Sustainability Toolkit

Setting Corporate Sustainability Goals

At the core of any goal worth integrating into a company's business strategy is the opportunity to enhance or create value. Companies are using sustainability goals to enhance or create value in three areas of importance for corporate strategy:

- risk management,
- returns on capital, and
- growth.

In addition, the pioneering sustainable goalsetting of various companies has often been precedent-setting within their respective industries, driving their peers to attempt to follow suit. To that end, consultants and ESG experts have developed model frameworks for companies to utilize in determining the goals and strategy most appropriate for their respective businesses.

Here are the key questions and issues you need to consider:

How are SMART Goals applied to corporate sustainability? +

What can we learn from the successes and failures in sustainability goalsetting? +

How has corporate sustainability goalsetting evolved, and what does it mean for our company today? +

How can companies establish sustainability goals that are "material"? +

How has peer competition influenced corporate sustainability goalsetting? +

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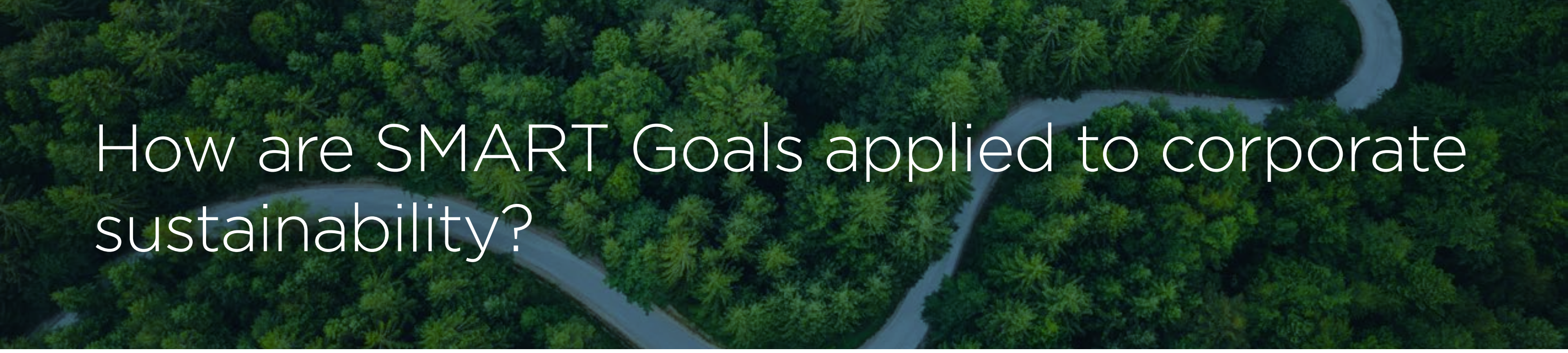

How are SMART Goals applied to corporate sustainability?

The SMART Goals framework has been used by companies across the world in setting corporate sustainability goals. SMART means Specific, Measurable, Attainable, Relevant, and Timely, and these guiding principles help companies set sustainability goals that not only coincide with current corporate strategy, but also establish a foundation for advancing future sustainability ambitions.

- For example, **Best Buy** set a goal of helping consumers reduce their carbon emissions by 20 percent from a 2017 base-year, and save **$5 billion** on utility costs by 2030. The company intends to help customers achieve that goal by putting greater emphasis on ENERGY STAR electronics, appliances, and other energy-saving devices.
- Increasingly, the desire to set ambitious sustainability goals that are particularly Relevant and Measurable (in addition to being Specific, Attainable and Timely) has led companies to adopt Science-Based Targets (SBT).
  - **CDP Worldwide** has partnered with **UN Global Impact**, the **World Resources Institute**, and the **World Wildlife Fund** to launch the Science-Based Targets Initiative (SBTI), which defines a SBT as a goal in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well below 2°C above pre-industrial levels, and to pursue efforts to limit global warming to 1.5°C.
  - As of July 2020, the SBTI reports that 917 companies have taken science-based climate action and 402 have approved SBTs.
  - In 2015, The Kellogg Company set SBTs that are also useful examples of SMART goals: Kellogg's committed to a **15%** reduction in emissions (tonne of CO_2e per tonne of food produced) by 2020; aims to reduce absolute value chain emissions by **20%** by 2030; and has long-term targets of a **65%** reduction in emissions and a **50%** reduction in absolute value chain emissions by **50%** by 2050.

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How has corporate sustainability goalsetting evolved, and what does it mean for our company today?

