Communicating Sustainable Development and Reporting to Stakeholders

Group projects - Class of 2018

WBCSD Leadership Program 2018

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WBCSD Leadership Program 2018

WBCSD Leadership Program is a unique professional and leadership development opportunity aiming to provide current and future business leaders with an in-depth understanding of sustainability challenges and opportunities that will feed into their strategic decision-making. As sustainable businesses will continue to lead the way in the future, it is critical for the next generation of leaders to understand the importance of sustainability to their businesses and integrate the opportunities and risks in their core business strategy.

THE LEADERSHIP PROGRAM 2018

The theme of the 2018 Leadership Program was *Communicating sustainable development and reporting to stakeholders*. Communications play a vital part in any sustainability strategy. If a company doesn't communicate its ambition and processes internally, it may not be able to mobilize employees to drive the changes needed to make the organization more sustainable. If it doesn't communicate its strategies, activities and progress externally, the increasing number of environmentally and socially conscious investors and consumers could negatively impact the company. The company could also fall foul of increasing regulation and requirements.

WBCSD's Education team – Prof Dr Rodney Irwin and Suzanne Feinmann – facilitated the three learning modules (Sustainability in context, Sustainability in action and Leading sustainability).

The 2018 program brought together 46 high-potential leaders over a nine-month period. They came together for one-week meetings in different locations: Yale University and New York (USA), London (UK) and Singapore.

FOREWORD

"Communication is key" is a phrase repeated in reference to successful friendships, marriages, business transactions and more. But strangely, communication isn't something immediately associated with accelerating the transition to a more sustainable world. Yet, communication is crucial to this too.

Understanding how to communicate with different stakeholders within and outside of an organization is critical to making progress and moving ahead. If a company's sustainability team doesn't know how to speak to its finance, risk management or other departments, sustainability priorities are unlikely to permeate into the core of the company's day-to-day strategy.

The 2018 Leadership Program focused on addressing this issue by delving into *Communicating sustainable development and reporting to stakeholders*.

The Class of 2018 brought together 46 business leaders, making it the largest-ever cohort in the Leadership Program's history.

The students learned to re-evaluate business models and product offerings in the context of a changing business landscape, experimenting with new strategies to communicate their knowledge internally and externally to promote sustainable outcomes.

They experienced intense on-location training and hands-on learning, and completed deep individual and group project work. Now, they're poised to join a network of dynamic business leaders who are ambassadors for sustainable development in their companies and in broader society – with communication at the very center.

This report is a sample of what they've accomplished and the efforts they'll make to reshape the future of business.

Prof Dr Rodney Irwin
Managing Director, Redefining Value & Education, WBCSD

GROUP PROJECTS 2018

During the year, participants write individual and group reports. This brochure summarizes their group projects:

1. Getting CFOs on board with sustainability
2. Integrated reporting: Integrated thinking for long-term value creation
3. Digital reporting: evaluating the "why" and "how" of digital reporting trends for ESG information
4. The costs and benefits of disclosing financial-grade ESG information: how to accelerate change across the assurance landscape
5. To net or not to net: what is the value of assessing net impact?
6. Safe water gardens: safe sanitation for all
7. below50: deciphering the low-carbon fuels communication challenge

Participants came from the following WBCSD member companies:

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Getting CFOs on board with sustainability

GROUP PARTICIPANTS

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INTRODUCTION

Chief Financial Officers (CFOs) are in a unique position to influence forces that can move the sustainability agenda forward. They can drive strategies and resource allocation, ensure better, transparent reporting and engage investors.

According to a 2014 WBCSD publication and Corporate Eco Forum's 2015 report, CFOs can leverage sustainability to improve performance, thereby reducing costs, creating value, managing risk and meeting the expectations of employees and investors. Engaging CFOs in sustainability consequently has the potential to ignite change through the markets while increasing the value and future prosperity of their own businesses.

Through interviews, we explored how CFOs can help businesses embrace sustainability, and assessed their motivators and barriers. Based on these, we propose recommendations on how to improve CFO engagement.

KEY FINDINGS FROM THE LITERATURE AND INTERVIEWS WITH CFOs AND INVESTORS

- Our analysis shows that sustainability is often not a priority for CFOs, as it does not fall under their direct scope within the companies they work for. While they embrace sustainability as a business opportunity, some do not necessarily see that they can have a role in advancing this agenda.
- CFOs receive immense amounts of information daily, which makes reaching out to them on sustainability more challenging. Our research identified five key communication channels: personal research and briefings; news outlets/newsletters; thought leaders; conferences; and social media.

