
THE STATE OF INTEGRATION

A PURPLE IVY SURVEY OF SUSTAINABILITY LEADERS & HOW THEY INTEGRATE SUSTAINABILITY INTO THEIR BUSINESS.

4 Pivot points for deep integration

Commitment & accountability

Targets & levels of ambition

Engaging & gaining momentum

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Our 5 big take-aways.

We asked 20 sustainability leaders on their approach to integrating sustainability deeper into their business. While all our respondents tell us that integration is among the top priorities for them, no company journey is like the other. The way they measure their progress varies considerably. We see five take-aways from our research:

1. The secret sauce of integration: Make sure that you have a commitment to change, mixed with logical systems, creative magic that moves people and the resources to bring the commitment to life.
2. Look at your business through the eyes of sustainability rather than vice versa. This authenticity will deliver your leadership aims.
3. Deep integration often requires transformational thinking. Most likely, this will come through an understanding of what's most important and the outside-in mentality that comes from collaboration with others.
4. The most impactful progress is achieved with robust management systems that clarify your journey, identifying who in your organisation will help drive change and raise awareness on the challenge at hand.
5. Sustainability integration shouldn't be tackled differently than other business processes. It's important to find your company's way, based on your company culture.

THE LITMUS TEST FOR LEADERSHIP.

We find ourselves at a COVID-19 pivot point. The way we conduct business in the future will not be the same as yesterday. It's time for a rethink on the role of long-term thinking and sustainability; on how we work with one another in our organizations and how we achieve change.

At Purple IVY, our job is to help integrate sustainability deeper into our clients' business models and future-proof their business strategies. We do this by learning from leaders and inspiring those that aspire to lead.

Now more than ever, sustainability leadership is defined by the degree to which companies have made sustainability part of what they do and who they are. Expectations from stakeholders for engagement in the sustainability agenda are increasing and companies are becoming even more purpose-driven. As a result, sustainability priorities are becoming important parts of the core business and companies are raising their bar on sustainability performance.

These trends piqued our curiosity about how Swedish companies see their path to integration. It inspired us to produce 'The state of Integration'. This report explores the barriers companies are facing and the success factors they pinpoint as necessary for deep integration.

Insights from 20 companies

Our research is a reflection of conversations with some 20 companies. We do not rank or determine which companies have succeeded in integration. Nor do we point fingers at those that haven't. This would be impossible to do. The degree of integration lies in the eyes of the beholder. Our survey points to the fact that the farther companies have come in integration, the humbler they become about how much more remains to be done.

Rather, this report strives to describe the current understanding of integration; what drives change, how companies achieve greater integration and share advice, based on their journeys.

The Purple IVY take

We take many valuable learnings from putting together this report. Foremost, our respondents tell of the importance of C-suite engagement in the sustainability agenda. At the same time, only few respondents said that they make concerted efforts to raise their leadership teams' knowledge of the agenda.

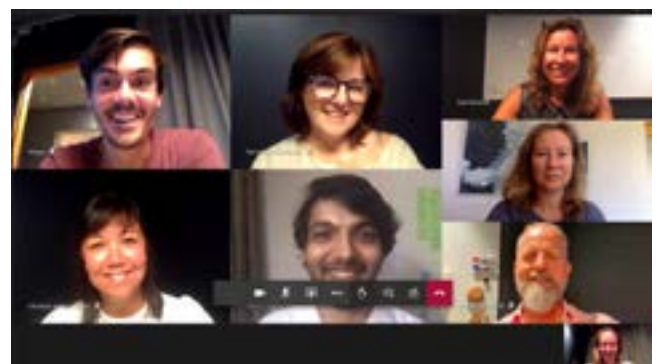
This is clearly a pitfall. With a lack of understanding of what is at stake, the real purpose of sustainability becomes confused—sustainability is seen through the eyes of business interests instead of the role business has as a change agent. Not addressing this conflict could jeopardize both credibility and impact.

We hope that you gain as much insight from this report as we did in creating it. We extend a special thanks to all of the people that took the time to contribute their experience and priorities with us. We are deeply grateful to each of you.

We will continue to build on this conversation and welcome both your feedback and questions.

August, 2020

The Purple IVY team



Sergio López Ramos, Astrid von Schmeling, Eva Normell, Christina Ameln, Aakash Dhingra, Rebecca Oliver, Lennart Bjurström and Maria Selling.

WHO WE SURVEYED & WHAT WE ASKED.

The approaches that achieve greater integration. What drives change and our respondents' advice on what works and what doesn't.

Conducted between December 2019 and February 2020, 20 people were interviewed, all of whom are charged with — or influence — integration of sustainability in companies.

Companies represented in the survey were drawn from:

1. A list of the most sustainable companies published by Aktuell Hållbarhet in 2019.
2. State-owned companies
3. Purple IVY's customer base for whom we completed assignments over the past five years.

Our analysis is based on:

- 20 one-hour interviews grounded in a standard set of qualitative questions.
- Desktop research on the companies interviewed.



- 13** Sustainability managers/directors (+ communications, HR, capital investments)
- 4** Environmental & quality managers
- 2** Business, product, or operations development managers
- 1** Responsible sourcing manager

A special thanks goes to all of the people that took the time to contribute their insights with us. We are deeply grateful to each of you.

