

FROM **PUSH** TO **PULL**

THE STATE OF INTEGRATION 2022/2023

CONTENTS

About

Introduction..... 3

Thanks 4

Scope and Methodology 5

The Nordic Bubble..... 6

Summary

Key Takeaways7

A Brave New World.....8

Quantifiable Results.....9

Results in Detail

A shift towards finance 10

From Push to Pull 12

Data a double-edged sword 14

Greenwashing and hushing..... 16

The loudest stakeholder..... 18

Perspectives from the Board 20

The Integration Shift

Pivot Points for Integration..... 22

The Benefits of Integration 23

The Purple IVY Take

The Purple IVY Take..... 24

AT A GLANCE

- Integration is about business transformation, relevance and taking customers with you on a journey to a sustainable future.
- Investors expect evidence of impact and science-based targets.
- Sustainability teams are in high demand and need to prioritise, delegate and make difficult choices.
- The challenge is to ensure that data leads to strategic and operational insights.
- Fear of greenwashing is leading to greenhushing.
- If all focus goes to compliance, action may be delayed.
- Boards of directors must support with competence, audit committee routines and vision.

STATE OF INTEGRATION

2022/2023

Our world is changing fast and unexpected scenarios, namely pandemics and invasions, turn our realities on their heads. This second edition of the Purple IVY State of Integration report examines what has changed in the last two to three years and how much deeper sustainability has become ingrained in management structures and strategy. We also explore the new challenges emerging for companies.

Efforts to shift the economy away from the cliff edge of a climate crisis are intensifying and we see an exciting but stress-filled daily reality for sustainability professionals in Nordic companies. At board level, non-executive directors are taking on a workload for which they need extra knowledge.

The title of this report, “From Push to Pull”, reflects how the agenda is taking off and beginning to drive itself and how sustainability professionals are breaking out of their silos, working not only across internal functions but also on partnerships throughout entire value

chains. We present our key learnings in this report and over the coming year, we will continue to share content with our network through events and deep-dive articles.

Our conclusion, which we elaborate on in “The Purple IVY take”, is that sustainability integration is entering a new phase. Using the language of data, companies and their entire value chains are trying to define their place in a sustainable future, supported (or constrained) by regulators and driven by the finance sector. Many tools are not yet in place, but scientific knowledge is now clear enough to set new boundaries for doing business. The question is whether the new tools and reporting requirements will speed up the transition or slow it down. Transparency, transition plans and targets, it is hoped, will illuminate the pathway ahead, but these are undeniably at once scary and exciting times.

About Purple IVY

We help companies integrate sustainability into their business. We bring structure to business transformation, shaping a company culture built on trusted relationships and making a positive impact. Purple IVY’s business idea is to future-proof businesses, ensure long-term thinking is consolidated across the company and encourage an entrepreneurial and daring spirit as we shape the future together.

THANKS

We would like to extend a special thank you to all our interviewees for their time, openness and insights.

OUR THANKS TO THE FOLLOWING MEMBERS OF BOARDS IMPACT FORUM

Liselotte Hägertz Engstam, Chair of Boards Impact Forum (The Nordic Chapter Climate Governance Initiative) and Member of the Global Governing Board of Climate Governance Initiative in collaboration with World Economic Forum. Board Director at several listed and private companies.

Pia Heidenmark Cook, NED at Bupa, Max Hamburger, Origin Materials Inc, Decathlon, Chairwoman at The Do Group. Former Chief Sustainability Officer at IKEA

Pia Gideon, Chairperson Qlucore, Board Member Apoteket AB, Guards Therapeutics, Deviser, Skandi Standard

Viktoria Bergman, Non-Executive Director and Board Member, Novus Group, Duni Group, Cinis Fertilizer, Water Aid, among others. Chairperson Trianon.

Jan Wäreby, NED and Chairman RISE Research Institutes of Sweden AB

Arne Karlsson, Non-Executive Director and Chair of the Audit Committee, Maersk, Board Chair, Einar Mattsson.



Alder. Alder: Eva Normell, Sustainability Officer

 Arvid Nordquist: HAB Erica Bertilsson, Director of Sustainability and Communications

ASSA ABLOY ASSA ABLOY: Charles Robinson, Director and Head of Sustainability

BOLIDEN Boliden: Anna Brandhorst-Satzkorn, former Director of Sustainability, Boliden Group

