wbcsd

Leading change: embedding sustainable development in business decision-making

Group projects – Class of 2019

WBCSD Leadership Program 2019
in partnership with **Yale University**
Leading change: embedding sustainable development in business decision-making

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WBCSD Leadership Program 2019

The WBCSD Leadership Program is a unique professional and leadership development opportunity aiming to provide current and future business leaders with an in-depth understanding of the sustainability challenges and opportunities that will feed into their strategic decision-making.
As sustainable businesses will continue to lead the way in the future, it is critical for the next generation of leaders to understand the importance of sustainability to their businesses and integrate the opportunities and risks in their core business strategy.

THE LEADERSHIP PROGRAM 2019

The theme of the Leadership Program 2019 was *Leading change: embedding sustainable development in business decision-making*. Businesses are taking the lead in accelerating the transition to a sustainable world. By navigating risks and capturing transformative opportunities, sustainable companies are finding new growth, lowering their cost of capital and becoming more successful. It's critical for the next generation of leaders to understand the importance of sustainable development, integrating associated opportunities and risks into their core business strategy and decision-making.

WBCSD's Education team – Prof. Dr. Rodney Irwin and Suzanne Feinmann – facilitated the three learning modules (Sustainability in context, Sustainability in action and Leading sustainability).

The 2019 Program brought together 46 high-potential leaders over a nine-month period. They came together for one-week meetings in different locations: Yale University and New York (USA), Mumbai (India) and Lisbon (Portugal).

FOREWORD

With the shifting risk landscape and the opportunities that sustainability brings, companies need reliable, relevant and timely information – including environmental, social and governance (ESG) – to make better decisions. In parallel, investors need investor-grade material information to drive the allocation of capital towards sustainable businesses.

To advance this, we were thrilled to focus the curriculum and assignments of the 2019 WBCSD Leadership Program on embedding sustainable development in business decision-making.

This year, 46 leaders from 18 countries and across 12 industry sectors participated in the Leadership Program, fueling discussions with different professional and social backgrounds and views. The students learned through academic, hands-on learning and on-location, online and webinar-style training. They also engaged with leading experts ranging from specialists at the United Nations to impact investors. Subjects covered throughout the modules in New York, Mumbai and Lisbon varied from transitioning to renewable energy, shaping the future of plastics, social inclusion and human capital development to leveraging big data and more.

As we saw with our cohort throughout the year, for companies to make better decisions and contribute positively to our shared global goals, sustainability needs to be embedded at the core of business strategy and be reported upon in a strategic and integrated way. And this starts with our program participants.

These Leadership Program participants are returning to their respective companies with a clear call to action to challenge the "status quo" and place sustainability at the core of their business strategy.

This report shows their efforts and accomplishments and is only a taste of their abilities to reshape the future of business.

Prof. Dr. Rodney Irwin
Managing Director, Redefining Value & Education; Member of the Senior Management Team, WBCSD

GROUP PROJECTS 2019

During the year, participants wrote individual and group reports. This brochure summarizes their group projects:

1. Creating stakeholder value through a clearly defined organizational purpose
2. Is reported ESG information useful for investor decision-making?
3. Embedding ESG-related risks into enterprise risk management
4. Building business capacity to value nature in decision-making
5. Human capital and social capital can create business value
6. Can blockchain contribute to sustainable development?
7. How to become a more energy-efficient, low-carbon and circular business

Participants came from the following WBCSD member companies:

accenture, Aditya Birla Group, APRIL, ARCADIS, Bayer, BT, CLP 中電, equinor, ExxonMobil, EY, Firmenich, HITACHI, iff, KPMG, Microsoft, Nestlé, Novartis, phoenix, pwc, Renault Nissan, SCG, Shell, Solvay, Sonae, syngenta, Taiheiyo Cement, The Navigator Company, Veolia, wbcsd, Yara

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Creating stakeholder value through a clearly-defined organizational purpose

GROUP PARTICIPANTS

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Andy Jenkins, BT
Callum Law, KPMG
Hanneke Verhelst, Syngenta

BACKGROUND

Businesses face continuous and multi-fronted challenges of waning trust from the public, threats of disruption to existing business models and wars for talent as they attempt to attract and retain the brightest and best employees and future leaders. An ever-challenging and changing geopolitical landscape to operate in, the emergence of the millennial generation in the workplace and shifts in what they expect from gainful employment, the creeping ability of social media to make or break an organization's reputation overnight, and a gradually awakening awareness of wider society to the importance of environmental, social and governance (ESG) issues and, in turn, increased expectations of business to play its role in addressing these mean that, in order to be successful, businesses and their leadership must be ready to adapt their corporate strategy – quickly – to this shifting landscape and execute on this strategy consistently.

