Targeting Value
Setting, Tracking and Integrating High-Impact Sustainability Goals
March 2018
Welcome

SustainAbility is a *think tank and strategy consultancy* working to inspire transformative business leadership on the *sustainability agenda*.

Rebecca O’Neill
Senior Manager
Meet the Panelists

Mark Weick  
Lead Director, Sustainability and Enterprise Risk Management  
The Dow Chemical Company

Hilary Parsons  
Head of Creating Shared Value Engagement,  
Nestlé
Agenda

1. Project Overview
2. Why Goals?
3. State of Play
4. Barriers to Progress
5. Maximizing Value & Impact
6. Sharing Ambition, Disclosing Progress
7. The Future of Goal Setting
Engaging Stakeholders Research

See Change
How Transparency Drives Performance

Sustainability Incorporated
Integrating Sustainability into Business

Closing the Sustainability-Investor Relations Gap
The Importance of Engaging Investor Relations

Targeting Value
Transparently Setting and Tracking Impactful Goals
Core Theme

Whether and how goal setting creates value and drives impact

Objectives

• Outline the **business case** for setting goals, and related opportunities and risks
• Explore the existing **landscape** of goals
• Identify **lessons learned** about maximizing value creation and impact through goals
• Provide guidance on **how to** create business value and deliver positive impact to society by setting, tracking and disclosing on goals.

Methodology

• Literature review
• 20+ interviews with corporate practitioners, NGOs, consultancies and thought leaders
• Survey of 16 Engaging Stakeholders Network member companies
• Created database of sustainability goals from top 65 Fortune 500 companies from food, energy and finance sectors
Why Goals?

Drivers that motivate companies to set CS goals:

• Drive performance on the issue
• Break down a big challenge into something manageable
• Align with methods of tracking general business performance
• Motivate employees and ensure company accountability
• Strengthen reputation and trust
• Compete with peers
• Drive innovation
• Meet or exceed regulatory standards
• Address moral imperatives
Why Goals?

The business value of setting sustainability performance goals

- Drives integration of sustainability into the business
- Stronger accountability with external stakeholders
- Improves business reputation
- Stronger accountability with internal stakeholders
- Drives innovation to enable company to achieve goals
- Improved business performance
- Content/narrative for annual sustainability reporting
- Increases employee engagement
Panelist Discussion

Why goals?

Mark Weick
Lead Director, Sustainability and Enterprise Risk Management
The Dow Chemical Company

Hilary Parsons
Head of Creating Shared Value Engagement,
Nestlé
# 2025 Sustainability Goals

<table>
<thead>
<tr>
<th>Leading the Blueprint</th>
<th>Delivering Breakthrough Innovations</th>
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<tbody>
<tr>
<td>Advancing a Circular Economy</td>
<td>Safe Chemistry for a Sustainable Planet</td>
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<tr>
<td>Valuing Nature</td>
<td>World-Leading Operations Performance</td>
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<td>Engaging for Impact: Communities, Employees, Customers</td>
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Dow

2025 Sustainability Goals
The Nestlé Approach

<table>
<thead>
<tr>
<th>Our purpose</th>
<th>Enhancing quality of life and contributing to a healthier future</th>
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<tbody>
<tr>
<td>Our values</td>
<td>Values rooted in respect</td>
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<tr>
<td>Where we make impact</td>
<td>For individuals and families</td>
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<td></td>
<td>Enabling healthier and happier families</td>
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<tr>
<td></td>
<td>• Offering tastier and healthier choices</td>
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<td></td>
<td>• Inspiring people to lead healthier lives</td>
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<td></td>
<td>• Building, sharing and applying nutrition knowledge</td>
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<td></td>
<td>To help 50 million children lead healthier lives</td>
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41 social commitments

Our 2030 ambition
State of Play

The current landscape of corporate sustainability goals reveals:

1. Evolving and varied nature of goals
2. Growing focus on impact
3. Shift toward context-based and systems change
4. Variable timeframes
5. Greater integration into core business
Barriers to Progress

“We want to set high-impact goals but find it difficult.”

“Our company culture leads us to being in the middle, not leading with big aspirational goals.”

