



Reporting matters

# Strategy & targets deep dive

WBCSD 2019 Addendum Report



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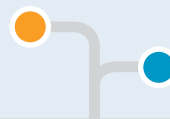
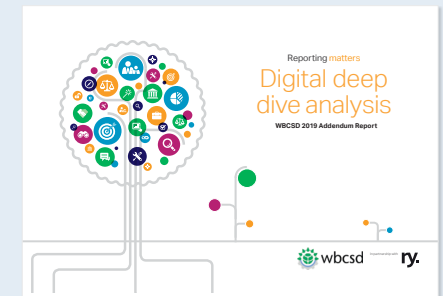
# Strategy & targets deep dive analysis

The current convergence of public pressure, government regulation and investor scrutiny has led to an explosion of information requests and reporting approaches to satisfy stakeholder needs. While this has made sustainability reporting an imperative for business, it has created a significant burden for reporters.

Good reporting enables companies to show how they have integrated sustainability into their business and to communicate the value of their work. This year, *Reporting matters* presents the evolution in reporting that WBCSD and its members want to see in response to the increasing complexity of the reporting landscape.

In the main report, we provide insights that aim to help companies navigate the new context through the lens of materiality, judgement and visual language. The three addendum reports explore distinct aspects of reporting:

- The role of risk and governance in internal decision-making and external disclosure;
- How sustainability strategy and target-setting is evolving as we approach 2020; and
- The future of digital reporting and emerging technologies.





Strategy &amp; targets deep dive

# Reporting context

The corporate sustainability landscape has changed dramatically in the past ten years and it will continue to evolve over the coming decades. Sustainability is now at an inflection point with many companies gearing up for post-2020 strategies. This provides an opportunity to enter a bold new era for corporate sustainability that can lead to transformational change. This report discusses how WBCSD is approaching this topic through the update of our own long-term vision and looks at the state of play among WBCSD members in terms of strategy and target setting within this context.

## Vision 2050 Refresh

In January 2010, WBCSD launched an ambitious, leading-edge study to map the transformative changes necessary to allow over 9 billion people to live well within the boundaries of the planet by mid-century – called Vision 2050. It was created with 29 WBCSD members from 14 industries and includes insights from more than 200 companies and stakeholders from some 20 countries.

The report declared that business as usual is not sustainable and explored what a sustainable world might look like in 2050. It set out how such a world could be realized and the vital role business must play in making that vision a reality.

Almost 10 years on from the publication of Vision 2050, a lot has emerged in the corporate sustainability landscape – the Paris Agreement, the Sustainable Development Goals (SDGs), the launch of the Guiding Principles for Business and Human Rights and development of science-based climate targets, among others. But its key concepts have largely stood the test of time.

Some topics have increased in importance, such as social tensions and environmental impacts, whereas others – such as the deep changes being driven by technology – have emerged as critical new areas within the sustainable development landscape. These escalations are raising fundamental questions about the role business and the economy play in society.

Business has a material interest in shaping a viable long-term operating environment that has a place in a modern, sustainable society. Achieving it will require system-wide transformation across food, energy, mobility, cities and communities, materials, work, education and the economy itself.





In 2019, WBCSD launched a project to refresh Vision 2050. This revisiting offers a timely opportunity to review current social, economic and political shifts and translate critical elements that have emerged into action. The analysis of developments will enable us to understand and help shape future systems transformation and to establish what the role of business will be. Through this process, we hope to create a renewed collective, positive business action and leadership agenda for the coming 2020-2030 decade.

You can learn more about our **Vision 2050 refresh project** online or by contacting our **Project Team**.

