

Sustainable business

The world is facing many complex issues that threaten our collective wellbeing and prosperity. **Cecilie Hultmann** asks how these risks will affect the future business landscape. And can they be turned into opportunities for business innovation?



2°C

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Despite the tremendous progress seen over the past century in many aspects of human development, our current economic, political and societal models fail to deliver adequate solutions to the growing risks and pressures surrounding us. Change is urgently needed if we are to achieve a safe and sustainable future for human kind.

“Change” may mean either degradation or “upgradation” of life as we know it. And as with any period of great transformation it will involve as many deaths as new beginnings: deaths of old systems, models, technologies and ways of thinking; and births of entirely new ways of thinking, ways of living and not least ways of doing business.

Change famously represents both risks and opportunities. The evidence is strong that companies that invest early in understanding how changing societal risks may affect their business – and build adaptive and flexible organisations suited to meet new needs – will be positioned as the winners of the future. For these companies, change represents opportunity.

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The future of Spaceship Earth

Last year (2015) was a milestone in terms of international governance and provided the world with much needed clarity on the regulatory and legal roadmap for the sustainable development of global society.

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Equally important was the unanimous adoption of the 17 Sustainable Development Goals (SDGs) by world leaders at the United Nations in September, ushering in a new development paradigm for the world. Setting a strategic direction for the development of the world towards 2030, the goals are comprehensive, cover a wide range of economic, environmental and social issues and set ambitious and concrete targets on everything from biodiversity and energy use to gender equality and hunger.

As the goals will be reflected in national action plans and drive regulation and policy development at the national level, the expectation is that they will have major implications for the rules of the game governing the global marketplace.



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The SDGs are unique in the sense that they provide a framework relevant and applicable for both public and private actors and developed and developing nations. However, to guide action in an effective and targeted manner, knowledge of where we are on track to achieve the goals and where global society face the greatest risks is crucial.

This is what DNV GL has sought to explore in its recent project The Future of Spaceship Earth. In this study, we present a “most likely future” forecast of what will happen on our planet through to the middle of this century if no extraordinary action is taken.

Using a dynamic forecasting model, we assess the likelihood that the world – broken down by five global regions (based on commonalities in terms of countries’ performance on key economic, social and development indicators) – will meet both goals. The regions are: US, China, OECD (minus the US, Turkey and Mexico), BRISE (Brazil, Russia, India, South Africa and 10 emerging economies) and Rest of the World.

According to the report, none of the SDGs will be reached in all five regions. Human development goals generally score higher and environmental goals generally score lower. Achievement is most likely for the goals related to hunger, health and education. Achievement is least likely for the goals related to consumption, climate change and income inequality.

As such, the prediction is that the world in 2050, viewed from a human development perspective, is a better world whereas the world from an environmental perspective is more challenging.

As expected, there are large regional differences in the likelihood of achieving the SDGs. Whereas advanced economies (OECD and US) will reach most goals, they face significant risks in the areas of consumption and climate goals. China will resemble OECD and achieve many of the SDGs. In spite of progress in many areas, the Rest of the World category and the emerging BRISE economies will fail to achieve most goals.

Adapting to a Changing Reality: Business is Gearing Up

If we are achieve the ambitious SDGs, two things become strikingly clear:

- Without *extraordinary* effort in many areas, the world will fail to meet the goals, with potentially disastrous human, environmental and economic consequences
- *All actors* in society, including business, must contribute to the solution. The complex and cross-border nature of many of these risks mean that collaboration is vital to success

In the most comprehensive study of sustainable business practices to date, *IMPACT: Transforming Business, Changing the World* (DNV GL and the UN Global Compact 2015) found that business is indeed gearing up for the challenge.





Talk needs to be translated into impact and action on the ground and a radical transformation is needed in finance and business so that all companies align their operations and strategies with the SDGs. Achieving the goals will be good for the environment, good for society and good for business



Looking at changes in the global economy in the past 15 years the study concludes that business is taking on a much greater responsibility for social and environmental challenges than ever before and that sustainability today has become a part of the mainstream global business agenda.

The report shows that sustainable business practices are penetrating all markets and geographies and uptake has grown exponentially in the past 15 years. Today, 25% of the world's largest companies (*Fortune 500*) are signatories to the UN Global Compact – the world's largest corporate sustainability initiative – committing their companies to embed 10 universal principles in the areas of human rights, labour standards, environment and anti-corruption into their businesses' strategies and operations.

Our study also finds a monumental shift in companies' disclosure of sustainability performance since 2000. Today, 79% of *Fortune 500* companies issue some form of sustainability report. This reflects the growing recognition of the relationship of sustainability issues to business performance and the increasing expectations of stakeholders that companies will measure, manage and report on their impacts on society and the environment.

