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& Company

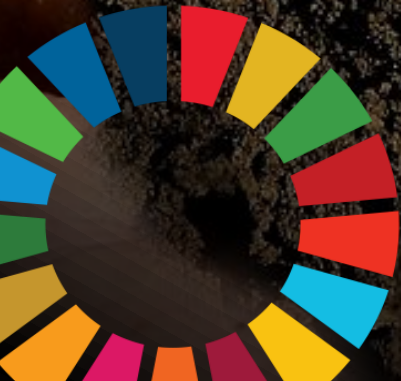
SDG Guide for Business Leaders

A practical Guide for Business Leaders to working with the
SDGs as a competitive factor

GUIDE | JUNE 6, 2019



INDUSTRIENS
FOND
LEVERER DANES
KONKURRENCEFANE
The Danish Industry Foundation



Purpose and contents of this document

Purpose of this document

- Introduce and explain the 17 **UN Sustainable Development Goals** (the “SDGs”)
- Explain how the SDGs can be translated into **business value**
- Pinpoint **observations** that reinforce the importance of the SDGs for business
- Describe the results of our work with **~300 Danish executives** on the SDGs
- Provide a **framework** and **step-by-step Guide** for developing and executing a sustainability strategy based on the SDGs

Contents of the document



What are the SDGs and **why** are they so important?



How to create business value from the SDGs? (step-by-step Guide)



Appendix

Executive summary

What are the SDGs and why are they so important?

- The **17 SDGs** form a **global contract** with ambitious objectives for a sustainable future – for governments, citizens, and businesses – to be realized before 2030
- There are **large business opportunities** for **Danish businesses** in working strategically and systematically with the SDGs
- To harvest the potential **business value** from the SDGs, a shared value approach addressing societal issues is needed. This is a new strategic agenda compared to philanthropy and CSR
- **McKinsey's Sustainability Compass** provides a strategic framework for how the SDGs can drive business value
- A range of **observations** underpin the business value and constitute **a burning platform**; in particular, preferences of younger generations regarding choosing a place to work and consumer preferences for sustainable products
- The SDGs represent **different opportunities across industries**, and our work **with ~300 Danish executives** has demonstrated where Danish executives believe their companies can create value from the SDGs; **innovation/new products and talent management** are considered key value drivers across the SDGs, and **responsible consumption and production, decent work conditions and partnerships** are considered the largest **value pools**
- Our latest survey of **710 Danish executives** show that **some SDGs** are considered more **relevant** than others for businesses – with **regional differences** in Denmark. Moreover, **56% of surveyed Danish companies actively use the SDGs today**, with **CEOs** being the **main drivers** of the efforts

How do you create business value from the SDGs – a step-by-step Guide?

- McKinsey has developed an **easy-to-use Guide** for developing and executing a winning SDG strategy: The ambition of the Guide is to **inspire, engage**, and make it easy to follow up and to track **impact**:
 - First, organizations are encouraged to use the **McKinsey Sustainability Compass** to assess which SDGs will drive value creation and to set the strategic direction
 - Next, organizations should set themselves up for success by executing 4 actions:
 1. **CEO, board**, and owners must own the sustainability strategy
 2. **Key employees, customers**, and **stakeholders** should be engaged
 3. **Top team performance** measures should be introduced to **unleash the energy** in the organization
 4. **Sustainability** should be made an ingrained part of the **company culture and mission**
 - Lastly, **desired impact** should be defined and **concrete initiatives** should be **detailed** and **prioritized**, followed by creation of clear **execution road maps** and rigorous **impact tracking** using McKinsey's **6-step approach**



WHAT ARE THE SDGs AND WHY ARE THEY SO IMPORTANT?



