

# Corporate Sustainability Leadership

*Since the 1992 Earth Summit in Rio de Janeiro, many companies have deepened their commitment to operating in more sustainable ways, both with regard to their own direct impacts and through their supply chains. This is now an increasingly important part of global efforts to create a more sustainable world.*

## Overview

Sustainability continues to rise up the corporate agenda as sustainability risks and impacts become more visible and more disruptive to businesses. Impacts on both core businesses and supply chains from accelerating climate change are already substantive, and extreme weather events in every part of the world have dispelled almost all residual scepticism about climate change amongst business leaders.

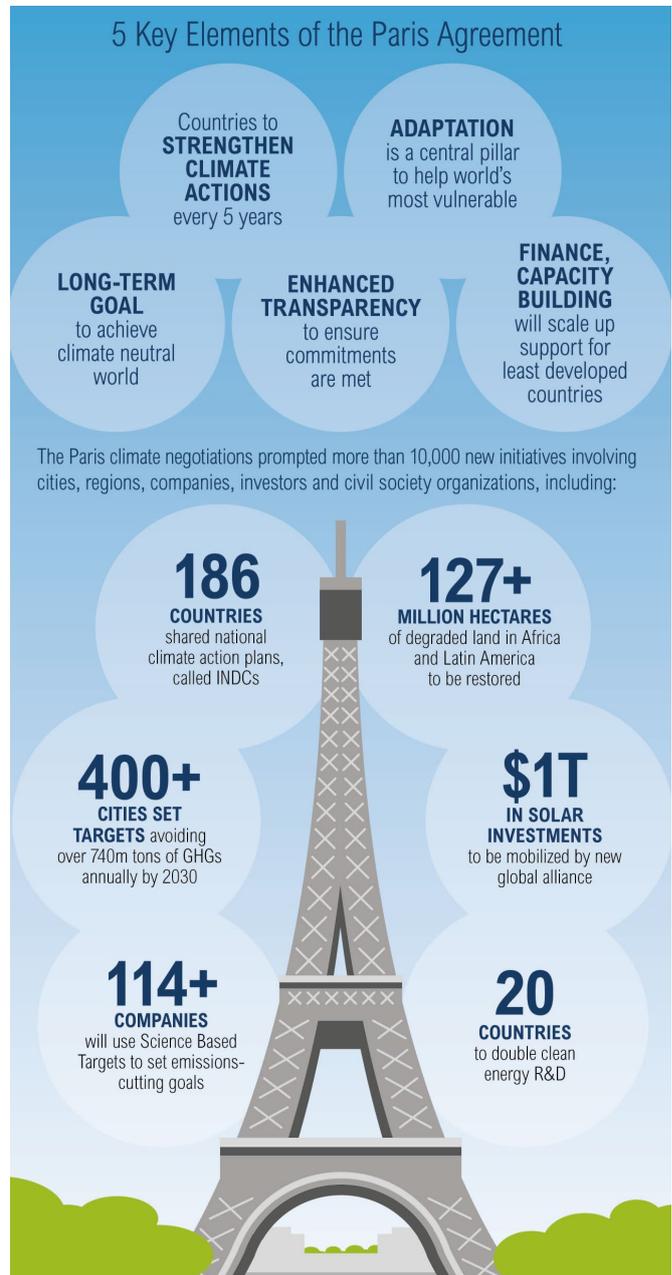
Water shortages and soil erosion, as well as loss of biodiversity and ecosystem services, threaten the very foundations of our economy. Social problems such as human rights abuses in supply chains and worsening inequality, as well as obesity and malnutrition, are becoming increasingly problematic.

It is therefore hardly surprising that the voice of the business community has been notably stronger over the last 18 months, especially in global events such as COP21 in Paris and the adoption of the Sustainable Development Goals.

## The current state of play

However, the proportion of companies that are fully embedding sustainability into their strategies and operations is relatively small. Large companies notable for significant action on sustainability include Unilever, Nestlé, Nike, IKEA, Walmart, Philips and GE.

Characteristics of leadership comprise: setting bold goals to tackle climate change, radically reducing the use of natural resources, and supporting livelihoods; innovating new business models; and engaging with system-wide challenges (outside a company's direct



COP 21 major outcomes. The United Nations Framework Convention on Climate Change (UNFCCC) held its 21st Conference of the Parties (COP 21) from November 30-December 11, 2015, in Paris, France. Illustration: World Resources Institute [7]



The 17 United Nations Sustainable Development Goals (SDGs).

operations) through pre-competitive collaborations. Many more organisations are taking part in initiatives aimed at raising the performance of whole sectors or systems such as The Consumer Goods Forum, The Sustainable Seafood Coalition and the Sustainable Shipping Initiative.