“We aspire to be net positive in certain areas at some point, but that’s complicated, and we’re not quite able to tackle that yet.”
Barriers to Progress

Barriers to setting high impact goals

- Lack of comfort with setting goal don’t know how to achieve
- Lack of data
- Departmental/middle manager (or lower) pushback
- Executive pushback
- Other
- Lack of incentive
- Lack of organization within company
- We have not faced barriers to setting high-impact goals
- Lack of budget to support achieving them
- Lack of expertise needed to achieve them
### Barriers to Progress

#### Overcoming the barriers

<table>
<thead>
<tr>
<th>Fear of failing</th>
<th>Lack of internal buy-in</th>
<th>Inadequate data or weak data collection methodology</th>
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</table>
| • Communicate internally  
• Set “comfortable” initial goals and then increase ambition  
• Accept that it’s ok to miss highly aspirational goals  
• Weigh risks of being too conservative with goals  
• Factor in likely business changes  
• Revise goals when necessary | • Emphasize the business benefits of achieving the goal  
• Find allies across the company | • Partner with internal and external experts  
• Identify which data you do have on the issue  
• Invest in data collection and undertake research to understand issues |
Case Study: Dow

Managing when company performance affects a goal

• Financial context affected ability to achieve energy efficiency goal

• Two options:
  • Adjust the goal to a less ambitious and possibly attainable level, or
  • Keep the goal and accept the failure

“We kept the goal because it expressed ambition and kept us accountable. We’ve decided that we want to be out there on the edge leading even if that means we might miss some things.”

Mark Weick
Director of Sustainability Programs
Panelist Discussion

State of play and barriers

Mark Weick
Lead Director, Sustainability and Enterprise Risk Management
The Dow Chemical Company

Hilary Parsons
Head of Creating Shared Value Engagement,
Nestlé
Maximizing Value & Impact

Most goals fall in the middle of the spectrum, and more high impact goals are needed.
Maximizing Value & Impact

Attributes of goals that successfully generate both business value and external impact

- Focus on company material issue/Integration into business strategy
- Strong theory of change
- Aspirational vision
- Focus on the right KPI for impact measurement
- Short-term milestones
- Long (but defined) timeframe
- Strong incentives
- Grounded in what is achievable
- Other (please specify)
Maximizing Value & Impact

Best practices for setting goals that drive value and impact

<table>
<thead>
<tr>
<th>Process</th>
<th>Goal Attribute</th>
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<tbody>
<tr>
<td>Start with material issues</td>
<td>Material</td>
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<tr>
<td>Understand the context</td>
<td>Context-based</td>
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<tr>
<td>Partner internally</td>
<td>Integrated</td>
</tr>
<tr>
<td>Set ambition</td>
<td>Visionary</td>
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<tr>
<td>Develop theory of change</td>
<td>Provides clear path to impact</td>
</tr>
<tr>
<td>Define the metric</td>
<td>Measurable</td>
</tr>
<tr>
<td>Agree deadline(s)</td>
<td>Time-bound</td>
</tr>
<tr>
<td>Engage external stakeholders</td>
<td>Informed by stakeholders</td>
</tr>
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The *wrong* goals are counterproductive. If you set the *right* goals and ground them in science, you create a north star to steer the entire organization by.

Geoff Kendall  
CEO & Co-Founder  
Future-Fit Foundation
Maximizing Value & Impact

Start with material issues

• Ensures that goals support core business strategy

• Trend toward companies focusing their attention on fewer key areas instead of trying to set goals for all issues the company may impact

• Enables commitment to ambitious goals

“To make long lasting, positive societal impact, then ensure the goals make good commercial sense and, wherever possible, are part of the core business and core strategy.”

Katie Hyson
VP of Citizenship and Reputation
Barclays
Maximizing Value & Impact

Understand the context

- Identify the ultimate end goal for that system challenge
- Determine what that context means for the goal the company is trying to set
- Helps determine appropriate and defensible limits to the company’s involvement in impacting the issue
Maximizing Value & Impact

Partner internally

• Goals that create the most value are generally those embedded into and across the business

• Engaging with the right decision-makers across the company is essential to:
  • Building buy-in on the need to set a goal
  • Accessing the expertise needed to design and pursue it
  • Driving accountability throughout the business
Case Study: Swire

Cascading goals to all levels of the company

- Set net zero goals on greenhouse gas emissions, waste and water
- Too abstract to be meaningful to employees
- Broke down large goals into smaller targets across business units
- Strengthened connection to company vision

“If you start to explain to people, ‘Here is the overarching objective. Here is what it looks like at a granular level for you and what you can do to be part of the mission,’ then that can have meaningful results.”

