including six in-person roundtables organized across diverse regions (Australia, Brazil, Bolivia, UK, South Africa, and Türkiye). The sessions brought together more than 100 leading lawyers: Chief Legal Officers, General Counsel, Chief Ethics and Compliance Officers and other related functions and highlighted these roles as driving forces that are uniquely positioned to steer internal and external corporate impact through the principles of Transformational Governance.

Sydney, Australia | June 2023

Hosts: UN Global Compact, UN Global Compact Network Australia, Clifford Chance

The discussion in Australia with senior business leaders focused on how businesses can be more accountable, ethical, inclusive and transparent to drive responsible business conduct, improve ESG performance and strengthen public institutions, laws and systems.

Participants identified the growing role of legal teams in leading consideration of corporate sustainability considerations. Legal teams are one of the few functional areas that have visibility to all areas of a company's operations and are therefore well-placed to foster and support necessary cross-functional collaboration on ESG issues, strategy and mechanisms in the organization. In this context, there is a critical need for legal professionals to bolster their ESG expertise. Additional depth of ESG understanding is essential not just for navigating compliance requirements but also for advising firms on effectively embedding ESG principles within their operations.

Furthermore, participants identified the important role of educating and advising senior executives and the board on ESG issues. Legal professionals have the credibility and insights needed to support senior decision makers in navigating their fiduciary responsibilities alongside broader sustainability considerations in a rapidly changing context. This role is particularly important in light of evolving directors' duties in Australia, noting that the standard of care to be exercised by directors with respect to climate change and nature-related risks is considered to have risen and continues to rise, including in relation to "net-zero" commitments.





Santa Cruz De La Sierra, Bolivia | July 2023

Hosts: UN Global Compact, Global Compact Network Bolivia

In Bolivia, the roundtable included 15 companies discussing the need to incorporate and promote the approach of transformational governance and concepts of business integrity. Participants were aligned with principles-based approaches that urge businesses to assume greater responsibility, ethics, inclusiveness and transparency, promoting responsible behaviors, stronger ESG performance and the strengthening of institutions, laws and public systems. This implies promoting a culture rooted in integrity, equity and inclusion beyond formal legal obligations. It is about questioning not only what is legal but what is ethical and right.

Priorities in Bolivia include fostering transparency, strengthening corporate governance, ensuring respect for human rights and promoting accountability within companies. This implies incorporating and promoting these concepts as an integral part of their operations.

Online, Brazil | May 2023

Hosts: UN Global Compact, Global Compact Network Brazil

Global Compact Network Brazil hosted an active Anti-Corruption Working Group (with nearly 300 members) and two Advisory Committees (one on Collective Action and one on the Transparency 100 per cent movement) that include the top Chief Compliance Officers. Participants stressed the importance of including compliance officers in discussions as this area is expanding to encompass due diligence and environmental and human rights risk assessment.

There was strong support for further work on the governance issue area.

Istanbul, Türkiye | July 2023

Hosts: UN Global Compact, Global Compact Türkiye, Esin Attorney Partnership (Baker McKenzie Türkiye)

During the meeting participants mentioned the inability to develop the necessary audit mechanisms among the challenges encountered. They mentioned that companies need to train their employees and suppliers to increase awareness as a part of the cultural transformation. They mentioned that companies can establish joint training and auditing mechanisms.

Collecting data from different departments and defining this process at an organizational level was mentioned as another challenge. At this point, better use of technology and multidisciplinary work were cited as essential.

The public sector's approach to good governance was highlighted. Setting standards, implementing regulations, auditing and punishing those who do not comply are essential incentives and sanctions for private sector governance. Since governance is one of the most difficult areas to monitor, it was mentioned that sanctions and pressures from third parties such as the European Union are effective on companies.

Large companies and legal regulations will be effective in communicating the issue to SMEs. Here, the public sector pressures large companies and encourages them to transform their supply chains. Among the opportunities for the coming period, it was mentioned that law and sustainability are now increasingly coming together. Lawyers play an active role in sustainability and ESG issues, guiding senior management on international regulations, the global sustainability agenda, risks and opportunities.

Johannesburg, South Africa | July 2023

Hosts: UN Global Compact, Global Compact Network South Africa, Baker McKenzie South Africa

This roundtable discussion in South Africa focused on both macro and micro governance issues, including South Africa's national governance, corporate governance and improved whistleblowing protection.

- *National Governance Lens: There is a positive relationship between country-level governance and firm-level governance. Strong legislative and regulatory environments at the country-level will increase the effectiveness of governance at the corporate level. In South Africa, the national Government is riddled with corruption, which then negatively affects and influences governance behaviors at the corporate level. Corruption is a two-way street, and it often includes both parties from the public and private sector.*
- *Corporate Governance Lens: Possible solutions at a corporate level were to introduce incentives for good governance. People are driven by what they earn and introducing incentives for good governance may shift the needle.*
- *Whistleblowing Protection Lens: In South Africa, whistleblowing protection is poor both on the Government level and the corporate level. Poor whistleblowing protection deteriorates the governance system because whistleblowers will be apprehensive to speak out because of the fear of being targeted. Improved whistleblowing protection is imperative to maintaining a strong governance environment as it encourages people to come forward and fight corruption with no fear.*

London, United Kingdom | March 2023

Hosts: UN Global Compact, Global Compact Network United Kingdom, Clifford Chance

The UK kicked-off the series of roundtables, during which the main gaps and priorities were identified.

