

THE CERES ROADMAP FOR SUSTAINABILITY

www.ceres.org/ceresroadmap

A STRATEGIC VISION AND PRACTICAL FRAMEWORK FOR SUSTAINABLE CORPORATIONS IN THE 21ST CENTURY ECONOMY

The race toward a sustainable future is on—and the competition is fierce.

Since the 2010 release of the *Ceres Roadmap*—a strategic vision and practical framework for sustainable corporations in the 21st century economy—the economic, environmental, social and political landscape has shifted. And with the urgency of global environmental and social threats increasing, integration of sustainability into core business systems and decision-making, and capturing the competitive advantage this offers, becomes ever more critical.

The *Ceres Roadmap* presents **20 expectations** in the areas of **governance**, **stakeholder engagement**, **disclosure**, and **performance** that companies should seek to meet by 2020 in order to transform into truly sustainable enterprises. As we pass the halfway point on the road to 2020, it is an important time to take stock of our changing world and refresh the *Ceres Roadmap* expectations themselves to reflect global sustainability trends.

Among the key changes we've seen in the past few years:

- ➔ **Business impacts of wide ranging environmental and social threats are bigger than ever and cannot be ignored.** Over the past five years, the World Economic Forum has consistently ranked both climate change and the global water crisis among the top five global risks.
- ➔ **The international community is coming together to take action.** From the United Nations' recent release of the Sustainable Development Goals to the historic global climate agreement in Paris, governments from across the world are taking strong steps to reduce reliance on fossil fuels, build a low-carbon economy and provide decent work and economic growth for all.

- ➔ **Roles and responsibilities of companies to protect human rights have been defined.** With an unprecedented move by the United Nations' Human Rights Council, the international community endorsed the Guiding Principles on Business and Human Rights, and in 2015 the world's first comprehensive guidance for companies to report on how they respect human rights was released.
- ➔ **Investors are putting their money into sustainable companies.** From 2012 to 2014, sustainable investments grew by 76 percent¹ and assets of mutual funds using environmental, social and governance (ESG) metrics grew by more than 200 percent.²

Just as the global landscape has shifted, we are also seeing promising, yet incremental, improvements in how companies are integrating sustainability into strategic decision-making. In our 2012 and 2014 assessments of corporate progress toward meeting the *Ceres Roadmap* expectations, we saw improvements across critical areas, including board oversight of material sustainability issues, proactive corporate engagement of investors on ESG risks and opportunities, and heightened focus on environmental and social performance of suppliers. We also found that sustainability challenges are providing tremendous opportunities for companies to improve competitiveness, realize large savings through energy productivity, access and retain the best employees, strengthen value chains, and in many sectors, reap the benefits of clean technology and clean energy investments.

The revised *Ceres Roadmap* expectations presented here remain consistent with the original vision and commitments put forward in 2010—but acknowledge the changing context and our improved understanding of effective strategies for becoming a sustainable corporation.

Some highlights of the revised expectations include:

- ➔ Adjusting the **Board Oversight** expectation under Governance to reflect key learnings from Ceres' recent collaboration with corporate board members and governance experts, and an expansion of the expectation linking **compensation** with sustainability metrics to include all employees, not just executives;
- ➔ Expanding the focus on **Investor Engagement** to include what companies should communicate to investors and how to engage this critical community;
- ➔ Underscoring the urgent need to limit temperature increases to well below 2 degrees Celsius through Performance commitments to reduce **greenhouse gas emissions**, procure **renewable energy** and improve **energy productivity**;
- ➔ Acknowledging the escalation of global water risks with an expansion of the **Water Management** expectation to address both direct operational and supply chain impacts within regions of high water risk; and
- ➔ Supporting the international community's collective effort to define the role of business in protecting human rights through the expectations covering **Human Rights** and **Supply Chains**.