### The Paris Climate Agreement

In December 2015, 195 countries signed an historic pledge to hold global temperatures to a maximum rise of 1.5°C above pre-industrial levels – aiming to mitigate the worst effects of catastrophic global warming. This first universal climate deal will see an accelerated phase-out of fossil fuels, the growth of renewable energy, storage and smart grids, as well as increasingly influential carbon markets to enable countries to trade emissions and protect their forests.

The private sector played a strong lobbying role in the lead-up to the climate talks. This included commitments from more than 5,000 global companies that represent over US\$38 trillion in revenue. There was broad support for carbon pricing, science-based emission reduction targets, and accelerated investment in renewable energy and sustainable energy systems.

New business collaborations were formed in response to COP21 such as RE100<sup>1</sup> – made up of some of the world’s most influential companies committed to 100% renewable electricity, working to substantially increase demand for – and delivery of – renewable energy. Another example is We Mean Business<sup>2</sup>, a shared platform for over 400 companies and investors to amplify the business voice, catalyse bold climate action by all, and promote smart policy frameworks.

Leading businesses are increasingly outspoken about the importance of politicians listening to the science. June 2016 marked the 14<sup>th</sup> consecutive month of record-breaking heat. Along with record-low Arctic sea ice this summer, there is now a very clear sign of the growing effects of global warming and the likely major implications for societies and business opportunities around the world. Meeting a 1.5°C or even 2°C target will require rapid decarbonisation of the economy across all sectors. Companies want to see both market instruments and smart regulations making that transition easier rather than harder.

### The Sustainable Development Goals

The Sustainable Development Goals (SDGs) or “the global goals” are a new, universal set of goals, targets and indicators that aim to eliminate extreme poverty and put the global economy on a sustainable path.

The SDGs follow and expand on the Millennium Development Goals (MDGs), which were agreed by governments in 2001 and expired at the end of 2015. United Nations (UN) member states will be expected to use the Goals to frame their strategies and detailed policies over the next 15 years.

Unlike the MDGs, the SDGs are directed at all UN member states, not just poor countries, and aim to tackle the root causes of poverty. Several SDGs also mention that a specific role for business and economic development is central to achieving that goal. There is, however, some discussion over whether the SDGs are completely compatible; for instance, whether continued economic growth as we know it today can possibly be compatible with a goal to reduce resource consumption or greenhouse gas emissions.



### The business contribution to the SDGs

Businesses are expected to play a major role in achieving the Goals, alongside governments, NGOs and civil society. The SDGs aim to redirect global public and private investment flows towards the challenges they represent. The hope is that this will ease access to capital for companies that can offer relevant technologies and solutions through sustainable and inclusive business models. A new Business and Sustainable Development Commission<sup>3</sup> has been set up which aims to make a powerful business case for driving a sustainable and inclusive economy, led by Unilever CEO Paul Polman.

### Net positive

An increasing number of companies are making “net positive” commitments that recognise the potential for business to positively affect society and the environment, rather than just reducing negative impacts.

Kingfisher, the UK home improvement retailer, was one of the first companies to launch a net positive strategy in 2012. This includes a goal of “global net reforestation”. IKEA aspires to help customers lead sustainable lives at home – for example, by generating energy as cheaply as possible via solar panels – as part of its “People and Planet Positive” strategy. Over recent years a coalition of progressive businesses and NGOs (The Net Positive Project<sup>4</sup>) has developed a common set of principles<sup>5</sup> and best practices to define the idea of “net positive”.

### The need for systemic change

Increasingly, corporations, NGOs and governments recognise the need for systemic change to address complex challenges such as climate change, poverty and malnutrition. No one organisation can do this

alone. Many challenges cross jurisdictional boundaries, and require changes in the wider socio-economic systems of which they are just a small part. This requires corporations to collaborate on a pre-competitive basis (in ways that do not fall foul of anti-trust regulation or competition law) to tackle systemic challenges. Two examples are briefly outlined below.

The Sustainable Seafood Coalition (SSC) unites retailers, food service companies and seafood suppliers to work toward making sure all seafood sold in the UK comes from sustainable sources. The coalition has developed voluntary codes of conduct for its members that address diversification of sources, responsible sourcing, information gathering, clear labelling and other issues. SSC members topped Greenpeace’s 2015 ranking of major UK supermarkets and brands on tuna sustainability measures.

The Protein Challenge 2040<sup>6</sup> is the first global coalition exploring how we feed 9 billion people enough protein in a way that is affordable, healthy and good for the environment. The coalition is exploring areas for industry-wide action, including scaling up sustainable aquaculture for food and animal feed, increasing the proportion of plant proteins that consumers eat, and stimulating innovation in feed to meet demand for animal protein. Organisations involved include Target, Quorn, Alpro, Hershey’s, Waitrose, Sodexo, Pret A Manger, WWF and Forum for the Future.

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