Cloetta Cloetta: Maria Selling, Sustainability Manager

Coor: Maria Ekman, VP, Head of Sustainability

Dustin Dustin: Sandra Klackenborn, Head of Sustainability

Electrolux: Jan Johansson, Senior Sustainability Analytics & Reporting Manager

Ericsson: Mats Pellbäck Scharp, Head of Sustainability


Handelsbanken: Camilla Johansson, Deputy Head of Group Sustainability

Husqvarna Group: Calle Medin, VP Sustainability

IKANO IKANO Bostad: Sverker Andreasson, Head of Strategic Development

JAS Jas: Helene Lundström, Sustainability, Quality and Environment Coordinator

NIBE Nibe: Kenneth Magnusson, Chief sustainability officer

 Nilörngruppen: Anna- Karin Wårfors, Sustainability Manager

PEAB PEAB: Juha Hartomaa, Head of Investor Relations

SCANIA Scania: Andreas Follér, Former Chief Sustainability Officer

Skanska: Lena Hök, Executive Vice President Sustainability and Innovation

SVEA SOLAR Svea Solar: Malin Cronqvist, Global Head of Sustainability

 Swedavia: Lena Wenneberg, Head of Sustainable Development

Swegon Swegon: Mirko Sauvan, Sustainability Manager

TimePeopleGroup Time People Group: Alex Weibull, former Sustainability Manager

Vasakronan Vasakronan: Anna Denell, Chief Sustainability Officer

VATTENFALL Vattenfall: Annika Ramsköld, Vice President Corporate Sustainability

 X Shore: Helena Fagraeus Lundström, former Chief Sustainability & Strategy Officer

SCOPE & METHODOLOGY

The geographical scope of this report is companies headquartered (or with key operations) in Sweden. This year, we included companies of different sizes and at varying stages of their sustainability journey, from those with just over 150 employees that are starting to deepen their sustainability work, to one of Sweden's largest companies with over 100,000 employees and a long history of strategic sustainability. Including smaller companies helps better reflect how the shift towards a sustainable economy involves entire value chains.

We took our analysis a step further this year by examining the governance of sustainability integration thanks to our partnership with the Boards Impact Forum.

Our research had a quantitative and qualitative approach, with some specific questions that allowed us to compare directly with the previous study and other more open questions to allow a new narrative to emerge.

We conducted interviews at the end of 2022 and held validation sessions with participants and Board Members in early 2023.

Interview phase:

- One-hour structured interviews with 24 CSOs, or similar. One response was received in writing.
- One-hour interviews with five Board Members from Boards Impact Forum to include a Board perspective.

Validation phase:

- Six sessions to present, reflect on and validate the results and findings.

Research questions and main topics

Four main questions were in focus:

1. How is sustainability integration taking shape?
2. What is driving deeper integration of sustainability?
3. What are the main barriers/challenges?
4. What are the best practices?

Questions on the role of the Board covered:

1. To what extent does the Board drive, guide, support or hinder a strategic approach to sustainability?
2. What role does the Board Chair have in the sustainability agenda?
3. How is necessary competence in the Board secured?
4. How can Board Members help form a company's long-term vision?

THE NORDIC BUBBLE

Study limitations

There is a big difference in the perception of the concept of sustainability and how this translates into business value between Benelux and the Nordics.

Sandra Klackenborn, Dustin

This study provides a snapshot of Swedish companies¹ that accepted an invitation to talk with us, and therefore this limitation should be considered when reading the results. Perhaps this represents a Nordic bubble where integration is moving faster than elsewhere, but the challenges faced are, we heard from Boards Impact Forum members, shared widely and the best practices are applicable to many companies in and outside the Nordics.

We also heard during the validation sessions that the “Nordic bubble” is needed to keep pushing boundaries via, for example, the First Movers Coalition, where the Nordics are used as inspiration by the U.S. Government.

During our first study validation – a seminar with Boards Impact Forum with 25 Board Members – issues facing companies outside our sample were discussed.

These included:

- A lack of strategic understanding of sustainability in management teams.
- A struggle to allocate sufficient resources to sustainability.
- Maintaining a silo model focusing on reporting and compliance aside from core business.

Our respondents also described the tension – but also opportunities – of having cross-border teams and markets at home and outside the Nordics. We will focus on this more deeply in future iterations of this report.

¹One company was Swedish at the outset of the study but had been bought by the end. Even this experience was useful to understand “the Nordic bubble”, as sustainability knowledge and practices were given as one reason for the acquisition.

KEY TAKEAWAYS

The main aim of this report is to deepen our understanding of how well sustainability is integrated into company strategy and structure. The takeaways are intended to highlight how far we have come and, importantly, what challenges and barriers still exist for sustainability to be a fully integrated part of day-to-day business.

Summary of takeaways

Our five takeaways will be described in more detail over the following pages:

1.

A shift towards finance

Sustainability reporting is aligning with financial reporting. ESG is shifting to impact metrics.

2.

From Push to Pull

Pressures and complexity are challenging sustainability teams. Sustainability is increasingly recognised as relevant across the company and the entire value chain.

3.

Data is a double-edged sword

If data does not lead to strategic and operational insights, sustainability teams will be diverted from action and regulations will fail in their purpose of shifting the economy onto a green pathway.

4.

Greenwashing and hushing

Telling the “green story” has become a tightrope walk. The transition story is needed to inspire all stakeholders, but greenwashing is a dangerous trap and companies prefer to stay silent.

5.

The loudest stakeholder

One stakeholder – the regulator – is shouting the loudest. Maintaining strategic control of transition planning is becoming difficult.

A BRAVE NEW WORLD

From the energy crisis to increasing legislation, companies describe how the business context for sustainability has changed dramatically in the last 2-3 years:

These were the four main changes that respondents mentioned:

Business continuity in focus during the pandemic and energy crises.