  Although CFOs come across sustainability information through these channels, it is often the sustainability teams that bring the topic to their attention.
- Most of the CFOs interviewed indicated limited, albeit increasing, pressure from investors on sustainability matters, whereas, all investors indicated that they use sustainability information in their decision-making.

Key channels		Personal research and briefings	News outlets/ newsletters	Thought leaders	Conferences	Social media
Research	Literature review	**Own research** and **briefings from internal teams** and **external specialists**	**Major global news outlets** as well as finance and business magazines	**Professional services firms** and **influential individuals**	**Conferences** hosted **by professional services** firms, banks and business organizations	**Social media** (LinkedIn) (**younger CFOs** [<40] generally the most prolific users)
Research	CFO interviews	**Reliance** on **own research** and **briefs from assistants and sustainability teams** (mentioned by **almost half of CFOs interviewed**)	**Publications** from the *Economist* and *Harvard Business Review*, the Wall Street Journal's *CFO Journal* (sponsored by Deloitte)	**CFO networks** hosted by top professional services/ accountancy firms; well-known faces and credible influencers	**Conferences organized by financial institutions** (e.g., Swedish Bank) **and consulting firms** (e.g., McKinsey)	**LinkedIn and Twitter** used to follow trends (mentioned by one CFO interviewed)
Summary of effective channels		**Other layers in the finance department** (and through working-level professional networks); **investors and analysts**	**Business and finance magazines** (recent editions feature sustainable investing and **why sustainability matters for CFOs**)	Well-known and **credible faces; advocate CFOs** who will lead and challenge other CFOs to redefine their roles	**Events** hosted by **professional services and consultancy firms** as well as **financial institutions** (also where CFOs can be speakers)	**LinkedIn and Twitter** (could create "sound-bite awareness" but will **not necessarily inspire action**)

Sources: Deloitte, CFO Signals, 2017; interviews with CFOs

MOTIVATORS FOR CFOs TO GET ENGAGED WITH SUSTAINABILITY

- A desire to be a change leader, or a personal motivation to improve their children's future
- Understanding the impact the business has on society and the environment through impact valuation
- A solid business opportunity linked to financial impact
- A wake-up call that triggered them to become more acquainted with sustainability, like media attention on relevant environmental issues
- Understanding how they can effectively influence asset managers to integrate sustainability.

As CFOs, we can influence investment strategies of USD $2 trillion in corporate pension scheme assets to improve risk adjusted returns and motivate companies to strive for more impact.

Karim Hajjar
Solvay

BARRIERS THAT PREVENT CFOs FROM ACTING AS CHANGE AGENTS

- Collaboration gap between finance and sustainability teams
- Limited evident connections between sustainability and value creation
- Pressure to achieve short-term financial results instead of focusing on the long-term
- Excessive theoretical information on why sustainability is important and too few concrete, inspiring examples of how to act
- Limited incentives and/or external pressure related to sustainability performance

Discussions about sustainability with CFOs and other members of management are essential to understand which elements of the company, when removed, would bring the business down.

Minoru Matsubara
Resona Bank

We need to get away from the myth that investing in sustainability will provide lower returns, as sustainability funds are outperforming other funds.

Aitken Ross,
Liontrust Asset Management

RECOMMENDATIONS

1. Leverage partnerships

Identify coalitions with players that successfully engage with CFOs, such as consultancy firms and Accounting for Sustainability. Collaborate to include sustainability in their CFO network events and create joint courses, "how to" guides and case studies.

2. Identify and work with stakeholders

Offer training on sustainable value creation to both finance and sustainability professionals. Engage investors to increase pressure for more transparency and better reporting, and help shift the focus to the long-term. Identify thought leaders and CFOs involved in sustainability who can be advocates and role models.

3. Create a CFO narrative to ignite wake-up calls

Through proven and effective channels, share personal success stories and concrete facts that provide evidence on how CFOs leverage sustainability in their roles (rather than using theoretical arguments).

4. Time for action

Bring CFOs, investors and sustainability professionals together in a working group to define and commit to a joint road map to transform financial markets and their own businesses.

If you are ready to act, ask your CFO to get involved with WBCSD today!