- | | |
|--|--|
| Ahlstrom-Munksjö, Heli Nykänen | Husqvarna Group, Kalvis Mihailovs |
| Akademiska Hus, Mia Edofsson | IKANO Bostad, Sverker Andreasson |
| Assa Abloy, Charles Robinson | Lindéngruppen, Jenny Johansson |
| BillerudKorsnäs, Malin Ljung Eiborn | Scania, Andreas Follér |
| Bilprovningen, Eva Morger | Swedavia, Lena Wennberg |
| Collector, Sofia Brax | Swedbank, Fredrik Nilzén |
| Electrolux, Cecilia Nord | Vasakronan, Anna Denell |
| Epiroc, Camilla Goldbeck-Löwe | Vattenfall, Annika Ramsköld |
| Greencarrier, Helene Lundström & Åsa Leander | Vattenfall BU Hydro Nordic, Ekaterina Artene |
| Holmen, Stina Sandell & Elin Swedlund | +1 anonymous participant |

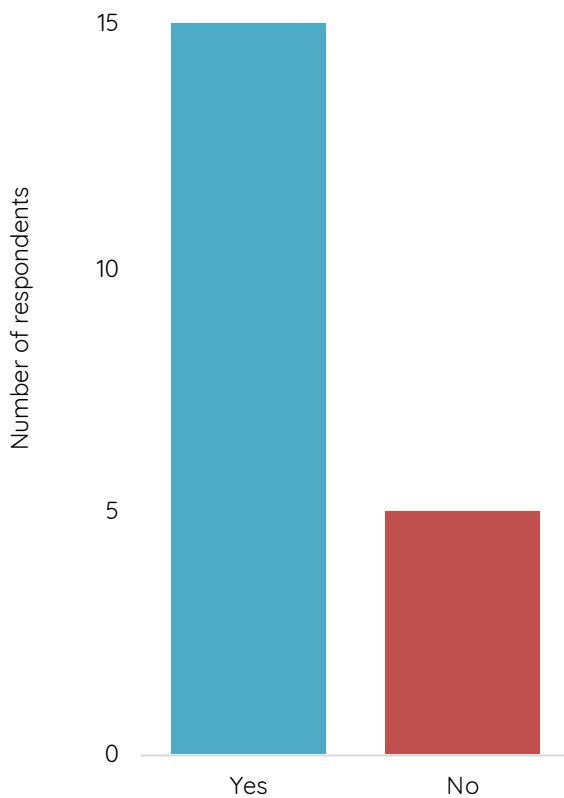
Respondent Snapshots

Within an hour timeframe, we posed approximately 20 questions relating to our interviewees

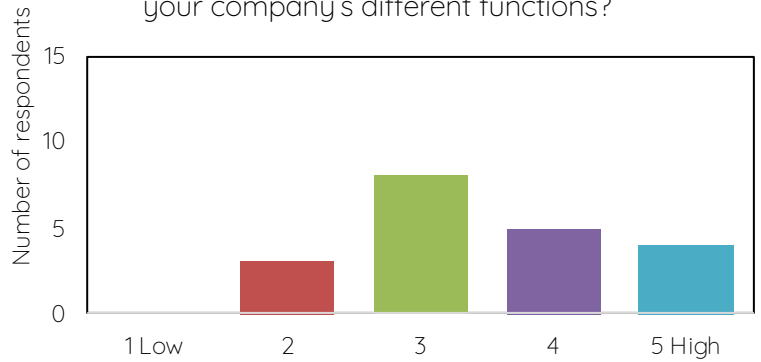
- approach to sustainability
- materiality
- getting commitment and setting the right targets
- the systems they use to track progress and improve.

Here's a snapshot of some of their responses.

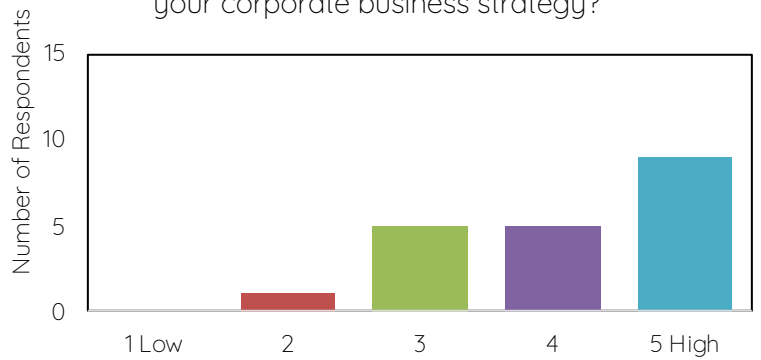
Do you incorporate a future perspective when you prioritize your most important topics?



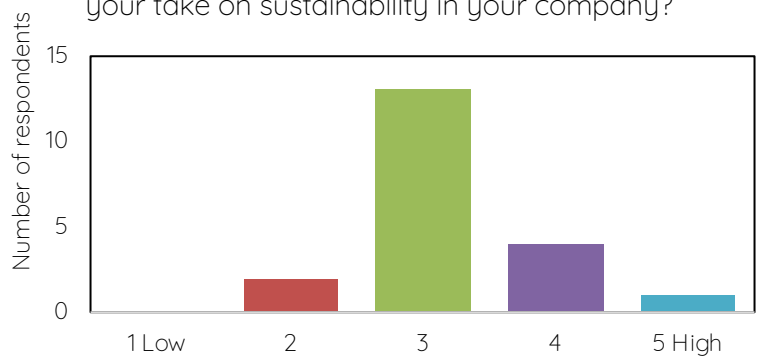
To what extent is sustainability integrated into your company's different functions?



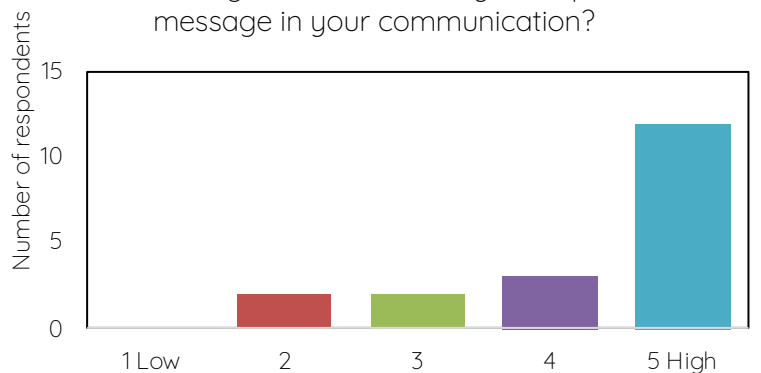
To what extent is sustainability integrated in your corporate business strategy?



To what extent do your employees understand your take on sustainability in your company?



To what degree is sustainability an important message in your communication?