We had no resources to do almost anything. We had to do lots of quick fixes.

Lena Wennberg, Swedavia

The pandemic has some positive outcomes for us because we learned how to better work online, using digital tools to meet and improve our communication.

Anna-Karin Wårfors, Nilörngruppen

Benefits of integration becoming clearer to top management.

In order for any company to be successful going forward, they need to have [sustainability] in focus.

Camilla Johansson, Handelsbanken

Sustainability an undisputed priority and ambition levels are growing.

If you want to be relevant in our industry in five years, you must be here. It's not just about regulation; our customers expect us to do this.

Helene Lundström, JAS

Sense of urgency created by new legislation and the green focus in the finance sector.

2031 became 2024. Everything is expected to move more quickly.

TBC

QUANTIFIABLE RESULTS

52%

of companies say sustainability is at the core of their business strategy.

18

companies mentioned experiencing positive effects of integration.

13

respondents highlighted increased ambition from the Board.

17

companies emphasise partnership as a prerequisite for success.

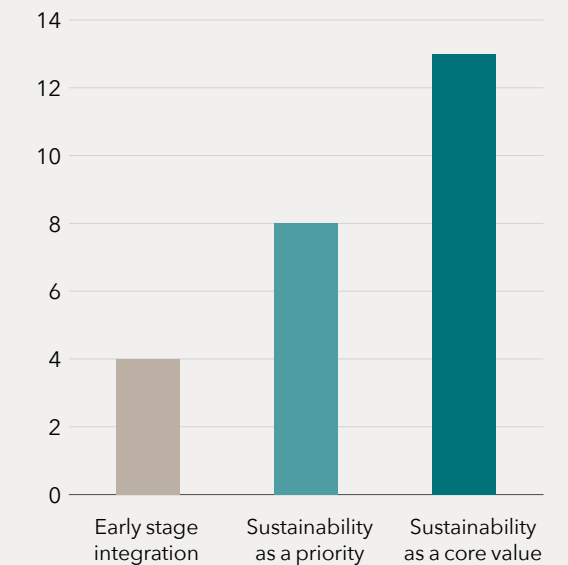
92%

of Sustainability Managers are familiar with the term "double materiality".

18

respondents mention more involvement of the CFO, with e.g., green bonds or loans, or EU Taxonomy reporting.

Sustainability as a component of business strategy



Interviewees ranked on a scale from 1 to 10 to which extent sustainability is a component of their business strategy. <5: Early stage integration, 6-8: sustainability as a priority, 9-10: sustainability as core value.

TOP 1 TAKEAWAY:

A shift towards finance

Sustainability reporting is aligning with financial reporting. The traditional “box ticking” ESG (environmental, social, and governance) metrics are becoming detailed requests for sustainability impact metrics and risk disclosures. This impetus for better data is expected to impact product design specifications.

“If I can show that [these products] are also superior from a taxonomy point of view, that would [...] make us more appealing to investors.”

Sandra Klackenborn, Dustin

Investors look to science-based targets for credibility, generating Board-level interest – but they mean little without a transition plan. These targets are revealing when growth is coupled to emissions but realistic plans for decoupling are what advanced investors are looking for.

The CFO and CSO are pushed together to respond to increasingly sophisticated and forward-thinking questions from investors and banks.

“My CFO is my new best friend! We have a taxonomy project and the CFO is the head of that project.”

Lena Wennberg, Swedavia

Companies are creating new ways to bring sustainability and finance closer together.

“It will be easier now that we have a Sustainability Finance Committee with finance, sustainability, and operations members.”

Anna Brandhorst-Satzkorn, Boliden

Just as CSOs are invited to certain meetings that they would not have been expected to attend in the past, CFOs are participating in materiality processes and closely following which projects and partnerships can be communicated to investors as part of the transition plan. →

“When we committed to science-based targets in 2020, our investors were forward-thinking.”

“This continues to be an important focus for our investors, as we work to deliver on our science-based targets and progress towards being net-zero no later than 2050.”

Charles Robinson, ASSA ABLOY



Impact by the product:

Svea Solar, X Shore (electric boats) and Nibe (green indoor climate solutions) define impact through the positive impact of their products.

Finance wants positive impact measurements

Investors and lenders are increasingly asking for evidence of impact. Companies describe “impact” in different ways, showing the rich diversity of the response to sustainability challenges:

- By shifting product and sector norms: Boliden describes positive impact both through developing low-emission products and through a strategy to improve biodiversity during operations.
- By understanding and supporting the customer’s sustainability journey: Husqvarna and Handelsbanken define impact as developing better solutions to lower their customers’ footprint in two very different sectors.
- By measuring positive social impact: Vattenfall and Vasakronan talk about their role in society’s transition by providing fossil-free energy and green buildings respectively. Both are currently facing a challenge to improve their measurements of positive social impact in a similarly clear and comparative way.
- Using the EU Taxonomy as a tool: Alder asked their portfolio companies to define and measure the significant contribution they were making to the sustainability journey of their sector through state-of-the-art industrial solutions.

