



Sustainable
Growth
Associates

STUDY RESULTS — A EUROPEAN BUSINESS PERSPECTIVE

A call for Strategic Sustainability Leadership

STRATEGIC SUSTAINABILITY IN EUROPE

STUDY PERIOD: AUGUST 2020 TO MARCH 2021 — MUNICH | AMSTERDAM | LONDON | LISBON

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DISCLAIMER

This document and its appendix contain the results from a broad survey conducted by SGA. The results are based on data provided by participating interviewees and companies in a standardized format. SGA can therefore not take responsibility for the accuracy of provided answers ~~data~~. All analyses were conducted by SGA under the best possible conditions and using the best possible methods.

The results from this study require in-depth interpretation. Conclusions or recommendations require a detailed analysis of the respective specific situation. For discussion of the study results, SGA offers an online presentation session. Underlying ~~All~~ data is strictly confidential. Publication or circulation of this version of the study results is only allowed given prior agreement of SGA.

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EXECUTIVE SUMMARY

Growing pressure reveals the need for a strategic sustainability framework, bold leadership and an integrated way forward



Sustainability is on top of everyone's agenda. **Increasing demands from stakeholders** and the expectation to deal with various initiatives put **growing pressure** on business leaders to define a clear strategy forward.



The study reveals the need for a **general strategic sustainability framework**: only 40% of participants report to have a **shared understanding** of sustainability, just 24% have defined **long-term sustainability goals**.



The **sustainability maturity level** of individual companies varies widely. While only 10% of participants claim to be leading their industry today, all companies show **high ambitions to boost sustainable value creation** within the next 5 to 7 years.



Bold leadership is essential to deal successfully with drivers and obstacles towards sustainability, a strategic framework based on science-based principles is key for catalyzing **direction-setting, alignment, and commitment**.

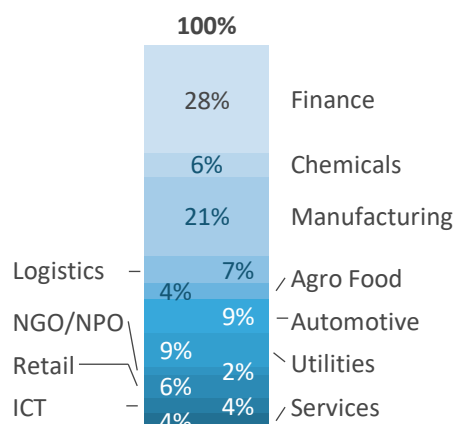


The way forward: **7 key recommendations** can be derived to **master the transformation** towards economic success with the socio-ecological limitations.

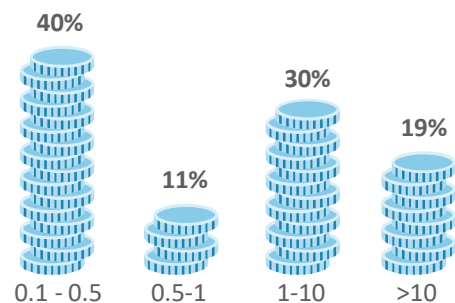
INTRODUCTION – PARTICIPANT PROFILES

50+ companies from 13 European countries across multiple industries contributed with quantitative and qualitative data

Industry Types (%)



REVENUE (€B)

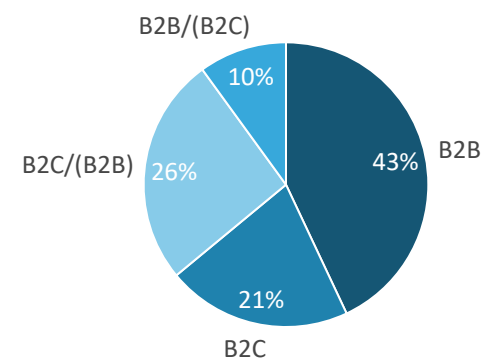


Company Profiles

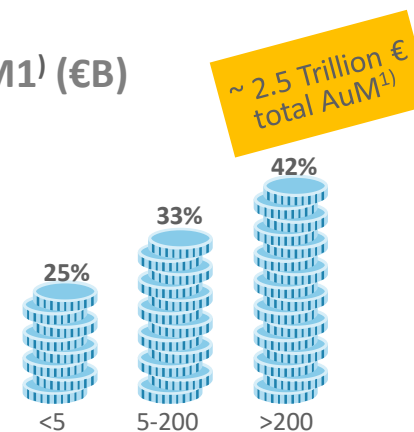
- Based in European countries (12), with global reach
- Revenue > € 100 M
- AuM¹⁾ > € 500 M
- > 150 employees



Client Focus (%)



AuM¹⁾ (€B)

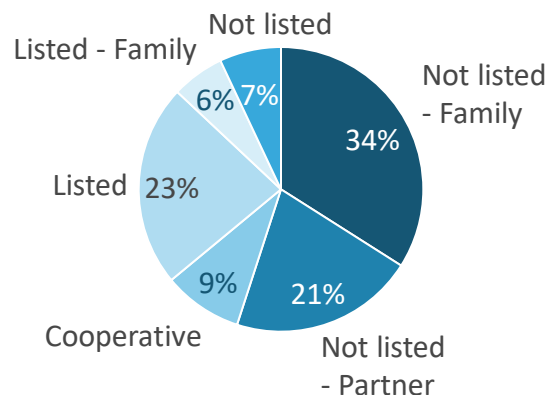


1) AuM = Assets under Management. Total Revenues and Total AuM were calculated based on collected / provided public reports, figures, estimates and ranges

INTRODUCTION – PARTICIPANT PROFILES (II)

Interviewees* are in top-tier leadership & management in mid-sized and large, private and publicly owned businesses

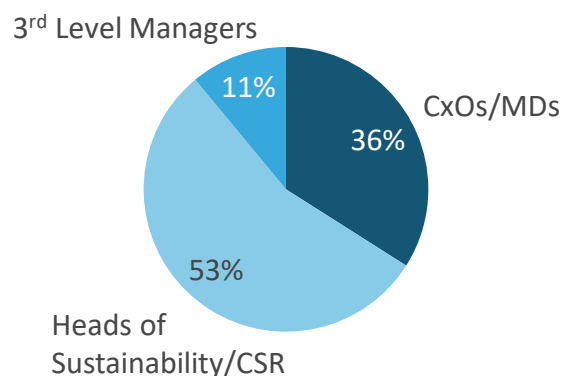
Ownership



Good spread between

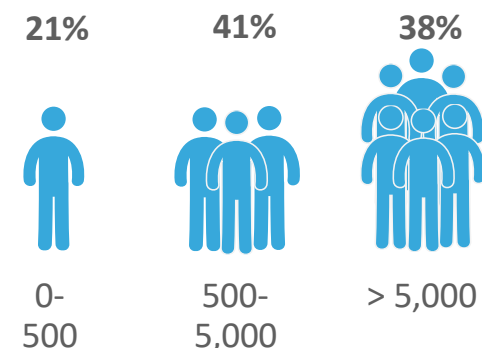
- public and privately owned
- listed and unlisted (*family-/ partner-/ coop-owned*) companies