Looking at drivers in the corporate operating environment there is no doubt that business will be expected to manage the sustainability risks in the future. Today, investors representing more than \$45 trillion in assets are backing the Principles for Responsible Investment, shifting capital flows towards sustainable technologies and solutions. Also, 31% of all publicly listed companies are traded on a stock exchange participating in the Sustainable Stock Exchanges initiative.

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CASE:

A Look at the Global Food Crisis: Smart Farming as the Top Opportunity

The global food system is dysfunctional. While there is enough food today to feed everyone on this planet, 795 million people still go to bed hungry every night. In other parts of the world, obesity is rising. Thirty per cent of the food produced never reaches a human stomach. Opportunities to fix the broken food system are numerous and urgently needed.

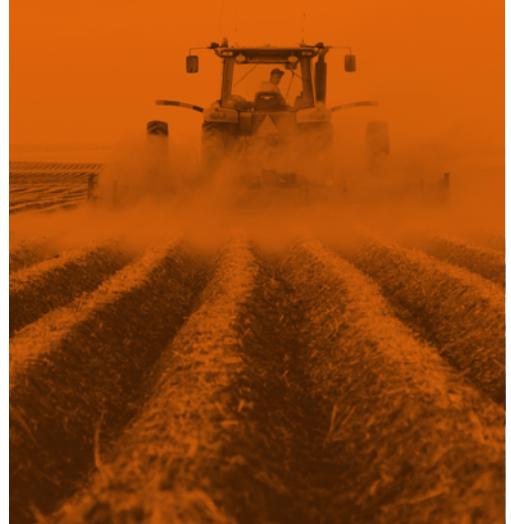
In 2016, smart farming emerged as the top opportunity in the Global Opportunity Report, referring to the development of more sustainable and efficient production of food using technology and digital solutions. Smart farming holds the potential to transform how we produce food, and it is a mature opportunity, adaptable across geographies and scale, and with readily available solutions in the market. The opportunity is driven by a mix of resource scarcity and digital solutions, encouraging farmers to use technology to target inputs.

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Using global risks to innovate: nurturing the opportunity mindset

To achieve the SDGs and safeguard the future prosperity of humanity, we need to harness the resources and capabilities of all actors in society. Understanding the risks, but also the opportunities, involved in this transition towards a more sustainable future is key to the survival of any organisation.

This is the core of the *Global Opportunity Report* (DNV GL, Monday Morning Institute and UNGC, 2015/2016) project where we seek to instill a new mindset in the global business community to look at societal risks from an opportunity perspective – encouraging business leaders to think about how they can contribute through developing new business models, technologies, products and services.

Every year, five global risks are selected and, through an extensive global consultative process, we turn these into 15 concrete opportunities where there is a potential for business to generate profit while at the same time meeting societal and planetary needs.

For every opportunity, the report highlights concrete solutions that illustrate how business is already solving complex societal and environmental challenges through its core business operations. We believe the potential is enormous. If the global business community can be mobilised to look at the impacts and opportunities stemming from their operations and start developing solutions based on a critical societal need, the transformation to a safer and more sustainable future will be rapidly scaled.

Redefining value: business becoming a force for good

Our conception of what creates value changes constantly. Today, sustainability offers vast opportunities in the broadest sense: for business to regain trust and generate long-term value and prosperity; for governments to show stewardship and truly fulfil their public mandates; and for people to thrive on a planet that is safer, fairer and more vibrant and that holds great promise for the future.

Sustainability is not about limitations or constraints or having to make big sacrifices today to secure some vague benefit in the distant future.

Quite the opposite. Sustainability is about letting creativity, ingenuity and entrepreneurship flourish. It is about having the courage to let new ideas, innovative technologies and new ways of doing things come to life. But more than anything, sustainability is about taking a leap forward and realising the full human potential.

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The most prominent development is the fact that corporate sustainability has progressed from being a moral obligation or argument to making business sense. The ability for a business to grow and perform well in the long-term depends on the collective well-being of the society in which it operates

PAUL BULCKE, CEO Nestle (from *IMPACT*)

The green coastal shipping programme: the world's most environmentally-friendly fleet

Through the Green Coastal Shipping Programme Norway has established a joint programme between government and industry to create the world's most effective and environmentally friendly fleet of coastal vessels. The programme is aiming to revolutionise the way coastal shipping operates, converting fleets to run partly or entirely on batteries, liquified natural gas (LNG) or other green fuels.



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ABOUT THE AUTHOR

Cecilie Hultmann is Group Sustainability Manager, DNV GL Group, an Oslo-based international certification body created in 2013 as a merger between Det Norske Veritas in Norway and Germanischer Lloyd in Germany.