4 PIVOT POINTS FOR INTEGRATION.

The more compelling the business case for engagement in sustainability, the deeper and more smoothly it is integrated. Four prevalent themes influence how a company prioritizes and manages sustainability

Why the hype for integration? Our respondents tell of a shift in how sustainability is governed and who is responsible for delivering on its aims. Four overlapping themes emerge from our conversations that help explain what is driving deeper integration.

Putting companies into categories is never an easy task — especially when it comes to sustainability. A company's actions can be described through more than one pivot point and different parts of the same organisation can tell contradictory stories. This depends on the issue at hand and how integration is measured. For these reasons, we want to avoid shoe-horning companies into categories. Rather, we illustrate each theme through best practice.

1. Sustainability as a strategic enabler

When sustainability is essential for achieving business aims or delivering on company mission and vision, we see that the C-suite — top management and board — is active in driving the agenda. The ripple-effect of this strategic role is that the leadership team and business line managers take ownership for sustainability objectives.

“Sustainability is a building block of our business strategy. It's a strategy fit for disruptive times. All business targets are synchronized with our sustainability ambition,” Andreas Follér, head of sustainability at Scania explains. “Sustainability helps us address how to maximize the impact of our business while minimizing the risk that we bring to society.”

This is also the case for Vattenfall Group; where sustainability no longer informs its business strategy — sustainability is the business strategy. “We threw out the sustainability strategy as we wanted our strategy to have its starting point in sustainability.” says Annika Ramsköld, head of sustainability of Vattenfall Group. “Executed in the right way, our strategic targets are sustainability targets. Business heads are responsible for their business and that includes integrating sustainability into their work.”

2. Clarity on investor expectations

A theme across our interviews is growing owner and investor expectations for a strategic response to sustainability and deeper transparency of risks. This brings board-level follow ups and active engagement from functions like investor relations and risk management. These responses promote strategic risk management, a greater focus on the positive impact companies can make and the need for robust ways of collecting data on their sustainability impacts.

As owners of some 46 companies, the Swedish government sets high expectations for strategic sustainability within its investment portfolio. As of this year, state-owned companies must define relevant sustainable business goals rather than sustainability goals (p. 20). Interviewees from these companies—Swedavia, Akademiska Hus, Bilprovningen, Vattenfall Group—all underscore that owner clarity helps them put sustainability aims on par with business objectives.

Strategic sustainability is a growing imperative in the private sector, too. Lindéngruppen has whole or partial ownership of Beckers, Colart, Höganäs, all connected by a shared vision of sustainable long-term development of industrial companies. Lindéngruppen's owner — Jenny Lindén Urnes — is adamant about the interconnectedness of creating value for society and stakeholders and for business success. To support each company board, Lindéngruppen developed a framework that each company must report on in order to better track the Group's impacts, goals and governance structures.



3. Purpose in tune with the times

A company that aligns its purpose to its sustainability agenda can better create lasting value. And a stakeholder approach to answering 'why a company exists' helps an organisation develop in sync with the world around it. Regardless of function, everybody in the business should ensure that the company is living its purpose. That's why communications, HR and marketing are linchpins to delivering on a sustainable purpose.

Interviewees from companies like Ahlstrom-Munksjö, BillerudKorsnäs and Greencarrier underlined the importance of sustainability to deliver on their purpose. Ahlstrom-Munksjö's Heli Nykänen, manager Group sustainability: "It is who we are — sustainable products for everyday life. In a nutshell it's about a broad portfolio of innovative solutions where people, planet and prosperity connect to everyday life. Sustainability comes to the core of why we exist in the first place."

BillerudKorsnäs' sustainability director Malin Ljung Eiborn adds: "Our company purpose is that we challenge conventional packaging for a sustainable future. That's the foundation for sustainability within BillerudKorsnäs on a broad scale — everyone knows and believes that we can challenge conventional ways and we do it for a sustainable future."

4. Defending a license to operate

Building trust by increasing transparency is a long-standing driver for sustainability action. But the scope of what is required to meet stakeholder expectations is widening.

Our interviewees tell us that companies are getting a deeper understanding of their organisation's positive and negative impacts. This is thanks to increased legislation, use of materiality assessments, improved data collection, life-cycle analysis and awareness levels. Importantly, we see that effectively managing opportunities and risks of these impacts doesn't necessarily mean that companies have integration as a priority, as these impacts may be controlled by internal experts.

Companies that are defined by this theme often work within, or support, resource-intensive sectors, or they may have carbon intensive, or high human-rights and business ethics impacts to manage. A company can effectively demonstrate that it is reducing its negative impact through a strong focus on transparency, management systems and data collection.

Holmen, BillerudKorsnäs, Swedbank, Swedavia and Epiroc are some examples of respondents that are particularly influenced by a license to operate approach.

HOW INTEGRATION TAKES SHAPE.

Successful integration rides on setting the right level of ambition, addressing relevant issues, securing accountability with the right people and obtaining the resources to get the job done. How this is achieved varies, depending on company structure and culture as well as management tools at hand.

The process for integrating sustainability should be no different than that used for addressing other business priorities and change. Rather than adopting a parallel universe for managing sustainability, effective approaches are defined more by the company's existing organisational structure, management system and culture as well as an understanding of what is driving their need for integration through stakeholder dialogue.

Successful integration means changing a company's way of working. And change is always painful. Our respondents highlight a few ways to ease that pain. They underline that it's important that change relates directly to the strategy and that momentum is created through systematic and visual follow ups.

For many companies, management systems are key to enabling effective integration. Sverker Andreasson, responsible for strategic development in Ikano Bostad's management team: "Our management system really supports our strategic ambition. Through it, we have a red thread from our vision through our strategy, leadership teams, processes, and down to our KPIs."

Here we present the most frequently mentioned approaches to integrating sustainability among our interviewees:

A top-down approach

C-Suite involvement in setting and owning sustainability ambitions is often cited as crucial to successful integration because sustainability goals are then more likely to be on par with long-term business objectives and messaging.

Seventeen of 20 respondents mentioned that top management played a crucial role in achieving the right level of ambition and commitment. Fourteen commented that sustainability was integrated into their strategy, ranking the extent of integration as four and five on a scale of five.