Management Level



- A third of interviewees holds a top tier leadership position in the organisation
- 87% of participants cover top tier and tier 2 management
- 53% had *sustainability/ CSR* as their *main/ direct responsibility*
- 72% male and 28% female

Number of employees



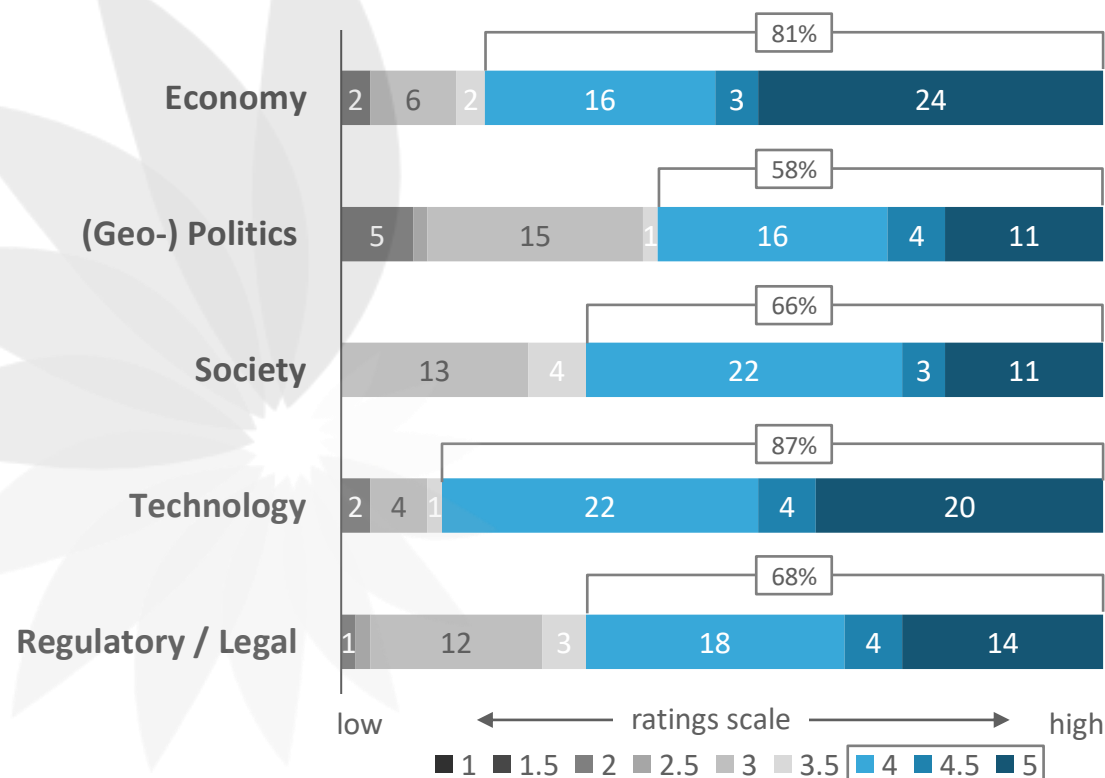
- 79% of companies have more than 500 employees
- The "typical" participant is an organisation with 2500 employees (median)
- The broad range of sizes provides a solid basis for the insights generated

* Terms interviewees, participants, business leaders used synonymously throughout this report

STATUS QUO – QUALITATIVE IMPACT ASSESSMENT

Sustainability is here to stay with anticipated strong long-term influence on economy, politics, society, technology, legislation

For the next 10 - 20 years, how much will sustainability influence our ... ?



*“The **voice of citizens and consumers** will probably **become louder than the voice of companies**”*

*“Influence from **younger generations**, will **increase**”*

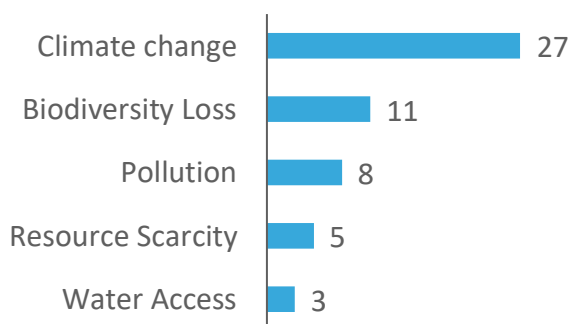
*“**Future tech = Green tech**”*

*“Difficult to separate **hopes from expectations**”*

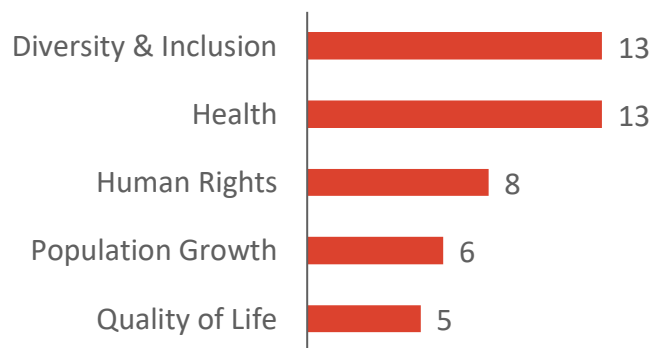
STATUS QUO – TRENDS AND IMPACT

The top socio-ecological topics will continue to significantly influence companies' core business strategies