A well-articulated and understood organizational purpose statement provides all stakeholders potentially impacted by a company's operations with guidance on a company's direction. Those organizations with a clear purpose often find it easier to engage with their workforce, customers, communities and suppliers – essentially with all of their stakeholders.

PROPOSITION

We explored how an organization's purpose, as reflected in its strategy and integrated into decision-making, drives stakeholder value.

To assess the integration of purpose across the corporation, we started by defining a set of core questions that we then used in interviews with stakeholders and in our research, organized in four main pillars: purpose, strategy, governance and external perceptions. We cross-referenced these against available assessment methodologies and an adapted version of the Corporate Sustainability Scorecard to create a framework for our investigation and analysis (Figure 1).

A well-defined, fully integrated purpose that satisfies the needs of all stakeholders and considers the long-term success of the organization, rather than maximizing shareholder value, will help companies to stand out and will offer benefits that go beyond those obtained by business as usual, reflecting a positive contribution to society.

Figure 1: Framework – Corporate Sustainability Scorecard (adapted)

Purpose		Strategy		Governance			External
Vision, mission and values	CEO leadership	Board leadership	Strategic planning	Goals and metrics	Culture and organization	Disclosure and reporting	External perceptions

KEY LEARNINGS

Based on our research and collective experience, we have identified the following as particularly important in ensuring decision-making at all levels of the company is consistent and aligned with the purpose of the corporation:

- Ensure all leaders visibly live the organization's values and lead by example;
- Attract and retain those whose personal values align with those of the company;
- Emphasize building trust by forging strong relationships;
- Ensure robust enterprise-wide risk management systems are in place;
- Develop strong key risk indicators to determine decision effectiveness;
- Understand both intrinsic value and extrinsic value in order to deploy incentive programs;
- Balance financial and non-financial incentives appropriately and link to behavioral objectives for all levels of the organization;
- Ensure that regular internal assurance (e.g. internal audits) is in place and the enforcement of consequences in cases where actions breach the company's purpose.

Key challenges that companies face in translating purpose into strategy and operations

- Defining the right level of purpose – what breadth of stakeholder values should it reflect and how to ensure that it guides the company and its employees in the right direction.
- Aligning purpose with business strategy and risk management – the purpose and the business strategy must be well-aligned and a robust enterprise-wide risk management system must support it.
- Providing the right decision-making guidance – following the motto "what gets measured, gets done" it is essential to clearly define non-financial goals, such as quantifying stakeholder value.

Key success factors for implementing purpose throughout an organization

- Determine: ensure that you quantify stakeholder value and specifically define where you want to have an impact.
- Gain buy-in: improve stakeholder value communication and transparency; be authentic.
- Act: align incentives with the purpose; ensure the right resources are available to achieve the operational goals that contribute to the strategy and remove barriers so that all employees can act and contribute to the purpose in a practical way.

A well-articulated purpose that all stakeholders fully understand is no longer just something that is nice to have – it is imperative for business survival.

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Is reported ESG information useful for investor decision-making?

GROUP PARTICIPANTS

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INTRODUCTION

The number of companies that publicly report ESG data has grown exponentially over the last 25 years. Evidence suggests that ESG reporting may have finally reached a key inflection point. There are signs that investors are leveraging access to ESG data and reporting to inform their investment decision-making more than ever.

Through this project, we investigated how leaders use ESG information to demonstrate how corporate sustainability strategies create value. We sought to answer the question of how useful reported information is to investor decision-making. Our report provides credible recommendations on how management can make ESG information more useful for investors.

METHODOLOGY

In order to provide answers to the key questions posed, we conducted a detailed literature review of primary data sources from WBCSD, company reports, white papers and academic articles.

We then conducted eight in-depth interviews that we carefully targeted to incorporate three categories of candidates:

- Primary interviews with members of the WBCSD senior leadership team;
- Primary interviews with senior-level contributors from the investor relations teams at large multinational corporations;
- Primary interviews with large-scale investor firm representatives.