A study of over 400 senior investment professionals from mainstream investment organizations found that the primary reason survey respondents consider sustainability information in investment decisions is because they consider it financially material to investment performance.

Source: Amel-Zadeh, A. and Serafeim, G.
Why and How Investors Use ESG Information, 2017

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Integrated reporting: integrated thinking for long-term value creation

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BACKGROUND

The competitive advantage of many companies relies on the interconnection of internal knowledge and information. Integrated reporting is an effective tool for companies to articulate their value creation by supporting integrated thinking. Integrated thinking helps connect performance with purpose and requires an inclusive decision-making process in order to understand how to create value over time. The application of integrated reporting and integrated thinking should focus management and decision-makers on considering long-term sustainability issues. This integrated approach results in clearer communication to stakeholders on value creation aspects over time.

METHODOLOGY

We sought to understand how WBCSD member companies that produce integrated reports perform on the annual WBCSD *Reporting matters* assessment and on the stock markets compared to those that produce stand-alone sustainability or combined reports.

We conducted in-depth interviews with eight WBCSD member companies and with two experts to understand current approaches to integrated reporting and integrated thinking.

We then conducted a comprehensive literature review to explore and understand the current thinking in the business and academic sectors.

KEY FINDINGS

Benefits

Integrated reporting is more than reporting: integrated reporting contributes to better collaboration and understanding of value creation for a company and its stakeholders in the long-term.

Integrated reporting helps communicate the value creation story: integrated reporting encourages companies to take a holistic approach, which requires them to have a better understanding of their value creation and to have better internal controls for non-financial information, which helps the company to recognize the value it is creating and to communicate it both internally and externally.

PROPOSITION

Our work explored the extent to which integrated reporting and integrated thinking result in internal value creation in the short-, medium- and long-term by identifying benefits and challenges through a series of interviews and desktop analysis.

Integrated reporting helps understand the external environment: integrated reporting helps companies evaluate the global and industry-specific trends that may influence company performance and to assess their impacts on the value creation process.

Integrated reporting improves decision-making: integrated reporting contributes to a better understanding of business models and strategies among finance professionals, who often have important decision-making roles.

Challenges

Lack of understanding about integrated reporting: limited knowledge of integrated reporting, its concepts and potential benefits is often a barrier to adopting integrated reporting and integrated thinking.

Aligning non-financial and financial reporting: integrated reporting requires the alignment of financial and non-financial reporting processes. A majority of the companies interviewed reported that it was difficult to match the tighter timeline.

Finding the necessary resources: integrated reporting demands higher quality data for non-financial indicators, which necessitates investment in the underlying data collection processes and supporting data management infrastructure, all of which comes with a financial impact.

The complexity of the reporting landscape: integrated reporting is another reporting framework to add to the many regulatory requirements and frameworks for disclosing environmental, social and governance (ESG) performance; companies struggle to respond effectively with limited resources.

KEY SUCCESS FACTORS FOR INTEGRATED REPORTING AND INTEGRATED THINKING

Get buy-in and involvement from top management: ensure the board and management are actively engaged throughout the integrated reporting process in order to provide important and effective oversight at all stages.

Link senior management remuneration to ESG targets: connecting the company's medium- and long-term financial and non-financial performance to CEO or executive team compensation is likely to encourage integrated thinking. As the whole company will contribute to the achievement of financial and non-financial targets, sustainability criteria should be included in the incentive schemes for all employees.

Set up a strong cross-functional project team: integrated reporting requires deep collaboration across the organization. A cross-functional implementation team led by a skilled project manager will result in more successful outcomes.

Develop your own integrated reporting approach: adapt your integrated reporting to communicate your company's unique essence and aspirations. In the long-term, integrate all aspects and impacts that influence the organization's ability to create financial and non-financial value.

Embrace the integrated reporting journey: consider an integrated report as an opportunity for internal education and development. The integration of different company reports should not generate more information but more relevant and concise information.

Practice slow thinking to align the strategy, vision and storyline: prepare the organization to adapt its business model and strategy to respond to the external influences, risks and opportunities that the organization faces. Practicing "slow thinking" may be a valuable approach to better understand and align material issues with the company strategy.

CONCLUSION

Integrated reporting and integrated thinking must be considered as a journey that can be incredibly rewarding in terms of internal value creation in the short-, medium- and long-term. We believe that integrated reporting will further develop in parallel with increasing demands from stakeholders for accountability and transparency – until it is the norm rather than the exception.