The *Ceres Roadmap* is a resource to help companies re-engineer themselves for success in a world beset with unprecedented environmental and social challenges that threaten the economy and local communities. It is our hope that the *Ceres Roadmap* expectations will guide companies toward corporate sustainability leadership, and ultimately, promote an accelerated transition toward a more sustainable global economy.

1 US SIF. "SRI Basics." Retrieved from: <http://www.ussif.org/sribasics>.
2 US SIF. "Sustainable & Responsible Mutual Fund Chart." Retrieved from: <http://charts.ussif.org/mfpc/>.

20 EXPECTATIONS FOR CORPORATE SUSTAINABILITY LEADERSHIP BY 2020

ACCOUNTABILITY: In order to realize meaningful and long-lasting sustainability performance improvements, companies must institute accountability mechanisms that integrate sustainability considerations into core business systems and decision-making. The first three areas of the *Ceres Roadmap* expectations—**Governance**, **Stakeholder Engagement** and **Disclosure**—are focused on companies establishing and formalizing accountability for sustainability across the entire enterprise.

GOVERNANCE FOR SUSTAINABILITY

VISION: Companies will embed sustainability from the boardroom to the copy room and will manage their entire value chain for sustainability.

G1 BOARD OVERSIGHT

Corporate boards will provide formal oversight for corporate sustainability strategy and long-term performance. Sustainability considerations will be integrated into board discussions on strategy, risk and revenue.

G2 MANAGEMENT ACCOUNTABILITY

The CEO and company management—from C-Suite executives to business unit and functional heads—will be explicitly accountable for achieving sustainability goals.

G3 EXECUTIVE & EMPLOYEE COMPENSATION

Sustainability performance results will be a core component of compensation packages and incentive plans for all executives and employees across the business. Companies will include sustainability criteria in all employee performance assessments.

G4 CORPORATE POLICIES & MANAGEMENT SYSTEMS

Companies will embed sustainability considerations into corporate policies and risk management systems to guide day-to-day decision-making.

G5 PUBLIC POLICY

Companies will clearly state their position on relevant sustainability public policy issues. Any lobbying will be done transparently and in a manner consistent with the company's sustainability commitments and strategies.

STAKEHOLDER ENGAGEMENT

VISION: Companies will regularly engage in robust dialogue with stakeholders across the whole value chain, and will integrate stakeholder feedback into strategic planning and operational decision-making.

S1 MATERIALITY ASSESSMENT PROCESS

Companies will regularly conduct a formal materiality assessment process to determine the most relevant sustainability issues for the business. Companies will engage both internal and external stakeholders in the materiality assessment process and consider stakeholder concerns in the setting of priorities.

S2 SUBSTANTIVE STAKEHOLDER DIALOGUE

Companies will systematically identify a diverse group of stakeholders and regularly engage with them in a manner that is formalized, ongoing, in-depth, timely, and involves all appropriate parts of the business. Companies will disclose how they are incorporating stakeholder input into corporate strategy and business decision-making.

S3 INVESTOR ENGAGEMENT

Companies will disclose, and engage with investors, on material sustainability information regarding strategy, risks, performance and commitments. Companies will communicate information on sustainability risks and opportunities for the business during annual meetings, analyst calls and other investor communications.

S4 C-LEVEL ENGAGEMENT

Senior executives will participate in stakeholder engagement processes to inform strategy, risk management and enterprise-wide decision-making.

S5 STRATEGIC COLLABORATION

Companies will collaborate within and across sectors and civil society to innovate, scale and open source sustainability solutions.

DISCLOSURE

VISION: Companies will report regularly on their sustainability strategy and performance. Disclosure will include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and details of goals and plans for future action.

D1 STANDARDS FOR DISCLOSURE

Companies will disclose all relevant sustainability information using the Global Reporting Initiative (GRI) Guidelines as well as additional sector-relevant indicators.

D2 DISCLOSURE IN FINANCIAL FILINGS

Companies will disclose material sustainability risks and opportunities, as well as performance data, in financial filings.