Vattenfall Group's Annika Ramsköld: "We threw out the sustainability strategy and wanted our strategy to have a starting point in sustainability. If we do it in the right way our strategic targets will have sustainability at the core."

BillerudKorsnäs' Malin Ljung Eiborn says that for them, the top-down approach helped ensure that sustainability aims were determined in the same way as their business objectives, "The business strategy work is done within the Executive Leadership team, with sustainability integrated in the strategy and with targets equal to financial targets."

Greencarrier also talks about the importance of the tone from the top. "If it's not top-down, you'll have problems. We're focusing on quality and emissions. Top management contributes with ideas about what and how to do it," says Helene Lundström, environment and quality manager at Greencarrier Freight Services.



17 respondents cite that top management played a crucial role in achieving the right level of ambition and commitment.

Board engagement on the rise

That is also why we are pleased to see that company boards are increasingly engaged in their sustainability agenda, albeit from an oversight perspective. This helps ensure that the company is identifying and managing impacts on people and the planet in an adequate way. At least sixteen of our interviews underline that board engagement is an important component of integration.

It is not uncommon to see that management teams select a few issues that they actively promote, and that they have stretch targets for these priorities that go beyond their strategy period.

Electrolux' Cecilia Nord: "Commitment and ambition comes from top management. They set targets based on what we are equipped to achieve. But Group management is also informed by the sustainability agenda and science. Take climate change, our ambition reflects what science tells us needs to be done to maintain a global temperature rise of 1.5°C. Our CEO has put a stake in the ground on climate."

Access to the top

Lack of access to top management has long been a frustration among sustainability managers. We see that this is changing. With ongoing and direct contact with the leadership teams and boards, sustainability teams can introduce robust processes and smoothly integrate sustainability throughout the business. However, many management teams still lack the right tools to understand the sustainability context, which can be a challenge:

"Not everybody in the management team has the same sustainability backpack to understand the interconnectedness of sustainability. But that's how you learn every day — being closer to the business," says Mia Edofsson, sustainability manager at Akademiska Hus.



CASE: HUSQVARNA GROUP



Sustainovate helps shape an ambition for leadership

For Husqvarna Group, sustainability is an enabler for achieving market leadership. Since 2016, the company has worked through 'Sustainovate' — the Group's sustainability plan — to realize this ambition.

Sustainovate's first phase — to 2020 — focused on five challenges deemed important to enable deeper integration of sustainability into its business. With the business case for sustainability becoming ever stronger, Husqvarna Group launched the next phase of Sustainovate this year; with three opportunities to change the industry by 2025 — carbon, circular and people.

With Sustainovate 2025, the plan is going from supporting the business strategy to helping to drive it. The 2025 plan has sharper focus on the difference the Group can make by driving the shift to a resource-smart economy.

The Group's biggest opportunity for change is its climate impact; to reduce fossil-fuel consumption during the use of its products. About 70 percent of Husqvarna Group's motorized offering is currently petrol-powered. To change that equation, the Carbon Opportunity aims to help create exponential growth of their battery and robotic offerings, thereby considerably reducing CO₂ impacts.

"Rather than focusing on change from within, our stated leadership ambition is to drive change in our industry. Sustainovate 2025 places greater focus on inspiring and engaging others like employees, customers and other partners in our ambitions. In that way, our actions will be even more impactful," says Kalvis Mihailovs, director Group sustainability. "But this requires that the leadership team of every Division is deeply involved in delivering on Sustainovate."



Commitment & accountability

Decentralized way of working

Swedish companies are notoriously decentralized—a practice shared among Husqvarna Group, Assa Abloy, Epiroc, Swedavia and Holmen to name only a few

A decentralized organisation's center of gravity is close to the customer and market. The upsides are that sustainability is integrated into the product offering and local community and many other stakeholder relationships. This gives them greater flexibility to meet local regulation and more effectively influence indirect impacts.

Camilla Goldbeck-Lowe explains Epiroc's approach: "Some sustainability KPI's are measured at Group level. Although they are set by the management team, they have different owners. It is the responsibility of each divisional president to make sure that our objectives are implemented."

This approach shows varying shades of decentralization. Like Epiroc, eight of our respondents underlined that although their leadership team is involved in setting the ambition, ownership of what is most relevant and targets to address them often lie with the divisions and functions.

The downsides are that long-term thinking may take a back seat to short-term business priorities. In this organisational structure, sustainability teams are often tasked with setting the sustainability agenda, but they don't always have the resources to influence the results. Awareness raising, developing a strong business case and continuous improvement can be helpful tools to address these barriers. Holmen, for example, encourages its divisions to set their own ambition and commitments.

Swedbank's Fredrik Nilzén, sustainability manager, underlines the importance of building competence with a decentralized approach. "It is much more important that we enable business areas or the product areas to build and recruit more competence, so we have built up teams of expertise across the business."



8 respondents underline that ownership of what is most relevant and targets often lie with the divisions and functions.

Networking approach

One way of deeply embedding sustainability in company culture is to leverage a networking approach

In the Swedish tradition of consensus management, sustainability teams often work through functions such as supply chain, human resources or legal to deliver on shared objectives, share best practice, explore common ways of working and monitoring progress. Often, this form of integration is more operational than strategic in nature.

The networking approach can also be used to capture the personal engagement levels of different people in the organisation to drive aspects of the agenda close to their hearts—like reducing climate impact or community engagement. Often, this approach does not result in strategic integration of the agenda, but it can go a long way to reaffirming a strong commitment among employees.

Much like in decentralized organisations, for the networking approach, the sustainability department supports divisions and functions to drive the agenda, set targets and share best practice, but lacks direct leadership engagement.

Respondent snapshots

We asked our interviewees how sustainability ambitions, commitments and targets were set.



