Swiss Boards for Agenda 2030

A PUBLICATION OF

B Lab Switzerland

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B Lab Switzerland

This playbook has been developed by B Lab Switzerland
with the support of the global B Corp Movement.

Many thanks to all contributors whose experiences and
ideas are explicitly or implicitly part of the document:
you are too numerous to mention individually. However,
in each section of the Playbook you will find a selection
of sources we found insightful should you wish to explore
that section further.

If you have any questions or suggestions,
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Certified B Corporation

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Co-initiators' Introduction

The world is facing existential environmental and social challenges. There is also a deadline to address them: we have eight years to deliver the Agenda 2030 goals, what Antonio Guterres, the former Secretary General of the United Nations, called the "survival plan for humanity."

The good news is that we also have a common framework to deliver the Agenda 2030 – the Sustainable Development Goals – and businesses have a major role to play in providing lasting solutions to the social and environmental challenges we face. But the clock is ticking. The events in Ukraine at the beginning of 2022 have only reinforced the urgent need to create a resilient economic system firmly supported by strong democracy. To deliver the SDGs, we need to make stakeholder capitalism THE economic model by bringing it from the niche to the mainstream. And this action must start with Board Members.

First, you need to fill the boardroom's empty chair, which belongs to the planet and future generations. This means also connecting with all stakeholders of your business, including participants in your value chain, and ensuring you understand your impact on them.

Second, boards should develop a Positive Impact Strategy. By this I mean a strategy that puts the company's purpose at its heart and has the objective of having a positive impact on all stakeholders while contributing to the SDGs. Profits will be the result of this strategy – not the sole objective. Third, implementing this strategy will require new collaborative skills, decision-making supported by new metrics, and inclusive behaviors. And firms must be transparent and disclose their material impact on all stakeholders and how they are improving it. In this way, they will also build their trustworthiness.

Excitingly, there is more and more compelling evidence that these three key steps pay off. Employees are more motivated, customers are more loyal, value chains are more resilient and shareholders see better long-term returns.

So we know what to do. And we all recognize that the situation is urgent. Let's connect to Agenda 2030 at a personal level, bring it into our everyday lives, and make this transition together to an inclusive, equitable and regenerative economy.

It is in this spirit of great optimism that we are launching the Swiss Boards for Agenda 2030. Through this stakeholder governance initiative we want to create an alliance of business leaders who walk the talk. We aim to provide them with the approach and tools needed to make ambitious commitments and accelerate the change that we all need.

We invite you to join us on this journey!

Jonathan Normand,
CEO & Founder, B Lab Switzerland

About B Lab

B Lab is a non-profit organization with a vision of firms competing not to be "best in the world," but the "best for the world." Founded in 2006, B Lab's strategy is to build a community of Certified B Corporations and help drive the systemic change needed to create a stakeholder economy. Alliances are a key part of the B Corp Movement agenda – for example the co-creation of the SDG Action Manager with the United Nations Global Compact.

When I was elected to the Board of our family company 25 years ago, my first question to my boardroom colleagues was "What do we do for nature?" I was always told the same thing: "Let's make money first, once we have the money, we will invest it in protecting nature." In other words, we were creating the problem that we then tried to solve afterwards with philanthropic compensation.

Since the beginning of the industrial revolution, we have been running businesses on one single mantra: short-term profit maximization. Even 30 years ago, the fact that our consumption patterns were endangering nature and, by extension, humankind, was always quickly discounted.

But today, companies face much greater pressure from customers, employees and investors to do more than make money at all costs. The COVID-19 pandemic seems to have accelerated the uptake among business leaders of the idea that healthy and productive ecosystems strongly affect the health of our economy.

The long-term consequences of this should be to recognize that the model we have built, which is based on complete domination of nature, is not useful. It is now time for a different approach! First we need to make decisions that consider the impact beyond the short-term: there will never be a sustainable society in a disrupted ecosystem.

Then, decision-making norms and measurements of success must be redefined. Success should no longer be based only on profits, but on the positive contribution that a business has on society, nature and people. And finally, we need to move from domination to collaboration. There is no possibility of a sustainable and prosperous humanity without powerful and long-lasting collaborative practices.

CEOs and board directors can lead that shift in their responsibility beyond profit maximization. A growing number of companies are actually making commitments to reduce emissions, increase diversity in their leadership, and eliminate environmental degradation and human rights abuses from their supply chains. This needs to be extended, developed and ultimately become the new way of running a business, focusing on one main goal: redefining business to restore the planet.

André Hoffmann,
Vice-Chairman of the Board of Directors,
Roche Holding Ltd.
Member of the Board of Trustees,
The World Economic Forum

SBA 2030 Playbook

Build and activate your Positive Impact Strategy to help meet our major societal challenges and create an SDG economy.

"A practical, hands-on guide to building a thriving, purpose-driven company, this playbook should be read by Swiss businesses – large and small. Enlightened and empowered Boards are game-changing in building companies which prosper through better serving our societies and planet, and therefore in delivering the 2030 Global Goals. This playbook is more than a must-read, it's a vital tool for helping deliver the corporate sustainability strategies the world urgently needs."

Paul Polman, business leader, campaigner, author of Net Positive (written together with Andrew Winston)

What is the SBA 2030?

The SBA 2030 is an alliance of Swiss CEOs and Board Members committing their companies to a high level of board accountability to drive a Positive Impact Strategy.

This Playbook accompanies the initiative and guides you through how to integrate sustainability in your boardroom and your business strategy.

Commitments:

Each member of the SBA2030 commits to:

1. Train their Board Members and key decision-makers to better understand sustainability.
2. Identify the priority Sustainable Development Goals (SDGs) for their business and commit to contribute to them.
3. Amend their company bylaws to include: "In pursuit of its goal, the company aims for a significant positive societal and environmental impact through its commercial and operational activities."
4. Contribute to the SBA2030 community and continue to improve their impact using ideas from this Playbook.

Benefits:

Being an SBA2030 member gives you access to:

> An exclusive one-day Sustainability Masterclass for Boards and CEOs to gain insight into how to develop your strategy. *More on page 29.*

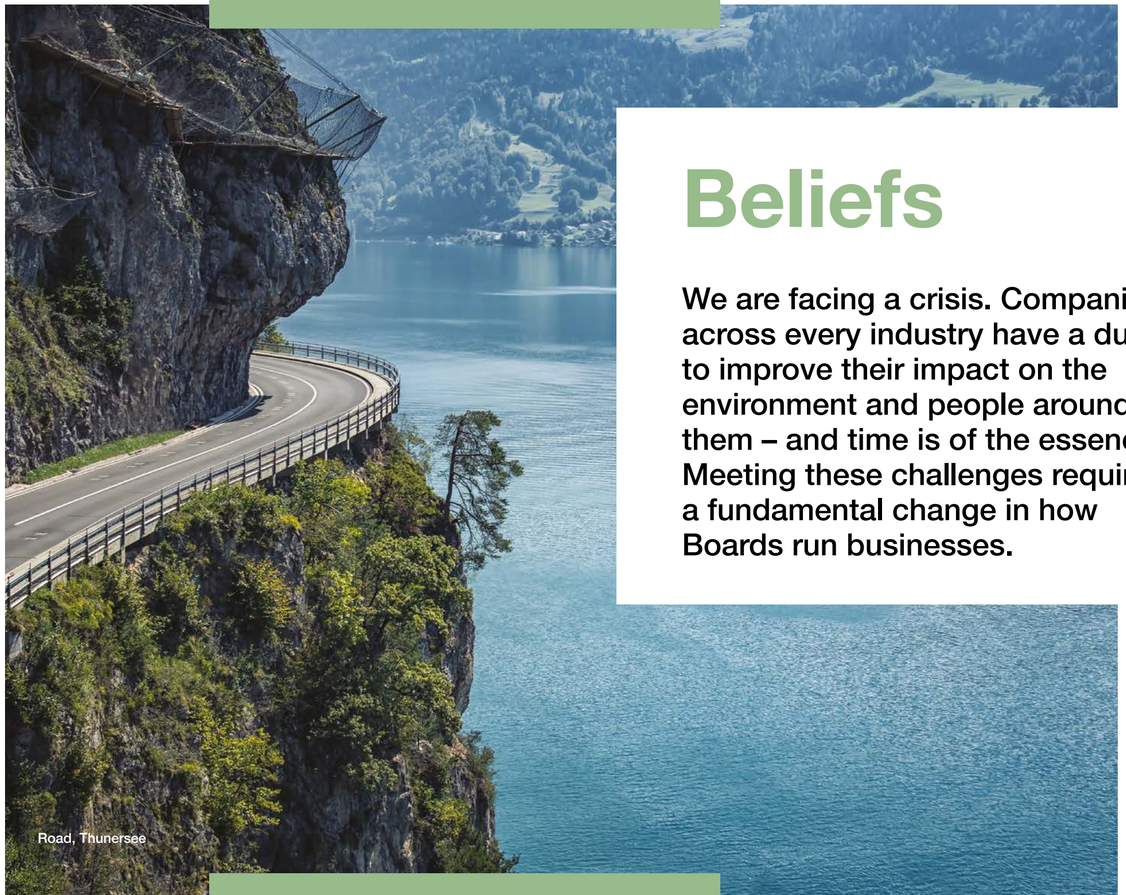
> The Swiss Triple Impact Program, which uses powerful tools and a facilitated journey to help companies make concrete commitments to support the SDGs. *More on page 41.*

> A toolkit to enable members to amend their company bylaws based on our extensive experience with B Corps. *More on page 57.*

> A yearly SBA2030 event for C-suite and Board Members to foster collaboration and exchange.

> Support to explore your journey to become a certified B Corp.

Find more on



Road, Thunersee

Beliefs

We are facing a crisis. Companies across every industry have a duty to improve their impact on the environment and people around them – and time is of the essence. Meeting these challenges requires a fundamental change in how Boards run businesses.

It's time to act

Our economic model as it exists today is unsustainable. We have already crossed four planetary limits, which creates the risk of abrupt environmental change *(figure 1)*.

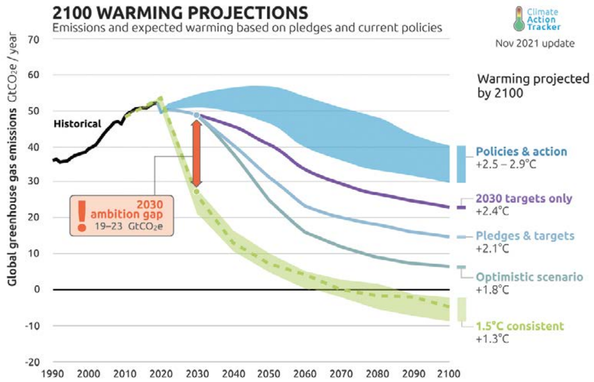
If we continue business as usual, in 2100 the earth will be 3°C warmer than pre-industrial levels. *(figure 2)* We need to act urgently before it's too late. There are only eight years left to meet the UN's Sustainable Development Goals; so every day, every decision counts.

Figure 1

The Planetary limits and Social Thresholds set out quantifiable environmental limits which we must not cross and quantifiable basic social needs which we must strive to ensure are met for every person. These limits and thresholds can be scaled down to a company level in order to quantify a share of impact responsibility.

Source: www.article13.com/latest-research

Figure 2



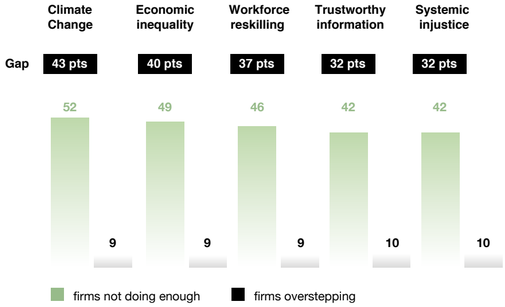
Companies should be a force for good

More and more people expect – and increasingly demand – businesses to do more to address major societal issues *(figure 3)*. Far fewer believe that businesses are overstepping their remit. The greatest gap between business "not doing enough" and "overstepping" is on the issue of climate change, followed by economic inequality.

Figure 3

Should firms be doing more on major societal issues?
Percent (%) of people.

Source: Edelman Trust Barometer 2022



At the root of the problem is that businesses, like many individuals, have focused on increasing profits rather than "doing everything else right." There is a way that profits can grow without sacrificing the positive impact a business can have on society and the environment.

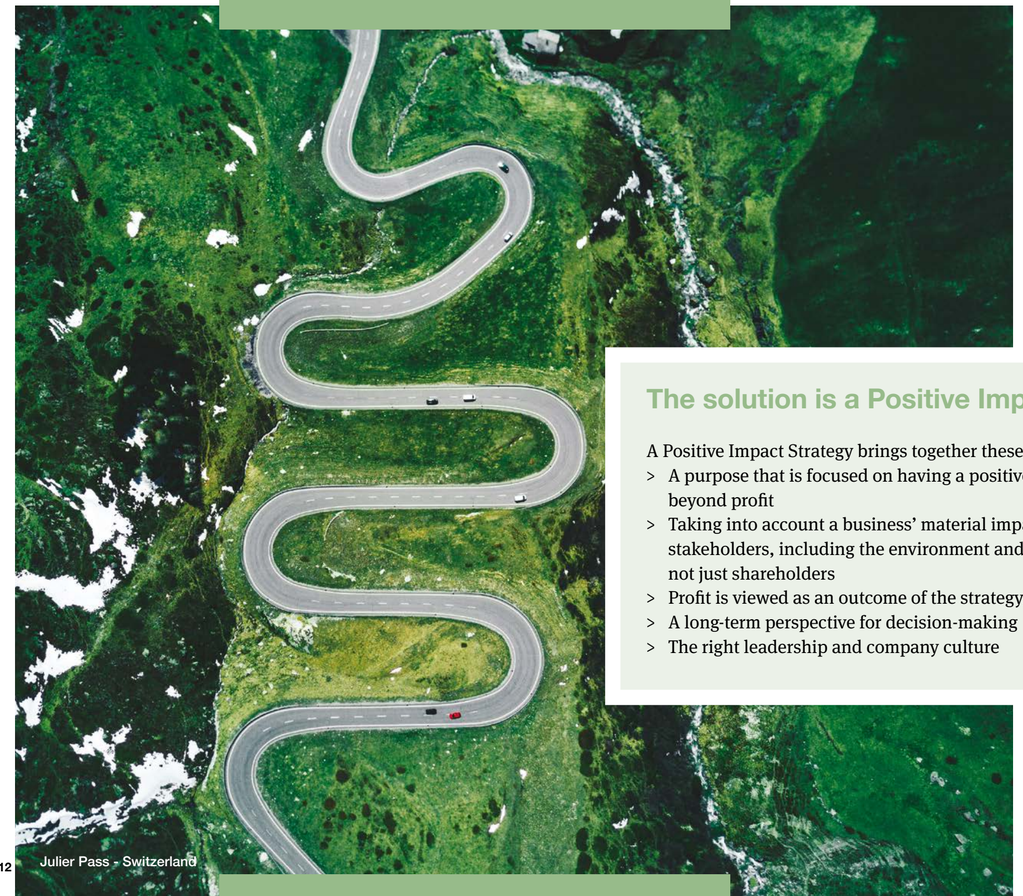
"People may spend their whole lives climbing the ladder of success only to find, once they reach the top, that the ladder is leaning against the wrong wall."

Thomas Merton, Trappist Monk

"Profit is what happens when you do everything else right."

Yvon Chouinard, Founder, Patagonia

Y. Chouinard



Julier Pass - Switzerland

The solution is a Positive Impact Strategy

A Positive Impact Strategy brings together these key elements:

> A purpose that is focused on having a positive impact and looks beyond profit
> Taking into account a business' material impact on all stakeholders, including the environment and natural resources, not just shareholders
> Profit is viewed as an outcome of the strategy, not the objective
> A long-term perspective for decision-making
> The right leadership and company culture

A Positive Impact Strategy leads to higher returns

There is increasing evidence of the benefits of companies adopting such a strategy. Companies report that they have new revenue streams from products for more ESG-conscious consumers, they are more resilient to increasing ESG risks and have better access to quality talent. *(figure 4)*. In their efforts to be more sustainable and reduce the use of raw materials, they also become more efficient and potentially pre-empt more stringent environmental regulations.