Trends & Topics¹⁾ – TOP 5 **Environmental**



Trends & Topics¹⁾ – TOP 5 **Social**



Expected Impact of Sustainability (TOP 10)²⁾

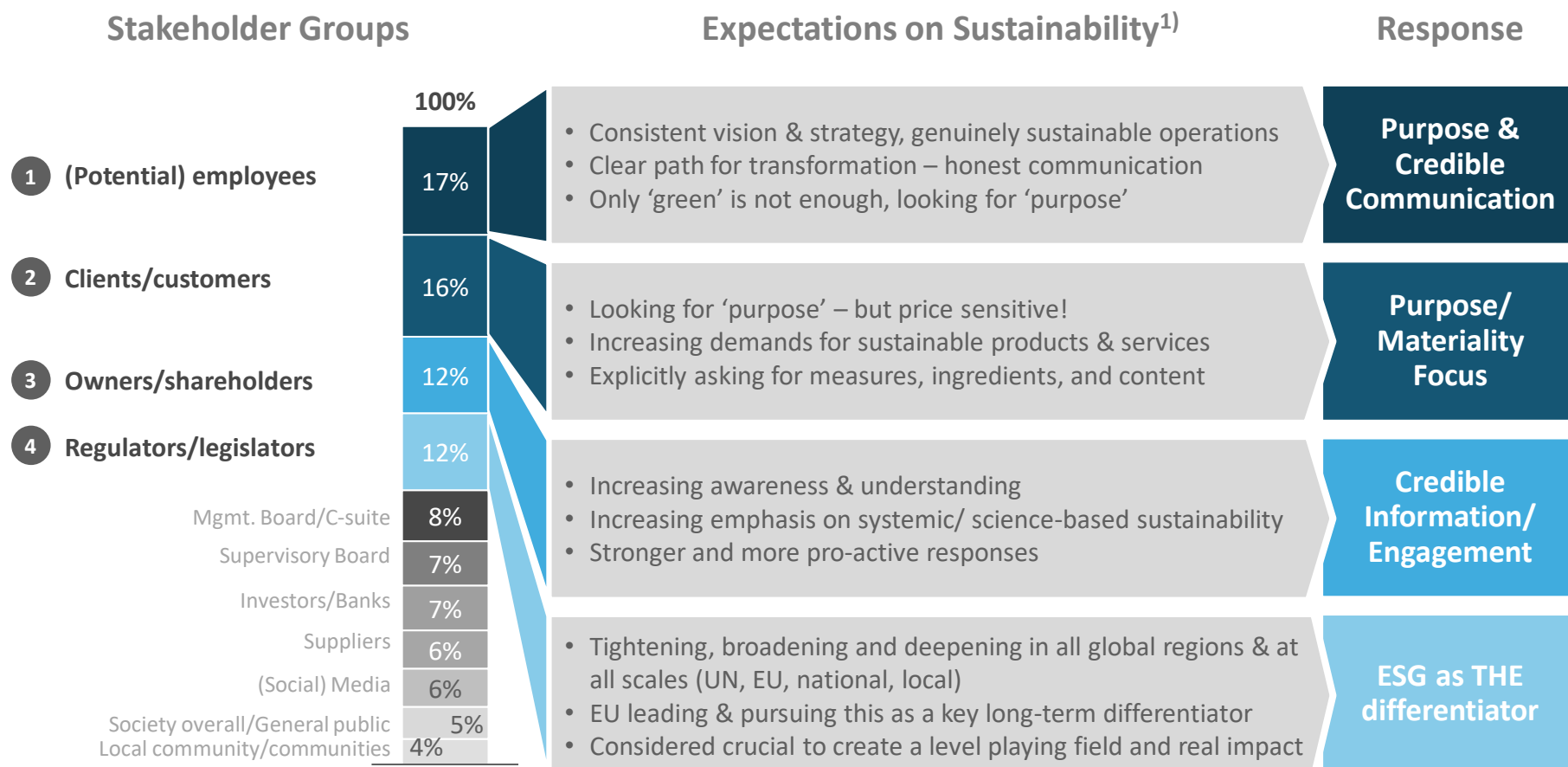
	At Present	Next 1 – 5 Years	> 5 Years
1	CO ₂ Reduction	Product Innovation	Integr. Strategy Execution
2	Employee Development	Strategizing & Planning	Achieving CO ₂ Neutrality
3	Strategy	Operations	Stakeholder Engagement
4	Product Innovation	Achieving CO ₂ Neutrality	Waste/Emissions
5	COVID-19	Sustainable Supply Chain	Cust. Satisf./Engagement
6	Customer Satisfaction	Customer Satisfaction	CO ₂ Reduction
7	Regulatory Compliance	Customer Engagement	Strategy Development
8	Operational Efficiency	ESG Standard Attunement	ESG Disclosure
9	Digitization	Sust. (Strategy) Integration	Product Innovation
10	Stakeholder Engagement	Regulatory Compliance	Regulatory Compliance

1) Industry trends across all companies interviewed

2) Topics with the same / similar color are related

STATUS QUO – STAKEHOLDER DEMANDS

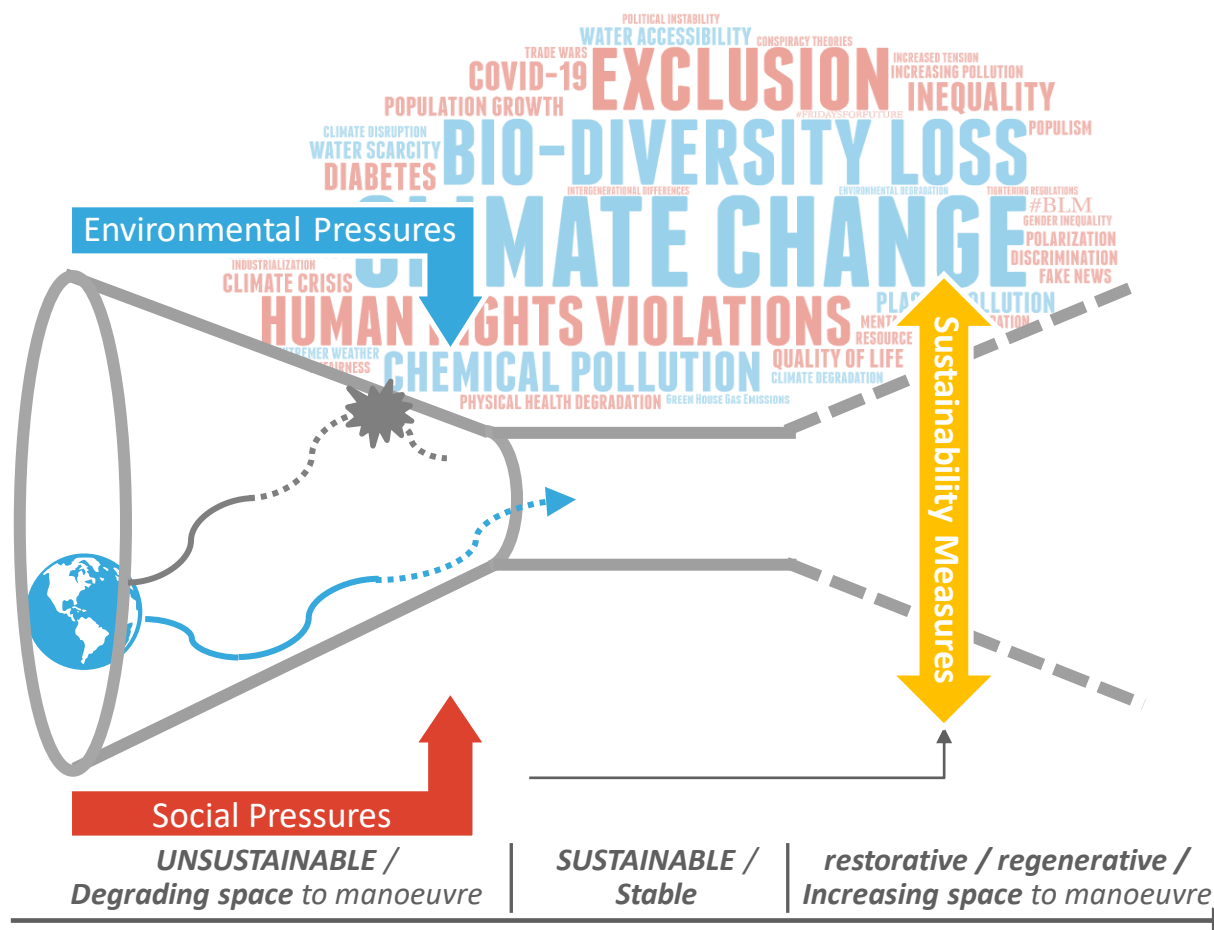
The most demanding stakeholder groups – employees, customers, shareholders and regulators – all require tailored responses