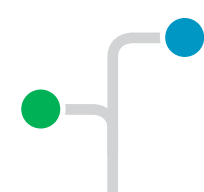
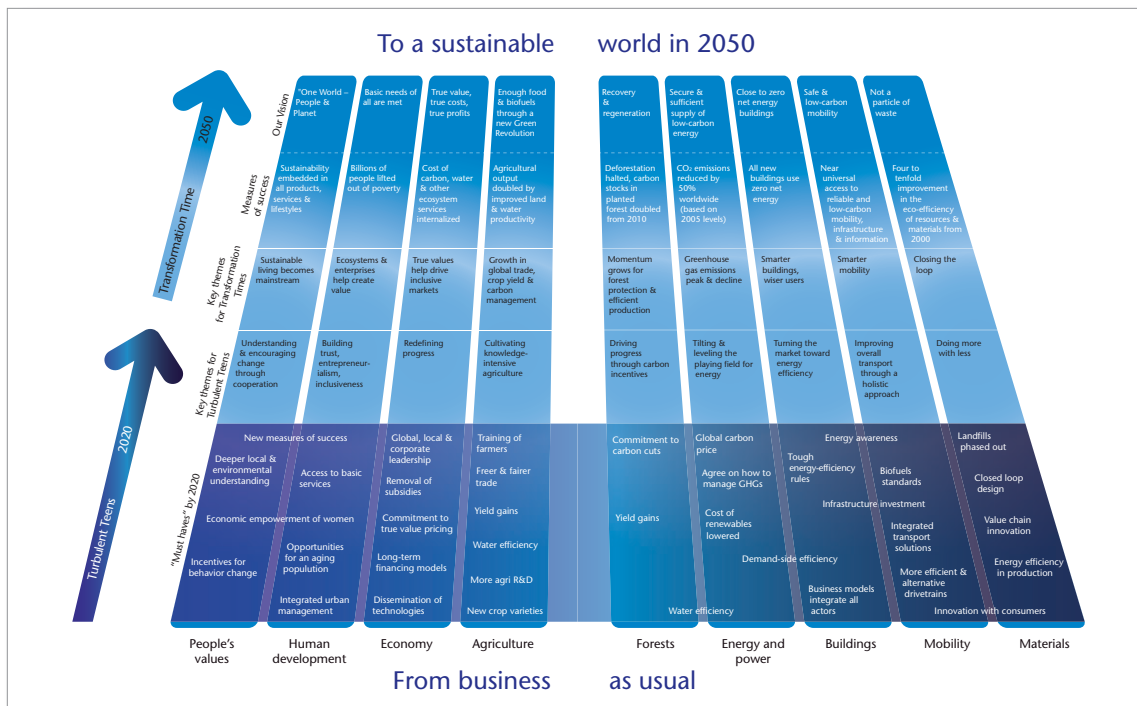
Many of our members are in a similar process of analysis and refresh. As we end what Vision 2050 called the “turbulent teens” and enter the “transformative twenties”, we hope this addendum report will provide a helpful snapshot for members who are looking to start, refresh and improve their current sustainability strategy and goal-setting. We also hope it will help demonstrate how to effectively report on these items through corporate sustainability disclosures.

### WBCSD's work: Climate Smart Agriculture (CSA)

CSA is based on delivering three imperatives: a productive food system, resilience to climate change and mitigating greenhouse gas (GHG) emissions. Transparent disclosure across these three areas will be crucial for companies to avoid trade-offs, build capacity to adapt to the physical risks of climate change and combat deforestation, which is often exacerbated by low productivity and encroachment.

In a joint analysis with the **CSA 100 Initiative**, we looked at companies' target-setting for the three pillars of CSA. We found that productivity and resilience are the areas in which companies are facing the greatest challenge in terms of target setting and disclosing performance. The analysis provided insightful information on companies' target setting for mitigation. More than half of those included in the scope of the 12 report review have set and disclosed targets for mitigation, particularly reduction targets for Scope 1 and 2 emissions.

There is a clear imperative for providing more support and guidance for companies to establish science-based targets for GHG emissions across value chains, strengthen resilience by addressing the needs of farmers and rural communities and integrate more comprehensive factors (such as weather shocks, food insecurity, etc.) into financial risk management frameworks at a corporate level.