3

Digital reporting: evaluating the "why" and "how" of digital reporting trends for ESG information

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BACKGROUND

Many companies voluntarily report on certain aspects of their business, such as on their sustainability efforts, as a requirement from various stakeholders. Sustainability reporting allows companies to provide transparent, current and verifiable information on ESG performance by involving external audiences and assurers in the process.

Advances in digital technology and the widespread use of the internet offer companies options beyond traditional, printed reporting to those that can increase accessibility, develop more engaging and interactive content and improve data visualization, resulting in a better stakeholder experience.

WHY?

As WBCSD's Reporting Exchange shows, for commodity-based businesses, stakeholders find ESG information available in the public domain increasingly valid. This is affecting companies' license to operate as those companies that provide transparent information in the public domain tend to see better results in consumer-facing markets.

Producing a digital report allows companies to save a large volume of paper every year. In addition to being more cost-efficient, digital reporting minimizes human error and speeds up completion through assistance provided by automated, machine-based processes – according to Econsultancy's *Digital Intelligence Briefing on 2018 Digital Trends*. It also creates more impactful content that captures the attention of the intended audience and allows for the instant distribution of information to a wider potential audience of internet users. Furthermore, the shift to digital reporting significantly improves the process of comparing data from multiple companies; digital tools such as hyperlinks and search functions make comparing data faster and more efficient for stakeholders.

HOW?

The transition to digital reporting starts with the identification of the key audiences, moves on to the preparation of a narrative that meets stakeholders' concerns, and then to the identification of internal resources. This leads to engaging a third party and/or appropriate software, the deployment of the digital report, tracking performance and continuous improvement. One of the main challenges of switching to a digital format is ensuring that stakeholders can quickly access the reported information. As with all types of reporting, another key challenge is understanding the audiences and presenting content in a way that allows for proper audience interpretation without exposing proprietary information.

KEY LEARNINGS

Digital reporting is complex and challenging and stakeholder demands for information will only continue to increase, according to the Global Reporting Initiative's *Next Era of Corporate Disclosure* report. The interpretation of ESG information using the right perspective can positively influence a company's reputation.

In terms of disclosing and reporting ESG information, some of the upcoming challenges that companies will face relate to disclosing information more frequently than via an annual report, disclosing a company's overall impact on natural resources and maintaining real-time interactions with stakeholders through various channels.

With respect to technology, Deloitte forecasts in its *Insights. Tech Trends 2018* report that digital reporting formats will expand through the use of new technologies such as virtual reality (VR) and augmented reality (AR), which allow for voice, body and object positioning capabilities. Using VR and AR will allow companies to engage with stakeholders in a more personal, realistic format.

RECOMMENDATIONS

- Engage the right third-party agency partner, one that is well-positioned to suggest the best technology to meet your organization's digital reporting needs.
- In terms of content, keep it simple and have two or three levels of ESG data.
    - The first level should be summarized, factual data intended for key stakeholders and investors.
    - The second level should be engaging, visual content that tells a story about a company's sustainability journey and informs a general public audience.
    - Finally, the third level of ESG data is intended for internal-use only and should be detailed, allowing a company to track progress over the years.
- In terms of technology, the digital reporting experts who participated in the interviews for this project recommend starting small and executing a well-thought-out plan, rather than pushing the boundaries and using technology recklessly.

Ultimately, digital reporting is an exercise in communication in which the availability of information promotes transparency and trust. The interpretation of that information helps build an organization's reputation. It is important to use the right set of tools to interpret the data so that it can be accurately interpreted and so that stakeholders have a meaningful experience. As mentioned by Radley Yeldar and International Flavors & Fragrances during interviews, the growing trend towards digital reporting will not stop.

4

The costs and benefits of disclosing financial-grade ESG information: how to accelerate change across the assurance landscape

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BACKGROUND

There is growing consensus that human activities, including those of companies, are unsustainable. In relation to this, companies are facing increasing compliance obligations and stakeholder demands. This is leading to address ESG aspects of their activities and to report on their performance publicly.

External reporting is an important step because companies do not currently capture these risks and mitigations in their full financial accounts, which many stakeholders use to evaluate company performance. In particular, investors increasingly rely on ESG information when making decisions, meaning it is critical that companies ensure stakeholders have confidence in and can trust the reliability and credibility of the information presented to them.