1) Consolidated expectations of select stakeholder groups

STATUS QUO – SUSTAINABILITY CHALLENGE

Leaders experience global pressures and decreased space to manoeuvre, while being forced to deal with various initiatives



Observed Counter Initiatives^{*)}

- Circular / Green products
- Water / Energy efficiency
- Tightening regulation
- Sustainable goals / UN SDGs
- Diversity & inclusion
- Sustainable finance / Responsible investment
- Shareholder activism
- ESG / EU NFR Directive (2014/95/EU)
- Renewable energy
- Global awakening
- Sustainable chemistry
- Human rights
- #Fridays4future
- Permaculture
- ...

Source: 'The Funnel Metaphor' - The Natural Step / SGA

^{*)} Measures listed by interviewees

Study Report 'Strategic Sustainability in Europe'

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SUSTAINABILITY FRAMEWORK — DEFINITION

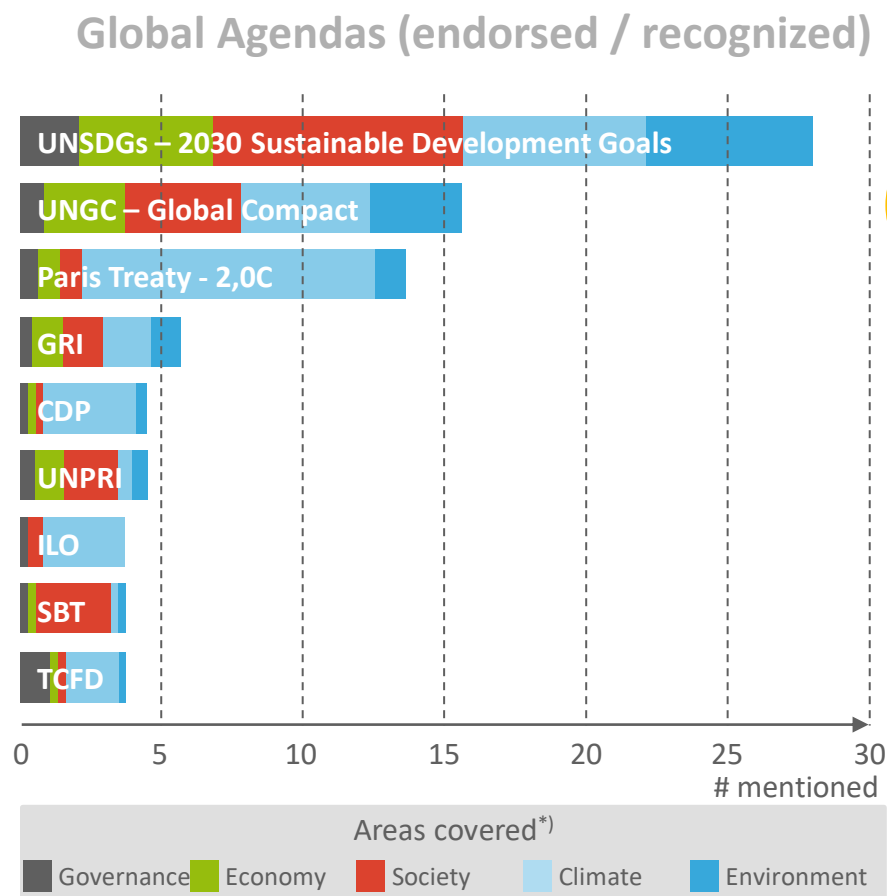
From both the personal as well as the business perspective, a shared definition of sustainability did not really surface



* A shared definition of sustainability was not always found back on the company website or in the recent annual ESG reports.

SUSTAINABILITY FRAMEWORK — REFERENCES

Global agendas & initiatives provide some practical guidance, but only limited long-term, strategic direction