## Strategy &amp; targets deep dive

# The state of strategy and target setting

This year, we set out to understand how our members are tackling the development of short-, medium- and long-term sustainability strategies in the context of the evolving external context. We collected a range of data alongside our standard review process to provide a snapshot of the current state of reporting on strategy and targets – and to consider what is to come.

## Future sustainability strategies

Our analysis found that over half (55%) of companies define the year their current sustainability strategy expires. Of these, about half (51%) had strategies which are set to expire by 2020. In turn, just under half of these companies (47%) included details on a future strategy in this year's report. Companies headquartered in Latin America (67%) and Europe (62%) were more likely to have time-bound strategies than their counterparts in North America (47%) and Asia (46%).

Among companies that defined strategy expiration, 2020 was a more common expiration date with companies headquartered in North America (64%) and Europe (58%). In Asia (29%) and Latin America (25%), more companies have strategies set to expire later, typically 2025 or 2030. North American headquartered companies were the least likely to provide details of a future strategy with just a third of companies doing so, despite having the highest levels of strategy expiring by 2020.

Table 1: expiring sustainability strategies, by region

Region	Strategy expiration is defined	If expiration is defined	
		Strategy expiration by 2020	Details on future strategy
Europe	62%	58%	47%
North America	47%	64%	33%
Asia	46%	29%	60%
Latin America	67%	25%	100%
Global	55%	51%	47%

Our sector analysis found a high degree of planning for post-2020 sustainability strategies in the *Automobiles & parts* (80%), *Construction & materials* (80%) and *Food, beverage & tobacco* (75%) supersectors. At the opposite end of the spectrum, no companies in the *Health care*, *Technology* or *Financial services* supersectors provided detail of a future strategy when 2020 marked the end of their current strategic plan.

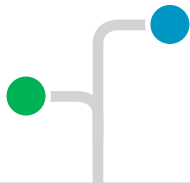
Table 2: expiring sustainability strategies, by supersector

Supersector	If expiration is defined	
	Strategy expiration by 2020	Details on future strategy
Automobiles & parts	56%	80%
Basic resources	75%	33%
Chemicals	23%	33%
Construction & materials	56%	80%
Energy	0%	–
Financial services	100%	0%
Food, beverage & tobacco	50%	75%
Health care	100%	0%
Industrial goods & services	65%	45%
Technology	50%	0%
Utilities	50%	40%
Misc.	30%	33%
Overall	51%	47%

## Embedding sustainability

As part of our analysis, we considered how sustainability strategies are embedded into the organization. At a global level, we found 62% of companies integrated their sustainability strategy into their business model. Nearly half (49%) linked their strategy to finance and 27% tied strategy to corporate "purpose". Less than half (43%) of strategies were accompanied by a clear action plan detailing an implementation path.

We also found a link between reporting approach and the degree to which members had embedded sustainability strategy into the broader organization. Companies that combine financial and sustainability information into a single report saw higher scores across all these metrics than those publishing standalone sustainability reports.






## Strategy & targets deep dive

Table 3: companies embedding sustainability strategies, by report type

Report type	Strategy integrated into business model	Strategy links with finance	Strategy has clear action plan	Strategy ties to "purpose"
Sustainability	52%	45%	40%	24%
Combined	84%	61%	48%	32%
Integrated	72%	52%	47%	31%
Overall	62%	50%	43%	27%

The *Chemicals* supersector led the way in terms of integrating strategy into business models (88%) and linking sustainability strategy to finance (91%). *Health care* companies (83%) were also likely to make a connection between sustainability strategy and financial outcomes.