As a result, over the past decade, shareholder returns of companies that have championed ESG have generated 3.8% higher annual returns than companies whose strategies do not incorporate ESG *(figure 5)*.

Figure 4

Advantages of incorporating ESG in your company strategy
Percent (%) of respondents choosing options.

Source: EY Long-Term Value and Corporate Governance Survey, February 2022 (totalrespondents: 200)

34%	Creating new sustainable products and services to meet the needs of ESG-conscious consumers
32%	Making us more resilient to increasing ESG risks
29%	Differentiating us from our competitors and building brand value
28%	Focusing the company on building long-term value rather than short-term returns
26%	Attracting and Retaining talent and engaging employees
25%	Attracting ESG-focused investors

Figure 5

10 year shareholder returns of ESG leaders have been higher than laggards by…

Souce: ESG & Financial Performance, Stern NYU

Because of this, some of the largest global shareholders and fund managers are encouraging companies to adopt stakeholder governance. They realize that Good Business also makes good financial sense.

"We encourage companies to align themselves to sustainable transition pathways which are net-zero, nature-positive and fair... this is crucial for companies to maintain and increase their value over the years to come. It is our duty as responsible investors to encourage them in this direction."

Lombard Odier, Stewardship Statement

"Putting your company's purpose at the foundation of your relationships with your stakeholders is critical to long-term success."

Larry Fink, Chairman and CEO, BlackRock

Looking ahead, the higher returns from a sustainable approach should continue as the cost of delaying action for the planet and for individual companies is only going up.

"The cost of inaction now exceeds the cost of action."

Paul Polman & Andrew Winston

"...scenarios that do factor in the economic damages from climate change find that the global cost of limiting overheating to 2°C over the 21st century is, in fact, lower than the global economic benefits of reducing warming."

IPCC Climate Change 2022

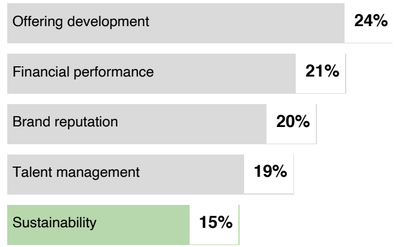
Flooding, Locarno, Ticino

To do this, Sustainability needs to be a higher priority

Sadly, boards are still too slow to make sustainability a top priority. Only 15% of executives list sustainability as their organization's top priority *(figure 6)*. Given the urgency to address the crises we are facing, and that companies which have already shifted their focus are experiencing significant benefits, it's time for boards to make sustainability a higher priority right now.

Figure 6
What are your organisation's priorities?
Percent (%) of executives choosing this option.

Source: Shaping the sustainable organization Accenture/ WEF



"The Board agenda is crowded. But time is tight. We must get Sustainability higher up Boards' agendas"

Beth Krasna, Chairwoman, Ethos Services

Ultimately, implementing a Positive Impact Strategy is the right choice, even if it's not the easier one.

"The unexamined life is not worth living."

Socrates

"Yeah, leading an examined life, I always say, is a pain in the ass. It adds an element of complexity to business that most businessmen don't want to hear about."

Yvon Chouinard, Founder, Patagonia

"What sort of life do you choose to live?"

Inside the Rhone glacier, Valais

This Playbook, and the resources we have included, can help you take action and avoid the most common obstacles to your Board developing and implementing a Positive Impact strategy – namely, lack of Board and executive knowledge and commitment *(figures 7 and 8)*. It also gives insights on how to build the right culture and the ability to execute. This will help you to have a positive impact.


Vif Argent, 1972 Copponex Design, Lake Léman

Figure 7
The roadblocks of effective board oversight of ESG
Share of directors who cited the following (%).
Source: BCG Insead Board Report 2022

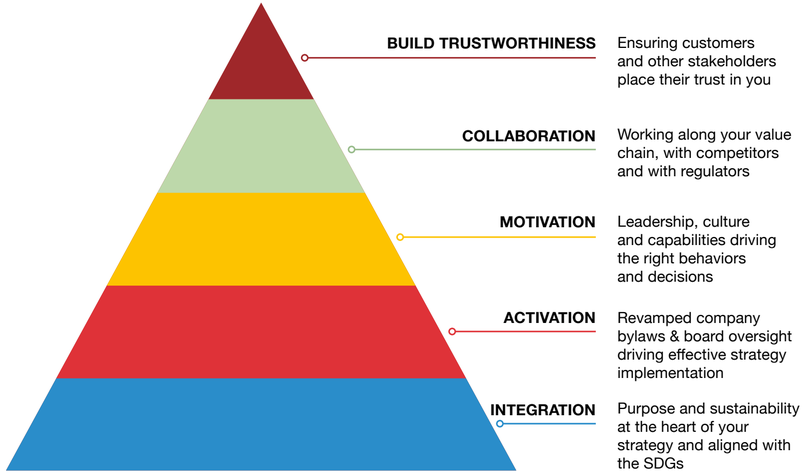
Lack of knowledge, data, or capabilities	44%
Complexity and ambiguity management	43%
Lack of board commitment	30%
Inability to translate ideas into action	26%
Failure to prioritize ESG	25%
Wrong long-term strategic choices	19%
Poor control of execution	11%

Figure 8
Why companies aren't fully delivering on ESG
Share of directors who cited the following (%).
Source: BCG Insead Board Report 2022

Ability of the organization to execute	43%
Costs increase	35%
Organizational culture	32%
Management's commitment	30%
Board's commitment	25%
Constraints from legacy assets	21%

How to use this Playbook

There are five key building blocks to develop and implement a Positive Impact Strategy.



The sections of the Playbook guide you through what you need to do to put each of the five building blocks in place.

Integration

Activation

Motivation

Collaboration

Build trustworthiness

Format of each Playbook section

Why is this important?	The key reasons you need to make this a priority
External context	Examples and data that demonstrate the current status and indicate major challenges to overcome
Checklist	A simple test to assess if you need to take further actions
Suggested actions	Actions that you should consider and relevant case studies
Further inspiration	Selected reference material and sources

This Playbook contains a wealth of external ressources and links. Look for this icon ✋
It signals the pages containing many links.

Glossary

Sustainability and ESG are concepts without uniform definitions. This glossary defines the terms we use throughout this document.

Bylaw change amends a company's Object and Articles of Association. The company object is, henceforth, to strive to have a positive impact on all stakeholders and this should be reflected in decision-making. Shareholder value will no longer be the overriding consideration, but just one of many stakeholder interests to take into consideration. Directors' duties are similarly changed.

Stakeholders are any individual, organization or natural system (e.g. the environment) that may affect or be affected by a company's actions and decisions.

Stakeholder governance makes a company accountable for delivering a public benefit alongside shareholder financial returns by establishing rules to ensure its shareholders, directors and management identify and incorporate stakeholder perspectives into their decision-making.

Corporate Social Responsibility is the historical practice whereby companies carry out activities to benefit communities, society or the environment in parallel to its core business activities. Rather than being integrated into the core purpose of the business, they tend to be separate.

Environmental, Social and Governance (ESG) is the main grouping of factors determining the sustainability of a company's activities:

> Environmental issues relate to the quality and functioning of natural environment systems: biodiversity loss, greenhouse gas (GHG) emissions, climate change, energy efficiency, air, water or resource depletion or pollution, etc.
> Social issues relate to the rights, well-being and interests of people and communities: human rights, labor standards in the supply chain, workplace health and safety, freedom of association and expression, diversity, health, etc.
> Governance issues relate to the highest level of control of companies and include: board structure, diversity, skills and independence, executive pay, stakeholder interaction, disclosure, bribery and corruption, internal controls and risk management, etc.

Purpose is the unique way in which a company chooses to improve its impact on all its stakeholders, based on its own heritage, capabilities and aspirations.

Regenerative practices, particularly in the domain of agriculture, help reverse climate change, improve biodiversity and do not deplete reserves.

Positive Impact Strategies meet the needs of customers or consumers without compromising the ability of future generations to meet their own needs, particularly with regards to the use of natural resources or other environmental and societal impacts. A Positive Impact Strategy includes ESG considerations in the pursuit of the company purpose and the SDG goals.

Sustainable Development Goals (SDGs) were adopted by the UN in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. Businesses have a vital role in the achievement of these 17 SDGs.

Swiss Triple Impact Programme (STI) is a solution-oriented sustainability program developed by B Lab Switzerland with the support of the Swiss Confederation to help Swiss businesses of all sizes and sectors make concrete commitments to the SDGs. By completing the STI program, businesses are equipped with the tools they need to measure and improve their social and environmental impact and contribute to the SDGs.

Value chains of companies encompass entities with which they have direct or indirect business relationships. This can include supplying products or services that contribute to the companies' own products or services.

Developing your Positive Impact Strategy

The Sphinx Observatory, Eigergletscher-Jungfraujoch, 3818 m.

1 Board Capability

Does your Board have the right experience to focus on sustainability, the challenge of the decade?

Why is this important?

The 2020s: The decade of Positive Impact Strategies

Consumers, governments and shareholders are demanding that businesses recognize their impact on all stakeholders. In the 2010s, digitalization required businesses to transform their digital strategy. Implementing a Positive Impact Strategy is now the next wave of transformation. In order to evolve in this way, Boards need to develop a Positive Impact Strategy that meets two criteria: it is driven by the company's purpose; and it integrates ESGs into all decision-making and operational activities. Eventually, reporting on sustainability will become as important as financial reporting... ESG reporting regulations are already evolving quickly.

Most Boards aren't ready; some are even unconcerned

It is essential that Boards understand their business' impact on the environment, biodiversity, inclusion and other social issues. Big changes are coming: the latest ISSB proposals require Boards to declare how they "ensure they have the appropriate skills and competencies available to oversee strategies related to sustainability risks and opportunities." Currently, Boards are often unconcerned about these issues. Global surveys show that whilst 68% of directors believe ESG is linked to their company strategy, only 25% of directors think that their Board is on top of ESG risks. Just two years ago, more than half of directors (55%) thought their businesses were spending too much time on ESG [1].

Expertise + vision + long-term commitment

Boards need to approach Positive Impact Strategies from a perspective of opportunity instead of fear. The biggest barrier that stands in the way of Boards taking the right ESG decision is lack of knowledge *(see page 18)*. Expertise combined with vision and long-term commitment is the key combination to master these opportunities and challenges.

1 Source: PWC 2021 Annual Director Survey.

External context

Boards will need to increase their diversity and ESG experience to develop successfully their Positive Impact Strategies. Switzerland is behind where it needs to be on both

Diversity

Boards in Switzerland are less diverse than in other European countries. *(figure 10)* While progress is being made, much more is required. Gender diversity in the boardroom is important for ESG; for example, female board members are significantly more concerned about the climate crisis and twice as likely to support mandatory ESG disclosure[2].

ESG capabilities

Larger Swiss businesses have made more progress in having one ESG-experienced Board Member - half have already done so. But smaller businesses are further behind *(figure 11)*. However, only one Board Member with ESG experience is not enough, especially for businesses that face complex ESG issues.

Changing regulations

The ESG regulation environment *(see detail on next page)* is complex and evolving rapidly – it's difficult to stay on top of the latest changes. Climate change regulation, for example, is increasing exponentially. *(figure 12)* Boards must ensure they understand the implications of these new regulations. Unfortunately, many companies are still under-prepared.

2 Source: PWC 2021 Annual Director Survey.

Figure 10

Average share of women on Boards of Directors of major European stock indices (early 2021)
Expressed as percentage (%) of total

Source: Russell Reynolds. SMI(M) Board & Executive Committee Study 2021

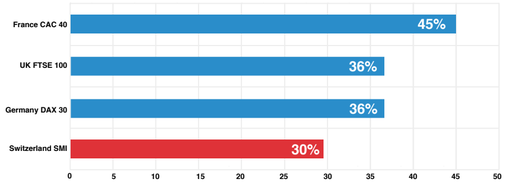


Figure 11

Share of companies with an ESG experienced director on their BoD. Expressed as percentage.

Source: Russell Reynolds.
SMI(M) Board & Executive Committee. Study 2021

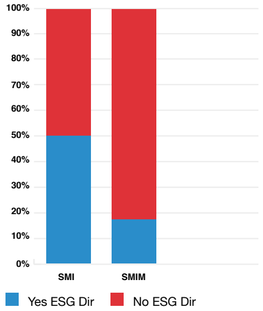
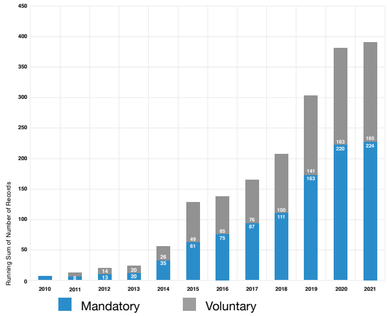


Figure 12

Numbers of records of mandatory and voluntary climate related regulation globally number of records (#).

Source: www.datamaran.com



Upcoming sustainability disclosure requirements

For 2023 fiscal year reporting, major ESG disclosures will also be mandatory for many companies.

Global

The International Sustainability Standards Board (part of IFRS) has recently issued its draft recommendations for comment, with a focus on reporting sustainability-related drivers of value. This builds on the early recommendations from the Task Force on Climate-Related Financial Disclosure and the Sustainability Accounting Standards Board.

Europe (relevant for larger Swiss businesses active in Europe)

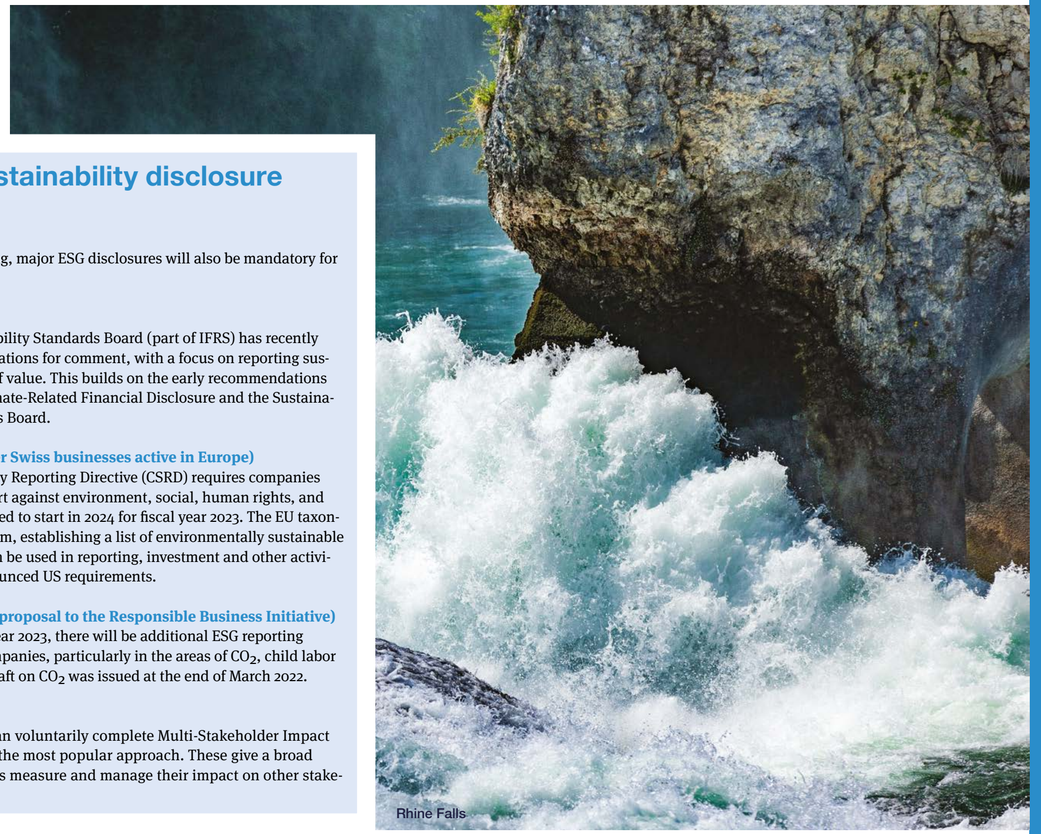
The Corporate Sustainability Reporting Directive (CSRD) requires companies above a certain size to report against environment, social, human rights, and other categories. It is planned to start in 2024 for fiscal year 2023. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities that can be used in reporting, investment and other activities. The SEC has also announced US requirements.