17 involve top management in setting ambitions and integrating sustainability



At least 16 consult with investors



At least 3 consult with external experts

Silo Approach

The benefit of the silo approach has been the deep-seated sustainability knowledge that experts have. But there are clear downsides to this approach

Have you ever heard that an objective of a sustainability manager is to make themselves redundant? It might be working. Our interviews tell of a shift away from managing sustainability through a silo approach, where sustainability teams are responsible for implementing a sustainability strategy and monitoring impacts as a stream separate from the business strategy. We take this as an indication that integration is alive and well—albeit at varying degrees of evolution. In fact, none of our respondents volunteered that they used the silo approach to manage their strategy during our interviews.

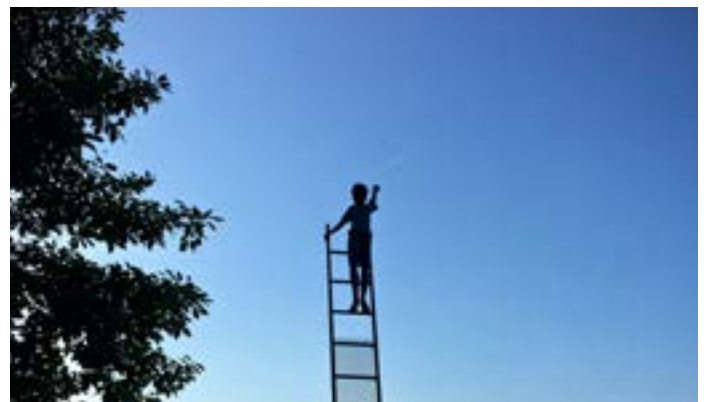
A strong sustainability team straddled alongside the business is often challenged with finding the connect to business objectives and long-term thinking and access to decision



None of our respondents volunteer that they use the silo approach to manage their strategy.

makers. In this role, managers are all too often tasked with fire-fighting missions in the business, engaging with stakeholders and managing risks. So a follow-up question for interviewees was if they were seeing a phasing out of siloed-sustainability functions.

“We agree that sustainability can’t be done in silos. We agree that it’s a complex system. As a company, it’s about making a decent profit in a decent way. We have a red thread from our vision down through strategy” is how Åsa Leander and Helene Lundström reason. Åsa is head of sustainability and brand management at Greencarrier Group while Helene is quality and environment coordinator at Greencarrier Freight Services.



UNDERSTANDING WHAT'S MOST IMPORTANT.

The starting point for integration is a shared understanding of the sustainability issues most crucial for the company to focus on. More than half of our respondents indicated that they used a precise materiality process to pinpoint what's most relevant for them

A materiality process is a systematic approach for identifying the company's most relevant sustainability issues. Seventeen of 20 respondents indicated that they had a way of pinpointing what's most important for their company, albeit the purpose and depth of analysis varied greatly. This broad acceptance of materiality is largely thanks to it being expected practice for reporting, both according to Global Reporting Initiative (GRI) standards, ISO standards and Swedish legislation.

GRI guidelines call for a process based on identifying the organisation's impacts on people and the environment as well as the topics that substantively influence stakeholder assessments. ISO management systems require that a company identifies its most relevant issues, understands stakeholder expectations and aligns its strategic direction to these findings. Fourteen respondents engage external stakeholders in their process. Nine respondents gather internal stakeholders in a workshop to serve as the basis for their analysis. While a few others conduct online questionnaires to gauge stakeholder priorities.

Materiality as a strategic tool

More and more, however, companies see a materiality process as essential for integration and strategy work. For this reason, the process is becoming more analytical, systematic and inclusive. But the extent to which the process is systematized and effective still varies significantly from company to company. When asked to rate the extent to which topics have been clearly prioritized, only slightly over half of our respondents rank four or five on a scale of five, where five represents the highest clarity in prioritization.

There are many reasons why companies use materiality beyond reporting. Some state that it helps create an understanding of the interconnectedness of the company's strategy and way of working. BillerudKorsnäs, for example, use its process to deepen its understanding of the connect between financial, customer and sustainability priorities.

For others — like Ikano Bostad — it is a tool to analyze where its greatest impact on people, society and planet occur. Materiality also helps companies structure stakeholder engagement and align it with internal accountability.

Holmen's Stina Sandell, SVP of sustainability and commu-

Respondent snapshots

We asked our interviewees how they identify the sustainability agenda that is most relevant for them:



17 conduct materiality analysis



17 consult with internal stakeholders in their process



14 engage external stakeholders



10 apply a future focus which uses an evidence-based approach that includes science-based targets

nications, explains it this way: “We fall back on the structure our materiality process provides. Through materiality, we see our executive leadership take ownership.”

Ekaterina Artene, head of business development at Vattenfall Business Unit, Hydro Nordic underlines that “We use materiality results as a framework to steer our company and set goals. It is just a new way of working for us.”

Some respondents state that applying a materiality process helps them create a foundation and focus for deeper integration. Vattenfall's Annika Ramsköld, head of sustainability states “We get confirmation that we are on the right track. We have a big roadshow and results from the materiality process are communicated throughout Vattenfall. Through materiality, each business area can set their own priorities, but in the context of what's most relevant to the Group.”



Not all processes are alike

We find that processes vary widely between companies, ranging from desktop analyses, internal workshops, to a months-long process engaging internal and external stakeholders. Swedavia, for example, uses its materiality assessment to engage employees and the executive team, and externally to understand expectations of investors, legislators, non-government organisations, society, suppliers and customers.

Lindéngruppen expects its companies to conduct a materiality process but leaves it largely up to each organisation to define a process that is right for them. Jenny Johansson, head of communications and sustainability clarified their Group's approach as: "We need to make sustainability really concrete for each company. The three things we do to guide our companies on what is material for them is to ask them: What are your ambitions and why are they relevant? Secondly, we ask them to analyze changes in society and how they can contribute to them. Thirdly, we ask companies to take these findings and make sure learnings are evident in company actions."

Defining what matters most

At Purple IVY, we see materiality as a strategic process with a future-focus that helps companies define:

- The topics that deliver lasting value to the company's important stakeholders.
- The topics that most influence its impacts on people and the environment—the biggest risks of business operations.
- The topics that have the greatest impact on the company's ability to create value over time.
- The topics that most influence the perception of the company as a trusted brand and influence stakeholder expectations for responsible business conduct.