Table 4: companies embedding sustainability strategies, by supersector

Supersector	Strategy integrated into business model	Strategy links with finance	Strategy has clear action plan	Strategy ties to "purpose"
Automobiles & parts	50%	43%	21%	21%
Basic resources	46%	54%	54%	38%
Chemicals	88%	92%	71%	42%
Construction & materials	67%	25%	42%	25%
Energy	67%	44%	22%	0%
Financial services	71%	43%	29%	0%
Food, beverage & tobacco	69%	15%	54%	15%
Health care	67%	83%	33%	67%
Industrial goods & services	50%	41%	31%	25%
Technology	33%	17%	0%	17%
Utilities	82%	64%	55%	9%
Misc.	50%	50%	58%	50%
Overall	62%	50%	43%	27%

### Context-based targets

Context-based targets are those based on scientific information. The current most prominent form of context-based targets are emission reduction targets aligned to the global mitigation goals of the Paris Agreement. These are often referred to as Science Based Targets.

More broadly, we consider targets to be context-based if they engage with science and appropriate international goals. Context-based targets have been proposed for a range of issues including water and biodiversity. Globally, we found that 32% of the 159 companies in our review sample had set context-based targets. The greatest prevalence was with companies headquartered in Europe (37%) followed by North America (30%), Asia (27%) and Latin America (17%).

*Technology* companies were most likely to have set context-based targets (three of six members reviewed) followed by 46% of *Food, beverage & tobacco* and 45% of *Utilities* companies. No company reviewed in the *Energy* supersector had set context-based targets.

### Science Based Targets initiative

The Science Based Targets initiative defines a target as 'science-based' if it is in line with what the latest climate science says is necessary to meet the Paris Agreement goals of limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.<sup>1</sup>

Table 5: companies with context-based targets, by supersector

Supersector	% of companies with context-based targets
Automobiles & parts	29%
Basic resources	23%
Chemicals	25%
Construction & materials	25%
Energy	0%
Financial services	14%
Food, beverage & tobacco	46%
Health care	17%
Industrial goods & services	28%
Technology	50%
Utilities	45%
Miscellaneous	83%
Overall	32%

Nearly all (96%) of context-based targets were emission reduction targets, with the remainder being a combination of water and biodiversity targets. The approaching COP 15 of the Convention on Biological Diversity may result in further development of context-based targets.

### Conclusion

In the coming year, many companies will be engaged in the first major update of their sustainability strategies since the SDGs were introduced in 2015. This represents a key opportunity for businesses to identify and integrate priority SDGs into their sustainability strategies. **WBCSD's SDG Sector Roadmaps** are helping companies navigate this process. We expect context-based targets to continue to expand as companies seek to make tangible contributions to broader societal outcomes. Further alignment between sustainability and broader business goals is also expected in line with current trends.

<sup>1</sup><https://sciencebasedtargets.org/what-is-a-science-based-target/>



Strategy & targets deep dive

# SGS discusses strategy and target development

SGS is a multinational company headquartered in Geneva, Switzerland, which provides inspection, verification, testing and certification services. We caught up with Paula Ordoñez, Global Head of Corporate Sustainability, to look ahead to their new sustainability strategy and targets as their Ambition 2020 strategy comes to a close.



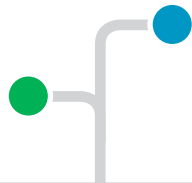
SGS has a clearly developed sustainability strategy with four pillars. 2020 Sustainability Ambitions targets cover priority material issues and tie to policies and governance structures. What process did you undertake to develop your 2020 Sustainability Ambitions and how has it helped guide your sustainability efforts?

The process to develop our 2020 Sustainability Ambitions included a materiality assessment with internal and external stakeholders, analysis of the external drivers and the definition of action lines. As well as including topics that were material to us, we considered areas where we aim to show leadership and promote change in our industry. For example, we are pioneers in including “Deliver measurable sustainable value to society” as one of our goals. We consider it important to understand how we create value for our stakeholders and how we measure it. This enables us to make better-informed decisions. In the process of defining our 2020 Sustainability Ambitions, we included a goal related to this topic because we think this is the way forward for sustainability strategy.