There is no one-size-fits-all in ESG reporting. Companies have different groups of material stakeholders and hence the intended audiences and the purpose of ESG reporting varies from company to company. Companies are also at very different stages of maturity on the journey to sustainable development.

ESG reporting is also developing, shifting between non-regulated or voluntary approaches to regulated and comply or explain. The critical step of assurance in reporting is mostly not regulated and is left for either company judgment or for compliance in certain situations.

PROPOSITION

An ESG report is a non-financial statement describing an organization's efforts to manage risks and impacts considered material by different stakeholders, such as customers, regulators, investors and shareholders.

We assessed why companies are not, in general, providing their stakeholders with financial-grade ESG information, meaning why they are not providing reasonable assurance on their ESG reporting. We explore this by looking at the costs, challenges and benefits to companies of reporting financial-grade ESG information.

Investors and analysts continuously scrutinize listed companies. While all companies may want to be transparent about their business and impacts, their ultimate objective in ESG reporting will partially define the value of undertaking limited or reasonable assurance.

We acknowledge that ESG reporting is maturing and that companies are at different stages of their sustainable development journey. We also acknowledge that ESG reports serve different purposes from company to company. Thus, we have developed a maturity model to provide recommendations for how companies at different stages can move towards increasingly sustainable development. The maturity model also helps to explain why many companies are not currently undertaking reasonable assurance of their ESG information and at what stage limited or reasonable assurance may add further value to an organization.

CHALLENGES AND BENEFITS OF WORKING IN A DEVELOPING ESG LANDSCAPE

The lack of standardization in ESG reporting is a challenge for companies, external stakeholders and assurance providers. Assurance fees vary by two to three orders of magnitude, from below USD $10,000 to above USD $600,000. Attaining a reasonable level of assurance will typically be costlier than obtaining a lower level of assurance.

It is difficult to clearly delineate the financial benefits of external ESG data assurance. However, the reputational cost of non- or insufficient assurance can be significant, if a company provides incorrect information to the market. The maturity matrix shows that reasonable assurance is part of a final-stage, "sector-leading" or "world-class" organization.

RECOMMENDATIONS

The following recommendations aim to simplify the ESG reporting landscape, enhance the cost benefit of reasonable assurance, and accelerate progress on sustainable development:

1. Global regulators need to support a common methodology for ESG data reporting and assurance.
2. Listed companies should produce integrated reports, with assurance of relevant non-financial ESG information completed to an equivalent standard to financial information.
3. Businesses need to lead a communications plan to drive the top-down adoption of sustainable development by smaller enterprises, starting with the supply chains of leading global businesses.

Maturity matrix

One matrix for all ESG aspects or individual matrices for key ESG risks	People and budget	Operations	Suppliers/ supply chain	Reporting	Business model, incl. management vision	Products and services
World class	Team externally recognized as having subject matter expertise and delivering exemplary change	Leading performer when benchmarked across sectors External recognition of leadership	Providing direct support to suppliers for them to improve their sustainability Consideration of end-to-end sustainability aligned with circular economy principles	Integrated reporting with reasonable assurance on material ESG risks Publicly stated long-term sustainability goals	Published business purpose includes sustainable development Positive commitment at all levels of the organization	Recognized by the majority of customers as an organization with sustainable focus Products marketed using sustainable credentials
Sector leading	Dedicated team with own budget and remit to drive improvement as business change agents	Leading performer when benchmarked against sector peers	Established supplier forums promoting best practice across key suppliers Contract clauses secure commitment to improvement & reward best performance	Externally focused ESG report published alongside financial accounts Reasonable assurance on key ESG aspects	Leaders visibly promote sustainability in business-as-usual activities and internal projects External stakeholder surveys to understand perception of sustainable vision	Sustainable by design New products and services measured by external sustainable impact, not just contribution to revenue & profit
Intermediate	Defined and meaningful budget	Operational performance considers upstream input resource efficiency and own-use efficiency	Adjudication of all suppliers, products and services includes ESG criteria	Reporting to external global benchmarking bodies: Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI), RE100 and others providing limited external assurance	Focus on employee engagement through regular internal communications on sustainability	Existing products and services re-engineered to improve sustainability
Developing	Defined people roles considering ESG aspects	Operational performance considers some end-to-end factors, such as waste reduction	Sourcing based on total cost of ownership, including costs for operational phase & disposal at end of life	Internal reporting only, with internal verification, using management standards as basis	Accreditation in management standards, such as ISO9001 and ISO14001	Occasional consideration of some aspects of sustainability at product level
Basic	No specific people or budgets allocated to ESG aspects Sustainability projects created by individual efforts	Operational performance does not consider resource efficiency	No discussion on sustainability with suppliers	No assurance or internal verification of reporting	Operating under own internal management systems	No consideration of sustainability at product level

5

To net or not to net: what is the value of assessing net impact?