This has allowed us to deliver original research from the perspective of investors.

CHALLENGES AND OPPORTUNITIES

The social and environmental challenges that the world is facing, and the related media exposure, are creating greater awareness of the societal context in which companies operate. As a result, investors are increasingly sensitive to identifying companies that are making positive contributions to those challenges and excluding business activities undertaken at the expense of human capital or natural capital.

While basic negative screening and simple binary approaches to stock selection still exist, a growing number of investors recognize that high-quality ESG disclosure can provide valuable insights into the underlying drivers of a company's value. ESG information adds to financial performance data and can provide insights into a company's longer-term performance and external risk factors.

However, there is considerable doubt about the extent to which current company sustainability reports accurately portray corporate impact on society and the environment. At the same time, there is recent evidence that the process of preparing a sustainability report and internal reports on social and environmental impacts to monitor performance and reward managers is inherently helping to inform corporate planning and decision-making.

KEY LEARNINGS

Many investors are looking to non-financial reporting to close the information gap and understand the real value of a company and the potential risks. Despite this, our primary research shows that interest from investors in ESG and sustainability reporting remains disappointingly low. Throughout our interviews with management, we have learned that investors rarely ask questions about ESG; when they do, it often relates to governance as opposed to social or environmental factors. Our primary research suggests that this is because of a lack of clarity or even belief in the correlation between sustainability and financial return from the perspective of the investors. This is despite our secondary research suggesting there is a strong link. "There's a correlation, and I would argue, a causation, between ESG and being a quality investment. So, investors reward for long-term value creation, but inadvertently."[1]

Further, financial markets have yet to adequately respond, with the size of the socially responsible investment market (e.g., products such as green bonds and ethical funds) remaining a very small part of the total sector. While money market funds that incorporate ESG metrics are growing rapidly, with assets in the sector having risen 15%, to USD $52 billion, during the first half of 2019, this pool of assets is still very small compared to the total USD $6 trillion money market sector.[2]

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1 Excerpt from our interview with W. Pomroy, Director of Engagement at Hermes (July 2019).

2 Nauman, Billy. 2019. ESG money market funds grow 15% in first half of 2019. *Financial Times*. 14 July 2019. Retrieved from: https://www.ft.com/content/2c7b8438-a5a6-11e9-984c-fac8325aaa04.

Companies that provide inconsistent, immaterial and poor-quality ESG reporting compound this challenge. If investors were able to use ESG reporting to understand a company's relative performance compared to peers and measure improvement over time, we believe they would be better able to reward those companies creating long-term, sustainable value.

Our call to action for management is simple:

- **Articulate the company's purpose internally and externally.** Use this to both demonstrate the long-term value of the company and to foster and encourage effective collaboration between finance, operations and investor relations.
- **Incorporate ESG into the strategy and into measuring and reporting.** Leaders need to properly align sustainability needs with corporate strategy. Improving measuring and reporting will enhance the company's ability to transparently track and monitor success. This should include incorporating the latest Task Force on Climate-related Financial Disclosures (TCFD) standards and recommendations.
- **Give significance to the reported data and drive a shared understanding with the investor community.** Properly understanding how the investor community can and does use this data will help. Proactively engaging to educate and share how this data is useful in investment decision-making will drive the credibility of the reporting and of the company.

3

Embedding ESG-related risks into enterprise risk management

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Midori Kato, Taiheiyo Cement Corporation
Naresh Tyagi, Aditya Birla Group

BACKGROUND

ESG risks relate to the emerging challenges organizations are facing, such as climate change, social volatility, natural resource availability and compliance with local regulations. Beyond consequences to reputation, brand and image, these ESG topics can have serious consequences for a business, putting operations at risk. It is apparent that many companies fail to proactively identify, measure and respond to ESG-related risks and instead take more of a passive approach to them.

Civil society organizations, company stakeholders and regulatory bodies are driving companies to communicate ESG-related risks rather than develop an internal organizational understanding of the potential impacts of these topics on the business and its ability to operate in the long term. Due to this external vs internal disconnect, companies often monitor ESG-related risks and provide ESG disclosures but do not operationalize risk assessments or mitigation plans to adequately understand and respond to these risks. Appropriately including ESG related risks into the overall risk framework will lead to the inclusion of a broader set of risks and opportunities, improving organizational resilience and enhancing performance in the long term.