Challenge:

The EU Taxonomy is creating a focus on “significant contribution”, another way to describe positive impact or environmental “handprint”. Still, questions remain about whether the finance sector will penalise those unable to demonstrate “significance”. Significant variability is emerging in how different businesses, and even countries, interpret the EU Taxonomy for similar economic activities. This will slow the impact of the regulation by confusing investors.

TOP 2 TAKEAWAY:

From push to pull

We call this report “From Push to Pull” because the status of sustainability topics and the roles of Chief Sustainability Officers (CSO) and their teams within a company has changed: With sustainability recognised as material across the company and value chain, CSOs and their teams are expected to support multiple projects and partnerships both internally and externally.

From pushing the sustainability agenda internally



to being pulled into meetings across the company.

The pressure is rising to meet external demand for data and reporting to support outreach to partners and stakeholders. The jobs is about learning how to accelerate the transition, identifying real solutions to increase positive impact and reduce risks.

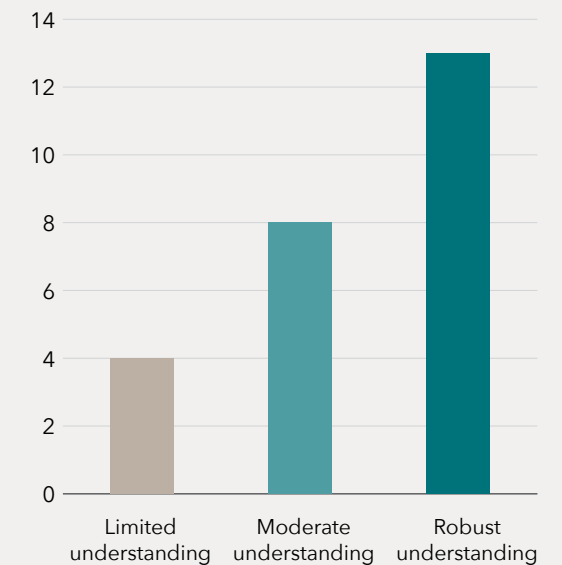
Respondents talked about increasingly being asked to give presentations, join meetings and projects and meet

investors and suppliers. While this is positive, it also makes time management challenging for small sustainability teams. One company mentioned that their sustainability team had been purposefully decentralised but was now having to regroup to cope with demands.

Another CSO talked of needing to remind colleagues they already had sufficient knowledge themselves, refusing to be “on call”. This highlights the value of training across the company to avoid an overworked sustainability team becoming a blocker for action. Our study confirms that respondents recognise the need to move away from a silo model, integrating sustainability tasks into the relevant functions and ensuring the appropriate knowledge and incentives are in place.

This new work environment for CSOs, which touches almost every function, is unlike any other role. While resources are clearly crucial, leadership, accountability and tools are decisive in managing the mounting complexity. →

Employee understanding of sustainability



Interviewees ranked on a scale from 1 to 10 to what extent employees understand the company's take on sustainability. <5: limited understanding, 6-8: moderate understanding, 9-10: robust understanding.

Part of the CSO role: building value-chain partnerships

All respondents emphasised that meeting sustainability demands and achieving targets can't be done without teaming up with suppliers, competitors, municipalities and academia. This also means that the role of the CSO has significantly expanded compared to our last study to include involvement in and often management of numerous types of partnerships to meet sustainability objectives. Board Members spoke of the need for a CSO who fully masters business strategy and financial KPIs as their role demands that these partnerships deliver business value.

This is just a small selection of the initiatives we heard about in the interviews.

Partnerships to expand knowledge:

- Handelsbanken's partnership with Lund University to learn about the financial measurement of biodiversity.
- Alder's cooperation with Stockholm Resilience Centre to educate CEOs and Board Chairs on sustainability.
- Electrolux understanding localised climate impact from Stockholm Environmental Institute.

Partnerships as an enabler for best practice:

- Electrolux's partnership with Stena Recycling to support R&D teams.

Partnerships for raising ambitions:

- Ericsson is working with the Supply Chain Leaders initiative to engage with multiple suppliers that have a smaller individual impact on the company scope 3 emissions but a more significant impact in total.
- PEAB works with educational institutions to increase the pool for recruiting more women in their industry.

Partnership across the value chain – innovation:

- Arvid Nordquist HAB works with suppliers for better packaging and the transition to fossil-free transport.
- Scania and Boliden see supplier innovation as crucial for the decarbonisation journey and have many examples where they are developing new solutions in partnership.

TOP 3 TAKEAWAY:

Data is a double-edged sword



There is legislation that wants us to report on something that is not scientifically backed.

Electrolux

Management systems, internal communications and data software will determine whether new compliance demands enable or disable sustainability strategy and action. All respondents talked about the importance of having relevant data available to move forward and make good decisions.

However, there were concerns that regulations are going too far and putting sustainability teams under enormous pressure, even asking for risk projections where this data does not exist. If strategic and operational insights are not created by new data requirements, regulations will fail in their purpose and these teams will be diverted from action.