Learn more: purple-ivy.se/materiality & [GRI materiality FAQ](#)

Expanding horizons

Four companies comment that materiality is a process that delivers strategic insight. A long-term view plays an important role in delivering this for them. A large share of our respondents indicate that they incorporate future focus in the way they define their most relevant issues, but 'future' is defined in different ways—from a timeframe of two to three years and thereby aligned with their business strategy, to 2030 and aligned to their commitment to Agenda 2030 or 2050 to align with their commitment to climate neutrality as per their science-based target. But only ten of these respondents apply a future focus which uses an evidence-based approach including those who apply science-based targets.

One state-owned company underlines the importance of applying an evidence-based approach, explaining it this way: "Agenda 2030 is our starting point. We conducted a project with our owner to define the Agenda 2030 goals where we can contribute most. Then we looked more into the world to 2030, estimated our impacts and our urgent needs. We looked at these through the lens of the change that we want to create and the direct impact that we want to measure like taxes, CO₂, and improving representation of women in management."

Vattenfall's approach was similar: "We have scenarios that look at our vision 2030, extrapolating them and looking at megatrends. We compare notes with external stakeholders on how they see the future. That's how we make a qualified guess on where we could be in the future in the context of climate change, geopolitical change and social aspects," is how Annika Ramsköld explains their process.



TARGETS THAT TRIGGER CHANGE.

Our interviews indicate a shift in how companies are using targets to influence change. Leading companies are incentivizing top management to deliver on sustainability goals

An important part of integration is gaining organisational alignment. Working towards a shared goal — especially an audacious one — is a great way to achieve a sense of community.

Targets help the entire organisation tackle key challenges and leverage their positive impacts together. A materiality process and dialogue with internal and external stakeholders are important for defining relevant levels of ambition, understanding what needs to be done and choosing the targets that really matter. As Ikano Bostad's Sverker Andreasson states, "It is important to prioritize, focus on a few important things, but do them well."

Among our respondents, we see that companies use targets for different purposes, rooted in the change they wish to create and informed by their corporate culture and processes.

Achieving transformation

The companies demonstrating best practice dare to define stretch targets aimed at achieving a step change. Through this shared, ambitious objective, they are gaining alignment in their organisation on topics that have deep impact on their business. These targets reflect what the science dictates needs to be done and challenge the company to adapt an outside-in perspective. Twelve of our respondents stated that they had transformational targets in place, many of them were science-based targets to reduce CO₂ emissions.

Stretch targets imply that there is no guarantee that an organisation will achieve the change they intend—there are simply too many moving parts, many of which are beyond their direct control, with a timeline too far into the future for a guaranteed outcome. Mia Edofsson of Akademiska Hus explains "To be at the forefront of innovation, you sometimes have to accept that you won't reach your targets." That's why we celebrate the companies from among our respondents that dared take the leap.

Often, companies have defined one or two transformational targets, and the remaining were incremental.

Achieving continuous improvement

Incremental targets often help ensure that performance keeps pace with expectations that are slow-moving or short term. They hold change on a fixed trajectory and compare performance year on year. Often based on what the company is equipped to achieve, these targets help break down change into small, digestible bites. Often specific, these incremental targets can play a role in decentralized organisations to maintain a common baseline on performance indicators across the company.

The right level of ambition

For sustainability, the right level of ambition strikes a balance between stakeholder imperatives, what the science tells us needs to be done and long-term business strategy. This is no easy task. Ekaterina Artene, head of business development at Vattenfall Business Unit, Hydro Nordics says: "The challenge is to find the balance in setting the ambitions for different areas like production, maintenance, personnel, and others. For sustainability, all processes relevant for the company must be investigated, and ambitions for them must be included in the strategy."

Science-based targets (SBTs)

Half of our respondents had, or were seeking, SBT-approved targets. Through SBTs they can ensure that their ambitions are aligned with what the science says needs to be achieved to maintain a global temperature rise at 1.5°C. They also commit to carbon neutrality by 2050 thereby ensuring their relevance in a low-carbon economy.

Electrolux, Husqvarna Group and Scania announced SBT goals in March, 2020. Scania pledges to cut emissions from its operations by 50 percent by 2025 and reduce emissions from products by 20 percent during the same period. Husqvarna Group is using its SBT to reduce CO₂ emissions across its value chain by 35 percent by 2025. Achieving this will help position themselves in the market for battery-powered offerings.



Challenges of setting relevant targets

Many of our respondents underlined the importance of ensuring that the companies' business goals are aligned with sustainability goals and vice versa. Holmen's Stina Sandell explains: "Because forests and climate are so central to our business, targets for reducing our climate impact and forest management are on par with financial objectives."

"I often get the question 'What are your sustainability goals?' My answer is simple: Our business goals," says Akademiska Hus' Mia Edofsson.

At the same time, some respondents caution that the credibility of the target is at risk when business objectives override materiality in how they set their ambitions. This highlights the potential conflict between short-term business gains and longer-term sustainable business aims.

Scania's Andreas Follér: "We have strong sustainability targets for climate, people, and the supply chain. Technology and business targets may not be sufficient to meet climate ambitions, but we've worked together and the one influenced the other. More companies should do that. If you have a disconnect, you create a cognitive dissonance in the company."

One way of resolving this potential conflict is by introducing incentive programs that are based on achieving sustainability objectives. Only few companies incentivize achievements of their sustainability targets. Electrolux is one company to adopt this approach. They announced in 2020 that 20 percent of their bonus program for 200 top managers will be based on CO₂ reductions. A victim of COVID-19, the program was put on hold as part of emergency measures to safeguard against negative financial effects of the pandemic. We look forward to its implementation in 2021.



17 respondents apply incremental targets.



12 respondents had transformational targets in place, (9 SBTs).