D3 SCOPE & CONTENT

Companies will regularly disclose trended performance data and targets relating to global direct operations, subsidiaries, joint ventures, products and supply chains. Companies will demonstrate integration of sustainability into business systems and decision-making, and disclosure will be balanced, covering challenges as well as positive impacts.

D4 VEHICLES FOR DISCLOSURE

Companies will release sustainability information through a range of disclosure vehicles including sustainability reports, annual reports, financial filings, corporate websites, investor communications and social media.

D5 VERIFICATION & ASSURANCE

Companies will verify key sustainability performance data to ensure valid results and will have their disclosures reviewed by an independent, credible third party.

PERFORMANCE

See other side for Performance Expectations



www.ceres.org/ceresroadmap

THE CERES ROADMAP FOR SUSTAINABILITY

20 EXPECTATIONS FOR CORPORATE SUSTAINABILITY LEADERSHIP BY 2020

PERFORMANCE: Performance is about achieving on-the-ground results, reducing carbon emissions, conserving water and other natural resources, protecting human rights, building a supply chain that meets high environmental and social standards, designing products that not only minimize sustainability impacts throughout their lifecycle, but also serve as solutions to key sustainability challenges, and proactively engaging a diverse workforce.

The five sections that follow focus on building the systems across a corporation's value chain to enable ongoing performance improvements in three priority environmental and social impact areas:



Climate Change: Companies support climate stabilization at well below a 2 degree Celsius increase and will contribute to the additional \$1 trillion per year needed in clean energy investment globally—what Ceres calls the *Clean Trillion*. Companies will establish comprehensive strategies that address carbon and non-carbon GHG emissions, as well as the resulting impacts of climate change, across the entire value chain.



Natural Resources: Companies protect, conserve and replenish natural resources—including water, land, plants and minerals—across their global operations and supply chains. Companies will establish policies, programs and commitments that safeguard the health of broader ecosystems, and give priority to operations in high-risk regions.



Fair, Safe and Equitable Workplaces: Companies protect the human rights of employees thereby creating fairer, safer and more equitable workplaces across operations and global supply chains. Companies will align policies and management systems with universal standards, and disclose performance in both direct and indirect operations.



PERFORMANCE

P1 OPERATIONS

VISION: Companies will invest the necessary resources to achieve environmental neutrality and to demonstrate respect for human rights in their operations. Companies will measure and improve performance related to GHG emissions, energy efficiency, facilities and buildings, water, waste and human rights.

P1.1 GREENHOUSE GAS EMISSIONS & RENEWABLE ENERGY

Companies will reduce scope 1, 2 and 3 greenhouse gas (GHG) emissions by at least 25 percent by 2020 (from a 2005 baseline) and will do that through the improvement of energy productivity, reducing electricity demand, direct procurement of renewable energy, and low-carbon transportation strategies.

Companies will obtain at least 30 percent of energy from renewable sources by 2020, on the road to 100 percent renewable energy procurement by 2030.

P1.2 FACILITIES & BUILDINGS

Companies will ensure that both owned and leased buildings, as well as new construction and franchised facilities, meet rigorous green building standards. When siting facilities, companies will follow best practices that incorporate sustainable land-use and smart growth considerations.

P1.3 WATER MANAGEMENT

Companies will assess water-related impacts and risks across all direct operations and the supply chain. Companies will set quantitative and time-bound targets for addressing and mitigating impacts, as well as supporting, in collaboration with other stakeholders, efforts to improve overall watershed health, with priority given to operations and suppliers in high water-risk regions.

P1.4 WASTE

Companies will design (or redesign, as appropriate) manufacturing and business processes as closed-loop systems, reducing toxic air emissions and hazardous and non-hazardous waste to zero.

P1.5 HUMAN RIGHTS

Companies will have a formal human rights policy that covers all direct employees, as well as employees of suppliers and clients. The policy will be aligned with universal standards, including the ILO Core Conventions and the Universal Declaration of Human Rights. Companies will conduct regular human rights due diligence assessments and disclose management systems in place for implementation.