Without standards in place, there is also a question about what the data can tell the stakeholders asking for it, whether it is comparable between companies, verifiable and therefore meaningful. Many of the measurements, for example, those needed for showing significant contribution or related to biodiversity, are very new. →

Resources at the Sustainability Department get bogged down in data handling, structuring data, collecting data, creating reports and fulfilling all these demands, which is a shame because it leaves us less time to focus on what we should be doing, which is aligning our operations with sustainable development.

But I say it without bitterness, that's our fight to take.

Andreas Follér, Scania

When data brings insights

Tools that rapidly convert data into an actionable target or directly create a strategic insight are having an impact at C-Suite and Board level:

The power of science-based targets (SBT)

- Two companies mentioned that SBT were more challenging than initially anticipated but that the process of setting them enhanced the understanding and commitment to sustainability within the company.
- One company saw SBT as a good entry point to sustainability work to focus internal company resources and send a strong external signal.
- We also heard concerns that SBT are struggling to keep pace with demand and are in danger of growing into administrative chaos without adding value beyond the creation of a unified target.
- One company experienced the challenge of decoupling sales growth from emissions, which put the SBT out of reach. Management had underestimated the action/investment required to reduce emissions in line with the SBT.

Task Force on Climate-related Financial Disclosures (TCFD)

- Two companies mentioned that working with scenarios and risk management dramatically enhanced the knowledge and commitment of both management and the Board to address climate change.

A significant challenge was identifying comparable metrics for social impact and in all discussions there was a bias towards environmental issues.

Respondents were reluctant to spend time gathering data purely for reporting purposes in areas where materiality has not been established.

There is no silver bullet for data management...yet.

In addition to internal tools and scorecards, 23 different frameworks and solutions were used to collect and monitor sustainability data.

TOP 4 TAKEAWAY:

The risks of greenwashing and hushing

The “green story” is demanded by stakeholders and is vital for inspiring consumers and suppliers to partake in the transition and make responsible choices, but it’s a tightrope walk.

- Critique of greenwashing is sharpening. Respondents described deliberately avoiding talking about sustainability efforts, a phenomenon known as “greenhushing”.
- When stakeholders want to know more and competitors don’t hold back, it’s tough to find a balance between being transparent, satisfying the demands for positive stories and avoiding overstating sustainability efforts.
- Providing robust evidence will be key – and is now demanded by the CSRD, the EU Taxonomy and the proposed EU Green Claims Directive.

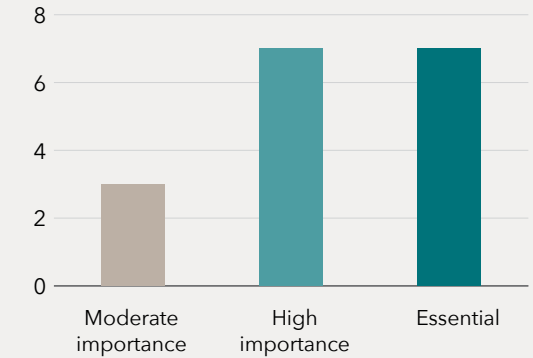
Companies welcome the EU Green Claims Directive, with some clearly requiring this to control competitors who stretch claims, but there was fear that it could push

things too far. We heard stories from companies being criticised for expressing ambitions (“we don’t believe you can do that”) or sharing progress (“why haven’t you gone further?”). Respondents described the need to strike a balance between sharing bold targets and not overstating what is possible, expressing that this could hinder dialogue with customers.

Communications about sustainability performance are critical for several reasons:

- To attract the right employees, value-chain partners and investors.
- To inform and educate customers.
- To create trust with stakeholders.
- To influence and inspire competitors to do more.
- To create a sense of optimism in society that industry and business are searching for and finding solutions. ↘

Importance of sustainability in external communications



Interviewees ranked on a scale from 1 to 10 to what extent is sustainability an important message in your external communications. <3: Low importance, 3-5: Moderate importance, 6-8: High importance, 9-10: Essential.

The challenge of telling transition stories

We may be a bit dry when it comes to our communication on sustainability – maybe we're fixating a bit on the numbers and performance.

Lena Hök, Skanska

Positive communications

- Three companies mentioned evidence-based sustainability communications.
- To make it easier for internal and external stakeholders to understand their journey, PEAB's ambition is to visualise their progress data quarterly.
- Ericsson intends to take a fact-based approach to communications by highlighting the specific arguments for sharing or excluding certain information.
- While Boliden's strategy focuses on a long-term goal, its communications ambition is to share case studies of ongoing projects.

Greywashing (when communications focus on facts and data and have no inspirational content) is also a problem brought about by the legislation.

Anxious communications

Several companies emphasised greenhushing:

- X Shore has ambitions for net-zero targets; however, they wish to gather more data to support those ambitions before they start communicating, in contrast with many other companies communicating similar targets.
- Vasakronan's "no brag" communication strategy is being challenged internally, as some believe it could be detrimental in a business environment where competitors are overly communicative with less data.
- Svea Solar wants to be ambitious but humble.
- In one company, a UK subsidiary wants to say more than the Swedish HQ and even created its own website to do so, creating cultural tensions.