- Corporate sustainability goalsetting first gained prominence in the 1990s and early 2000s. Its evolution provides a useful resource to any company endeavoring to determine what kind of goals best suit its organization at the moment (i.e. what pursuits are Attainable, Relevant and Timely).
- For companies setting goals for the first time (as many did in the 1990s and early 2000s), typical goals for adopting a sustainability strategy into their direct operations are likely to include reducing waste or increasing energy efficiency.
  - For example, **Bank of America** has set a goal of reducing the amount of waste it sends to landfills by **35%** (from 2011 levels) by the end of 2020.
  - After initial success in achieving direct operations goals, many companies are now moving to setting product or supply chain goals. In June 2020, for example, **Unilever** announced the goal of reducing carbon dioxide emissions from its product supply chain by **50%** by 2030.
  - Since 2015, some companies that have set and achieved goals related to reducing the environmental impact of their direct operations and of their supply chains have moved to setting targets of increasing ambition or scope, or goals that are directly linked to broader societal needs.
  - **For example , by 2030, IKEA has set a goal of reducing more greenhouse gas emissions than the entire IKEA value chain emits.**
  - In recent years, companies have further developed issue-specific goals in response to calls from various organizations such as the **Ellen MacArthur Foundation**, which has championed the potential of a global plastics recycling effort. The Foundation's New Plastics Economy Global Commitment calls on businesses and governments around the world to become signatories to a mass effort to **"transition towards a circular economy for plastic, in which plastic never becomes waste."**

How has peer competition influenced corporate sustainability goalsetting?

The reliance on publicly-disclosed data for rankings like Corporate Knight's Global 100 is a key reason why some companies are increasingly making public announcements about their sustainability goals and progress, which can have a cascading effect among peers. The leading computer and IT companies provide an example of how ambitious goals by one industry leader can spur others to follow suit.

Cisco, the top ranked North American company in the Corporate Knight's 2020 Global 100, has established goals of, by 2022, reducing GHG emissions by 30% compared to FY2007 and meeting 85% of its global electricity demand from renewable energy resource by 2030, achieving a 30% reduction in supply chain-related GHG emissions compared to FY2019.

- Not to be outdone by **Cisco**, **Dell** has set goals of sourcing **75%** of its electricity from renewable sources across all Dell facilities by 2030, and of sourcing **100%** by 2040.
- And similar to IKEA, **Microsoft** has announced plans to be **Carbon Negative** by 2030, meaning the company will remove more carbon from the environment than it emits each year. Microsoft's aspirations do not end there: by 2050, the company plans to remove all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975. In support of and in tandem with its goals, Microsoft has established a **$1 billion** climate innovation fund to accelerate the global development of carbon reduction, capture, and removal technologies.

What can we learn from the successes and failures in sustainability goalsetting?

- According to a 2017 Bain & Co. survey of more than 300 companies, only 2% were meeting their sustainability goals. In examining feedback to determine the key themes of companies that were successful in attaining their goals, Bain & Co. found that, first and most crucial, **successful companies make clear public commitments with quantitative targets**. The public aspect of the company's commitments helps highlight and reinforce the importance of the goals to employees throughout the organization.
- In addition, Bain & Co. found that successful companies have CEOs that are personally involved in adopting and integrating sustainable goals into corporate strategy.
- Beyond the promotion of the goal publicly and the initiative of the CEO, Bain & Co. found that, in successful companies, leadership teams played a key role in making the business case for adopting new actions to implement a goal throughout the organization. Leaders reshape behaviors by changing frontline processes and incentives, and by ensuring that line managers incorporate furtherance of the goal into daily decision-making.

How can companies establish sustainability goals that are "material"?

- Various consultants have developed materiality assessments to help companies tailor their sustainability strategy and stakeholder engagement around the issues that are most significant to their business and sector.
- A sustainability materiality analysis often involves:

identifying a universe of relevant economic, social, environmental, and governance issues for consideration;	ranking the level of stakeholder concern regarding each issue;	ranking of the potential impact on the company of each issue; and	prioritizing issues based on their respective rankings.

- The results of the assessment not only provide the context for material sustainability goalsetting, but also guidance for highlighting the impact of a company's progress in reports to stakeholders.

There are a number of proven frameworks and useful resources for companies considering setting corporate sustainability targets today. Yet the evolution of the corporate sustainability landscape that affords companies these tools also open doors for critique by stakeholders when a company's goals are deemed too conservative or not sufficiently relevant. Setting goals related to direct operations that yield measurable results can help serve as a foundation for pursuing a sustainability plan that drives a broader societal impact.

Sustainability Toolkit

Explore the topics	Defining Sustainability	Public Policy: Climate Change	Public Policy: COVID-19	Public Policy: Environmental Justice	Public Policy: UN Sustainable Development Goals
Engaging and Advising BODs	Investor Expectations	Corporate Disclosure: The Basics	Corporate Disclosure: Standards and Initiatives	Setting Corporate Goals	M&A and JV Transactions
Green Bonds and SLLs	Carbon Markets	Marketing Claims	Crisis Management	Insurance Implications	Sustainability NGOs