Switzerland (The counterproposal to the Responsible Business Initiative)

Starting in 2024 for fiscal year 2023, there will be additional ESG reporting requirements for larger companies, particularly in the areas of CO_2, child labor and conflict materials. A draft on CO_2 was issued at the end of March 2022.

Sustainability reporting

Additionally, companies can voluntarily complete Multi-Stakeholder Impact Reporting, with GRI being the most popular approach. These give a broad overview of how companies measure and manage their impact on other stakeholders.



Rhine Falls

Checklist

Do all your Board Members fully understand...

- the implications of key ESG concepts on their business strategies and their role as Board Members (materiality, stakeholder governance)?
- the current and future sustainability standards and requirements (EU Taxonomy, ISSB, GRI, SBTi)?
- the material impact your business has on all its stakeholders?
- which SDGs are most relevant for your business?
- the opportunities provided by efficiently integrating sustainability into your strategy (new products, brand awareness, impact, etc.)?

If you answered "no" to any of these questions, your Board may benefit from further training.
See - Build Existing Board Member ESG Capability

Consider the composition of your Board...

- Does less than half of your Board have practical ESG experience?
- By moving quickly, could you lead a sustainability transformation within your industry?
- Will regulation have a significant impact on your industry?
- Do ESG challenges threaten your business model?
- Could you face business disruption because of more sustainable competitors?
- Is your business facing competition from Sustainability Disruptors?

If you answered "yes" to any of these questions, you may need to consider adding new sustainability expertise to your board.
See - Bring in New ESG Expertise Over Time

Take action

Build Existing Board Member ESG Capability - Suggestions

- Every Board Member makes a commitment to three days per year to increase ESG knowledge
- Organize top-level learning expeditions with "sustainability pioneers" to learn from their experience
- Introduce outside perspective through external guest speakers at Board Meetings
- Join a community of ESG-committed peers to exchange insights and challenges - guess what the SBA2030 community counts!
- Appoint a Board Champion for each of your company's priority sustainability issues. They can educate their peers on this SDG on a regular basis.
- Send education & ESG-relevant material to the Board Members ahead of their meetings
- Conduct audits to ensure the Board's ESG capabilities, awareness and decision-making are at the required level

SBA2030 Toolkit
We have teamed up with expert partners to offer exclusive training programs for SBA2030 members, equipping them with the knowledge Boards and C-suites need to navigate their sustainability journey.

Face-to-face training at IMD Business School in Lausanne
IMD Business School will deliver a one-day MasterClass for the members of the SBA2030. A key part of the program will be participants sharing their own experiences in a confidential setting. *(figure 13)*.

Bring in New ESG Expertise Over Time

If ESG represents a major opportunity or challenge for your business, you may need to consider other actions in addition to training. These could include:

- Onboarding new Board Members so that at least 25% have strong ESG competencies and most of the Board has practical ESG experience. This should be a key criteria for future Board Members selection!
- Continuing to increase your Board's gender diversity. Female Board Members tend to be more concerned with the ESG agenda.
- For businesses with the most complex ESG issues, establish an external ESG committee made up of specialists whose ESG experience can help develop solutions to those challenges.
- Open a seat at Board Meetings for different stakeholders who can provide a different perspective or provocative voice regarding key decisions.

People matter
While adding new ESG-competent members to the Board, companies should consider the following profiles:

- A Sustainable Transformer who has already led an ESG transformation, this is essential if the company envisions a similar transformation
- A Sustainable Expert who is at ease with ESG concepts and not as hands-on. This person is helpful if the company is facing complex ESG threats or opportunities
- A Sustainable Leader who has executive experience driving ESG change through an organization.

Figure 13

Course Description

B Lab Switzerland is collaborating with IMD Business School to deliver a One Day Course specifically designed for the members of the SBA2030.

1-Day Program on IMD's Campus

PREPARE FOR THE COURSE
Levelling up the knowledge of the participants through short readings, videos & reflections

ACCESS FURTHER MATERIAL
To keep your knowledge up to date

JONATHAN NORMAND
– CEO, B Lab Switzerland

JOSEPHINE HERZIG
– Co-Director Engagement Programs, B Lab Switzerland

ESG for Boards - Syllabus	
2h	Stakeholder Economy & B Corp movement
2h	ESG Fundamentals
2h	Dealing with ESG Crisis
2h	Exploring ESG Opportunities

JULIA BINDER
– Professor of Sustainable Innovation

KNUT HAANAES
– Professor of Strategy, Lundin Chair of Sustainability

SALVATORE CANTALE
– Professor of Finance

Further inspiration

Board Training
The Sustainable Business Handbook (Grayson, Coulter & Lee) is an excellent starting point which provides a detailed review of successfully incorporating sustainability into your strategy.

How to Set Up Effective Climate Governance on Corporate Boards - Guiding principles published in 2019 by the WEF goes through key principles for boards to meet the sustainability transition.

Switzerland
- **Blossom Impact Platform** - Suite of online ESG training
- **Responsible Impact Boards Programme** - Organized in conjunction with Global Compact and Chapter Zero
- **Chapter Zero Switzerland** - Climate focused directors forum

International
- **Competent Boards** - General training from a leading Canadian-based organization
- **Said Business School** - Leading Sustainable Corps Programme online
- **Task Force on Climate-Related Financial Disclosure training**

Multiple self-assessments exist to give you a quick benchmark. For example:
- **Board readiness check** - Chapter Zero - A quick board check-up on Board Climate Readiness
- **Board readiness self assessment by WBCSD**

Board Composition
Reviewing the composition of a Board
What's Stopping Boards from Turning Sustainability Aspirations into Action ? (INSEAD) - Identify Board Members by attitudes regarding sustainability and how it should be managed.

Bringing diverse views to the Board Room
B Lab UK has developed an innovative program to bring diverse voices and issues to the Board Room - Boardroom 2030.


Parc des Bastions, Geneva

2 Clear Company Purpose

Do you have a clear purpose that drives your strategy to address the problems faced by your stakeholders?

Why is this important?

Companies that do good just to make up for having done bad is no longer an acceptable business model
The CSR model that sees companies using part of their profits to do good while their core business continues to negatively affect other stakeholders and future generations is completely out of date. Companies' failure to address the negative role they play in environment, inequality and inclusion has led to some of the major issues that humanity faces today.

Adopting some ESG initiatives to avoid risk isn't enough
Some companies attempt to reduce their negative impact with the goal of mitigating risk. It's an action that's motivated by pre-empting changes in legislation or to minimize profit downsides. What they don't know is that using this approach means they miss a huge upside.

A Positive Impact Strategy with the company purpose at its heart is more engaging, more likely to succeed and will deliver better financials results in the long term
The company purpose is a powerful tool that gives the business clarity and guides its decisions when it comes to improving its impact on stakeholders. The purpose usually ties in the company's heritage, capabilities, vision and mission. Profits are an outcome of successfully delivering on a compelling purpose, not an objective of strategy. Research has shown that companies with a clear purpose and a strategy to act on it deliver better results *(Stern NYU study, page 13)*. To be truly sustainable and remain sustainable, a company has to be designed to deliver a positive impact on stakeholders.

External context

Business' role

The biggest drivers for companies adopting a Positive Impact Strategy is increasing pressure from consumers and employees. *(figure 14)* Generation Z are more demanding than millennials, so this pressure is only going to grow. As Tobias Schuber, co-CEO and Co-Founder of Farmy noted " 90% of the people who apply to us are attracted by our company purpose".

Making purpose a priority

Defining a purpose is currently a low-governance priority for Boards for the next two years. *(figure 15)* When asked about the major governance changes their company has plans to make in its approach to ESG in the next two years, many more focused on changing incentives rather than the more fundamental work of adapting their strategy.

Figure 14

Source: Edelman Trust Barometer, Engaging Employees through Corporate Responsibility UK - Ipsos MORI

80%

of global consumers agree that business must play a role in addressing societal issues.

86%

of employees believe it is important that their own employer is responsible to society and the environment.

Figure 15

What are the major governance changes your company has plans to make in its approach to ESG in the next two years?
% of respondents

Source: EY Long-Term Value and Corporate Governance Survey, February 2022 (total respondents: 200)

Changing our approach and structures for rewards and incentives	33%
Introducing an enhanced reporting approach that integrates material ESG disclosures with financial reporting	30%
Rethinking board and committee composition and introducing more board training around ESG issues	30%
Revising our approach to enterprise risk management as well as our internal control systems and internal audit	29%
Spending more time on engaging with stakeholders and stepping up our investor relations	27%
Changing committee structures and terms of reference and rethinking how we assess boards on their performance	27%
Articulating a strong purpose and transforming our culture and behaviours in line with ESG principles	26%

Checklist

Looking at your company strategy and purpose...

- have you assessed how your company materially impacts and is impacted by stakeholders?
- Does your business have a clearly-articulated purpose?
- Does this purpose go beyond making profits and address material stakeholder needs?
- Is this purpose credible and based on the company's heritage, capabilities and aspirations?
- Is your company strategy designed to deliver this purpose?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

There are five steps you can take to develop your company's purpose and put it at the heart of your strategy. Keep in mind that this shouldn't be considered a marketing exercise. You should get input from a diverse group of internal and external stakeholders.

1. Explore your company's **material** impact on all its stakeholders and find out what their needs are. Include people attacking your company to get a full picture and diverse views, then identify the most important ones.
2. Link these perspectives to your company's purpose. Question what problem the company was trying to solve when it was created. This is an important step for businesses with a long history or strong initial founder.
3. Create multiple versions of alternative purposes *(See figure 16, page 35 for examples)* following these core ideas *(see Harvard Business Review article, "What is the Purpose of your Purpose"):*
   a. A good starting point: a cause - the social reason your company exists
   b. Your culture - based on how the business is run, which may link to a social reason *(a cause)*
   c. Your competence - based on a unique product, service or feature
   d. Time - rooted in the origins of the business or a statement about future development
4. Identify the best-fitting option
   a. Key criteria to assess are: clarity, credibility, uniqueness, enduring, energizing for employees, relevant in decision-making
   b. Ask stakeholders, particularly employees, for their input. Make sure C-level management and Board Members do not make this decision in isolation.
5. Define the strategy that delivers your purpose
   a. Your purpose will shape strategic choices. **Detailed strategy development is not the focus of this Playbook.**
   b. One key point to add. The strategy needs to be anchored in the future and ESG megatrends. The world of sustainability is moving fast and this is why it is critical to incorporate sustainability into the overall strategy and not treat it separately. The UN "shaping trends," can serve as a springboard from which you can develop your strategy *(figure 17)*.

"If you want to transform a company, you need to find the essence. Just like finding out your purpose in life, it's not up to you, not up to management to decide. It's not a rational choice. You don't decide what your calling is. You detect it."

Jorgen Vig Knusdstorp, CEO, Lego Group

Charles Kuonen Bridge, Randa, Wallis

"Purpose is not just a purpose statement. The exercise here is not to hire a PR firm to create your purpose in one-sentence. If you're an established enterprise, your foundational principle is already there. The job is to translate it into a set of principles and practices, then integrate it into the rest of what you do."

Ranjay Gulati, HBS Professor

Figure 16
Selected examples of company purpose

Company	Purpose
Patagonia	"In business to save our planet"
Roche	"Doing now what patients need next"
Buhler	"Innovations for a Better World"
Givaudan	"Creating for happier, healthier lives with love for nature."
Geberit	"Improve the quality of people's lives with innovative sanitary products"
Tesla	"We exist to accelerate the planet's transition to sustainable energy"

Figure 17
Sustainability Megatrends

Source: Report of the UN Economist Network 2020: Shaping the Trends of Our Time | United Nations

UN "Shaping Trends"

- Climate Change
- Urbanisation
- Technological Innovation
- Inequality
- Demographic Trends (esp Ageing)

Sustainability Mega trends

Decarbonisation - well known to all

Circular Economy
- Based around three principles - Eliminate Waste and Pollution. Circulate Products and materials, Regenerate nature
- The Ellen MacArthur foundation provides a comprehensive guide.

Science, Technology and Sustainability
- The most important missions outlined in the UNLEASHING SCIENCE from the International Science Council are in the domains of food, water, health, urban areas and climate & energy
- New technology (not just Green IT) can rapidly advance the sustainability agenda. How Tech Offers a Faster Path to Sustainability by BCG explains how

Regenerative Agriculture
- Farming practices which reverse climate change and rebuild soil organic matter and biodiversity
- Regeneration International provides more background.
- Regenerative agriculture - Danone give a practical example.

Improving the impact of your supply chain
- Environmental impact and traceability - e.g. CO_2 emission
- Social impact - e.g. Living Wage
- Cooperation - Tony's Open chain is an example

Case study: Unilever

Unilever clarified its purpose as "Making Sustainable Living Commonplace" and identified three key areas of focus to improve its impact as part of its strategy *(figure 18)*.

Case study: Schneider Electric

Schneider Electric anticipated major changes in its core markets due to sustainability megatrends, and focused on providing energy and automation solutions for efficiency and sustainability. Its strategy is built on six long-term commitments *(figure 19)*.

Figure 18

Unilever Positive Impact Strategy 2020 - 2030 (excerpts)

Source: Unilever

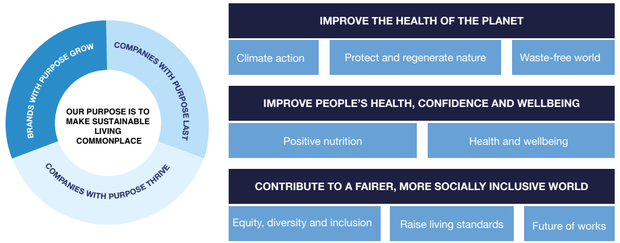


Figure 19

Schneider Electric's strategy is built on **6 long-term commitments**

1. **Act for a climate positive world** - by continuously investing in and developing innovative solutions that deliver immediate and lasting decarbonization in line with our carbon pledge of respondents
2. **Be efficient with resources** - by behaving responsibly and making the most of digital technology to preserve our planet
3. **Live up to our principles of trust** - by upholding ourselves and all around us to high social, governance and ethical standards
4. **Create equal opportunities** - by ensuring all employees are uniquely valued and work in an inclusive environment to develop and contribute their best
5. **Harness the power of all generations** - by fostering learning, upskilling and development for each generation paving the way for the next
6. **Empower local communities** - by promoting local initiatives and enabling individuals and partners to make sustainability a reality for all

Further inspiration

Materiality Assessment

GRI - The leading Sustainability Reporting Standard that is a useful starting point to get stakeholder input about purpose.
Identify material sustainability topics - the Impact Management Platform consolidates much relevant information.

Strategy Development & Impact

Impact Management Platform - Provides a general overview of approaches to sustainability

Purpose Development

There are plenty of resources to choose from on this subject. Here is our selection of resources, however you can find more online.
What Is the Purpose of Your Purpose? (HBR) - Provides a useful reference of the different types of purpose and how to develop one
The role of ESG and Purpose McKinsey - Explores the link between purpose and ESG
Put Purpose at the Core of Your Strategy (HBR) - Summarizes the benefits of purpose
4 strategies for sustainable business | MIT Sloan - Outlines 4 key elements of developing and implementing a Positive Impact Strategy

Books

- Let My People Go Surfing, Yvon Chouinard's Patagonia story
- Net Positive by Paul Polman & Andrew Winston - Describes the purpose-driven transformation of Unilever
- Deep Purpose by Ranjay Gulati, a Harvard Business School professor's view on purpose

3
Clear SDG Commitments

Have you linked your strategy to the SDGs, and are your commitments to these goals clear?