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BACKGROUND

Civil society, investors and a range of other stakeholders are increasingly looking at what impact companies create rather than simply what they do. For the purposes of our research, we used the Natural Capital Coalition's definition of impact: "the negative or positive effect of a business activity on the environment or society". While impact assessments were initially used only by social enterprises or to inform stakeholder, investors are increasingly using this information to help their decision-making. For example, in June 2018 Goldman Sachs and JUST Capital launched an exchange-traded fund that ranks companies based on their social impact. The initial market response has been strong, making it one of the top 10 equity exchange-traded fund launches in history.

There is little consensus on standard methodologies for impact assessment. Businesses are both guided and confused by the increasing number of frameworks and methodologies on how to identify impact areas, collect data, and report on and communicate results.

Key questions companies often ask about impact assessments include:

- What should the scope of the assessment be in terms of value chain depth, width and time horizon?
- Can all impacts be assessed and, in particular, monetized?
- Are different types of impact (e.g., environmental and social impact) or impacts across different social contexts comparable?

These questions also help to answer the challenge of whether different impacts can be, or should be, "netted".

PROPOSITION

We explored this concept of impact assessment with a focus on net impact – the measurement and summing of positive and negative impacts. Net impact assessment is a way to interpret and communicate the ultimate benefits a business has beyond its traditional financial performance and organizational boundaries.

We reviewed and compared the most widespread commercial and non-commercial frameworks and methodologies and then completed case studies on leading companies that have performed impact assessments based on those frameworks and methodologies. The objective was to understand how the companies implemented the methodologies, what key challenges they faced, what benefits they reaped and how and why they decided to net or not. We complemented the analysis with interviews with a selection of those companies.

Lastly, we looked at the latest developments and future trends and provided recommendations for implementation based on our research, further desktop research and interviews with various organizations, including BSR, the Carbon Trust, Forum for the Future, IKEA, Liontrust, Little Blue Research, PwC and WBCSD.

BENEFITS OF IMPACT ASSESSMENT

- **Inform internal decisions**: Measuring different impacts and netting them can help management understand their relative magnitude, trade-offs and interdependencies.
- **Transparent positioning towards external stakeholders**: Being transparent and conscious of impacts and communicating on progress can drive stakeholder acceptance, for example of controversial projects.
- **Risk and opportunity monitoring**: A comprehensive impact assessment can serve as a high-level assessment of a value chain's exposure to future risks as well as any relevant business opportunities.

CHALLENGES FOR IMPACT ASSESSMENT

- **Internal and external comparability of results**: it is almost impossible to compare results because there are no universally agreed prescriptive methodologies, existing frameworks can be customized, scopes vary and there are limitations to data accuracy.
- **The ethics of netting**: there is an ongoing debate about whether it is acceptable to compare and "offset" different impact categories; for example, can a positive social impact negate an adverse environmental impact?
- **Confidence in the results**: leadership and working level experts will only use – and buy into – impact assessment results if they understand them and trust their validity.

KEY LEARNINGS/ RECOMMENDATIONS FOR IMPACT ASSESSMENTS

- **Align with the company's strategy, mission and goals:** make sure your impact measurement approach fits with your company's mission and goals and is visible at the core of the business strategy.
- **Consider the SDGs as a framework:** the SDGs are a globally agreed framework. Although not originally designed to assess companies' impacts on society, they are starting to be used as such.
- **Be clear about whom or what to influence:** define the required scale and maturity of the impact assessment and shape communications, including the question of whether to net or not to net, based on the target audience.
- **Don't reinvent the wheel:** existing frameworks, studies, life cycle assessments and risk assessment protocols can form a solid foundation for a net impact assessment.