42%

... do NOT relate to / endorse any global agendas

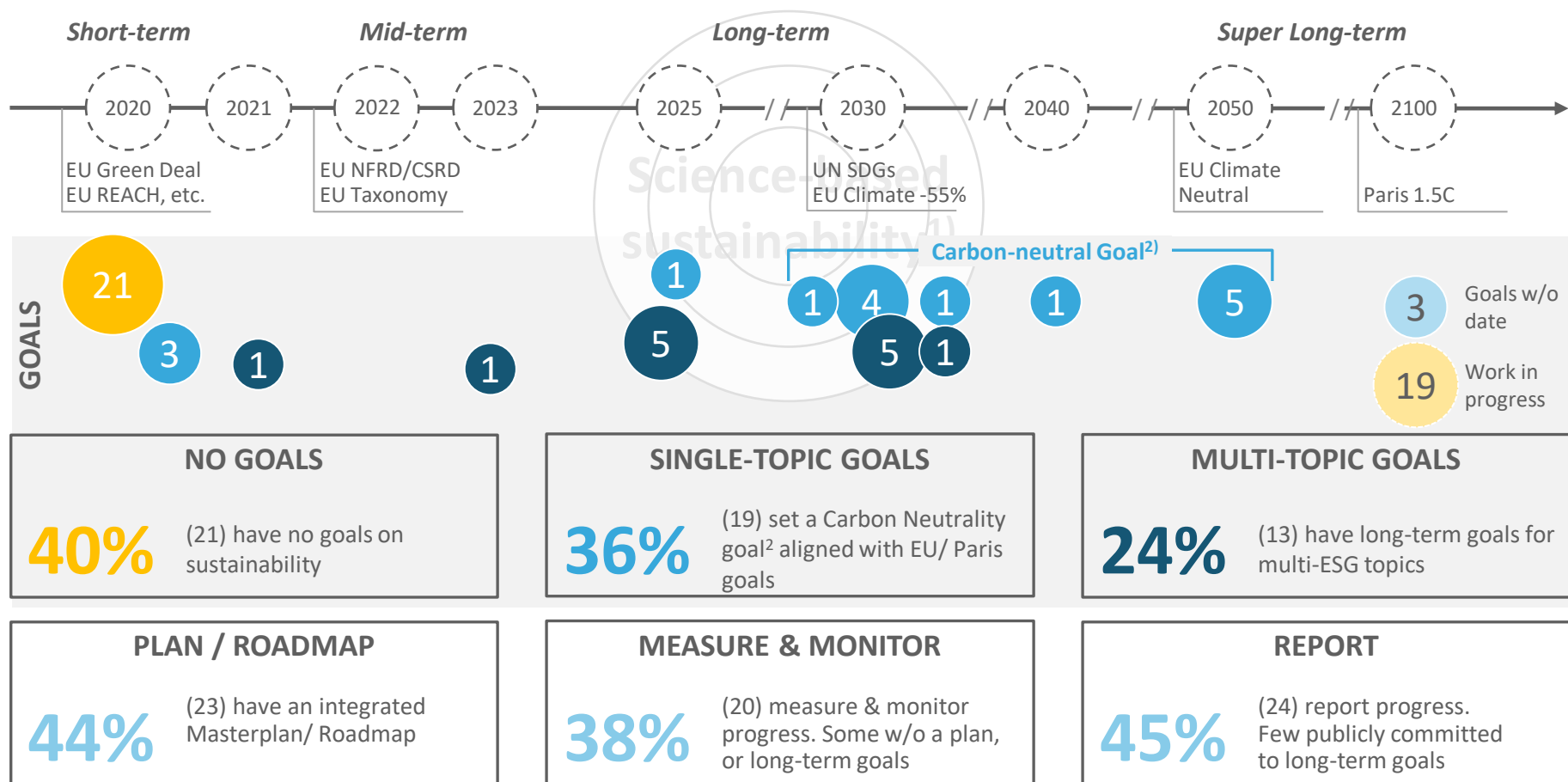
Alignment with global sustainability agendas should be considered 'stakeholder compliance'

Agendas **are said** to give direction and support to get started and to stimulate collaboration

*) Qualitative assessment SGA

SUSTAINABILITY FRAMEWORK – GOALS, PLANS, ROADMAPS

Business goals, plans and actions are insufficient to meet the tightening regulations and internationally agreed goals

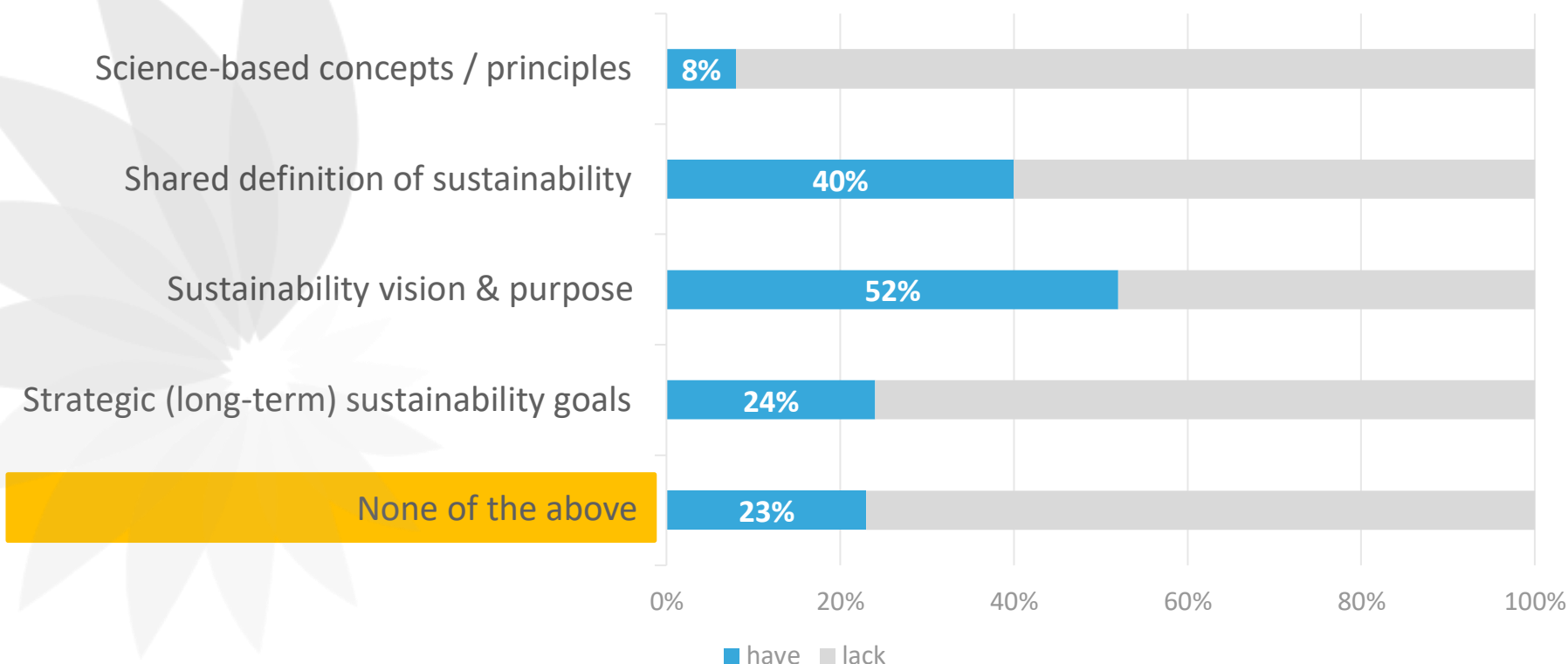


1) Science-based sustainability/ international consensus, e.g. Sustainability principles, Planetary boundaries, IPCC, Science Based (Climate) Targets, etc. 2) Varying scope: CO₂, GHG, Climate; I, II, III; company, brand, group, site.