Why is this important?

The SDGs provide the right framework to ensure your company purpose and strategy have a positive impact
Just having a purpose is not enough – businesses must step up and address the major social and economic challenges that we face. To guide not only businesses, but also individuals and other institutions, the UN developed 17 Sustainable Development Goals to achieve or make progress on by 2030. Businesses play a crucial role.

It is vital that you align your strategy with SDGs and lay out a clear pathway to act
Aligning your Positive Impact Strategy with the SDGs, an internationally recognized framework, provides benchmarking analysis. By identifying which of the SDGs are most relevant to your business and mobilizing your organization to take action in line with these targets, your company can build the foundation for a stronger future while maximizing its positive impact on society and the environment.

Credibility is king: Making clear public commitments and working with external auditors increases the chance of enacting your Positive Impact Strategy
Public commitments demonstrate that the CEO and Board want to be held accountable for your strategy. As soon as your commitments are made public, you will feel pressure to not make empty promises – which is empowering and positive. External validation from independent sources builds your company's credibility, which in turn benefits your standing and impact.

External context

Climate pledges: The hard truth
Most climate pledges will not deliver what they claim. It is vital that companies make more robust plans using best-practice approaches to avoid justified accusations of greenwashing.

The CDP has found that few of the companies disclosing their emissions reduction targets had robust carbon reduction plans.

- Less than 35% are credible or validated by the Science-Based Targets initiative (SBTi)
- Only 6% disclosed details of a net zero target
- Less than 1% reported on all the 24 indicators of the CDP model transition plan[1].

The New Climate Institute found that only 20% of the reduction in GHG emissions covered by pledges of large companies are backed up by committed reductions[2].

Switzerland's Sustainable Development Strategy
Implementing the SDGs 2030 agenda is very important to Switzerland. The country is advanced with respect to some of the goals. However, more still needs to be done in areas where special action and coordination at a federal level is required. *(figure 20)* These are the goals Switzerland has chosen to focus on:

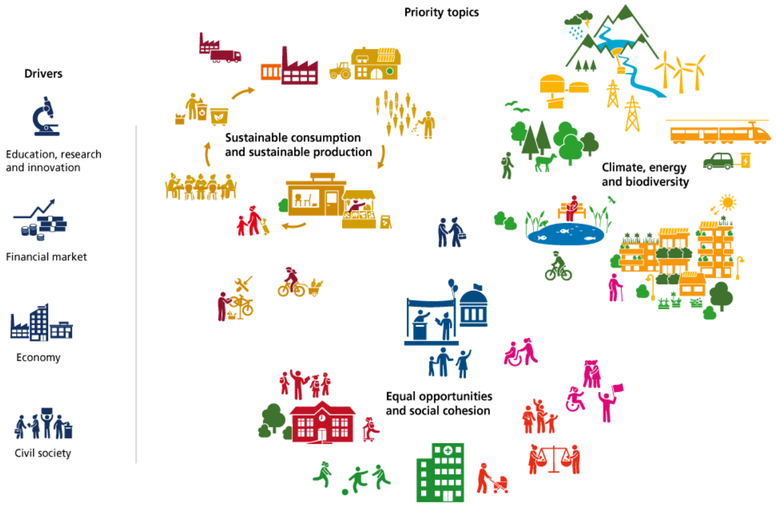
Sustainable consumption and sustainable production
Promoting and facilitating sustainable consumption patterns, ensuring prosperity and well-being while protecting natural resources, furthering transformation of sustainable food systems in Switzerland and abroad, strengthening corporate responsibility in Switzerland and internationally

Climate, energy and biodiversity
Reducing greenhouse gas emissions and managing climate-related impacts, reducing energy consumption, using energy more efficiently and expanding renewable energies, promoting and regenerating biodiversity

Equal opportunities and social cohesion
Promoting individual self-determination, ensuring social cohesion, guaranteeing real equality between women and men.

1 Source: CDP Climate Transition plan Disclosure 2021
2 Source: New Climate Institute - Corporate Climate Responsibility Monitor 2022

Figure 20



Checklist

Do you know how your business will contribute to the SDGs?

- Do you have the right tools to measure your contribution?
- Has this been incorporated into your strategy?
- Do you have clear targets and a clear plan of action?
- Have these targets been externally verified?
- Have these targets and timelines been made public?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

The four steps of ensuring your strategy contributes to the SDGs are:

1. Understand and measure the impact of your company's activities and impact on all stakeholders, and link these to the SDGs. Multiple approaches are possible – GRI sets useful standards in this area.
2. Prioritize the SDGs that have the most impact. The concept of double-materiality is important – what is the material impact of the company on stakeholders and the material impact other stakeholders can have on the business?
3. Define your company's ambitious goals to contribute to the SDGs between now and 2030.
4. Develop the action plans and put resources in place to deliver on your objectives. This can include actions in collaboration with your supply chain, customers or industry partners.

Swiss Triple Impact program
The Swiss Triple Impact (STI) program, developed by B Lab Switzerland and supported by the Swiss Confederation, has already helped. over 300 national, multinational and public sector businesses complete these steps.

The program is facilitated by STI experts who lead a series of interactive workshops, conducted with cohorts of c.10 businesses to encourage sharing of best practice and the co-creation of solutions. They allow participants to become part of an ecosystem committed to the achievement of the 2030 agenda and therefore increasing their impact.

The SDG Action Manager (SDGAM), is an impact management tool that has been developed to help companies progress through the STI program. It was developed by B Lab Global in collaboration with the UN Global Compact. After they complete the program, companies whose pledges and plans meet the STI standards will be featured in a national STI directory of Swiss companies committed to the SDGs.

STI Participant Feedback
"The STI program helped us develop all facets of sustainability. We focus on where we have the greatest positive impact on the environment. This is of great importance to our customers and guests, and every day our employees support this action with enthusiasm and pride."
Thomas Truttmann, Managing Director, Compass Group (Schweiz) AG

These are some examples of pledges from the STI directory:

- "By 2025, we will be a climate-neutral company (Scopes 1, 2 & 3) and commit to the Science-Based Targets Initiative (SBTi)."
  Industrial Manufacturing Company
- "By 2024, 100% of our packaging will be made from renewable, biodegradable or fermentable raw materials."
  Catering & Event Management Company
- "By 2024, we ensure that 100% of our suppliers from risk countries comply with the Core Labour Standards according to the ILO and verification will be carried out by external specialized organizations."
  Housewares / Home Furnishings / Accessories Company
- "By 2023, we will increase equality in the workspace by 50% for all our employees, ensuring min. 50% non-cis-male employees, no gender pay gap and gain third-party Swiss LGBTI certification."
  Pharmaceuticals & Supplies Company

STI Fast Track
Companies that already have an established track record in sustainability and have already made commitments to certain SDGs can join a shortened version of the program: STI Fast Track. They can enter the STI directory after a B Lab directory verification of the pledges. This review confirms that they have aligned their strategy with the SDGs and made measureable SDG pledges backed up by realistic and robust plans.

Science-Based Targets Initiative (SBTi)
More than 2,000 businesses around the world are already working with SBTi to confirm that their emissions targets are consistent with the reductions required to mitigate the level of global warming to 1.5°C above pre-industrial levels.

Further inspiration

- **An overview of the United Nations SDGs**
- **SDG webinars from the UN**
- **Full details of the STI program**
- **Access the SDG Action Manager**
- **More info about the SBTi**

Euseigne Pyramids, Valais

4
Track your progress

Do you have the right sustainability KPIs, plans and measurement tools to monitor progress?

Why is this important?

Like all strategies, your Positive Impact Strategy must identify key outcomes to be delivered as well as supporting plans to deliver
The strategy must outline the short-, medium- and long-term outcomes (including the SDG pledges) it will deliver. Without this, there is a real risk of confirming skeptics' views that the strategies are merely more examples of corporate "greenwashing."

Boards must ensure these ambitious targets are delivered.
These strategic KPIs need as much Board attention than traditional financial metrics. Unless Boards monitor intermediate plans and provide the necessary investment to deliver the outcomes, they are unlikely to be fulfilled. Regular communication of progress is vital to delivering the commitments – particularly to build belief with employees and other stakeholders.

Upfront effort will be needed to ensure accurate metrics are available
Monitoring Positive Impact Strategies requires new metrics. In many cases, these are not currently defined or collected. This needs to change. And to do so, it may also require new systems.

These SDG pledges are not soft targets that can be missed if the financials are on track; new mandatory disclosure standards will likely cover these KPIs
The IFRS Trust has formed the International Sustainability Standards Board to deliver the same degree of transparency for ESG metrics as there is for traditional financial metrics. Boards will be obliged to apply the same scrutiny to this broader set of KPIs as the financial measures to be sure that the strategy is being acted upon.

"The SDGs are important global goals. They provide companies with the ultimate measure of whether they positively impact society and if they help support a just transition."

Knut Haanaes, Professor of Strategy IMD and Lundin Chair of Sustainability

Checklist

Are you tracking your Positive Impact Strategy implementation to ensure it is delivered?

- Have you made clear pledges to contribute to the SDGs?
- Are the other outcomes of your Positive Impact Strategy clear?
- Are they supported by robust implementation plans?
- Have you avoided back-end loaded plans for delivery?
- Have you identified the KPIs to track progress?
- Are the metrics behind these KPIs as robust as your financial metrics?
- Are you tracking progress quarterly and communicating this internally?
- Do you have the systems needed to support that tracking?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

Set KPI targets

Set clear targets for each initiative or important outcome within your Positive Impact Strategy. The targets should **M²AP** onto your Positive Impact Strategy.

This means they must be **Material, Measurable, Ambitious and Purpose-linked**. This methodology ensures that you choose only the priority actions needed to deliver your strategy *(figures 21)*.

- Develop measurable intermediate steps, or short-term initiatives that serve as stepping stones until long-term solutions are in place. This is a key ingredient to building belief both externally and internally.
- Set targets at least annually, or quarterly if possible.
- Include KPIs that reflect current and likely future public-reporting requirements for ESG metrics.
- Remember to include some cultural and leadership building blocks in the KPIs. Though they are harder to measure, they are essential to delivering concrete results.

Deliver and monitor KPIs

To maximize success, ensure you have the **PURE** actions to deliver the KPIs:

- A **Plan** to deliver is credible and agreed upon by the board. For example, validate pledges on CO_2 emissions with the Science-Based Targets Initiative confirming the plan is in line with the path to reduce emissions in line with the Paris Agreement.
- **Urgent** – action must start now. The plan phasing is realistic and not back-end loaded making achievement of the early-years targets meaningless.
- **Resources** and capabilities needed are identified and are in place.
- **Evaluations** are regularly conducted. Boards should review progress quarterly and evaluation should also be conducted by all stakeholders so KPI progress and problems are transparent.

Figure 21

M²AP and PURE

SET KPI TARGETS

Set clear targets for each initiative or important outcome of your Positive Impact Strategy.

The targets should M²AP onto your Positive Impact Strategy

- ---> MATERIAL
- ---> MEASURABLE
- ---> AMBITIOUS
- ---> PURPOSE-LINKED

DELIVER AND MONITOR KPIS

The right plans and processes need to be in place to deliver your strategy.

To maximize success, ensure your actions meet the PURE criteria

- ---> PLAN
- ---> URGENT
- ---> RESOURCES
- ---> EVALUATE

Figure 22 **Case study: Schneider Electric's KPI Framework**

Schneider Electric identified 11 global KPIs to deliver on its six long-term commitments, plus it required all its country and zone leaders to identify local commitments that impact local communities in line with their sustainability priorities.

Source: Schneider Sustainability Impact 2021-2025 program

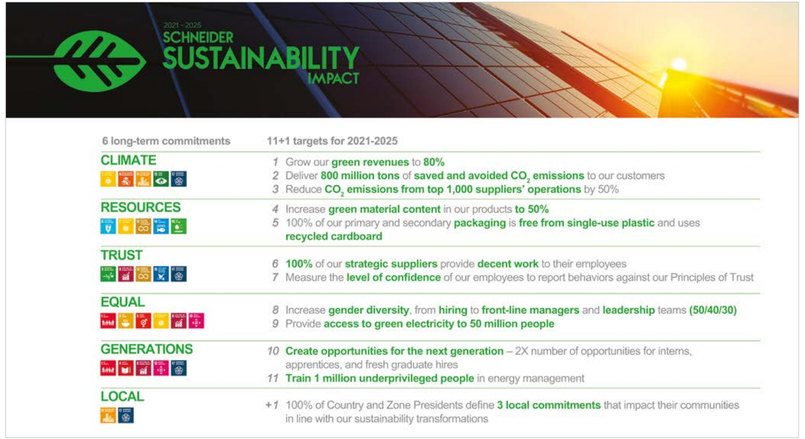


Figure 23 Case study: Danone's KPI Framework

"Selecting KPIs is not an easy task, as they must translate the mission and vision of sustainable business into practical deliverables. It was thus essential to define KPIs that are robust, actionable, and measurable. This will give us confidence in our ability to measure impact and monitor the trajectory of change."

Gabriela Ilian Ramos, Danone Board Member

Danone has a broad set of KPIs to monitor progress, from consumer-facing metrics, supply chain impact metrics and ultimately the percent of the business covered by B Corp certification.

2021 KPIs Selection overview	Landing 2019	Landing 2020	Landing 2021
Volume of healthy categories (=can be consumed daily) (%)	90%	90%	90%
Volumes sold without added sugar (%)	82%	82%	80%
Volumes sold with Front of Pack Labeling (%)	68%	96%	>96%
Volumes compliant with internal sugar target (%)	85%	93%	95%
Climate change: CO_2 volume reduction full scope like for like vs. previous year (%)	-10.8%	-4.6%	-3%
Regenerative Agriculture: volume of key ingredients directly sourced having started the transition towards Regenerative Agriculture (%)	-	10%	15%
Circular economy: packaging reusable, recyclable or compostable (%)	81.3%	81%	84%
Sustainable engagement level of Danone's people above peers (One Voice/ DPS consultation)	ABOVE PEERS		
Inclusive transformation: Gender pay gap (in point) - FutureSkills program deployment (% of CBUs with eligible people that have proposed the program)	3.4pt NA	3.2pt NA	< 3pt 100%
Access to safe drinking water: Nb of people daily reached in millions	5.7M	9M	10M
Responsible Sourcing & Supply chain due diligence and Human Rights: Supplier registration and Self Assessment (%)	96%	93%	98%
Be certified as a B Corp Company (% of net sales covered by B Corp certification)	36%	49%	60%

Further inspiration

KPIs overview

Measure Sustainability Performance - Impact Management Platform - Contains multiple relevant measurement sources.

A collection of best practice reporting examples selected by the World Business Council for Sustainable Development: **Reporting Matters 2021**, including **Storaenso Sustainability targets and KPIs**

The latest regulatory requirements for ESG reporting can be found here:

International Sustainability Standards Board.

Corporate sustainability reporting | European Commission.

A note on ESG data collection

A major challenge in monitoring progress for many businesses is data collection. Often ESG KPIs are on spreadsheets that are separate from main accounting and ERP systems. This poses problems. This Playbook does not recommend any particular ESG management system, but there are an increasing number of advisors who can help you choose the system that meets your company's needs.

5
Support from the Board

Is the Board effectively supporting execution of the Positive Impact Strategy?

Why is this important?

The SDGs provide the right framework to ensure your company purpose and strategy have a positive impact

A review of the 100 most sustainable companies in the world by Corporate Knight emphasizes the critical importance of the Board's role in closing the "say-to-do" gap. [1]To close this gap, Boards need to ensure that progress is being made and roadblocks are eliminated. This means the operating approach currently used by your Board may need to change.