6

Safe water gardens: safe sanitation for all

GROUP PARTICIPANTS

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BACKGROUND

SDG 6 aims to ensure the availability and sustainable management of water and sanitation for all as "access to safe water and sanitation and sound management of freshwater ecosystems are essential to human health, environmental sustainability and economic prosperity." The United Nations has thus recognized the scale of the problem and set a goal to achieve global access to adequate, suitable, equitable sanitation for all by 2030. However, 2.3 billion people lack this fundamental human right according to the World Health Organization's Joint Monitoring Programme 2017 update and SDG baselines report.

The Safe Water Gardens social enterprise (SWG Ltd) aims to provide households in tropical, rural areas throughout Asia with safe, affordable water and sanitation systems. In the short-term, they have set a goal to install 10,000 safe water gardens over the next five years in Indonesia and two other South-East Asian countries. Safe water gardens build on the concept used by UNICEF, the Red Cross and USAID in Banda Aceh, Indonesia, following the 2004 tsunami, combining two well-known concepts in wastewater management – septic tanks and leach fields. Evidence from the findings of a two-year research project on safe water gardens (due to be published in October 2018) suggests that it is an effective and affordable solution that is easy to replicate. (To complete our group project, we had access to a preliminary version of the report.)

There are approximately 200 safe water gardens currently in operation on Bintan Island in Indonesia. If correctly installed and maintained, a safe water garden can help prevent diseases, lead to improved social status and well-being, and provide economic advantages to households through savings on medical bills and the growing of crops. The safe water garden concept has a positive impact on the global environment, according to the findings of the preliminary report.

THE TASK AT HAND

Our group reviewed the SWG Ltd model and developed recommendations to scale up the solution to help in the delivery of its goals. To do this, the group carried out research on wastewater systems, conducted interviews with key stakeholders, including academics from the universities of Singapore and Yogyakarta, and reviewed several comparable social enterprises. We then identified the key challenges and opportunities.

Challenges

- Traditional open pit septic systems release untreated wastewater into the environment.
- There is a lack of awareness about alternative closed septic tank systems including the safe water garden concept.
- Pricing and affordability – the cost of a proper sewage treatment system is prohibitive for many individual households.
- Cultural sensitivities – among others, there is a lack of trust in foreign involvement.
- Achieving economies of scale is made more difficult due to rural locations.

Opportunities

- The safe water garden system presents an affordable, effective closed septic tank solution to treat wastewater.
- Several viable, innovative sources of additional funding are available and can be aggregated and then managed by a single organization in charge of building or enabling the construction of the safe water garden sewage treatment system on a large scale.
- Local "ambassadors" and social media can be used as tools to raise awareness.
- Presenting the safe water garden as an aspirational product can create both motivation and desire.

FINDINGS

To meet its goal of installing 10,000 safe water gardens in five years, SWG Ltd will need to tap into a broader customer base to access additional funding opportunities. This includes corporations, the public sector, individual households, foundations and donations. For example, our findings suggest that a corporate funder paying USD $1,000 per safe water garden system would not only cover the cost of the installation of a safe water garden, but would provide enough revenue for SWG Ltd to re-invest profits in research and development, reach out to new regions and provide some systems for free to those households most in need.

Other key findings:

- SWG Ltd needs a formal structure – such as establishing a management board and recruiting several full-time employees.
- SWG Ltd needs to create a detailed marketing and communications plan to raise awareness of the project and share important information about the health, social and financial benefits of this sanitation solution. This will attract investments, build trust with local communities and drive demand for installations.
- SWG Ltd needs to provide a detailed operational plan and guidelines to ensure the proper construction, installation and maintenance (i.e., quality control) of the sanitation solution.

NEXT STEPS

SWG Ltd should adapt its existing blueprint and test the validity of the group recommendations under market conditions, making further refinements and adaptations as needed. At the same time, SWG Ltd should prepare to scale up, including implementing a marketing plan to raise awareness and attract investment, as soon as possible.

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below50: deciphering the low-carbon fuels communication challenge

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BACKGROUND

below50 is a global campaign that brings together companies and organizations who commit to growing the global market for the world's most sustainable fuels. It connects the entire value-chain for sustainable fuels that produce at least 50% less CO_2 emissions than conventional fossil fuels. below50 aims to create demand for sustainable fuels, scale up deployment and increase the number of companies choosing below50 fuels (https://below50.org/).