SUSTAINABILITY FRAMEWORK – CORE ELEMENTS

Few organisations build on all relevant core elements required to develop a sound sustainability strategy

Core Elements for Sustainability Strategy Development*)

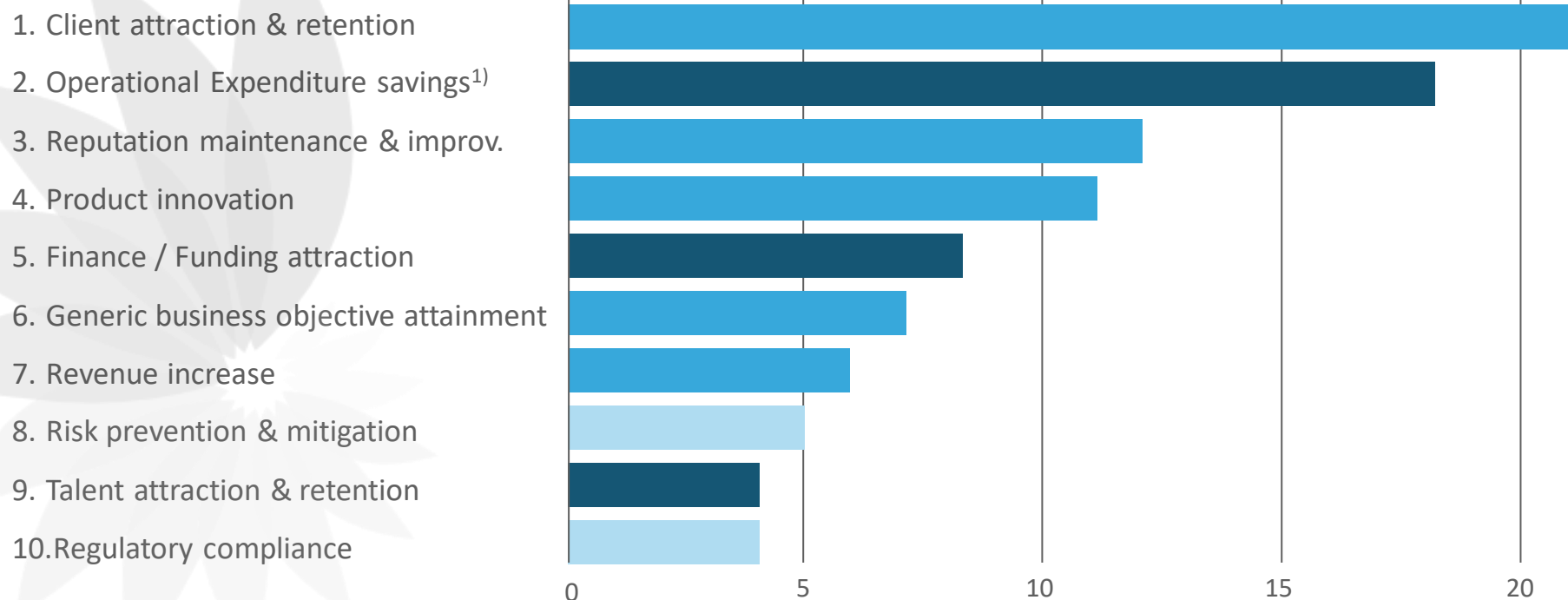


*) Answers indicating 'no', 'somewhat' or 'work in progress' were excluded

SUSTAINABILITY DEVELOPMENT – AMBITIONS & MOTIVATIONS

*Independent of maturity level, sustainability efforts will be rewarded by **value creation**, **cost reductions** or **risk mitigation***

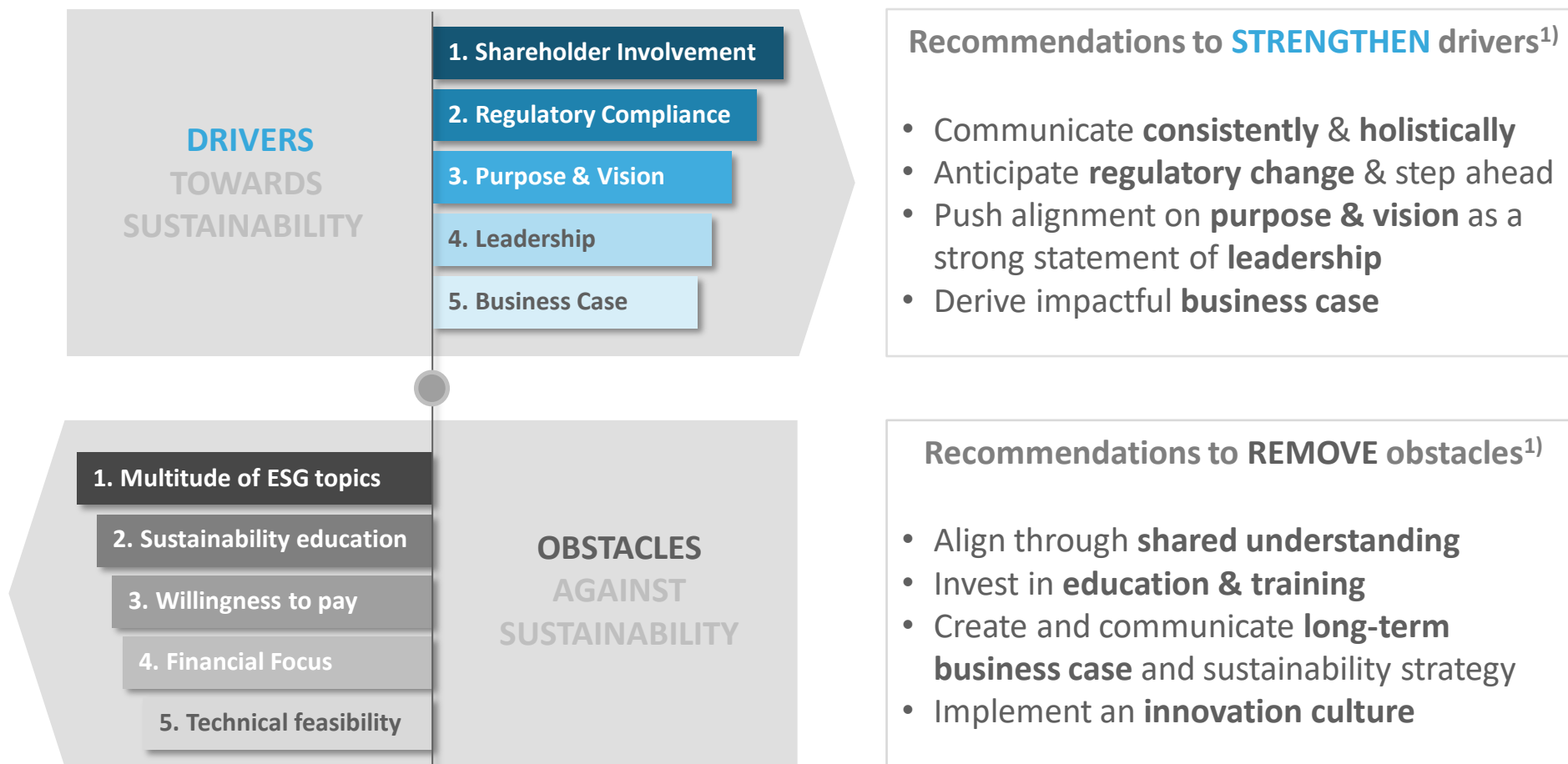
Business objectives supported by sustainability (no. of mentions)