Boards must also support the executive team in implementing the Positive Impact Strategy and help inspire change within the organization

This internal paradigm shift is impossible without the support of the Board. Executives are responsible for the complex task of taking account of a company's actions on stakeholders. Boards can support the CEO and executive team on this long-term journey by avoiding too much focus on short-term profits and shareholders' needs in discussions. In addition, strong Board engagement with employees and key stakeholders externally is an essential part of boosting credibility in this new approach.

Board Members should look out for emerging ESG challenges and opportunities

By regularly scanning the external environment for changes and new challenges, Board Members can bring opportunities and innovative ideas to the table. The ESG arena evolves so rapidly, staying up-to-date with changes is imperative. Only through having new voices heard in the Boardroom can the Board Members gain new insight firsthand and ensure that the Positive Impact Strategy remains relevant.

1 Source Corporate Knight's annual review of the 100 most sustainable businesses

External context

Board Meeting content

There are big barriers to Boards effectively integrating the Positive Impact Strategy. Only half of boards discuss the ESG at every meeting, and 43% cite a lack of commitment to really adopt stakeholder governance principles in decision-making *(figure 24 and 25)*.

Managing trade-offs is challenging

While 30% of Board Members believe that they are significantly following a Positive Impact Strategy approach, over two-thirds of Board Members admit there are significant differences of opinion in managing the implicit short-term and long-term trade-offs *(figure 26 and 27, next page)*.

Figure 24

How frequently does your board discuss ESG strategy and reporting? % of respondents answering

Source: EY Long-Term Value and Corporate Governance Survey, February 2022 (total respondents: 200)

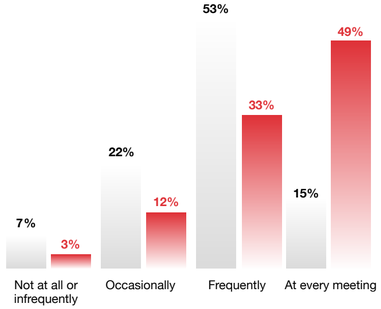


Figure 25

Which factors have the greatest impact on your ability to deliver a strong ESG proposition? % of respondents

Source: EY Long-Term Value and Corporate Governance Survey, February 2022 (total respondents: 200)

	2022 survey
Lack of commitment from the board to make decisions that fully integrate ESG factors and creat long-term value	43%
Lack of internal processes or metrics to measure the non-financial drivers of long-term value, such as human capital	41%
Limited board diversity or knowledge in key areas	37%
Siloed or inflexible organizational structure	34%
CEO and executive compensation are tied to short-term performance	33%
Misaligned business strategy and/or growth targets	29%
Limited near-term liquidity	24%
Misaligned organizational culture and behaviors	21%

Figure 26

To what extent do board members…
% of total respondents

Source: EY Long-Term Value and Corporate Governance Survey, February 2021 (total respondents: 100)

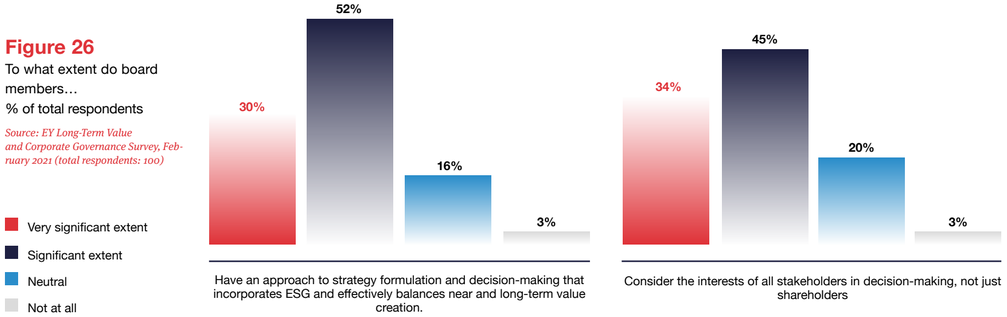
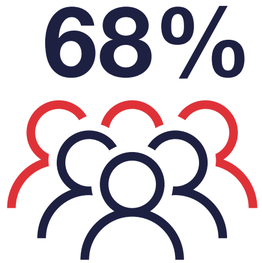


Figure 27

What percent of boards have significant internal differences opinion on how to ballance short term considerations with long term investments and sustainable growth.

Source: EY Long-Term Value and Corporate Governance Survey, February 2021 (total respondents: 100)



Checklist

Has your Board integrated your purpose-driven strategy and SDGs into its way of working?

- Do you have an outside-in stakeholder perspective present at every Board Meeting?
- Has each Board Member spent time with employees in the last six months?
- Has your Board spent time with other stakeholders – excluding shareholders – in the last six months?
- Is your board actively supporting executives in managing the additional complexity of adopting stakeholder governance?
- Are you spending enough time scanning the external environment for ESG-related risks and opportunities?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

These six steps are useful in ensuring that the Positive Impact Strategy is fully integrated into the Board's way of working:

1. **Continue building knowledge and expertise**
   Visit Answer 1 - Build existing Board Member ESG capability on *page 28* for this essential step.

2. **Increase the Board's direct exposure to diverse stakeholders**
   Ensure there is an outside-in perspective for ESG topics at each Board Meeting, plus regular interaction with multiple stakeholders, including groups that are critical of your company. Interaction with employees at all levels is also essential and should happen every six months.

3. **Look at the Board structure with fresh eyes**
   Every member of the Board should take responsibility for the delivery of the Positive Impact Strategy – it should never be delegated to a sub-group. A separate sustainability committee can be helpful in building expertise and momentum and can handle more technical decisions, but not in isolation from the full Board. It is crucial that the Positive Impact Strategy is fully integrated into all risk management processes.

4. **Make implementation a priority**
   The Positive Impact Strategy road map and KPIs should be part of regular quarterly reviews by the Board. Annual progress reports, reviews of competitors and discussion of future ESG scenarios are beneficial.

5. **Assess the Board's decision-making process**
   Board Members should consider long-term perspective when they make decisions. Consider appointing a Board Member who reminds them of this during each discussion. Another way to avoid too much attention on short-term implications is to allocate Board Members to groups of stakeholders whose voices are present during decision-making processes.

6. **Consider behavior and culture**
   If your business is to reflect the needs of all stakeholders and follow a new purpose, this will require a refreshed culture and behaviors. Leading by example is the name of the game. Board Members must take the lead in demonstrating new behaviors. We outline how companies can do this in the next section, but the first step is ensuring Board Members serve as role models.

When it comes to a shift in culture, Boards should support this transition by ensuring that there is a clear plan to develop the right culture and monitor how it is being implemented.


Sargans, Skt-Gallen

Figure 28

The different levels of managing Positive Impact Strategy

Focus 15/ IFC have outlined four different levels of board governance in implementing the strategy

Source: Sustainability Committees - Focus 15 with the IFC

	ORGANIZATION	TYPE OF COMPANY	EXPLANATION
LEVEL 1: BASIC PRACTICES	Full Board taking responsibility for sustainability; no committees	For companies that are less complex and have few sustainability issues	The Board has direct responsibility to ensure that sustainability considerations are integrated in strategy and execution of business plans. This requires the Board to have the capacity and knowledge to effectively govern the sustainability of the company.
LEVEL 2: INTERMEDIATE PRACTICES	Either management committee or Board committee	Companies at an intermediate level of maturity	Creation of a management structure, including a function or a committee responsible for sustainability. Alternatively, the Board may establish a committee that oversees sustainability. The functions that have sustainability duties also report to the Board committee.
LEVEL 3: GOOD INTERNATIONAL PRACTICES	Both management and Board committees	For companies that have complex and high-impact operations	Both a Board committee and a management committee (or alternatively, a dedicated function). It ensures that the governance and operational aspects of sustainability integration receive dedicated oversight.
LEVEL 4: LEADERSHIP	Management and Board committees functioning in an integrated way	For leading businesses	The optimal approach is that the committees operate as integrated parts of the overall governance system overseen by the Board.

Case study: ABB's approach

More advanced companies are taking an approach similar to ABB's, with different groups active at all levels in the organization *(figure 29)*.

Figure 29
ABB's approach

Governance & Nomination Committee - ABB's Positive Impact Strategy
Entire board - sustainability targets and its annual Sustainability Report
Compensation Committee - links ABB's remuneration policies to its sustainability targets

Group Executive Committee - Positive Impact Strategy implementation and monitoring

Health & Safety Executive Team - approves and monitors the Annual Plan, and assesses risks and opportunities for the company
Sustainability Council - Group Head of Sustainability and reps from business units; ensure alignment on the strategic direction of sustainability and sharing of best practices.
Sustainability Leads - drive strategy in each business unit

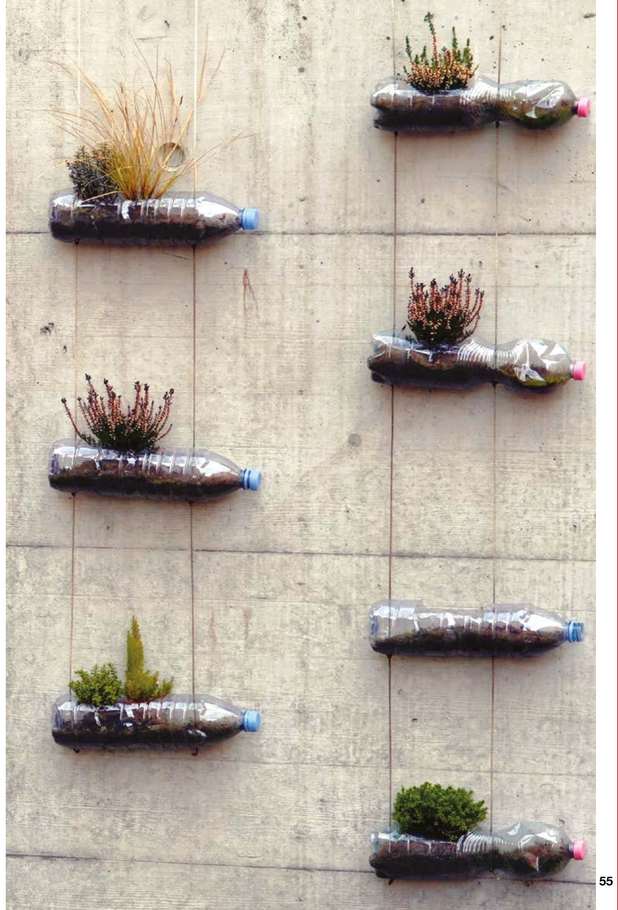
Topic-specific Workgroups - appointed by the Sustainability Council to provide expertise and develop methodologies on important topics
Divisions - develop their own sustainability governance, capabilities and organizational model

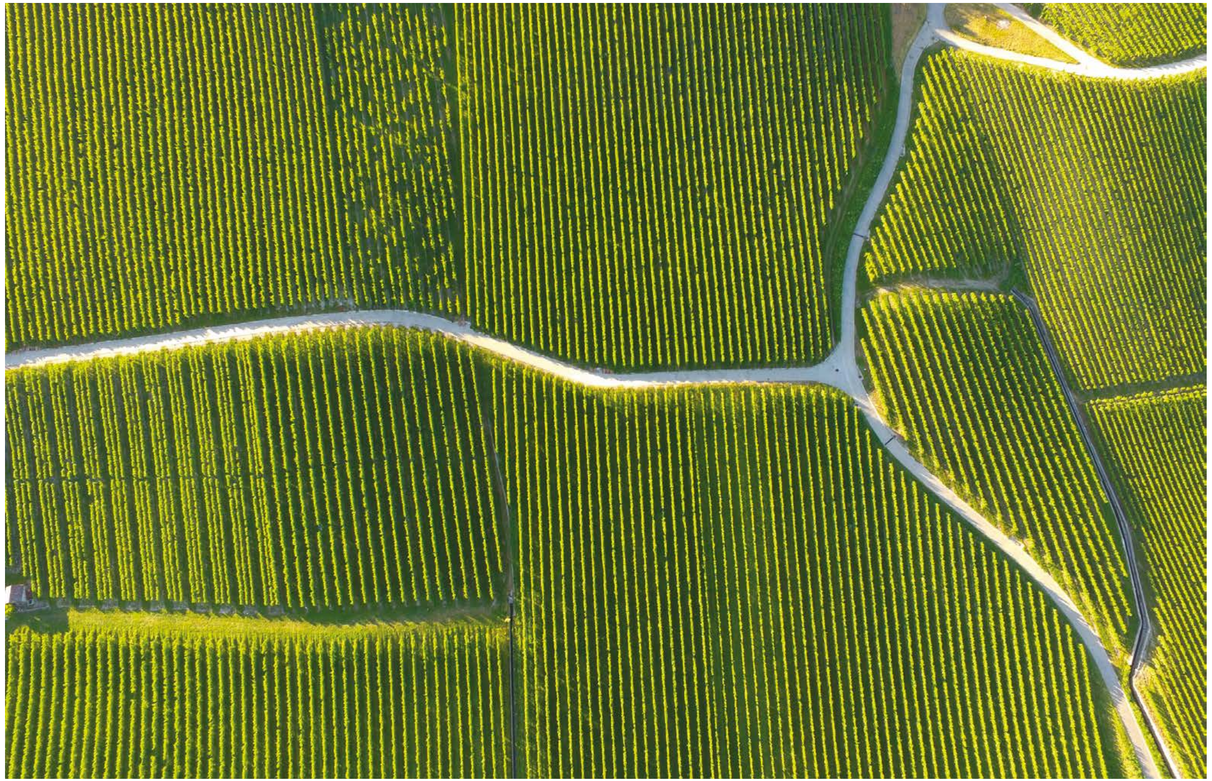
Further inspiration

Corporate Knight's annual review of the 100 most sustainable businesses.

Said Business School in Oxford has produced a useful framework called SCORE for Boards to consider their impact on sustainability from "developing the purpose" to "being role models of stakeholder governance." It was published in the Harvard Business Review: **"The Board's Role in Sustainability".**

Russell Reynold's Board Self-Assessment Tool.
This international headhunting firm, has produced a Board Self-Assessment Tool to determine how capable the Board is to drive sustainability through the organization: **"The Board's role in sustainable leadership".**





6
Effective Company Bylaws

Do your company bylaws reinforce stakeholder governance?

Why is this important?

Company bylaws define the objectives and duties of company leaders
Directors and Board Members operate within the framework of corporate laws to deliver on a strategy that is consistent with company objectives and ensures the business' longevity. The Articles of Association lay out what responsibilities Board Members have and require them to work in the best interest of the company.

Company bylaws generally are not consistent with stakeholder governance
Company directors say that legal duties are among the top five barriers to fully embracing a Positive Impact Strategy *(See figure 30)*.

Remove this barrier by making our recommended bylaw changes
Once the stakeholder governance approach is embedded in your company bylaws, it establishes clarity and enforceability in the approach directors, Boards and even shareholders should take. It also sends a powerful message internally and externally about who makes decisions, how they make them and what must be considered.

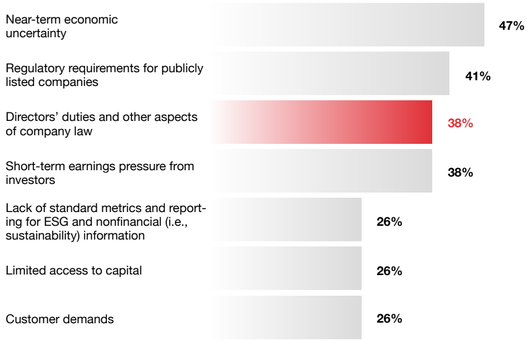
External context

Strategy's biggest roadblock
The scope of directors' duties is an important barrier to the Positive Impact Strategy being fully implemented. Interestingly, this is particularly pronounced in lower-growth businesses, possibly because the pressure on the Board to produce short-term results is stronger *(figure 30)*.

A force of 20,000+
Over 5,000 companies have adopted B Lab's bylaw changes to reflect stakeholder governance, and another 15,000 worldwide have adopted a formal Benefit Corporation legal status, in the countries where this exists.