3 ways to define targets

Three respondents described how they arrive at relevant targets with the right ambition level:

1. **Vasakronan** consults with its board, using a risk perspective. They consult with responsible functions on the feasibility of the ambition and how they intend to deliver on it. They engage with external stakeholders to validate and align their ambition level with science. Anna Denell, head of sustainability: "Our ambition is to do no harm. Our long-term targets are steps on that path. Annual targets are then calculated based on what we need to reach each year to achieve the 2030 ambition."
2. **Assa Abloy's** Group Sustainability Council is charged with defining targets and action plans. The council consists of representatives from 'Innovation' and 'Production' from all divisions. Charles Robinson: "Each council member is tasked with reporting back to her or his organisation and to drive implementation."
3. **One** state-owned company worked with owners to set sustainability targets: "We challenge the management team to define the kind of targets it would like to see. We presented a suggestion to our owner and the board was also involved."

Respondents give guidance

We asked interviewees to provide some advice on how to set effective targets.

1. Strike the right balance between what's possible and 'impossible, but necessary'.
2. It's a challenge to set relevant targets for indirect impacts – such as reducing CO₂ among suppliers. Set succinct ways of measuring impacts and progress and take it one step at a time, starting with your largest indirect impacts.
3. Dare to let go of targets, or de-prioritize them, when they are no longer material to your impacts.
4. Focus on the areas with the greatest impacts and avoid setting targets based on cherry-picking initiatives, just because they are easy to achieve.
5. Make sure that you get ownership at the right level.

ENGAGING & GAINING MOMENTUM.

Our interviews tell us that companies are finding creative ways to engage their teams in sustainability and more robust approaches to communicate on progress. A select few of our respondents are making concerted efforts to raise top-management awareness on the agenda

In his repertoire of great quotes, Stephen Hawking said, “The greatest enemy of knowledge is not ignorance; it is the illusion of knowledge.” This rings true for the sustainability agenda. There can be as many views of what sustainability is and the company’s role in delivering it as there are people in an organisation. This may result in random priorities and outcomes; a key challenge to overcome for successful integration.

Our respondents echoed this challenge. In fact, only a quarter of our respondents stated that their employees had a deep understanding of their company’s take on sustainability, rating their status as four and five on a scale of five.

To successfully roll out a strategy, a company needs to channel the energy of its teams towards a common objective. Doing this successfully requires an engagement toolbox consisting of:

1. Mechanisms to ensure that functions prioritize the strategy in their decision-making.
2. The right knowledge and dialogue to understand context and the company’s role.
3. Robust processes and transparency to show where you stand on your journey.

Respondents give guidance

We asked interviewees to provide some advice on how to engage the organisations in their sustainability agenda.

1. Make it easy for people to understand the connections between the business strategy and sustainability work
2. Awareness of the agenda is key for taking ownership of the strategy
3. Create an approach that balances progress towards a goal with outcomes that affect corporate culture and decision-making
4. Provide a strong connection between definition, priorities, ambitions and goals

Enabling mechanisms

Building engagement and momentum requires leadership from management, especially the CEO. But leadership teams are not always equipped to be ambassadors for the sustainability agenda. Only four respondents stated that they work actively to build awareness and raise competence levels among top management to enable them to take ownership of sustainability-related ambitions and commitments.

The agenda has a much greater chance of becoming a strategic priority when the management team is an active ambassador for sustainability. Such was the case for Vattenfall Group. Annika Ramsköld: “From when we made it clear in our internal governance to when it truly happened, it took two years for business heads to take on the full responsibility for their role in the sustainability agenda. Our so-called “CEO talks on sustainability” helped them take ownership. Every year, the head of strategy and I sit down together with business heads and discuss our challenges and topics. In that way, they have taken ownership.”



4 respondents work actively to build awareness and raise competence levels among top management to enable them to take ownership of sustainability related ambitions and commitments.



9 respondents state that engaging and involving employees was essential to integrating sustainability ambitions throughout the company.



Reporting process promotes integration

Transparency builds trust in the company’s commitment. It also builds an understanding of the challenges and it creates the impetus for change. An important aspect of every company’s sustainability efforts is having robust reporting processes in place to deliver transparency on negative and positive impacts, progress on targets and where the company stands on its journey. “We have a strategic sustainability plan which spans 15 years. Top managers take a look at strategic goals every quarter and they are broken down to year-on-year targets and measured in our scorecard,” says Lena Wennberg of Swedavia.

The International Integrated Reporting Council (IIRC) is a strong advocate of leveraging reporting processes to achieve integration. We see that this priority is reflected in some of our respondents thinking as well.

It is no longer the case that the annual reporting cycle is dictating the frequency of collecting data. We see that many companies are shifting to a greater frequency of reporting on progress. For example, Holmen, Swedavia, Akademiska Hus, Vattenfall, Assa Abloy, Husqvarna Group, and Scania all collected data on a quarterly basis on topics that required high levels of follow-up.



Raising awareness & employee engagement

Nine respondents stated that engaging and involving employees was essential to integrating sustainability ambitions throughout the company. Vattenfall BU Hydro Nordic’s Ekaterina Artene: “It is a challenge is to make it easy for people to understand and see the connections between our strategy and our sustainability work.”

There are a number of approaches to draw on to tackle this challenge. From e-learning programs to setting up sustainability workshops, companies are making the investment to ensure that their teams have the knowledge they need for their sustainability journey and are taking the time to explore each individual’s role in delivering on it.

Assa Abloy’s Charles Robinson states that engaging teams requires a bespoke approach for every function “You need to talk with every person in their own language. Otherwise you lose their interest. You need to build the story and engage all people to make it happen.”

Some examples from our respondents include:

- Greencarrier has trained all staff on sustainability and have complimentary training for specific processes.
- Swedbank has a network of 50 sustainability ambassadors across the group that helps its leadership team set targets, key activities for the year, and drive their action plan.



CASE: SCANIA GROUP Closes shop to talk climate

On September 20, 2019 Scania stopped its global operations for an hour to talk climate change, the impact of transport and Scania's response. Employees gathered in their teams to learn more about the science and to share ideas on how they can contribute to addressing the challenge in their daily work.