PROPOSITION

In response to this lack of engagement on ESG risks, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and WBCSD have developed the *Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks* guide[3] to enable companies to effectively include ESG-related risks in their enterprise risk management (ERM) framework. The guidance outlines concepts and processes supporting the integration of ESG-related risks in existing company ERM frameworks. The guidance also provides best practice examples where companies have successfully identified, measured and monitored ESG risks and embedded these topics in the overall strategy of the company. So far, companies have not widely adopted this guidance.

For the most part, companies have not integrated sustainability risks within ERM practices and they are not yet mainstream, which is a risk for companies and their stakeholders. Companies need to adequately identify, assess and prioritize and implement mitigation plans for ESG-related risks. Such practices protect value and relations with stakeholders.

CHALLENGES/ OPPORTUNITIES

- ESG risks are difficult to quantify using traditional methodologies; opportunities exist to develop approaches that consider the uncertainty, diversity and systemic nature of ESG topics.
- The existing risk management governance structure identifies traditional risks but is less effective in identifying ESG risks.
- Risk registers suffer from a short- to medium-term timeline consistent with business planning.
- Proper inclusion of ESG risks in ERM will enable sustained business growth.

KEY LEARNINGS/ RECOMMENDATIONS

- Seek collaboration and share knowledge on how to identify and assess ESG-related risks.
- Engage with data analysts and scientists to quantify ESG impacts and perform scenario analysis.
- Consider organizational structure and governance: asses company culture, communication norms and geographies; evaluate collaboration between ESG and line management; include ESG in internal audit scope.
- Embed ESG considerations at the board and executive level: improve ESG literacy and integrate sustainability strategy with business strategy.

[3] WBCSD. 2018. *Enterprise Risk Management: Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks.* Retrieved from https://www.wbcsd.org/Programs/Redefining-Value/Business-Decision-Making/Enterprise-Risk-Management/Resources/Applying-Enterprise-Risk-Management-to-Environmental-Social-and-Governance-related-Risks.

4

Building business capacity to value nature in decision-making

GROUP PARTICIPANTS

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Kelly Stumbaugh, Microsoft

BACKGROUND

With the climate crisis, plastic waste, biodiversity loss and other newsworthy sustainability topics gaining public attention, the fact that business impacts the natural environment is well known. Less widely discussed or understood is the fact that natural capital is one of the key drivers of value creation on which businesses rely.

As defined by the Natural Capital Coalition, natural capital consists of the "stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, and minerals) that combine to yield a flow of benefits to people." [4] Natural capital plays a critical role in producing the goods and services that benefit business and society.

Humans are depleting all types of natural capital at rates that are not sustainable. Businesses need training and education so they will understand how to value natural capital, which will enable them to make better decisions that take into consideration the risks and opportunities relating to their impacts and dependencies on nature. In order for the global community to meet the United Nations Sustainable Development Goals[5] by 2030 and secure a sustainable future for the world's population, businesses urgently need to engage in education, planning and finding solutions to challenges related to natural capital.

PROPOSITION

A brief review of available training programs shows that universities offer the most and that they focus on specific subjects, rather than on training people to understand and assess the value of natural capital and related risks and opportunities. There is a need for training programs tailored for businesses to implement at the beginning of their natural capital journeys, so employees understand their impacts and dependencies on nature.

As part of the We Value Nature campaign,[6] the WBCSD is developing a natural capital business training program[7] that aims to make valuing nature the new normal for businesses across Europe.

The goals of our project were to: 1) evaluate the business relevance, suitability and usefulness of the We Value Nature natural capital training program; and 2) make strategic recommendations to WBCSD regarding this training program to ensure that it contributes to the ultimate goal of increasing companies' uptake of natural capital valuation.

We based the assessment and the recommendations on academic research regarding effective methods for adult learning and on feedback obtained by testing the first module of the training program in our companies.

KEY FINDINGS

We and our test participants determined that the training program is valuable and informative. Participants agreed that they grasped the first module's objectives: the concept of natural capital, its linkages with business decision-making and risk management, natural capital impacts and dependencies, and risks and opportunities related to their business context. The first module incorporates the principles and effective methods for adult learning advocated by Honey and Mumford[8] by including a variety of elements to meet the needs of people with different learning styles, including the use of hypothetical examples, quizzes, group discussions, definitions, models, explanations, examples, case studies and reflections.