P2 SUPPLY CHAIN

VISION: Companies will ensure that suppliers meet the same environmental and social standards—including disclosure of goals and performance metrics—as the company has set for its internal operations.

P2.1 POLICIES & CODES

Companies will set supply chain policies and codes aligned with their own social and environmental standards, as well as universal standards including the ILO Core Conventions and the Universal Declaration of Human Rights.

P2.2 PROCUREMENT PRACTICES

Companies will have in place comprehensive procurement and sourcing strategies that include both social and environmental criteria in procurement and contracting.

P2.3 SUPPLIER ENGAGEMENT

Companies will have in place comprehensive capacity building programs for suppliers to ensure alignment with social and environmental expectations and will incentivize supplier goal setting and performance improvements. Companies will also have in place strategies to ensure suppliers beyond Tier 1 are meeting sustainability expectations.

P2.4 MEASUREMENT & DISCLOSURE

Companies will measure and disclose supplier social and environmental performance data and will set targets for improved supplier performance in line with the companies' own operational targets.

P4 PRODUCTS & SERVICES

VISION: Companies will design and deliver products and services aligned with sustainability goals by innovating business models, allocating R&D spending, designing for sustainability, communicating the impacts of products and services, reviewing marketing practices and advancing strategic collaborations.

P4.1 BUSINESS MODEL INNOVATION

Companies will innovate business models to reduce material inputs and prioritize a transition to sustainable products and services.

P4.2 R&D & CAPITAL INVESTMENT

Companies will use sustainability as an equally weighted filter through which all R&D and capital investments are made.

P4.3 DESIGN FOR SUSTAINABILITY

Companies will approach all product development and product management decisions with full consideration of the social and environmental impacts of the product throughout its lifecycle. Companies will design products and services that not only minimize negative environmental and social impacts, but also serve as solutions to key sustainability challenges and accelerate the transition towards a circular economy.

P4.4 MARKETING & CONSUMER ENGAGEMENT

Companies will align their marketing practices and product revenue targets with their sustainability goals, and will engage consumers to educate and build awareness on sustainability issues to influence consumer behavior change.

P3 TRANSPORTATION & LOGISTICS

VISION: Companies will systematically minimize their environmental impact by enhancing the efficiency of their logistics systems and minimizing associated GHG emissions. Companies will prioritize low-carbon transportation systems and modes, and minimize the carbon footprint of company business travel and commuting.

P3.1 TRANSPORTATION MANAGEMENT & MODES

Companies will develop transportation criteria to reduce the impact of logistics and fleet operations. Companies will design logistical systems to prioritize efficiency and low-carbon transportation modes and low-carbon fuel options, especially fleet electrification where feasible.

P3.2 BUSINESS TRAVEL & COMMUTING

Companies will decrease the impact of business travel and employee commuting through incentives that reduce travel and promote the use of low carbon transportation options. Companies will provide workplace-charging infrastructure for employees and facilitate other low-carbon commuting options.

P5 EMPLOYEES

VISION: Companies will foster a diverse, inclusive and engaged work environment that holds sustainability considerations as a core part of recruitment, training and benefits.

P5.1 RECRUITMENT

Companies will incorporate sustainability criteria into recruitment protocols for all new hires.

P5.2 TRAINING & DEVELOPMENT

Companies will develop and implement formal, and job-specific, training on key sustainability issues for all executives and employees, and facilitate coaching, mentoring and networks for sustainability knowledge sharing.

P5.3 DIVERSITY

Companies will build a diverse and inclusive board and workforce. Companies will provide formal diversity training, employee resource groups and advancement opportunities, and will identify a senior executive or executive committee with formal responsibility for diversity and inclusion.

P5.4 SUSTAINABLE LIFESTYLES

Companies will promote sustainable lifestyle choices across their community of employees through education and innovative employee benefit options.



www.ceres.org/ceresroadmap