Amid evolving stakeholder expectations and a pressing need for clearer governance in the ESG space, participants agreed on the urgency to deepen their understanding of sustainable governance. This expertise is crucial not merely for interpreting regulations but also for guiding businesses in embedding ESG principles into their operational activities. A challenge highlighted is that the existing governance models often fail to address the complex demands of ESG.

It was acknowledged that businesses are seeking to align their activities with SDGs. This is a result of the SDGs being a common taxonomy for engagement and providing a framework through which companies can start to assess positive impact and ensure harms are prevented or mitigated. SDG 16 is an opportunity to consider their operating models to allow them to encourage both short and longer-term financial and impact sustainability for their businesses.

There is a significant role for legal teams in educating board members about ESG, ensuring they combine their primary duties with sustainability objectives. There is also a need for global alliances and organizations to provide greater clarity and shared understanding of key issues.

With ESG bringing in new legal risks and varying global rules, the UK's legal professionals are in a pivotal position. Their role is not just about ensuring compliance but also promoting the core values of ESG in a time when corporate responsibility is rapidly evolving.



REFERENCE MATERIALS

RESOURCES

ESG is at a crossroads. A new framework can help companies avoid box-checking exercises, Fortune, 2023.

ESG Scenarios: Leading Sustainability in a New Context, BSR, 2023.

Event Summary: BHRLA Geneva Launch 30 May 2023 - The Role of Commercial Lawyers in Promoting Business Respect for Human Rights, BHRLA, 2023.

Five ways that ESG creates value, McKinsey Quarterly, 2023.

General Counsel and Lawyers Help Deliver Sustainability and ESG Outcomes, DLA Piper, 2020.

Leading with Business Integrity: Robert Chesnut, Lawline Podcast.

License to Transform: Spencer Stuart 2022 Survey of Sustainability Leaders, Spencer Stuart, 2023.

Podcast: The ESG and Sustainability Landscape, International Bar Association, 2023.

The Anti-ESG Movement Explained, Know ESG, 2023.

The Evolving Role of Chief Sustainability Officers, Harvard Business Review, 2023.

The Extraterritorial Impact of the Proposed EU Directive on Corporate Sustainability Due Diligence: Why Corporate America Should Pay Attention, Oxford Business Law Blog, 2022.
The Extraterritorial Impact of the Upcoming EU Corporate Sustainable Due Diligence Rules, APCO Worldwide, 2023.

The General Counsel Imperative: How the law department is key in unlocking your sustainability strategy, EY, 2022.

The Growing Importance of Sustainability to Lawyers and the ABA, American Bar Association, 2013.

The rise of transformational governance is among CLOs' growing responsibilities, Thomson Reuters, 2023.

Why Business Leaders Must Resist the Anti-ESG Movement, Harvard Business Review, 2023.

ENDNOTES

- 1 According to EY's 2022 General Counsel Sustainability Study, law departments are facing a broad set of pressures from stakeholders on sustainability matters that are challenging them in new ways. The survey reveals a gap in the recognition of public sentiment's impact on risk profiles, an expansion into traditionally non-legal areas due to reputational risks, increased involvement in decision-making and challenges in advising on matters exceeding legal requirements. Additionally, legal departments do not have the necessary talent and budget to handle increasing workloads linked to sustainability and are split on how to handle those challenges. To successfully chart a way forward, it will be important for CLOs and General Counsel to define how their departments partner cross-functionally with other departments, especially the sustainability one.
- 2 <https://ungc-communications-assets.s3.amazonaws.com/docs/publications/EXECUTIVE-SUMMARY-SDG-16-Business-Framework-Inspiring-Transformational-Governance.pdf>
- 3 <https://blogs.law.ox.ac.uk/business-law-blog/blog/2022/04/extraterritorial-impact-proposed-eu-directive-corporate>
- 4 <https://apcoworldwide.com/blog/the-extraterritorial-impact-of-the-upcoming-eu-corporate-sustainable-due-diligence-rules>
- 5 <https://www.knowesg.com/featured-article/the-anti-esg-movement-explained>; <https://hbr.org/2023/04/why-business-leaders-must-resist-the-anti-esg-movement>
- 6 <https://www.mckinsey.com/-/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx>; https://www.ey.com/en_it/law/how-the-law-department-is-key-in-unlocking-your-sustainability-strategy

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.



LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

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

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the UN Global Compact is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 20,000 participating companies, 5 Regional Hubs, 62 Local Networks covering 67 countries and 15 Country Managers establishing Networks in 34 other countries, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, follow [@globalcompact](#) on social media and visit our website at unglobalcompact.org.



United Nations
Global Compact

© 2024 United Nations Global Compact
685 Third Avenue New York, NY 10017, USA