TOP 5 TAKEAWAY:

The loudest stakeholder

Demands from EU Green Deal-related legislation to increase transparency and accountability challenge companies' ability to maintain control of their transition planning. Tightening legislation is taking compliance to the top of the internal agenda.

Companies are split. Some fear the increased workload, while others see potential benefits of improved business insights and better dialogue with stakeholders, particularly with finance and in relation to the data they will be able to request from suppliers.

Those with a long history of sustainability reporting are being rewarded as they have processes and competencies in place, but smaller companies see a mountain of work.

The double materiality process required by the new EU reporting directive, the CSRD, was high on everyone's agenda, including its potential value, although few had begun work with the process at the time of the interviews.

One stakeholder is now screaming loudest [the government or legislature], which means that we will be listening less to the other stakeholders in the coming years than we have done in the past ten years.

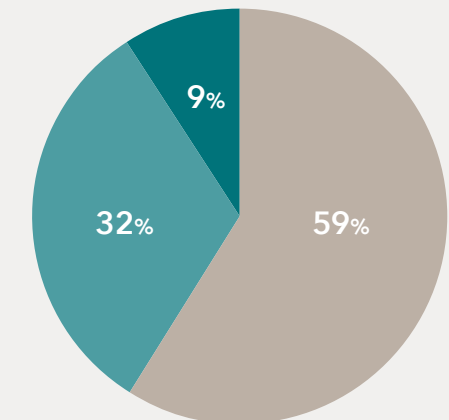
TBC

The double materiality requirement is bringing challenges, including:

- A lack of clarity on financial risk calculation.
- Unavailability of some necessary metrics.
- A lack of standards for reporting double materiality.

We recognise that it is very early in the process, but this topic is clearly a central concern. →

Implementing Double Materiality



- Have somewhat started
- Have not started
- Have clear roadmap

While 93% of companies asked are familiar with the term double materiality, most respondents report implementation challenges.

Will the EU Green Deal work?

The EU reporting rules are pushing sustainability reporting closer to financial reporting, with the aim of gaining a similar level of comparability and transparency. Some companies embrace this and look for ways to meet this challenge efficiently.

“We try to integrate sustainability reporting into the day-to-day financial reporting and implement the same kind of mindset.

My favourite example is how payments due to come in the following tax year are listed as accounts receivable. When it comes to sustainability, we don't have these kinds of common rules.

Anna Denell, Vasakronan

CASE STUDY:

How Arvid Nordquist HAB manages the demand for data:

We have integrated sustainability into our whole company, and principally in the new launch processes.

When we launch a new product, we collect an enormous amount of data associated with it – the size, the weight, the texts, the nutritional value – and at the same time, we gather sustainability data.

We pose many questions about the article, about certification, science-based targets, climate targets, percentage of renewable energy, raw material ingredients and their origins, and all of this we include in our sustainability database that we have built ourselves and included in our SAP system.

And from there, we can quickly access aggregated data for each article level, customer level, brand level, total company level or product level – which contain palm oil, raw materials from Russia, etc. We [...] make sure that it is up to date and that we have all the information.

Erica Bertilsson, Arvid Nordquist



PERSPECTIVES FROM THE BOARD

Interviews with Board Members and companies alike revealed a need for increasing the level of sustainability knowledge at Board level, even to raise awareness that there is a knowledge gap. In Sweden, a significant effort has been made to educate the Boards of state-owned companies, creating a pool of sustainability-educated non-executive directors.

The composition of Boards and the sectors from which Members and the Chair originate influence how sustainability is addressed at the Board level. Environmental topics are often those that Boards find most challenging and for which they lack most knowledge, and our interviews with members of Boards Impact Forum highlighted the challenges and solutions in this area. ↘

FINDINGS

- **It is very difficult to prioritise sustainability if the Chair does not do so.**
Getting time on the agenda for sustainability, demanding a strategic approach and interpreting data are all dependent on the Chair's approach to the topic.
- **Provide competence - who is on the Board and what's their know-how?**
A competent Board can inspire and support companies. Board Members need an understanding of sustainability reporting frameworks equivalent to their grasp of International Financial Reporting Standards (IFRS).
- **Demand competence from the Executive Team - recruitment of CEO and a business-savvy CSO.**
Choosing a CEO to grow a company, or to grow sustainably, makes a big difference and will shape recruitment. Similarly, interviewees discussed the critical importance of educating CSOs in business and finance.

*It's about learning a new language
– the language of carbon is actually as easy
as the language of money*

*– but the Board needs to learn
the language of carbon and the CSO needs
to learn the language of finance.*

Pia Heidenmark Cook*

*NED at Bupa, Max Hamburger, Origin Materials Inc, Decathlon, Chairwoman at The Do Group. Former Chief Sustainability Officer at IKEA.

Sustainability is handled better by the Board of Directors when they realise they need to be proactive rather than reactive, and realise that they are impacting, and being impacted by the value chain.