Scania's Andreas Follér describes the day: "Climate is difficult. It's a combination of science and politics. Getting the facts straight was most important. We approached the subject by being evidence based, using data from NASA, the International Energy Agency and WWF, we then delved into how it relates to us. We asked about the impact of our operations and what can we do to make a change. Everything was done in local discussion groups. To facilitate the day, we trained some 2,500 trainers.

"At the outset, I thought the setup was guaranteed to fail — we were only three people organizing the event. But as time went on, I realized that I trusted Scania's structure — that we take ownership of things.

"I would not recommend a session like this for companies that don't have the confidence to tackle the challenge. If there is no credibility, it can easily become

window dressing. It will work if you have confidence in your approach and a strong track record for integration. It has to be driven from the top; it cannot be an idea from the comms department."

And the outcome of the day? Follér smiled: "The good news is that in R&D, people are updating their skills and gravitating towards new thinking. Our sales force is curious. But there will always be people that won't be. Competence and engagement are key."

In preparation for the day, material was produced and translated into 33 languages. Scania hopes to inspire others through their efforts. They have made their course material available at: [Climate Day at Scania](#)



INSPIRED BY OTHERS.

Many respondents look outside their own organisation in order to create change within. This includes building partnerships with customers, non-governmental organisations, academia as well as industry collaboration

Stakeholder dialogue plays an important role in helping companies keep their ears to the ground and better understand expectations. For many companies, this dialogue is morphing into partnerships for transformation, where shared goals and inclusive ways of working are helping companies integrate the agenda into their own organisations in relevant ways.

Based on our interviews though, we see that very few companies have developed effective processes for managing partnerships. Partnerships are mostly built on an ad-hoc basis, which may lessen its impact on the company and possibility to integrate learnings into the organisation.

17 of our respondents speak of the importance of collaborating with peer companies, customers, NGOs and academia



to gain insights on priorities beyond their direct control, but which are still central to their business. Husqvarna Group's Kalvis Mihailovs underlines that "In all areas, but starting with circular economy, we work with universities to develop and deliver on our target. We recently launched Sustainovate Open Challenge, an invitation to innovative start-ups to develop circular solutions together.

This inclusive approach to innovation helps us build deeper relationships, explore new solutions and challenge our current way of working."

Our respondents underline that successful collaboration rides on building a common understanding of the change they want to create. Swedavia's Lena Wennberg starts with understanding who they need to work with to achieve progress in the business. "We try to choose partners that helps us achieve our strategic goals."

That can be a daunting task, but one which offers sizeable rewards. Lindéngruppen works closely with the Global Child Forum to raise awareness of business and children's rights. "We're proud of our collaboration. Over the last half year, we have developed a framework with them that guides companies on children's rights, helping them recognize their relevance to business and how companies can actively work with these issues. Right now, we are conducting pilots in our companies." Jenny Johansson adds.

Respondent Snapshots

We asked what external bodies inform our respondents' approach to sustainability:

- ISO certification
- Meeting customer expectations
- Collecting data for rating agencies (CDP, DJSI, SEDEX)
- Collaboration across the value chain

Respondents give guidance

We asked our interviewees for advice on how to create successful partnerships.

1. Identify those that share your vision, ambitions or challenges
2. Identify those who can help achieve your strategic goal
3. Identify those whose expertise is aligned with your material topics
4. Participate in networks to find partners with similar objectives.

THE SWEDISH STATE TAKES A STAND.

In February 2020, the Swedish government revised its ownership policy to more precisely articulate expectations that each state-owned company must define sustainable business goals rather than sustainability goals. Purple IVY spoke to Jens Schlyter, Special Advisor Sustainable Business at the Swedish Ministry of Enterprise and Innovation, on how these ownership expectations are pushing for greater integration

On integrating sustainability into corporate strategy

“As owners, we’re trying harder to push companies for deeper integration. We recently revised our ownership policy, stipulating that all state-owned companies define strategic targets for sustainable value creation. That’s why we are deeply engaged with each board and CEO to set the scene.

It’s important to be aware of potential conflict between short-term business objectives and sustainability. It comes down to if the company sees sustainability through a strategic lens and if it has done its homework. To avoid the conflict, it’s important that companies engage everybody in their organization.”

On the importance of identifying materiality

“What I mean by homework is understanding their impacts and what parts of the sustainability agenda are most relevant for them. Identifying materiality is expected practice for all state-owned companies. Companies need to involve a lot of functions and stakeholders to get this done. It allows an organization to learn from different perspectives and also form processes on how they can get on the right path.

On a future-focused perspective

“Setting the agenda through a future focus is important to us, that’s what we did in revising our ownership policy. How are society and markets changing? Where do we want to take our companies in future? What direction do we need and want to drive them in? For climate change, we have to think about climate impacts in terms of about ten years.

On integrating sustainability in ownership processes

“Through integration, the sustainability function becomes a change agent. If strategy and integration are lacking, you don’t have the full picture of the company. Integrated reporting helps a great deal. This allows management to see the complexity of the company’s role and markets and understand the importance of different indicators. In the end, we believe that an integrated approach is the only way to sustainable value creation.



Policy snapshot

“The board of directors is responsible for developing the enterprise’s overall strategy and setting strategic targets for sustainable value creation. The strategic targets for sustainable value creation have to focus on value creation and be relevant to the enterprise’s business operations and significant sustainability aspects. The targets also have to be long term, challenging and trackable, while being clear and comparable.”

For more information on the policy, visit [The policy and principles for state-owned companies](#)

Purple IVY helps future proof your business and integrate sustainability across your company.

IMPACT

Measuring the difference you make to people and the environment as well as the degree this value is scaled through a partnership approach.

MANAGEMENT

Developing processes that help integrate sustainability deeper into your organisation, deliver on goals as well as instilling ways of working and a strong sense of accountability.

COMMUNICATIONS

Increasing transparency, building dialogue, raising awareness as well as engaging others in your aspirations and goals.



Integrating sustainability into business strategy creates a ripple effect ensuring that companies focus on delivering lasting value to their stakeholders and remain resilient in fast-changing society.

DO YOU WANT TO KNOW MORE?

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