Our project addressed how to integrate stakeholder and sector input and existing policy landscapes into the communications strategy to increase the acceptance, investments in and use of low-carbon fuels. Key deliverables include:

- Clarifying the current business and regulatory environment impacting low-carbon fuels
- Identifying arguments against low-carbon fuels and providing solutions
- Developing a communication strategy framework for key stakeholder groups and market segments.

CURRENT BUSINESS AND REGULATORY ENVIRONMENT

Low-carbon fuels are an effective solution and have a role to play in reducing the carbon intensity of transport:

- Passenger transport is the most diversified group in the transportation sector, but it is very fragmented.
- Heavy road transport can leverage ownership of large fleets where effective cooperation and the efficient implementation of new technologies could be achieved.
- Maritime transport can use low-carbon fuels to assist in decreasing emissions of GHG and other air pollutants.
- Aviation is a fast-growing global sector but engine options are currently limited to liquid fuel consumption, which reduces options for alternative fuels to reduce carbon intensity.

Stakeholders associated with low-carbon fuel development are numerous and diverse, encompassing extended value chains including agriculture, waste management, industry, fuel blenders and transportation end-users. The value chains are currently disconnected, with each pursuing solutions separately rather than aligning on an industry or segment solution to meet environmental targets. Current policies are not enough to influence investments in the development of low-carbon fuel markets. Some obstacles include a lack of legislative frameworks, infrastructure accessibility and investments in development, and inconsistencies in geographical approaches.

ARGUMENTS AGAINST LOW-CARBON FUELS AND AVAILABLE SOLUTIONS

Criticism has been raised about the sustainability of low-carbon fuels, especially for transportation. Our project addresses key arguments, explores the facts and suggests available solutions. The top two issues are:

1. Impact of direct and indirect land-use

- **Argument:** expanded crop-based biofuel production causes changes in land use by displacing native ecosystems or existing agricultural production.
- **Facts:** biofuels use less than 5% of all arable land and the land-use changes for crop-based biofuel production generate only 1% of the total emissions caused by land-use change globally.
- **Solution:** promote growth without causing land-use change, such as by improving yields, restoring degraded land and leveraging the co-production of energy and food crops.

2. Low-carbon fuels and long-term competitiveness

- **Argument:** for low-carbon fuels to be widely used, they must be environmentally, socially and economically sustainable.
- **Facts:** biofuel investments peaked in 2007 and have since declined due to falling oil prices and a lack of or inconsistent policy support.
- **Solution:** provide incentives and stable policies that help low carbon fuel producers address the barrier and cost of sustainability certification and require fossil fuel producers to integrate environmental and social externalities in their business model and costs.

COMMUNICATION STRATEGY FRAMEWORK

To achieve widespread adoption of low-carbon fuels, we recommend a focused communications strategy targeted at government officials and regulators. Governments can best encourage low-carbon fuel adoption through policies and regulations. However, communication to governments is not one-size-fits-all. Each country will have different economic and sustainability criteria, requiring country-specific messages promoting the benefits of shifting to low-carbon fuels. This includes detailed communications on facts and policy recommendations for each country.

Once governments adopt policies supporting low-carbon fuels, then the communication efforts should focus on secondary audiences. Here, the secondary target audience is the transportation sector, cargo holders and fuel producers.

Transportation sector stakeholders need to see the government support mechanism at work in order to help advance the adoption of low-carbon fuels. The key communication will be linking the value chain and markets for this audience to be able to operate and succeed.

RECOMMENDATIONS

- **Connect the value chain**
  Enable collaboration that drives action across the value chain and facilitates stakeholder alignment.
- **Develop targeted communications**
  Use below50 as a platform to facilitate discussions on available solutions, infrastructure development and required changes to drive adoption. Provide content focused on addressing local needs, financial viability and infrastructure availability.
- **Simplify and standardize low-carbon fuel criteria**
  How a fuel is considered low-carbon is not consistently measured and applied. Create a global process or guidelines to identify a fuel as a low-carbon alternative to conventional fossil fuels.
- **Adopt policies to support low-carbon fuels**
  Low-carbon fuel regulations and implementation vary widely by geography and type. Develop common definitions and a standard framework to remove bias, and support investment in this infant industry and end use. Each country or region may need local policies, but this framework can help enable consistencies to promote global acceptance and use of low-carbon fuels.

ABOUT THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

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DISCLAIMER

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