RECOMMENDATIONS

The business risks and opportunities related to natural capital are substantial and will become increasingly critical for businesses to understand in order to succeed in a world with mounting pressure on the natural capital on which businesses depend and growing scrutiny of business impacts on nature. Businesses should work with the We Value Nature campaign to incorporate the natural capital training program into their own training programs, with content tailored to best serve employees according to their roles in the company.

Please contact Katia Bonga - bonga@wbcsd.org for more information.

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4 See https://naturalcapitalcoalition.org/natural-capital-protocol/.

5 See https://sustainabledevelopment.un.org/?menu=1300.

6 See https://wevaluenature.eu/.

7 See https://wevaluenature.eu/lisbon19.

8 Honey, P. & Mumford, A. 1982. *Manual of Learning Styles*. London: P Honey. Our study used the summary on the University of Leicester Doctoral College website at https://www2.le.ac.uk/departments/doctoralcollege/training/eresources/teaching/theories/honey-mumford.

5

Human capital and social capital can create business value

GROUP PARTICIPANTS

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INTRODUCTION

People are what matter most in business. Companies rely on their employees to improve business performance and need to keep relationships with their customers, suppliers and neighbors healthy in order to build and sustain their competitive advantage in the market.

Human capital and social capital have been gaining traction among those corporate governance practitioners, investors, policy-makers and other stakeholders interested in taking a deeper look into these fundamental drivers of business success. We examined fair wages and equal opportunities, two important components contributing to human capital and social capital, and their impact on business value and society from a business perspective. Furthermore, in a broader context, we believe they also provide solutions to help tackle the SDGs through improved well-being.

KEY CHALLENGES

There is a deficit in the amount of decent work available in global supply chains. Public minimum wage policies are not sufficient to support decent work because they do not include productive job opportunities, fair income, workplace health and safety, social protections for families and assurances of equal opportunity. The decent work deficit affects supply chain performance.

The difference between the minimum wage and the living wage is more important in countries with weak labor institutions. Minimum wage policies have proven to be less effective at ensuring workers have the minimum threshold of pay required to cover basic needs, also known as cost of living.

There is a gap in diversity and significant inertia to address it. Many companies have not yet realized how big the gap is or where they could start to change the trend. For example, while most companies say they are highly committed to gender diversity, they have made little meaningful progress in achieving true equality and the growth of women in leadership is nearly stagnant.

OPPORTUNITIES AND BENEFITS FOR BUSINESSES

Creating a company culture that includes fair human capital and social capital policies offers many benefits:

- **Impact on a company's organization and its workplace productivity:** A fair wage approach is essentially a human right and leads to the creation of long-term employee motivation and company performance, instituting a virtuous loop leading to an ever-stronger workforce. Leaders in many sectors have adopted the fair wage approach to boost employee motivation and talent recruitment and to retain skilled employees.
- **Impact on brand attractiveness for external stakeholders:** The importance of ESG investments has been increasing in focus around the world. Investors believe that properly addressing the issues in their respective fields will be a driving force for sound corporate development and growth, which may lead to greater performance.[9]

In addition, companies' values and policies, such as in diversity and inclusion, contribute to brand attractiveness. Research examining 420 US consumers shows that 75% of people might start buying products from companies that share their views on issues.[10]

[9] Principles for Responsible Investment. 2019. What are the Principles for Responsible Investment? Retrieved from: https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment.

[10] Cox, T. 2019. Digital Marketing. Survey: How corporate Social Responsibility Influences Buying Decisions. Clutch, 7 January 2019. Retrieved from: https://clutch.co/pr-firms/resources/how-corporate-social-responsibility-influences-buying-decisions.

KEY LEARNINGS AND RECOMMENDATIONS

1. Make sure that the company has the right wage settings and that it pays employees in similar roles equally. Lowering costs without paying fair wages is not sustainable as it does not preserve workforce motivation and development. Closing wages gaps can also help close diversity and inclusion gaps. By paying wages more fairly and equally, companies can continuously secure employment and improve productivity.
2. Improve both hiring and promotion efforts to attract diverse candidates. For instance, when companies hire women, there should be a two-way street with managers and senior leadership seeking to mentor women. As mentorship increases, so too will promotions and job growth opportunities.
3. Incorporate fair human and social capital into the organization's environmental, social and governance efforts. Transparent communication on company policies, such as equality and fair wages, can help answer investor concerns and attract more value-aligned funds and customers.