Figure 30
Which of the following external factors have the gratest impact on your ability to generate long-term value through a strong ESG proposition?
Percentage (%) of respondents, in flatlining or declining companies.

Source: EY Long-Term Value and Corporate Governance Survey, February 2022 (total respondents: 200)



"For 100 years, the owners of Weleda have striven to maximise its long term value. The recent by-law changes re-emphasised that all stakeholders, the planet and society must be taken into account. In all discussions between shareholders, the Board and Executive Boards there is a strong commitment that Weleda will fufill this commitment, whilst addressing the tension between what is possible and what is desirable".

Michael Brenner, CFO Weleda

Checklist

Have you changed your legal bylaws to reflect stakeholder governance?
- Does your company's Legal Object take into account the impact on all stakeholders?
- Do the duties of directors require decision-making to take into account the impact on all stakeholders?

If you answered "no" to any of these questions, go to "Changes in company bylaws" under the "Take action" section

Have you implemented a stakeholder governance approach?
- Are all stakeholder views heard in Board Meetings?
- Do Board decisions consider the material impact on all stakeholders?

If you answered "no" to any of these questions, read the "Implementing a Stakeholder Governance Approach" under the "Take action" section

Take action

Changes in company bylaws: SBA2030 Toolkit
In Switzerland, where corporate law is flexible, a change in company bylaws can require directors and Board Members to take into account a non-exhaustive list of stakeholders when making decisions in the best interest of the company.

To change the bylaws, you can follow these steps:
1. Review the bylaws to identify necessary changes (recommended wording follows)
2. Engage the Board to build support for the change with the necessary legal expert input if required
3. Engage with Shareholders to ensure alignment with objectives of change
4. Gain formal board approval
5. Gain shareholder approval

This is the recommended wording in English for a Swiss SA. All the relevant Swiss versions are available on www.SBA2030.ch

Amendment to the company object:
"The Company, by pursuing its purpose, shall, through its business and operations, strive for a material positive impact on the society and the environment."

Amendment to the duties of directors and managers:
"In the decision process, the Board of directors and the officers shall take into account the short- and long-term interests of the Company, its subsidiaries and their suppliers, and the object of the Company to create a positive material impact on society and the environment as well as the impact of their actions towards the relevant stakeholders, amongst others: (I) their employees and their workforce, (II) their customers, (III) the regions and communities in which they are active and (IV) the environment (the "Stakeholders interests"). Nothing in this Article express or implied is intended to or shall create or grant any right or any cause of action to, by or for any person (other than the Company)."

Implementing Stakeholder Governance
After updating the bylaws, board and operational decision-making needs to change to reflect the needs of all stakeholders – this is at the core of a Positive Impact Strategy. Therefore, you will need to put into place a process that ensures all these questions are taken into account for every major decision:

- Who are the stakeholders materially affected by this decision?
- Do you understand the short-term and long-term impact on them?
- Have ways to mitigate any negative impacts been explored?
- Does the decision-making process explicitly outline the different profit, risk and material impact (on all stakeholders) of the different options?
- Did you explicitly discuss and resolve the trade-offs between competing stakeholder interests?

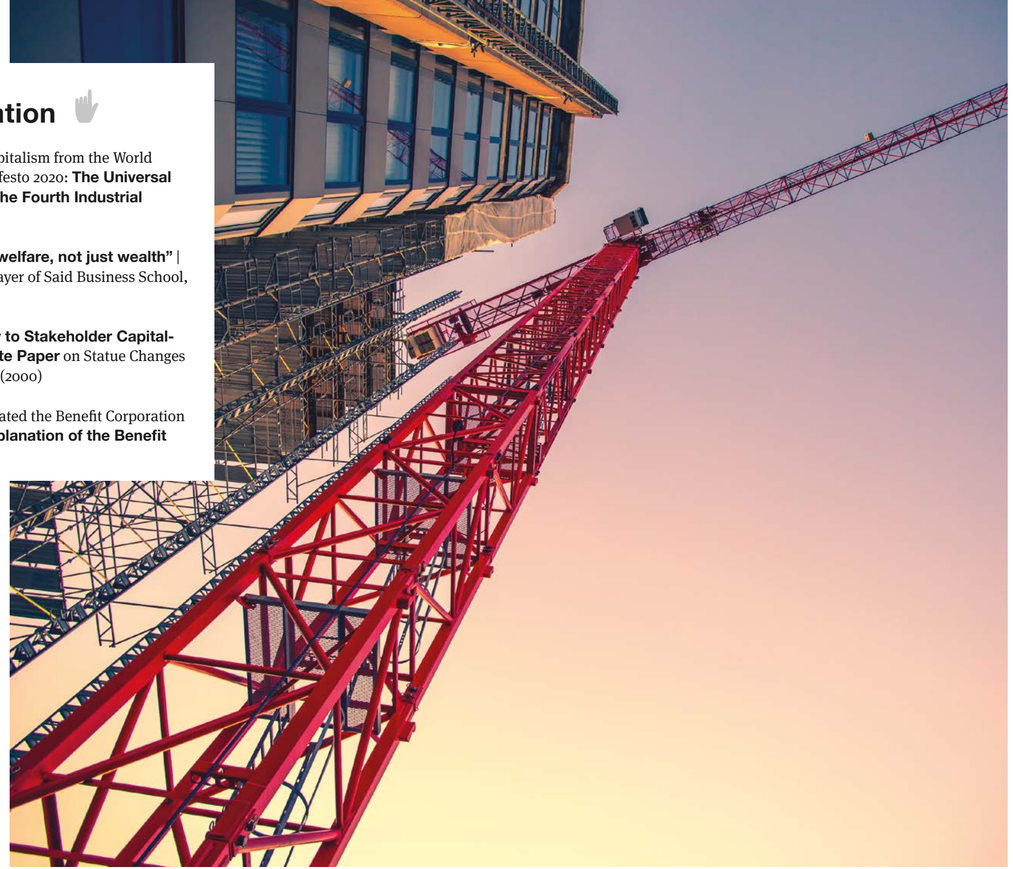
Further inspiration

Manifesto for Stakeholder Capitalism from the World Economic Forum Davos Manifesto 2020: **The Universal Purpose of a Company in the Fourth Industrial Revolution**

Business should promote welfare, not just wealth" | IESE - View from Professor Mayer of Said Business School, Oxford

From Shareholder Primacy to Stakeholder Capitalism - A detailed B Lab White Paper on Statue Changes and Stakeholder Governance (2000)

Several jurisdictions have created the Benefit Corporation company status - **Further explanation of the Benefit Corporation**



7 Incentives to Activate Strategy

Are the right incentives in place to drive the delivery of your Positive Impact Strategy?

Why is this important?

Boards increasingly view incentives as the priority action to activate their Positive Impact Strategy

The most-cited governance change that Boards say will empower them to implement their strategy is new incentives. Many larger companies now include some ESG-related elements in their short-term and long-term bonus schemes.

There are other ways to motivate executives and employees to drive the ESG strategy

Financial incentives aren't the only source of motivation. Committed leaders naturally gain a strong intrinsic motivation from the process of setting targets, measuring performance and meeting goals for their organization. Clear accountability and a strong personal connection between employees' own purpose and the company's purpose can be the most powerful tools that power the right actions, and in turn, positive results. Promotion and recognition are also powerful motivators and should be used for those who support the strategy.

Boards must determine the role, if any, of financial incentives

Different companies have tried different approaches to reward delivery of a strategy. Some included financial incentives, others did not. Boards need to decide for which groups of employees financial incentives should be used. There can also be clear benefits to signaling the importance of specific targets or commitment to the Positive Impact Strategy. However, without simplification, ESG further complicates an already-complex approach to executive incentives.

Incentives must encourage long-term thinking that considers material impacts on all stakeholders

Companies that have ESG incentives focusing on the material issues tend to outperform financially. CEOs and executives need to think long-term; after all, the time horizon of many ESG issues extends well beyond their tenure. The Board must also evaluate how effectively rewards are incentivizing executives in the right way.

External context

Companies are increasingly adding an ESG component to their incentive plans, often focusing on climate-related issues and using short-term incentive structures.

In Switzerland, almost 65% of the SMI companies have some form of ESG-related bonuses, but only 25% have solid KPIs supporting ESG compensation. The focus of these incentives is generally emission reduction and waste recycling *(figure 31)*.

There also tends to be a focus on short term incentives. In the UK, almost 40% of FTSE100 companies have an ESG measure in annual incentive plans, and only 20% incorporate ESG in their long-term plans *(figure 32)*.

Figure 31

Number of SMI companies linking compensation to ESG

Number of companies (#)

Source: Russell Reynolds. SMI Board & Executive Committee Study 2021

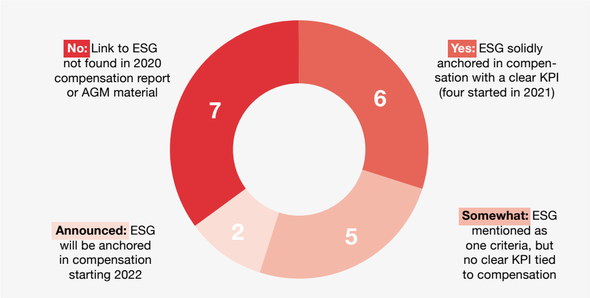
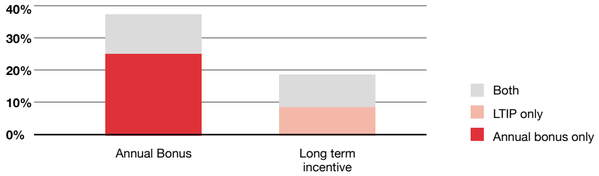


Figure 32

Percent of FTSE 100 companies with at least one ESG measure in the following incentives:

Percentage of responding companies

Source: Paying well by paying for good by PWC, London Business School and the Centre for Corporate Governance



Checklist

Do you have incentives which will support delivery of your sustainability strategy?

- Does the Board have a clear plan to maximize the mix of intrinsic personal motivation and recognition for executives to deliver the strategy?
- Does the board have compelling evidence on the effectiveness of financial incentives in changing behavior of the executive team?
- Does the board have a clear view on whether short-term incentives should be linked to any deliverables of the Positive Impact Strategy.
- Are all incentives aligned with the values and encouraging the right behaviors to deliver the Positive Impact Strategy?
- If you have ESG-related incentives already, are they all linked to material issues?
- Is the Board clear on whether ESG incentives should focus on a few KPIs or a broader scorecard? And why?
- Can everyone in the company benefit from these incentives?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

1. Develop an integrated plan that encourages the right behaviors and decisions to support the implementation of your Strategy
   - Start with maximizing executives' intrinsic motivation by ensuring their personal purpose aligns with the company's purpose.
   - Make sure they are clear on their accountability for delivering results. Recognition and career development should be the next levers.
   - Incentives should be considered last. It is important to be clear how will change their behavior and outcomes.
2. Review executives' long-term incentives to assess if they are aligned with the Positive Impact Strategy
   - Delivering the Positive Impact Strategy maximizes the long-term value of the business. Long-term equity value incentives should be the focus with as long a holding period as possible.
   - Additional long-term metrics should only be added: if it becomes necessary to capture an objective which is unlikely to be reflected in the long-term value to the firm, e.g. to encourage actions that cover low-probability/high-risk events.
3. Review executives' short-term incentives to assess if they are aligned with the Positive Impact Strategy
   - Ensure short-term incentives supports behavior that is consistent with the long-term goals of the Positive Impact Strategy.
   - When adding ESG components, remove other elements from the bonus and have an ESG weighting at least 25% of short-term bonuses.
   - Identify which outcomes need short-term incentives. This may be relevant for hygiene factors such as health and safety, workforce diversity and some other easy to measure short-term objectives.
4. Rebalance reward to encourage, sustained and long term ESG improvement
   - Generally favour output rather than input. Use a balanced ESG scorecard to ensure holistic delivery unless there are only a few material ESG issues to address.
   - Only reward sustained progress against SDGs, not one-offs
   - Look for opportunities to shift weighting from short- to long-term incentives or to convert favourably to long term incentives (See DBM example).
5. Incentives to drive the Positive Impact Strategy should be available to all employees. Those who are lower in the organization are likely to have a shorter-term horizon than executives.
6. Executive pay outcomes must be fair and their impact on internal salary inequality should be reviewed by the board.
7. Goals should be credible and their outcomes are difficult to manipulate. Setting the right stretch for new measures can be tough, so review regularly and recalibrate when necessary.

The Board bears ultimate accountability for aligning pay with the long-term health of the business, and correcting unintended negative consequences of incentives. Keep in mind that ESG metrics can be difficult to calibrate and add complexity.

Take action (continued)

Examples of ESG-related incentives

DSM - Annual, Deferred Annual and Long-Term Incentives. DSM has an interesting approach. It has both long term and short term ESG incentives, and the short term incentives can be rolled over, on favorable terms, into longer term incentives

BT long-term incentive underpin
BT (UK quoted business) has an underpin on its Long-term Incentive Plan. It pays out at the end of the three year vesting period only if there are no ESG issues resulting in material reputational issues in addition to the normal performance requirements. Malus and clawback provisions apply.

Source: Annual Reports

DSM Executive Incentives

Short-term Incentive (STI) Aligns short-term business objectives and business drivers with strategic company objectives.	The Supervisory Board sets goals stretching yet achievable targets: • 50% target is linked to financial objectives • **50% target is tied to sustainability aspirations and individual goals**
STI deferral & matching Ensures that longer-term considerations are sufficiently considered in pursuing short-term objectives.	**Short-term awards can be converted into shares, with 1:1 company matching with Performance Share Units (PSUs).** The PSUs vest upon the realization of predefined goals (same as the LTI program), after a three-year vesting period.
Long-term Incentive (LTI) Focus on long-term value creation. Designed to ensure that decisions made are in the long-term interests of all stakeholders.	PSUs are awarded every year, to be converted into shares upon realization of predefined targets, after a three-year vesting period. Shares must be held for a further two years. Performance goals are based on company strategy, driving long-term value creation: • 50% of target LTI is linked to financial goals • **50% is linked to sustainability aspirations**

Further inspiration

Paying well by paying for good - A comprehensive study published jointly by PWC, London Business School and the Centre for Corporate Governance. It covers in detail many of the major issues and important nuances of incentives backed up by academic research.

Road to net zero… incentivising leadership (Deloitte) - Summarizes sustainability incentives in UK companies

Aligning Pay, People and Planet by the Diligent Institute reveals trends in ESG-related incentives in different countries and sectors

Executive pay and climate: can bonuses be used to reduce emissions? - Published by the Financial Times

8 Company Culture & Leadership Capabilities

Do you have the leadership culture and capabilities to deliver your Positive Impact Strategy?

Why is this important?

There are two clichés that fit this theme:
"Vision without execution is hallucination." CEOs and Boards need to ensure that the capabilities, processes, systems and organization are in place, otherwise the strategy is just an illusion.

"Culture eats strategy for breakfast." Company culture, shaped by values, authentic leadership, behaviors, rewards, recognition and rituals must be consistent with the stakeholder governance. It takes time to shift an existing culture to one that supports a purpose-driven, stakeholder-led strategy. Boards must speed up this transition by defining the right corporate culture, by being role models themselves, and by not tolerating behavior that is inconsistent with the new culture. They must also be alert to when the reality for employees does not match what senior executives present.

Integrating ESG in the organization is crucial
A specific point that Boards will need to address is how to structure and develop ESG capabilities. It must strike a balance between ensuring that ESG is fully embedded in the business and having ESG capabilities in a discrete function. The right model should also reflect the degree of ESG maturity of the organization. However, as soon as possible, this capability and accountability should be embedded within the business.

Upgrade your ESG system to access eye-opening data
Good ESG data is essential for good decision-making. And good decision-making considers all stakeholders. Often, ESG systems are standalone Excel spreadsheets – decades behind today's state-of-the-art financial systems! However, there are many new systems providers who recognize this need and are developing systems to help companies close the gap.