Liselotte Hägertz Engstam*

Boards have historically been pushed to be more focused on control than strategy, but most Board Members recognise that this will not work in the area of sustainability. Our questions to Members focussed on “storytelling” or scenario-like conversations where they can help shape the path forward. They bring in their experience from other sectors and contribute to the idea of shifting whole

value chains rather than the more static approach to sustainability through CSR, SDGs or even just reporting.

An anecdote of good Board practice was shared about a Chair starting a meeting by saying, “We will focus on the past before lunch and the future after lunch, but you all decide when we will have lunch.”

FINDINGS

- **Audit Committee routines are key.**
Deep dives into environmental data by the Audit Committee to interpret it for the rest of the Board ensures that decisions can be based on a combined financial and sustainability risk and opportunity analysis.
- **Business context analysis and future focus must include climate change and other sustainability shifts/scenarios from the Board.**
This kind of storytelling can help open up pathways for Executive Teams.

*Chair of Boards Impact Forum (The Nordic Chapter Climate Governance Initiative) and Member of the Global Governing Board of Climate Governance Initiative in collaboration with World Economic Forum. Board Director at several listed and private companies.

PIVOT POINTS FOR INTEGRATION

EVIDENCE OF A CLEAR SHIFT

Four overlapping themes emerged from our previous 2020 study that we called “pivot points”. They describe the forces driving deeper integration of sustainability into company strategy, changing the way it is governed and managed. In 2022/2023, all four of these pivot points have evolved in what we see as a shift towards greater integration.

THE FOUR PIVOT POINTS 2020



SUMMARY OF THE SHIFT 2022/2023

1.

Sustainability as a strategic enabler:
The C-suite – top management and board – active in driving the agenda.

Sustainability is a strategic enabler:
No respondent said that sustainability was entirely absent from company strategy discussions, a shift from the last report.

2.

Clarity on investor expectations:
Owner and investor expectations for a strategic response and transparency of risks.

Investor clarity:
Compared with two years ago, it is clear that CFOs are more engaged in sustainability. Both investors and lenders are now placing demands on companies to ensure sustainability is actively managed.

3.

Purpose in tune with the times:
A company purpose aligned with the sustainability agenda creates more lasting value.

Purpose becomes a journey:
More companies mentioned that they map out and communicate their transition plan to remain relevant. This shift is related to intensified engagement from finance and changing regulations.

4.

Defending a license to operate:
Building trust by increasing transparency.

Compliance a material risk:
Regulations define a “license to operate” more than ever before. Meeting the social license to operate is now embedded in responding to demanding legislation.

THE BENEFITS OF INTEGRATION

A striking result this year was the way in which the benefits of integrating sustainability into company strategy were becoming increasingly apparent. Here are some that were mentioned:

We are making the company “future-ready”.

Scania, Nibe, Vattenfall, Svea Solar,
Dustin, Jas, Ericsson, Arvid Nordquist

Driving Innovation.

Vattenfall, Swedavia, Boliden, Nilörngruppen,
Peab, Electrolux, Husqvarna, Alder, Skanska

Employee engagement.

ASSA ABLOY, Vattenfall, Ericsson, Nilörngruppen,
Coor, Electrolux, Husqvarna

Employee attraction.

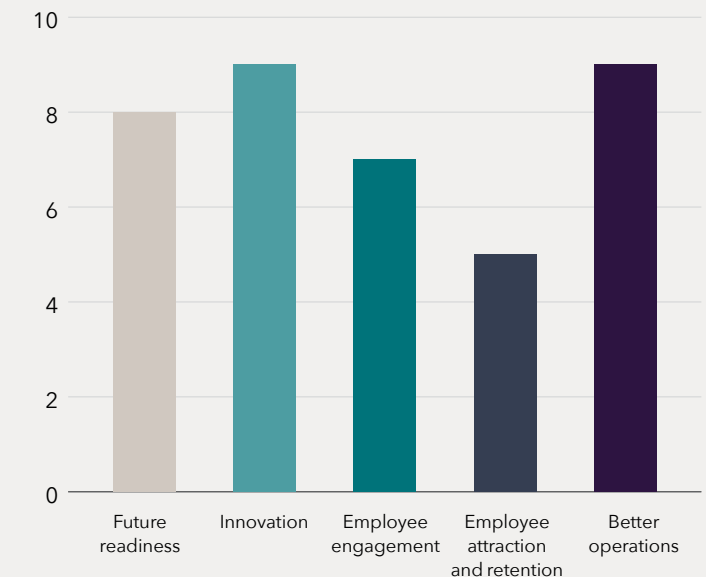
Boliden, Nilörngruppen, Dustin, Alder, Time People Group

Better operations, better product develop-
ment, better internal processes.

Ericsson, Handelsbanken, Dustin, Peab, Swedavia,
Swegon, Vasakronan, Alder, JAS

Integration is not just about sustainability becoming embedded in the core of company strategy and its future focus but also about it being part of the dialogue between a company and its stakeholders across the value chain, from suppliers to customers and financiers. Here data helps tell the story of progress, describing where to focus, what to do next and how to turn risks into opportunities.