Philippe Lacamp
Former Head of Sustainable Development
Maximizing Value & Impact

Set ambition

• What is considered ambitious varies depending on the specifics

• Start with material priorities; then look at the related SDGs for context and inspiration

• Setting highly ambitious goals is challenging – picking one issue area is a good way start

“Goals that are set so high that the company up front doesn’t know exactly how to achieve them will spur creativity and innovation within the organization, as compared to goals where the company can follow a more linear trajectory and add a few more percentage points.”

Ole Lund
Chief, Leadership Programs
UNGC
Maximizing Value & Impact

Develop a theory of change

• To develop a theory of change, sustainability teams need to work with business partners to explore:
  • What ultimate impact the company needs to make to play its part in addressing the issue
  • What levers the company can influence directly or indirectly to bring about that result
  • Explore how the company’s business model affects the issue, both positively and negatively
Maximizing Value & Impact

Define the metric

- When defining the metric, focus on the outcome needed
- Partner with subject matter experts to develop the most appropriate metrics
- Avoid confusing reach with impact
Maximizing Value & Impact

Agree deadlines(s)

- Best practice involves setting a longer-term goal based on context, and then outlining the key milestones that show the short – and medium-term steps

“You need to find the balance between a massive seismic shift in the way the business operates that is longer-term and also smaller steps along that break down progress, for example into 1-5 year goals. Otherwise the 2030 or 2050 goal can be too far away for people to know what to do about that on a daily basis.”

Justin Smith
Group Head of Sustainability
Woolworth’s
Maximizing Value & Impact

Engage external stakeholders

• Can lead to more strategic thinking around goal setting
• Often enlightens the company to new or better ways the company can impact an issue
• Engaging stakeholders demonstrates that a company is being thoughtful in its goal setting approach
• It can be a way to test external perceptions of a goal before finalizing it
Panelist Discussion

Maximizing value and impact

Mark Weick
Lead Director, Sustainability and Enterprise Risk Management
The Dow Chemical Company

Hilary Parsons
Head of Creating Shared Value Engagement,
Nestlé
Sharing Ambition, Disclosing Progress

Our core transparency recommendations for companies regarding goals are:

• Publish goals in a consistent, easy-to-access location
• Disclose details such as baseline year, target year, metric, context and scope
• Update progress regularly
• Pursue assurance
• Clarify and communicate business benefit of the goals
• Speak from the top
• Acknowledge changes and admit failure
• Consider different audiences

“Transparency can be a double-edged sword because audiences perceive information differently. For example, what might be impressive to the sustainability community in terms of a goal that requires a significant investment in biofuels with little immediate return, may not sit well with investors.”
Case Study: Nestlé

Consistently tracking and reporting out against goals

- Easy navigation to all goals by theme
- Timeline and progress clearly communicated
- Narrative around details of goals, including when goal changed

“Not only is clear reporting of our objectives helpful for our stakeholders, it supports our internal reporting mechanisms as well.”

Hilary Parsons
Head of Creating Shared Value Engagement
Panelist Discussion

Sharing ambition

Mark Weick
Lead Director, Sustainability and Enterprise Risk Management
The Dow Chemical Company

Hilary Parsons
Head of Creating Shared Value Engagement,
Nestlé
The Future of Goal Setting

1. Companies must get smarter about impact – making not just *enough* impact, but the *right* impact

2. Approach to goal setting must continue to evolve to generate goals that are:
   - Context-based
   - High-impact
   - High-ambition

3. Goals that contribute to system-wide change and solving global challenges will require system’s thinking, partnerships and large-scale cooperation
Panelist Discussion

Future of goal setting

Mark Weick
Lead Director, Sustainability and Enterprise Risk Management
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Head of Creating Shared Value Engagement,
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Targeting Value
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