Our SGS Operations Council revised and formally approved the 2020 Sustainability Ambitions in 2014. Together with requests for information on sustainability from our stakeholders, the Ambitions provided the basis for developing our sustainability programs and principles. In fact, this process led to Sustainability being included as one of SGS Business Principles in 2016.

Setting our 2020 Sustainability Ambitions has enabled us to guide our global sustainability efforts by providing a clear framework to review performance against targets, identify areas for improvement and involve internal stakeholders. In a company like SGS with more than 2,600 offices and 97,000 employees, there are many departments and countries that must make decisions to support sustainability. The 2020 Sustainability Ambitions and annual performance process provide a framework where all efforts are reflected and measured.

<b>OUR PILLARS</b>				
	<b>PROFESSIONAL EXCELLENCE</b> Trust lies at the heart of the value we deliver to our customers and society. Our responsibility to maintain the highest levels of operational excellence, professional integrity and best-in-class quality strengthens our position as a global market leader and helps us evolve as market conditions change.	<b>PEOPLE</b> We empower our employees to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. We also seek to employ and develop local talent and offer our employees flexibility, mobility and opportunity within the SGS Group.	<b>ENVIRONMENT</b> We are committed to achieving sustainable growth while managing our impact on the environment. We follow a carbon neutrality strategy, seek to use resources efficiently and work to deliver sustainable value for society. We also recognize our role in supporting our customers to improve their own environmental performance.	<b>COMMUNITY</b> We want to create a positive, measurable and lasting impact on the local communities where we operate. We welcome local talent and engender a company culture of giving back through projects that are aligned with the Sustainable Development Goals and focus on education, empowerment and environmental sustainability.
<b>OUR CORE SUSTAINABILITY PROGRAMS</b>	<b>PROGRAMS LEAD BY CORPORATE SUSTAINABILITY</b>		<b>PROGRAMS IN PARTNERSHIP WITH OTHER FUNCTIONS</b>	
	Value to society measurement Carbon neutrality Spot the Orange Dot Energy efficiency program	Sustainability training Human rights awareness Employee volunteering Social projects through SGS Academy	Human rights protection Sustainable procurement strategy Sustainability risk management	Sustainable mobility strategy Employee satisfaction: Catalyst Women in leadership





## Strategy &amp; targets deep dive

The 2020 Sustainability Ambitions strategy is also linked to the wider corporate Mission 2020 strategy. Why is having this clear integration so important? How has this strategic approach helped integrate sustainability into core business strategy?

Sustainability is one of our Business Principles; it's the way we do business. At SGS, we define this as "making sure we add long-term value to society". Both strategies must be integrated to reach this common goal.

In this sense, we know that measuring and understanding how we create value is essential for business purposes as well as sustainability. We have developed a pioneering methodology to calculate our value to society and, for the moment, we have the results for our direct operations and supply chain. But the most value comes from our services and we're working on developing the calculation for this area now. By identifying how each service creates value, we can better integrate sustainability into business strategy in our different industries. It's not just a sustainability tool, it's a business strategy tool too.

Defining our 2020 Sustainability Ambitions and implementing a formal sustainability strategy has helped integrate sustainability into core business strategy and the strategies of different functions and business areas. Through this process, we embed sustainability in the company and promote it as a key element in decision-making processes across the company.

As the Sustainability Ambitions 2020 come to close, how satisfied is SGS with the results? What were some of the key learnings as you move into the next round of Sustainability Ambitions and how do you plan to ensure continued alignment with the wider corporate strategy?

We're very satisfied with the results. We're on target or above target for many of our KPIs. Our environmental performance and community investments lead the way. However, sustainability is a journey not a destination, and we are defining how to continue building on our commitment – by promoting leadership for women, for example, and further reducing our carbon emissions.

Key learnings include that it is essential to combine long-term strategy with short/medium term objectives and interim targets. These targets need not always be quantitative. Another lesson is that the sustainability strategy must be especially flexible and adaptable – it must be designed, developed and should evolve in accordance with other strategies.