Also mentioned: Purpose fulfilment, Stakeholder recognition, Competitiveness, CAPEX savings, Business continuity

SUSTAINABILITY DEVELOPMENT – DRIVERS & OBSTACLES

Bold leadership is essential to successfully deal with the mentioned drivers towards and obstacles against sustainability



1) Top mentioned

WAY FORWARD

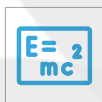
7 key recommendations to master the transformation towards economic success within the socio-ecological limitations



Commit to shared definition of sustainability, recognizing the self-benefit



Provide Direction with clear vision of success and long-term goals



Enhance Education backed by science-based concepts and whole-systems thinking



Select Strategic Sustainability Framework and Develop Roadmap for the way ahead



Develop Business Case addressing risk, systems value creation and impact



Unfold Leadership and Innovation Culture throughout the organisation



Catalyse Alignment and Collaboration by ongoing stakeholder engagement



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ABOUT SUSTAINABLE GROWTH ASSOCIATES

Sustainable **People**, **Business** and **Enterprise** Development

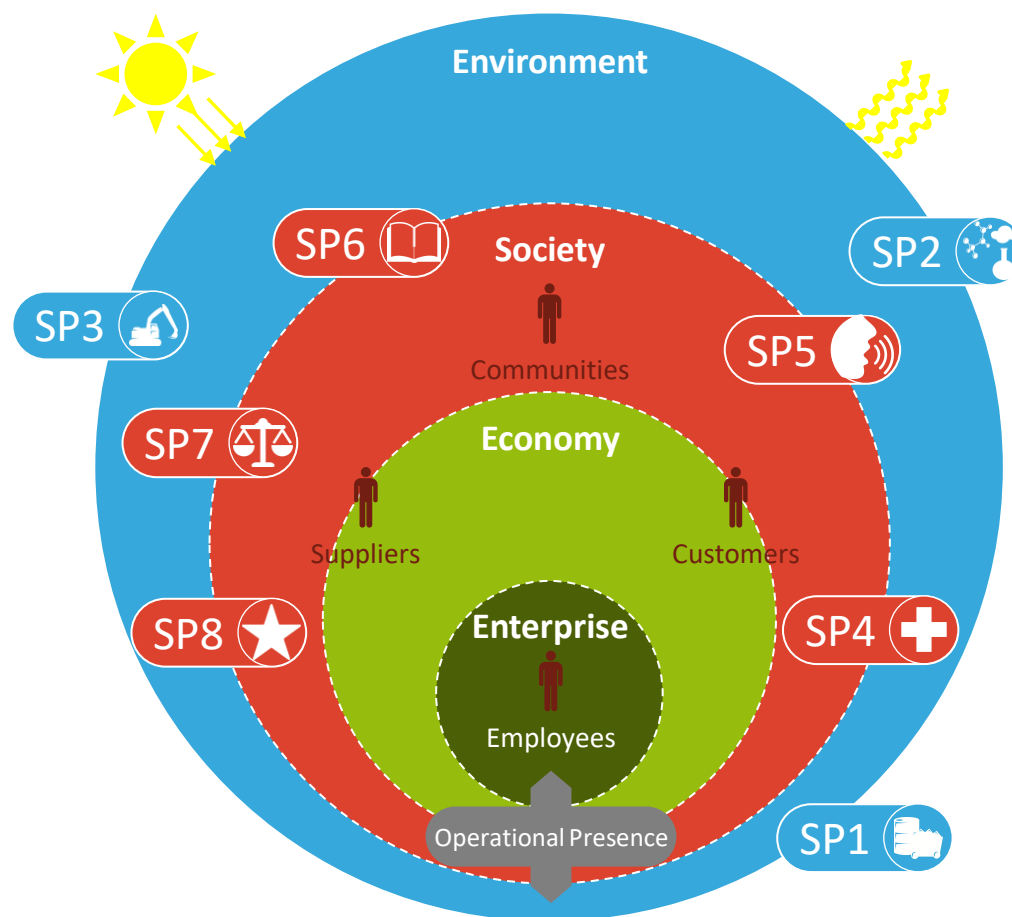
We envision a world where humanity thrives
without compromising the natural systems, it depends on



*To contribute to this, SGA strive to be the platform of choice for business leaders
who share this vision and are eager to collaborate for achieving it*

ABOUT SGA – SUSTAINABILITY DEFINED

A whole-systems perspective and science-based principles provide the foundation for a shared definition of sustainability ...



ABOUT SGA – STRATEGIC SUSTAINABILITY FRAMEWORK

... establishing the framework to successfully develop strategy, operations and leadership, and thus achieve FutureFitness