Positive effects of integration



These effects were reported based on an open-ended question, which indicates that the replies reflect the interviewees' priorities. Quantifying these benefits remains challenging.

THE PURPLE IVY TAKE ON THE STATE OF INTEGRATION

This survey reveals a new era in the transition where company strategy is based on a mindset of value-chain transformation, instead of merely charting the transition to become a more sustainable company.

This approach is already emerging in leading Swedish companies and is necessary for achieving the speed of change expected by investors and regulators, among other stakeholders. It calls for leaner ways to engage across the value chain that democratise access to knowledge, data and resources. The ultimate aim must be to simplify the reporting burden and free up capacity to focus on action. This is where Purple IVY is constantly developing better ways to help.

The title “From Push to Pull” describes the tugging from all sides (and from within) that sustainability teams experience in a complex and sometimes chaotic shift that would perhaps benefit from a change-management approach. In fact, the new era of transition shows the economy as it is – behaving like a complex and adaptive system adjusting to new parameters based on science and striving after resilience and, ultimately, survival. ↘

At Purple IVY, we believe it is time to fully integrate sustainability across the value chain to achieve a flow of relationships and information as change picks up speed.

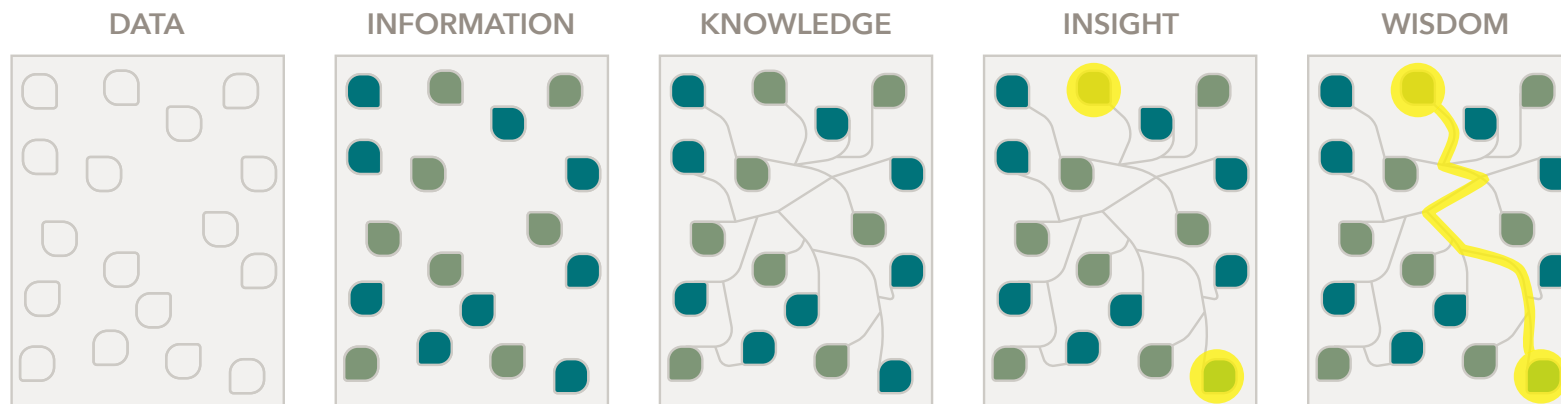
The destination of this journey is a new normal, where the cascade of transparency demanded by regulators shapes a thriving economy in which customers and investors can make good decisions.

From data to action – via wisdom

But what does a sustainable economy look like, what products or business models will shape it, and how will consumers behave? This remains to be seen, but we know we must get there fast, and that companies are developing innovative products, services, business models and operations solutions – from large corporations to start-ups, evolution is happening all along the value chain.

The language of this adapting system is data. But data is nothing without being decision-relevant and part of a meaningful dialogue with suppliers and customers alike. The focus may be on data gathering and reporting at the moment, but we want to make sure strategic decisions and relationships put data to work fast so that a path ahead emerges from the chaos of new regulations, pandemics, wars and a changing climate.

Information, knowledge, and understanding enable us to increase efficiency, not effectiveness.
Wisdom is the ability to increase effectiveness. (Image adapted from Russell Ackoff, 1988)



The Purple IVY future focus promise

At Purple IVY, we recognise the need for openness and a co-creation mindset between sustainability professionals in both large and small firms and the consultants that support them. There is an immense need to create simplicity in the information flow in a collaborative way, and nourish a constructive sense of urgency throughout industries. A cookie-cutter approach to sustainable business is not enough. Together we need to explore and accelerate processes and work to create the missing knowledge required to succeed in this transition.

Sustainability integration is about business transformation, about relevance, and about keeping pace with growing research about our stressed and changing planet. It is about understanding the social and governance prerequisites for doing business in an ethical way. Consumers and customers need be invited aboard this train with great products and services! Those companies making a significant contribution and embracing a proactive mindset will stay and thrive, those without it will disappear. This also applies to us here at Purple IVY, and we are up for the challenge.



INTEGRATING
SUSTAINABILITY