6

Can blockchain contribute to sustainable development?

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BACKGROUND

A number of emerging technologies are creating new opportunities for companies to grow responsibly, with greater efficiency and transparency. Among these, blockchain has garnered much interest due to its versatility across different sectors and the opportunities it provides for collaboration through transparency and traceability. Blockchain is a distributed ledger technology that stores information and allows users to track every movement of a good in a transparent, secure and verifiable way. This ability to validate and move data between entities without an intermediary brings accountability and trust to everyone in the chain. While it has powerful potential, hype and controversy also surround it.

We examined real-world case studies to better understand blockchain's risks, dependencies and opportunities, and use this information to make recommendations for maximizing blockchain's impact on sustainable development.

PROPOSITION

Blockchain's attributes allow companies to take leading roles in promoting collaboration and transparency with partners and help them to make more sustainable decisions. The first set of cases we studied, from the construction, logistics and fragrance industries, describes how blockchain improves cooperation between partners within an existing supply chain. The inherent transparency creates accountability among all players, while the removal of intermediaries can enhance efficiency. The second set of cases we studied, from the consumer services, pharmaceutical and energy industries, describes blockchain's role in helping businesses interact with the ecosystems around them. Blockchain is enabling companies to interact in new and different ways, creating collaborations that were previously not possible.

CHALLENGES AND OPPORTUNITIES

Our research identified several challenges and opportunities arising from the implementation of blockchain that would support more sustainable decision-making:

Challenges

- Some blockchain implementations are tremendously energy intensive, nullifying the sustainability advantages they bring.
- In the absence of traditional intermediaries, new questions arise about legally binding contracts, error management and liability.
- In a more transparent environment, when something goes wrong there can be a more dramatic impact on the company's brand.
- In an information-oriented world, cybersecurity and data privacy become increasingly important.
- Regulation is struggling to keep up with technical advancement.
- A lack of standards and system interoperability can make blockchain solutions difficult and costly to implement.

We also identified general challenges related to technology project deployment:

Digital does not always mean simpler; achieving success requires experimentation, change management to keep engagement, and ways to mitigate the risks associated with technology lock-in.

Opportunities

- A reduction in the number of intermediaries and greater information availability can dramatically increase efficiency and lower costs.
- Improved transparency and traceability make it difficult for companies to hide wrongdoing and can generate demand for sustainable products and services.
- The use of blockchain solutions and related data can help companies enhance their reputations and favorably position them for environmental, social and governance-oriented investments.
- Blockchain is enabling new models that increase business resilience and opportunities for participating companies.

KEY LEARNINGS AND RECOMMENDATIONS

As companies study blockchain solutions, they should consider taking the following steps:

- Seek communities of practice to accelerate learning and potentially set the stage for cooperation and partnerships.
- At the same time, limit the number of key partners in the start-up phase to preserve agility.
- Encourage government involvement to ensure the right financial and regulatory environment.
- Consider employing legal controls to insulate innovation and keep liabilities from reaching the broader company.
- Encourage technical and measurement standards to facilitate cooperation between entities, accelerate data sharing between systems and advance the adoption of the technology.

Like all emerging technologies, blockchain comes with challenges at scale. However, it has shown its potential to advance sustainable development and there are opportunities for early adopters and leading companies to help realize that potential.

7

How to become a more energy-efficient, low-carbon and circular business

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Wenche Alsen Abbou, Equinor

INTRODUCTION

According to the Intergovernmental Panel on Climate Change's (IPCC) *Special Report: Global Warming of 1.5ºC*,[11] limiting global warming to 1.5°C will require large-scale and radical changes in most aspects of human activity. In 2019, the World Economic Forum's *Global Risks* report ranked the implications of climate change in the top five global risks for the fifth time in a row.[12]

In recent months, the risks and implications of climate change have increasingly attracted the attention of business executives around the world. In response, WBCSD released its *Guidelines for an Integrated Energy Strategy* in June 2019[13] to help businesses rethink and align their business and energy strategies in light of new challenges and pressure to reach the climate targets set by the Paris Climate Agreement.