HOW DO YOU CREATE BUSINESS VALUE FROM THE SDGs? (step-by-step Guide)



APPENDIX



The 17 SDGs form a global contract with ambitious objectives for a sustainable future – for governments, citizens, and businesses

UN's SDGs are 17 goals setting the ambition for creating a more sustainable future. The SDGs were adopted by all UN Member States in 2015. They replace the previous UN Development Goals (The 2015 Goals). For every SDG, there are additional sub-goals – in total, the SDGs consist of 17 overall goals and 169 sub-goals

 <p>1 NO POVERTY</p>	End poverty in all its forms everywhere	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable, sustainable, and modern energy for all	 <p>13 CLIMATE ACTION</p>	Take urgent action to combat climate change and its impacts
 <p>2 ZERO HUNGER</p>	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all	 <p>14 LIFE BELOW WATER</p>	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote well-being for all at all ages	 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	 <p>15 LIFE ON LAND</p>	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
 <p>4 QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote life-long learning opportunities for all	 <p>10 REDUCED INEQUALITIES</p>	Reduce inequality within and among countries	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels
 <p>5 GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient, and sustainable	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Strengthen the means of implementation and revitalize the global partnership for sustainable development
 <p>6 CLEAN WATER AND SANITATION</p>	Ensure availability and sustainable management of water and sanitation for all	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns		



The SDGs have the potential to unlock major business opportunities globally as well as in Denmark

The UN SDGs
are expected to
create ...

Globally



New market opportunities worth USD ~12 trillion by 2030¹



380 million new jobs

Denmark



New business opportunities worth USD 60 billion per year in 2030



This could increase the Danish GDP by ~15% by 2030

¹ See breakdown of value in appendix



The SDGs are about creating shared value by generating business value from addressing societal issues – a new agenda compared to philanthropy and CSR

Companies continue to engage in philanthropy and CSR, but shared value is key to changing the world



From philanthropy ...

Donations and volunteer work



... via CSR ...

Compliance, mitigating risk, and improving reputation



... to creating shared value

Addressing societal needs and challenges while also generating bottom-line value



The McKinsey Sustainability Compass clarifies how the SDGs can drive business value from 4 strategic directions

Introduction to the McKinsey Sustainability Compass

- Sustainability as a core part of the company strategy is a choice. There are 4 overall areas in which you can generate business value
- Organizational performance
- Growth
- Risk management
- Return on capital





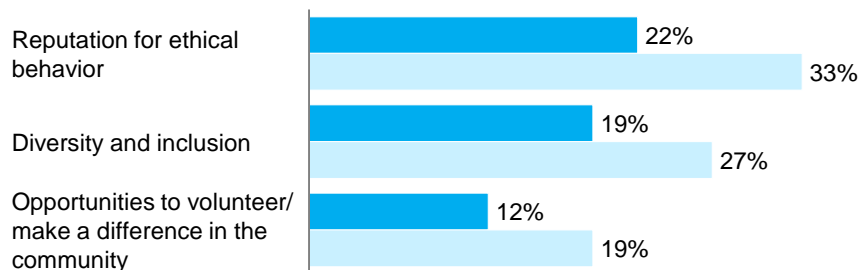
Observations regarding citizen and consumer preferences are pushing the global sustainability development, and new technology enables new solutions (1/2)



Organizational performance: The younger generation has a large focus on sustainability when selecting where to work

■ Millennials ■ GenZ

% young workers selecting reason as “very important” when choosing to work for an organization



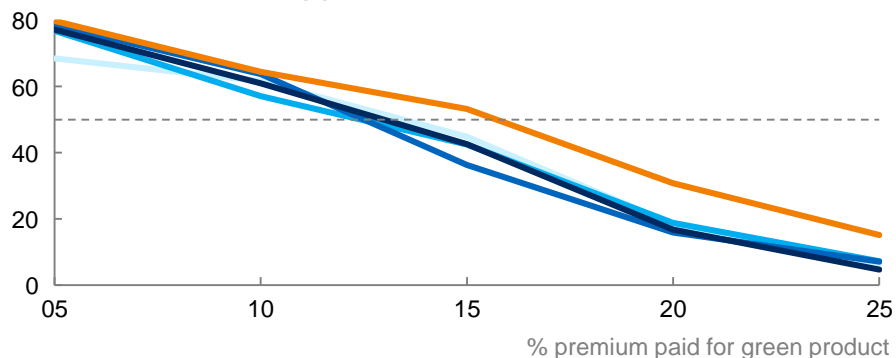
- Millennials were born between 1980 and 1994 with Gen Z being the following generation born between 1995 and 2015
- The data indicates that **the younger the generation, the larger the focus is on sustainability** when choosing an employer
- This means the **employees of the future will set higher demands** for their employers with 33% emphasizing the importance of perceived ethical behavior and 27% demanding inclusion on the agenda