Downtown Luzern

External context

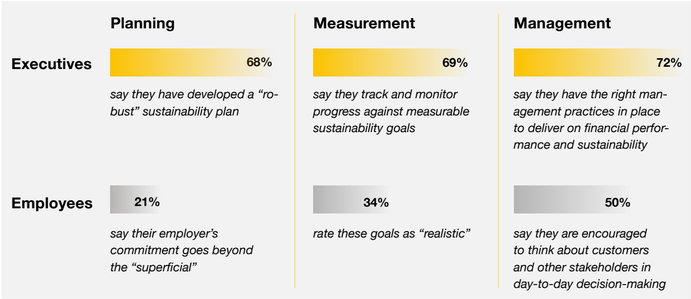
Executives consistently overestimate how credibly they are planning, measuring and implementing sustainability plans compared to employees, *(figure 33)*.

But getting the implementation and culture right pays back fast.

Figure 33

Executives and Employees rating the effectiveness and credibility of key components of Implementation.
Percentage (%) agreeing

Source: Accenture empoyee and Executive Surveys



Checklist

Is everything in place to deliver your Positive Impact Strategy?

- Does your culture support integrating a Positive Impact Strategy across the company?
- Do leaders demonstrate that they consider other stakeholders in their decision-making?
- Does the organization have all the ESG capabilities to deliver its purpose-driven strategy?
- Do your processes support a stakeholder governance approach?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

Boards and executives already have experience implementing strategies. In this section you'll find only the topics that require more focus than usual.

Culture

The right leadership and culture are fundamental to your Positive Impact Strategy. They must be consistent with your purpose.

The key steps to putting building the right culture are:

1. Define your unique set of values: values define beliefs that are important in a company, and to be useful, they must help individuals make decisions and influence how they act. Values tend to change infrequently.
2. Clarify your desired culture. This step brings purpose and values to life. Culture can change over time. Generally, there will be a gap between current and desired culture. The role of the Board is to hold the executive team accountable for making that transition while supporting and monitoring their progress. Leadership behaviors are one of the most critical elements to cultivate a desired culture. A new leadership model is required to present the Positive Impact Strategy.
3. Review your company's processes. Analyze approaches to meetings, policies and the code of conduct through the lens of your desired culture to ensure they fit.

Depending on the degree of maturity of the company, this cultural shift will have to be supported by a proper change management strategy, which involves the five traditional pillars (awareness, desire, knowledge, ability and reinforcement). Training managers to equip them to make decisions that consider all stakeholders and reinforce the right behaviors is an important element.

Be sure to regularly check in on any gaps between the desired and current culture *(Leadership Case Study: see page 69)*.

Personal Purpose

Several successful business transformations have demonstrated the benefits of employees connecting their personal purpose to the overall company purpose. They put in place processes to help employees make this connection, which resulted in higher engagement and better performance *(Personal purpose Case Studies: see page 69)*.

Capabilities and organization

A new Positive Impact Strategy will require new capabilities and introduce new roles. A Chief Sustainability Officer (CSO) in larger companies, will often be needed to manage the internal interplay of ESG issues across functions, provide subject matter expertise and help ensure that the right capabilities are being developed throughout the organization.
Successfully mbedding and activating the necessary ESG capabilities throughout the organisation is the most critical and tricky step of implementation. It is vital if the profit if the Profit/Risk/Impact trade-offs are to be carried out successfully at all levels in the company. To implement your strategy.

This CSO can also be the Sustainability Champion, although some companies have even combined the CSO and CEO roles to demonstrate its importance. In any case, CEO and board support for the CSO role is essential for its success.

Case studies: Personal purpose

Unilever: Individual purpose alignment

The approach was based on a belief that people perform best if their work is aligned with their personal purpose. Workshops were held at all levels throughout the organization to help individuals define their personal purpose. When employees set their annual objectives, they included three company objectives that supported the company strategy and one personal objective that was inline with their individual purpose.

Best Buy: A successful turnaround

"Start with people and organization, then go to customers and business and finish with financial results."

"So companies talk about their corporate purpose, and they try to cascade it down. You need to do the work there, but even more important is to start bottom up and inside out. What drives people, truly, genuinely be curious about this. A very practical exercise that people can do later today or tomorrow is to ask every one of your team members to share with you the story of t what drives them in their life. And then work with them on how to connect that with their work and what you're trying to accomplish as a team. That's a game changer."

Hubert Joly, former CEO & Harvard Business School Professor

Source: Net Positive (Polman & Winston), Ivy.com - Interview with Hubert Joly

Case study: Thought Leadership

Source: Givaudan

"A future-proof company's purpose frames everything. It defines a company's strategy and culture"

Oliver Brunschwiler, CEO Freitag

"The right purpose gives you access to the best people. The right leadership behaviours and culture set them free! "

Adrian Buhrer, Chairman, Farmy

PIIL Model

B-Lab Switzerland is developing the Positive Impact and Interdependent Leadership (PIIL) model to assist leaders deliver their positive impact strategy. Full leadership maturity along all positive impact dimensions will allow you to optimally drive the purpose-led agenda of the organization.

Drivers

A positive impact leader needs to activate four drivers: Internal and External stakeholders, Business and Culture *(figure 34)*. It ensures that the full ecosystem is involved and the company is aligned with its purpose.

Internal stakeholder activation - Mobilize all workers in your organisation.

External stakeholder activation - Enroll suppliers, investors, competitors, customers, civil society, policy-makers in your positive impact journey.

Positive impact business - Deliver a positive impact in your day-to-day business with your collaborators, suppliers and investors.

Positve impact culture - Catalyze positive values, belief and behaviours in your organization and your sphere of influence in society at large.

Enablers

A comprehensive strategy will allow each driver to trigger four enablers: Empower people, Build purpose-led organization, transcend value chain, transform society *(figure 34)*.

Empower people - Disseminate expertise and activate collective intelligence to create positive impacts (and minimize negative ones). Build a work environment where people thrive through meaningful careers, a sense of belonging, and the feeling they can contribute to achieving both their own and the the organization's purpose.

Build purpose-led organization -Develop accountability mechanisms that help deliver the company's purpose. Use decision-making processes to involve all people in creating practices, guidelines and the company purpose. Apply agile management to remain reactive to new global issues.

Transcend value chain - Develop a sound collaboration framework that includes the entire value chain to solve complex socio-environmental challenges through co-creation of innovative solutions and dissemination of best practices

Transform society - Change the world by catalyzing positive policy and influencing your industry. Trigger community change with a consistent narrative and transparent information.

Figure 34
Positive impact leadership
Clear leadership is required to develop a positive impact culture and capability.

Source: B-Lab Switzerland

PIIL Model (continued)

Outcomes

An effective Positive Impact Strategy will require the values, knowledge, behavior, and skills. across the four enablers as outlined in *(figure 35)*.

Leadership maturity

Implementing a Positive Impact Strategy requires a new type of leadership. At a high level, it means shifting from a traditional dependent leadership culture with centralized decision-making to a more collaborative interdependent leadership culture

Dependent leadership cultures "only people in positions of authority are responsible for leadership. Resulting in top-down control and deference to authority",

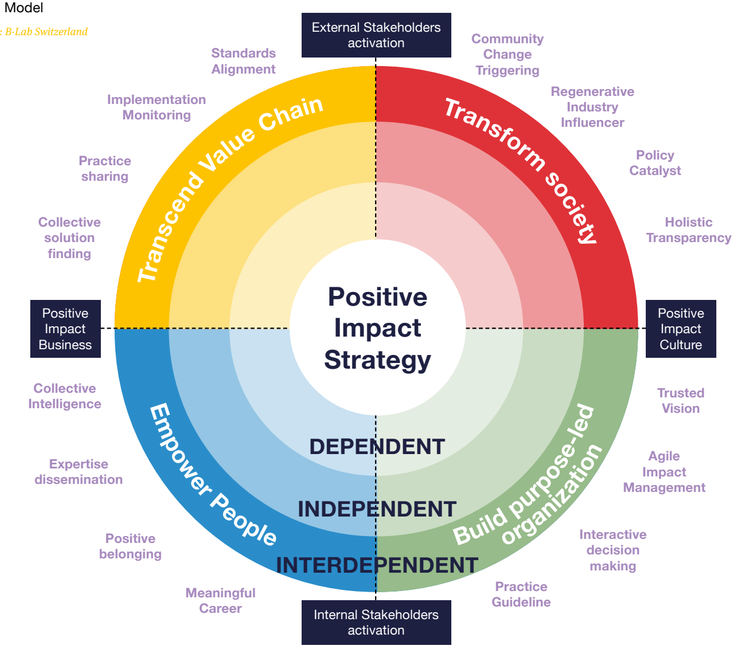
Independent leadership cultures "leadership emerges as needed from a variety of individuals based on knowledge and expertise. This leads to decentralized decision-making.

Interdependent leadership cultures "collective activity that requires mutual inquiry and learning. This results in widespread collaboration, valuing of differences and a focus on learning. This enhances effective working across organisational boundaries.

Source: Palus (2009), Interdependent leadership culture

Figure 35
The Positive Impact and Interdependent Leadership (PIIL) Model

Source: B-Lab Switzerland



Further inspiration

Shaping the Sustainable Organization (Accenture/WEF) - An extensive approach to ensuring sustainability is fully embedded in a business covering soft skills to technology and innovation

The 5Ps of company purpose are much more than a mission statement | McKinsey - A checklist for embedding purpose in an organization

Corporate Knights: close the say-do gap on sustainability - Contains an interesting list of short-term actions to make rapid progress based on learnings of some of the most sustainable firms

A new Playbook for a New Economy led by Stakeholder Capitalism B Lab

The Institute of Business Ethics provide tools for **Building an Ethical Culture**

Deloitte and International Institute Finance study explores **The Future of the Chief Sustainability Officer**

9 Incorporate the Value Chain

Have you engaged your value chain to contribute to your sustainability goals?

Why is this important?

For many companies their biggest impact on stakeholders is through the supply chain and not their direct operations

While it is important for companies to manage their direct Scope 1 and 2 emissions, Scope 3 emissions generally account for the majority of total emissions. For manufacturing companies in particular, the environmental and social impact of suppliers producing or extracting the raw materials dwarf the immediate impact of their own operations.

Engaging your supply chain brings multiple benefits

As a result, achieving SDGs is generally impossible without addressing your supply chain. Doing so fosters collaboration along the value chain to address sustainability challenges at their root – and also build stronger relationships for the future. And don't forget, stakeholders – particularly consumers – are increasingly demanding this type of collaboration.

Larger businesses should inspire their supply chain to multiply their impact

Time is of the essence, and we need all the help we can get to address the major environmental and social challenges that we face. The role of your business is not just to participate in accomplishing the SDGs, but to inspire others to do the same. Engaging your supply chain encourages other companies to follow your lead and set an example within their industry.

External context

Value chain cooperation is vital if a company is to reduce its Scope 1,2 and 3 CO_2 emissions. Scope 3 generally holds a massive importance.

Definitions of Scopes 1, 2 and 3 *(figure 36)*
Scope 3 is the dominant source of emissions for most businesses *(figure 37)*.

Figure 36

Definition of Scopes 1, 2 and 3

Source: www.plana.earth/academy/what-are-scope-1-2-3-emissions

Scope 1: Direct

Includes all Green House Gas (GHG) emissions that a company makes directly — for example from its boilers and vehicles.

Scope 2: Indirect (Upstream)

Are indirect emissions – from the electricity or energy it buys for heating and cooling buildings, etc.

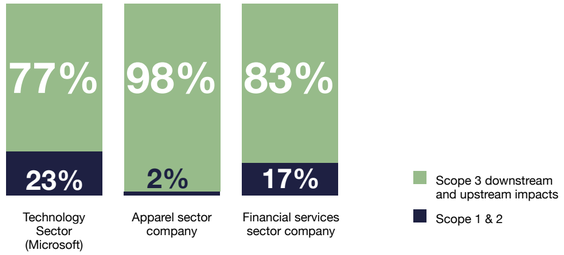
Scope 3: Indirect (Up & Down Stream)

Covers all the emissions up and down its value chain, but not within the company itself, that the company is indirectly responsible for. For example, emissions made by its suppliers, or by products when customers use them.

Figure 37

Percent of Emissions by Scope

Source: Microsoft Report, 2021 (A new approach for Scope 3 emissions transparency)



Checklist

Have you engaged your value chain to deliver your strategy?

- Do you understand the material impact on stakeholders of your suppliers or customers?
- Have you engaged with them to take actions to improve their impact?
- Are you playing a leadership role in convincing other businesses to follow your lead on ESG?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

For successful engagement, the company should:

- Map the various stakeholders and their importance in your company's overall social and environmental impact
- Identify the most impactful voluntary commitments from value chain partners that can improve impact and that partners will sign up to (allow time for co-creation, take into account the operational realities and their available resources). Examples can include adherence to Codes of Conduct, or certification of products or raw materials.
- Identify some mid- to long-term collective commitments that value chain partners can collaborate on to pool transport, or develop new packaging standards.

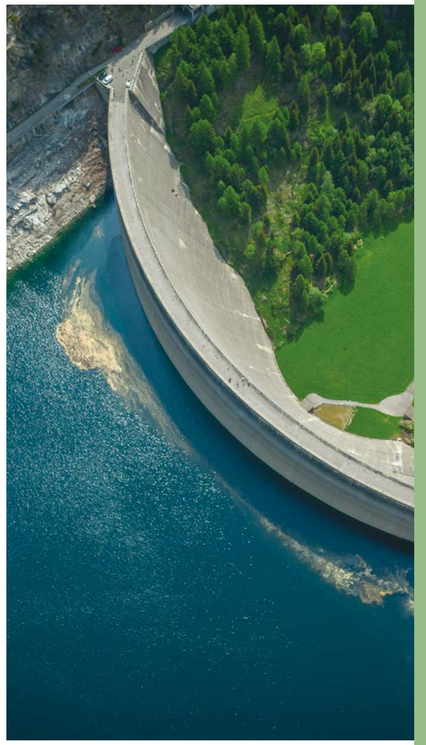
SBA2030 Tools - Value Chain Activator

The Value Chain Activator Program builds on the STI Program for individual companies.

A number of companies have invited 20-40 of their value chain partners to join the STI as part of a group approach, ensuring their whole value chain has a strategy aligned with the SDGs while maximizing the opportunities for coordinated and collective action.

Program outline

- Based on multiple cohorts of c.10 companies, either suppliers or customers
- Partners go through the standard STI workshop program to make their own commitments to support the SDGs
- They also attend themed workshop relevant for all participants leading to collective action and pledges.



Case study: L'Oréal

L'Oréal has enrolled its strategic suppliers to ensure its supply chain pledge on the living wage is met *(figure 38)*.

Figure 38

L'Oréal's Positive Impact Strategy

Source: loreal-for-the-future--booklet.pdf, L'Oréal Is Committed To Achieving Living Wages For All

One of L'Oréal's Positive Impact Strategy goals is empowering its ecosystem

1

TRANSFORMING OURSELVES AND RESPECTING PLANETARY BOUNDARIES

2

EMPOWERING OUR BUSINESS ECOSYSTEM *HELPING IT TRANSITION TO A MORE SUSTAINABLE WORLD*

3

CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD BY SUPPORTING URGENT SOCIAL AND ENVIRONMENTAL NEEDS

To support this goal, it has made pledges on its supply chain impact on stakeholders

Hence, by 2030:

We will ensure that 100% of our strategic suppliers' employees will be paid at least a living wage, covering their basic needs and those of their dependents, calculated in line with best practices.

We will help 100'000 people from disadvantaged communities gain access to employment.

3 million people will benefit from our brands' social engagement programs.

In turn, Firmenich, a strategic supplier, has made a living wage pledge for all its employees.

"At Firmenich, we've committed to securing living wages for all our 10,000 employees by 2025. We've been working hand in hand with L'Oréal and the Fair Wage Network, and have put our joint energies into building a better future."