FutureFitness¹⁾ *noun*

\ 'fyü-chär- 'fit-näs \

futurefit, futureproof, fit for the future *adjective*

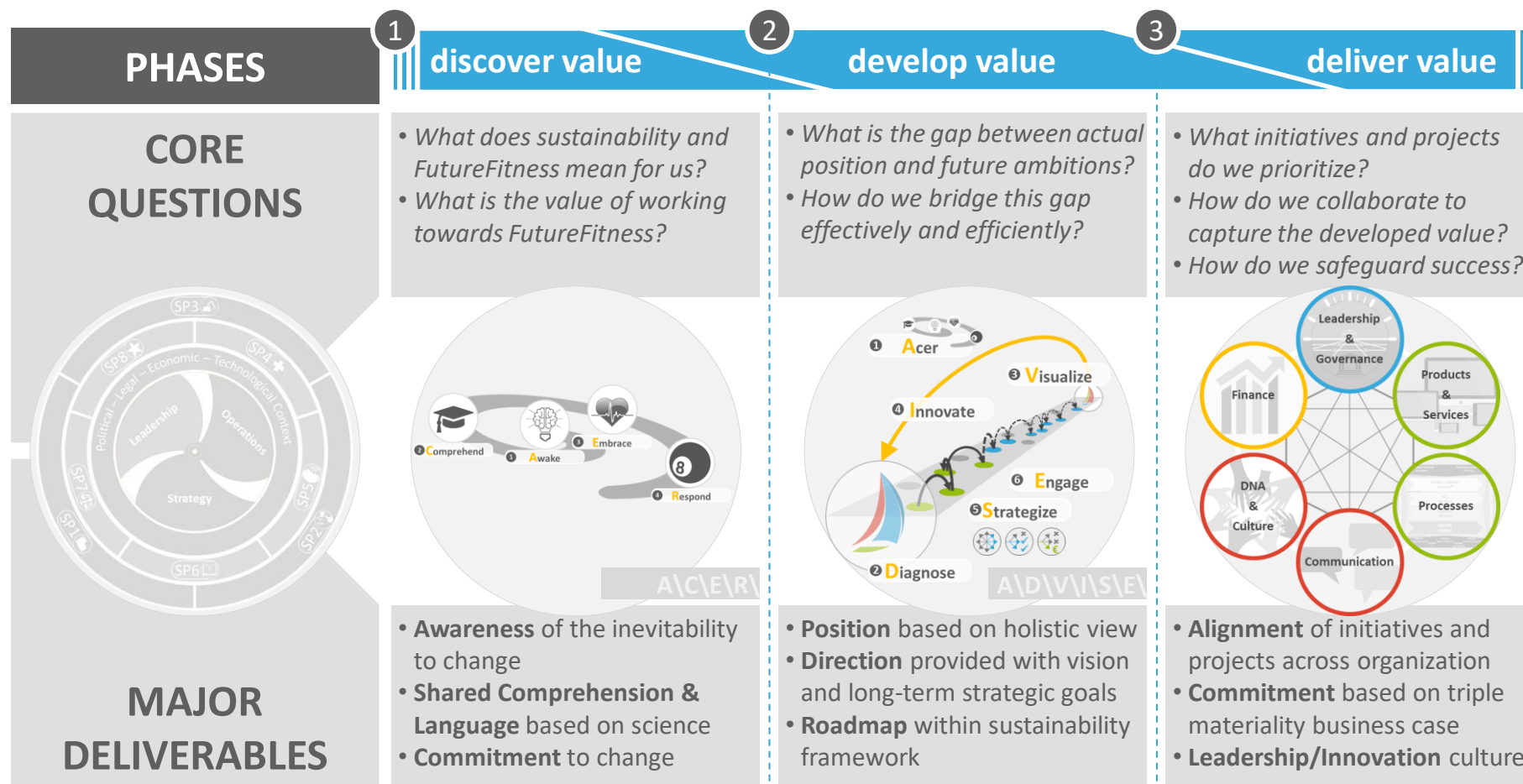
The **Condition** of a **Company**,
when the interaction of
Leadership, **Operations** and **Strategy**
results in **Sustainable Economic Success**,
without systematically violating the
Sustainability Principles²⁾
of the surrounding
Societal and **Environmental** Systems
we depend on, and preferably
contributing to the regeneration and future
thriving of these systems.

1) As defined by Sustainable Growth Associates

2) see Framework for Strategic Sustainable Development (FSSD) – www.thenaturalstep.de

ABOUT SGA – TRANSFORMATION JOURNEY

Achieving FutureFitness comprises an iterative three-phased approach*) to continuously discover, develop and deliver value



*) SGA aims to catalyze and accelerate this process towards client autonomy as fast as possible

Study Report 'Strategic Sustainability in Europe'

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REPRESENTING THE NATURAL STEP GERMANY

SGA builds on and integrates The Natural Step's science-based definition of socio-ecological success in all services



Prof. Dr. Karl-Henrik Robert

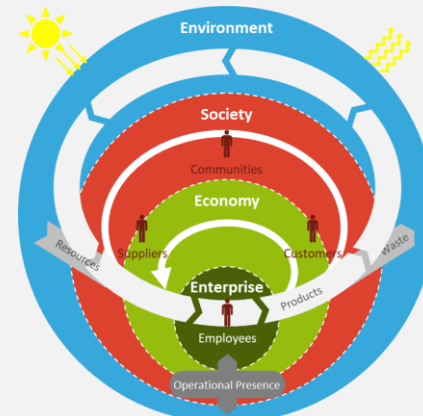
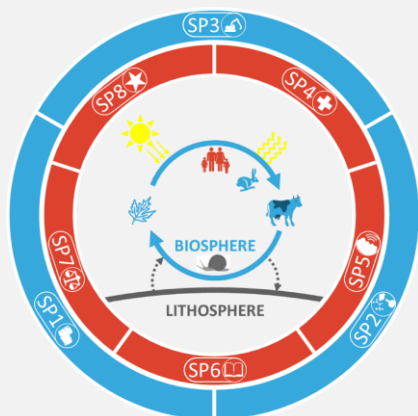
The Natural Step

- Non-profit organization
- Started in the mid eighties in Sweden by Dr. Karl-Henrik Robert
- Scientific definition of sustainability
- Supported by HM King Carl XVI Gustaf
- 11 offices worldwide
- Represented by SGA since 2016

www.thenaturalstep.de



Together with HM King Carl XVI Gustaf*)



*) Conference "The Future of Leadership is Now", February 3, 2016, Stockholm, Sweden, SGA participating, Graphics adapted from The Natural Step and the Future-Fit Foundation

THE TEAM BEHIND THE STUDY

The International team lead interviews, analysed data, and designed this study & report between June & December 2020

 <p>Edwin Janssen Associate Lead Author / Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Advisor TNS (NL, PT) • Senior Consultant LogicaCMG • UNEP/TNS Chemical coalition • EU EIT Innovation expert 	 <p>Jan-Peter Schacht Associate Lead Author / Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Organizational Transformation Expert • Partner Oliver Wyman Delta • Visiting Lecturer 	 <p>Rüdiger Röhrig Managing Associate Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Project Mgr., Roland Berger • Director R&D, Siemens Automotive • Air Force Officer, Head of QM
 <p>Malcolm Forsyth Associate Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Director global strategy, Commercial director composites midsize chemical • Consultant Oakshade Ltd. 	 <p>Heiko Mitzkus Associate Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • GM/VP Sales/VP OPS, midsize global consumer durables company • Consultant, Bain & Co. 	 <p>António Vasconcelos Associate Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Strategy/ Transformation • Board TNS International • Leader NEW-NEXT (Portugal) • Former Partner Oliver Wyman
 <p>Thomas Brugger Associate Study Report Design Experience / Expertise</p> <ul style="list-style-type: none"> • CMO/Management Board global FMCG companies • Cert. Coach & Interim Manager • Brand & Business Developer 	 <p>Prathiba Devadas SGA Intern Data Analyst Experience / Expertise</p> <ul style="list-style-type: none"> • Communication & Marketing • Project Coordination • Sustainable Resource Management 	 <p>Cornelia Sengpiel Associate Interviewer Experience / Expertise</p> <ul style="list-style-type: none"> • Change & People Expert • Project Manager McKinsey • Customer-centric Mgmt.at Procter & Gamble, Wella

SUSTAINABLE GROWTH ASSOCIATES

The network organization of senior professionals who catalyze and accelerate company transformation towards FutureFitness

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Purpose	Catalyze and accelerate company transformations towards FutureFitness*		
Practices	Sustainable People , Business , and Enterprise Development		
Industries	Automotive, Engineered Products, Finance, Chemicals, Agriculture/Food, Service, Apparel, Construction, Energy	Rüdiger Röhrig Managing Partner Interviewer	
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