We plan to continue to align with wider corporate strategy by actively involving other functions and lines of business in the development of the sustainability strategy. Our governance bodies also ensure the alignment. Our Sustainability Steering Committee is chaired by the CEO and comprises members that represent the full breadth of the SGS Group in terms of regions, functions and services. For us, the development of the corporate strategy and the sustainability strategy aren't two separate processes – they are two sides of the same coin.

The world has changed significantly since the development of Sustainability Ambitions 2020. How is SGS responding to these issues and what are the implications for future strategic development and reporting?

SGS is a global company and current megatrends (climate change; urbanization; mobility and smart cities; economic growth; population and social trends; digitalization and cybersecurity) bring both challenges and opportunities. By understanding of these issues, we build our risk intelligence and evolve the way we do business.

We're determining the timeframe and interim targets are a must for us. The world changes fast – we develop new services every year and we need to be able to assess whether our sustainability goals are valid and if we're addressing our stakeholders' needs. In this sense, transparency and communication are a priority. We're focused on creating bi-directional communication channels with our stakeholders. For example, new generations of customers, employees and investors expect companies to have a positive impact on society. SGS is already a net positive company and we're building our new sustainability strategy precisely with the aim of creating even more value.

## SUSTAINABILITY AMBITIONS 2020: 2018 PERFORMANCE

	2014	2015	2016	2017	2018	2020 TARGET
<b>PEOPLE</b>						
Maintain a natural turnover rate of no more than 15%*	12.8	11.9	12.1	13.0	14.6	15.0
30% of leadership positions will be held by women		25.6	26.3	26.2	26.4	30.0
Reduce our LTR by 50%**	0.60	0.38	0.27	0.23	0.25	0.30
Reduce our TRR by 50%**	1.11	0.65	0.53	0.40	0.41	0.55
<b>ENVIRONMENT</b>						
Reduce our annual CO <sub>2</sub> emissions (per FTE) by 20%** (tCO <sub>2</sub> e/tonnes(FTE))	2.6	2.4	2.1	1.9	1.7	2.1
Reduce our annual CO <sub>2</sub> emissions (by revenue) by 20%** (tCO <sub>2</sub> e/tonnes(M CHF))	38.8	35.8	31.1	27.8	25.0	31.1
<b>COMMUNITY</b>						
Increase our investment in communities around the world by 30%** with a focus on volunteering (thousands CHF)	775	1 091	1 152	1 222	1 545	1 007
<b>PROFESSIONAL EXCELLENCE</b>						
Deliver measurable sustainable value to society (CHF Mln)				5 895	6 176	N/A
Link management incentive plan to sustainability					NOT YET ACHIEVED YET - IN PROGRESS	N/A

\* Adjusted from 15% to 10% to provide a more realistic target for our industry, based on market studies and national rating benchmarks. \*\* Against 2014 baseline





Strategy & targets deep dive

# Acknowledgments

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We would like to express our sincere thanks to all WBCSD staff, member companies and partners who kindly contributed interviews, quotes and support throughout the review and editorial processes.

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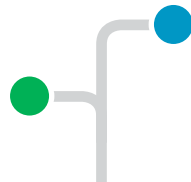
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# About the research partners

This project is a joint collaboration between WBCSD and Radley Yeldar

## 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.

[www.wbcSD.org](http://www.wbcSD.org)

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## About Radley Yeldar

We're an independent creative consultancy working to create a world that believes in business. For over 30 years, our team of 200 experts has worked with multinationals, start-ups and public bodies to solve complex challenges through a unique blend of technical expertise, compelling communications and standout creative. As an integrated communications agency with leading sustainability expertise, we combine inspiration with evidence to create belief among all audiences. We help our clients define their strategy, bring it to life and report credibly.

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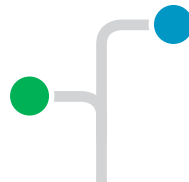
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