Mieke van de Capelle,
Chief Human resources Officer, Firmenich

Further inspiration

Your Supply Chain Needs a Sustainability Strategy (BCG) - Summarizes Positive Impact Strategy in the Supply chain for three industries: packaged goods, metals and chemicals

A More Sustainable Supply Chain - HBR, Insights from a review of the supply chain of three MNCs

10 The Power of Collective Action

Have you identified collective actions that will help us achieve the SDGs?

Why is this important?

Companies must look beyond their own organizations and collaborate to access new skills

Adopting a stakeholder governance approach requires companies to address systemic issues such as the climate crisis, environmental damage and inequality. Generally, they do not have the capabilities, influence or scale to achieve these goals alone. Industry-level change is needed for true sustainability, particularly in supply chains for raw materials. Companies will have to recognize that more programs will require cooperation, sometimes even with competition. The default isolated approach won't be effective.

Recognize what collection action is not

Real, lasting change does not come from short-term awareness-raising campaigns, simple commitments or signatures on a document. Success is measured by the change achieved in the desired time-frame against the goal.

Regulation, public/private cooperation and partnerships that deliver a sustainable economy are collection action

It's time for confonfrontational relationships with regulators to end. Reframe your thinking so that it is not a win-lose relationship. Companies need to work together with regulators to create the right framework so that companies are competing to be the best for the world, not the best in the world.

Checklist

Have you identified collective actions that will help you meet the SDGs?

- Do you know what existing opportunities for collective action exist to support your Positive Impact Strategy?
- Have you explored opportunities to work with companies in other industries to support your selected SDG goals?
- Have you explored opportunities to cooperate with your competitors to benefit stakeholders?
- Does your organization have a collaborative mindset?
- Before joining a collective action, did you make a clear assessment of whether it is set up for success?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

Follow these steps to develop your collective action approach:

1. Identify sustainability goals where your company alone cannot achieve the desired outcome or where it could be achieved more rapidly or efficiently through collective action.
2. Define what external capabilities, resources, experiences or connections collective action could help you advance faster to your goal.
3. Identify if there are pre-existing national or global collective actions which fit your needs.
4. If none, consider building a local (or larger) initiative with like-minded companies, NGOs or governments that could help you achieve your goals.

Collective action needs a new mindset

Businesses must learn to partner with a diverse set of organizations including NGOs, government and even regulators. Building deeper relationships with diverse bodies will require learning together, sharing common experiences, moving from a place of, *"I know what to do, listen to me"*, to a place of questioning, *"Why with everything we know are things not getting better?"* And ultimately, *"If we work together in a new way, how can we achieve a better outcome?"*

Successful collective action initiatives must meet certain criteria to be effective

1. Shared & clear commitment - The goal must be shared by, and material to, all participants. And progress must be measurable.
2. Inclusive - Include all the complementary skills, resources and relationships to bring about the necessary change and reach out to other stakeholders where necessary. Be clear what each party brings.
3. Credible & engaged - All participants must have a right to act and bring credibility, and be prepared to take bold action if successful.
4. Realistic timeframe - Diversity of views will lead to a better outcome but may mean more time is needed to build effective collaboration. And exploration of options should be given sufficient time.
5. No hidden agendas - Lack of full transparency is often the achilles heel of these initiatives. Plan to use time upfront to uncover and explore all participants' real motivations.

Case study: B Corp Beauty Coalition

The B Corp Beauty Coalition brings together like-minded competitors to transform the industry through collaboration to bring benefits to customers, communities and our planet *(figure 39)*.

Case study: B Corp Climate Collective

The B Corp Climate Collective brings together over 1700 businesses, including 1100+ B Corps, have made a commitment to become net zero by 2030 – a full 20 years ahead of the 2050 targets set in the Paris Agreement *(figure 40)*.

We know that meaningful actions and credible commitments toward significant carbon reduction are essential to tackling the climate crisis. Our B Corp community of business leaders and consumers are eager to move the conversation beyond commitments and toward meaningful actions.

Figure 39

B Corp Beauty Coalition

AS MEMBERS OF THE B CORP BEAUTY COALITION, WE ENVISION A NEW APPROACH TO BEAUTY THAT PRIORITISES SOIL AS MUCH AS SKIN, NATURE AS MUCH AS NATURAL, EVIDENCE AS MUCH AS EGO, AND IMPACT AS MUCH AS PERFORMANCE. WE COMMIT TO WORKING TOGETHER TO SHARE KNOWLEDGE AND BEST PRACTICES, SPARK EXPLORATION AND RESPONSIBLE INNOVATION, AND TO SPEAK CONSISTENTLY AND CLEARLY, TO DELIVER GENUINE BENEFITS TO OUR CUSTOMERS, OUR COMMUNITIES, AND OUR PLANET.

SKANDINAVISK - DAVINES GROUP - THE BODY SHOP - PROSE - NOB - CHATZUTANG - DR. BRONNERS - RUDOLPH CARE - EXPASCIENCE LABORATOIRES - GREENVINES - ARBONNE - RITUALS - HERBATINT - BEAUTY KITCHEN - MADE FOR LIFE ORGANICS-CORNWALL - BADGER - GREENCIRCLE - MACHER - ONEKA - DERMO-PHISIOLOGIQUE - AROMATHERAPY ASSOCIATES LONDON - KOA + ROY - MELANIN ESSENTIALS - JULIART, AROMASE - LAFE'S - KAFFEE BUENO - ETHIQUE - NAÏF - BEAUTYCOUNTER - INNERSENSE - WELEDA - PURALLY - CAPTAIN BLANKENSHIP - GREAT LENGTHS - BLISS - URSA MAJOR - M Y O - ECOFLORA CARES - UPFRONT COSMETICS

Figure 40

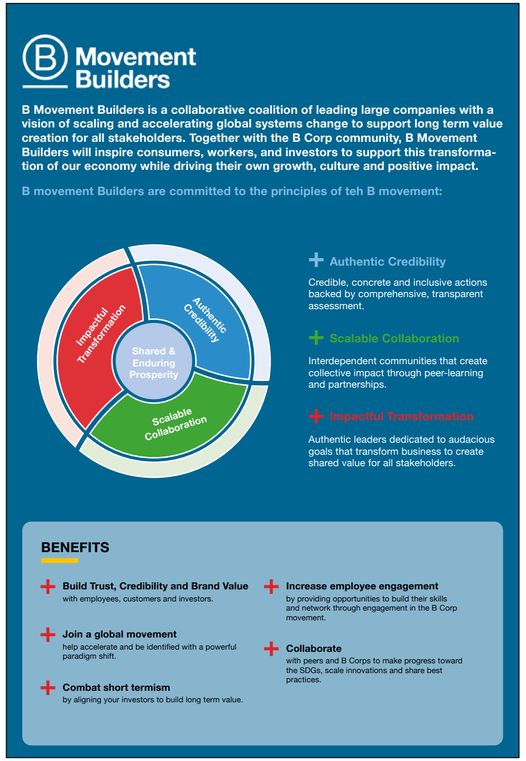
B Corp Climate Collective

Case study: B Movement Builder Programme

For larger businesses, where B Corp certification will take some time, we have created the B Movement Builder Programme to help them align with the movement, improve their impact and collaborate. This is for companies with a revenue greater than $1B *(figure 41)*.

Figure 41

B Movement Builders - Building Businesses that will lead tomorrow



Further inspiration

World Economic Forum (WEF) facilitates many collective action initiatives:

How collaboration can help us tackle our biggest challenges | World Economic Forum.

A new paradigm for collaboration: mission-based ecosystems | World Economic Forum.

World Business Council for Sustainable Development (WBCSD) brings together businesses to work together on driving sustainability initiatives – either across sectors or within a sector – including Chemicals, Forestry and Tyre industries.

Forest Solutions Group - World Business Council for Sustainable Development (WBCSD).

A recent HBR article encourages CEOs to reach out to all stakeholders including critics, act with others and push for system change.

How Leaders Can Move Beyond Greenwashing Toward Real Change.

The Collective Action Toolkit (CAT) Start Guide.

Some thoughts on an effective collective action process: **Tools and Techniques for successful co creation** from SDG Lab.

Collective Action: a network-based approach to improving lives.

Chapter 6 (Make 1+1=11) of Net Positive by Paul Polman & Andrew Winston.


Zurich, Switzerland

11
Build Trustworthiness

Is your company behaving in a way that builds its trustworthiness?

Why is this important?

Trust in your brand or business is a key driver of success
Trust drives customer loyalty, employee satisfaction and employee retention. On the other hand, a lack of trust leads to regulatory intervention reduced access to capital, as well as lost sales.

Stakeholders place their trust in you. Are you worthy of being trusted?
Businesses can only build their trustworthiness. Ultimately, trust is a choice that stakeholders make based on their assessment of the motives and behaviors of the company (its trustworthiness) as well as the benefits of a future (commercial) relationship.

Trustworthiness is fragile, but building purpose and strong values reinforce it
Stakeholders are often sceptical and looking for behaviors that are inconsistent with a company's stated values or purpose. How companies respond to incidents that damage trust are crucial. But once trust is built, when businesses are faced with adversity, they benefit from increased resilience.

External context

81% of customers cite "being able to trust the brand to do what is right" as a dealbreaker or deciding factor when making buying decisions.

79% of employees who highly trust their employer feel motivated to work, while only 29% of those who do not trust their employer are motivated to work.

Purpose builds trust – brands with a strong purpose are six times more likely to be protected in the face of negative publicity.

Source: Edelman Trust Barometer, Deloitte HX trustID Survey, 2020 Deloitte, Purpose Premium

"A Positive Impact Strategy is important for building trust - and for winning the competition for talent"

Beth Krasna, Chairwoman, Ethos Services

Checklist

Are you taking the right steps to build your firm's trustworthiness?

- Do you have a clear company purpose that drives your company actions?
- Do your decisions take into account the material impact on other stakeholders?
- Are your leadership behaviors and culture always consistent with your values?
- Are decision-making processes transparent and rationales for key decisions explained?
- Do you have external validation of your strategy, pledges and impact?

If you answered "no" to any of these questions, consult the "Take action" section.

Take action

There are a number of important drivers of your company's trustworthiness.

- Your motives – do you want to do good to other parties you interact with?
- Your competence in what you do. Your product or service must deliver what customers expect.
- Your means to get what you want. Are a company's processes and treatment of people in achieving its goals fair?
- Whether you consider the impact of your actions on other people.
- Whether you are transparent when things are not going well and being vulnerable in discussions with critics.

As you look at this it will be clear that implementing the Playbook building blocks for a Positive Impact Strategy will build your company's trustworthiness. *(figure 42)* All this is not a coincidence. Becoming trustworthy and delivering a Positive Impact Strategy are both ways for business to be a force for good. Adding external validation, such as B Corp Certification, adds extra credibility *(figure 43, next page)*.

Figure 42

Source: Builds on "Power of Trust - Sucher & Gupta" and Onora O'Neill: What we don't understand about trust | TED Talk

Trustworthiness Driver	Sub-driver	Relevant Playbook Tool
Motives	Actions rooted in your company purpose	**Purpose Driven Strategy**
	Take account of impacts on all	**Stakeholder Governance**
Competence (in what you do)	You need to do what you do well	Business Operations
	Right leadership	**Leadership**
Means	Transparent and consistent decision-making processand rationale	**Values & Decision-making process**
	Decisions need to reflect stakeholders interests and not just profit	**Stakeholder Governance & Decision-making process**
Impact	Impacts of decisions on stakeholders	**Stakeholder Governance**
Transparency	Not avoiding the negative reactions of stakeholders Sharing bad news & being vulnerable	**Values**
External Validation	Confirming what you say is true	**Swiss Triple Impact: validates SDG pledes. B Corp Certification: validates holistic impact**

Figure 43

B Corp

is more than a certification...

5'000+ CERTIFIED B CORPS **153 INDUSTRIES** **79 COUNTRIES** **1 UNIFYING GOAL**

It's a vision
A better way of doing business - better for the environment, better for employees, better for customers, suppliers, and consumers.

It's a certification
Like FairTrade label, but which applies to all company activities.

It's a legal commitment enshrined in your statutes:
« to have a positive and significant societal and environmental impact, in the context of its commercial and operational activities. »

It's a movement
B Corp is a community of companies working together to make a positive impact on the planet and people.

it's unique
It is a label that meets the most demanding criteria in terms of performance, corporate responsibility and transparency.

Next steps

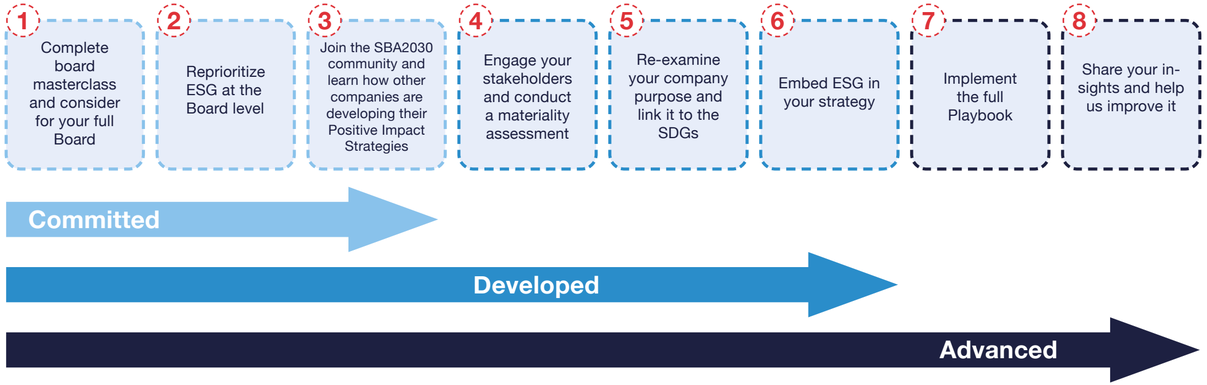
Within each section of this Playbook, we have outlined steps you can take to build and implement your Positive Impact Strategy and ensure it's aligned with the SDGs. But what matters is action… and that part is up to you.

While the ideal is for every company to go through all the steps, this may not be possible all at once. We have therefore identified three approaches that companies can take depending on their appetite *(figure 44)*.

At a minimum, we suggest the Committed Approach which will help you reprioritize ESG at the board level and help you plan out your sustainable journey. Under the Developed Approach, you will develop your Positive Impact Strategy. The Advanced Approach is for companies that want to implement all elements of the playbook.

This Playbook can serve as a guide, as inspiration and as a reference as you plan each stage of your positive impact transformation.

Figure 44



"ESG Materiality, Scope 1, 2 & 3 Emissions, Net Zero, the building blocks of a Positive Impact Strategy. And this is just the beginning. Time has passed when Board Members could look the other way. Society, investors, employees, consumers start noticing and demand answers. Do not make a mistake. The buck stops at the Board. The buck stops with you."

Professor Salvatore Cantale, IMD

It's time to act.

Swiss Boards Agenda for 2030 can help you step up!

B Lab Switzerland

We activate an ecosystem of players to accelerate the transformation towards an equitable, inclusive and regenerative economy.
Our programmes and tools stimulate and support:

- ***Behavior change:*** *a positive change in corporate behavior and its impact on stakeholders*
- ***Cultural change:*** *New business practices and cultural expectations about the role of business in our society*
- ***Structural change:*** *The development of legal frameworks that structure the role of different players in the 21st century economy*

Our approach to system change

Tools & education

- B Impact Assessment™
- SDG ACTION MANAGER
- Powered by sti B Lab Switzerland | SWISS sustainability benchmark
- B Academy Switzerland

Programs & Certification

- Certified B Corporation
- SWISS BOARDS FOR AGENDA 2030
- B Leaders Switzerland
- B Impact Pro Pathway
- B Movement Builders
- SWISS triple impact

Collective Action & Policy Change

- B Corp Climate Collective
- Certified B Corporation NET ZERO 2030
- B Beauty – A B Corp™ Beauty Coalition
- POLICY CHANGE