As sustainability professionals, we discussed the guidelines, tested their applicability to the energy strategies within our companies, shared best practices, and identified fields for improvement.

WBCSD GUIDELINES ON AN INTEGRATED ENERGY STRATEGY

In contrast to customary energy management approaches, the "integrated" energy strategy set forward by WBCSD does not only focus on a company's direct energy sourcing and use. It includes the entire value chain, from suppliers to end users, as well as external stakeholders. An integrated energy strategy supports a company on its journey to becoming carbon neutral or even an energy system "prosumer" – both producing and consuming energy. The guidelines encompass six elements to achieve the full scope of a truly integrated energy strategy:

1. Vision and targets
2. Energy strategy governance
3. Data collection and management
4. Mandatory and voluntary reporting
5. Internal and external stakeholder engagement
6. Solutions.

KEY INSIGHTS

Interviews with WBCSD member company stakeholders allowed us to identify the following key insights.

There is no "one-size-fits-all" energy strategy

There is no silver bullet for decarbonization. Each company is unique, varying from peers by size, location, core business and culture. Each integrated energy strategy is therefore also unique. Companies can develop their own strategy by using the WBCSD *Guidelines for an Integrated Energy Strategy* and all six elements, while also sharing insights and best practices with industry peers.

Climate leadership is a competitive advantage

Due to the growing risks and implications of climate change, as well as increasing regulatory requirements, external stakeholders – notably investors and clients – have started to look into a company's energy strategy and performance as a decisive criterion for engagement.

> By working closely with external suppliers, we could make our ambition to achieve carbon-neutral operations a reality.

Ana Kovacevic
Novartis

> KPMG is feeling growing pressure from clients to act on climate change as they are increasingly requesting detailed information on the company's carbon footprint and targets. We have to fundamentally rethink how we do business.

Thekla von Bülow
KPMG

[11] Intergovernmental Panel on Climate Change. 2018. *Special Report: Global Warming of 1.5 ºC*. Retrieved from https://www.ipcc.ch/sr15/.

[12] World Economic Forum. 2019. *The Global Risks Report 2019*, 14th Edition. Retrieved from http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf.

[13] WBCSD. 2019. *Guidelines for an Integrated Energy Strategy*. Retrieved from https://www.wbcsd.org/Programs/Climate-and-Energy/Energy/New-Energy-Solutions/News/WBCSD-releases-new-guidelines-to-help-companies-achieve-their-sustainable-energy-objectives.

It's a managing board topic, not a back-office task

A credible energy strategy and vision require the attention of senior management. Only when senior management is actively engaged, prioritizes the matter and communicates efforts both in the company and with stakeholders can a company achieve true climate leadership and an internal cultural shift.

Know where you want to go, how you are going to get there and by when

To achieve high standards, companies should put forth clear and well-communicated targets (both short and long-term) and defined roadmaps and rules of conduct for all subsidiaries and value-chain participants. Companies must align incentives (both monetary and non-monetary) with the targets of the integrated energy strategy.

NEXT STEPS

We felt that this effort presented a great opportunity to discuss and question the energy strategies of our own companies and spark new ideas for improvement. We will continue to share best practices and encourage our leaders to make changes to our energy strategies in order to further support the Paris Climate Agreement targets.

I increased my knowledge of how my company values sustainability. I also learned how other companies solve their challenges.

Wenche Alsen Abbou
Equinor

Climate change will put tremendous pressure on the car industry. We spend most of our annual R&D CAPEX on breakthrough technologies. Continuous dialogue with all stakeholders on strategic decision-making is key. The guidelines support this important dialogue to help share, compare, guide us and challenge each other.

Jean-Philippe Hermine
Renault

Through various interviews, I was able learn about experiences in our regional operating companies. We aim to achieve zero carbon by 2030!

Niels van Geenhuizen
Arcadis

I was able to realize that CLP's Climate Vision 2050 formulated back in 2007 was a very 'futuristic' one. The 2007 strategy is a testimonial of CLP's early vision to embrace a cleaner and brighter future. Today, companies worldwide are preparing similar long-term low-carbon business strategies.

Santanu Satapathy
CLP

ABOUT THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

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