Growth: Many consumers value sustainability as 50% are willing to pay a premium of 13-16% for sustainable products

— Electronics — Automotive — Packaging
— Buildings — Furniture

Share of consumers picking green



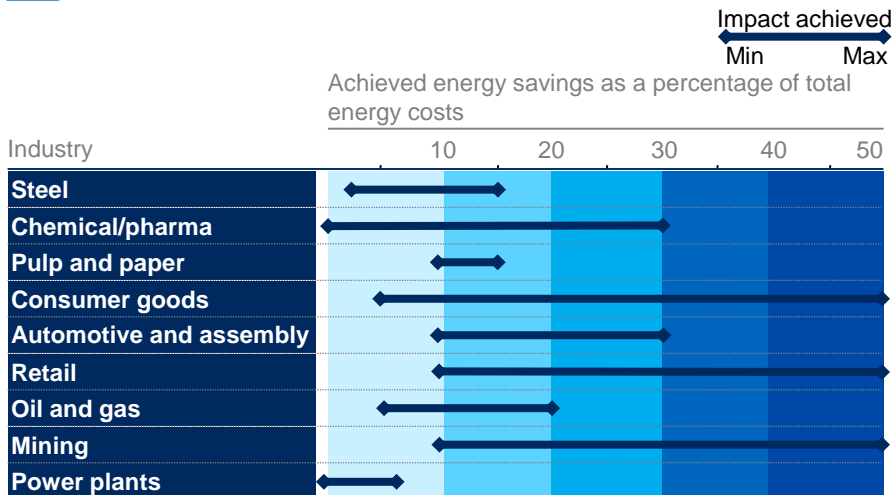
- The graph is showing how willing consumers are to pay a premium to obtain a sustainable solution within 5 categories
- 50% of consumers would pay a 16% premium for green packaging**, and 15% would pay a 25% premium
- On the contrary, customers are **least likely to pay a premium for green buildings and automotive** with 13% being willing to pay a premium



Observations regarding citizen and consumer preferences are pushing the global sustainability development, and new technology enables new solutions (2/2)



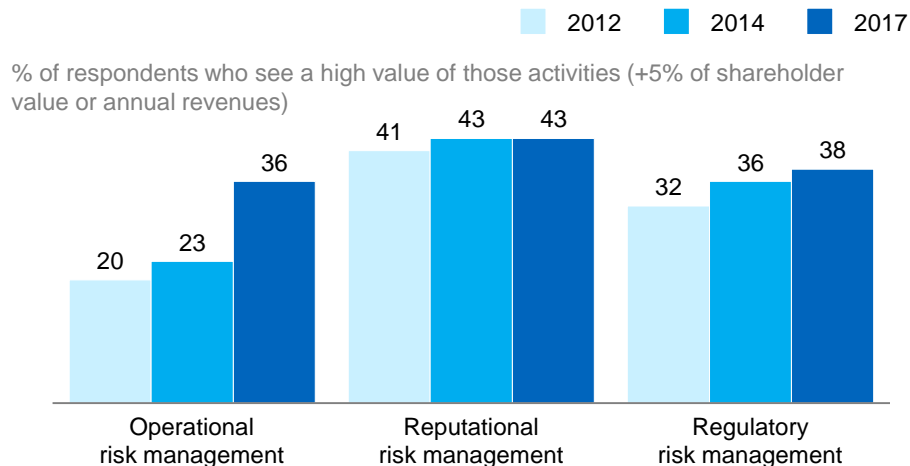
Return on capital: Implementing sustainable practices can lead to substantial cost and energy savings, typically +10% energy savings¹



- The largest energy-saving opportunities lies within **consumer goods, retail, and mining** which all have **energy savings towards 50% of total energy costs**



Risk management: 36-43% of senior executives see value in managing operational, reputational, and regulatory sustainability-related risks



- Since 2012, an **increasing amount of executives** have acknowledged the high value potential in working with sustainability-related risk management
- Across the entire period, the activity with the **highest perceived value is reputational risk management**
- **Operational management has seen the largest increase** by 16%-points
- **38% of executives are considering potential impact from regulatory changes** as a result of increased sustainability focus



Not all SDGs should be expected to be relevant to your organization, as the SDGs represent different opportunities across industries

Degree of relevance

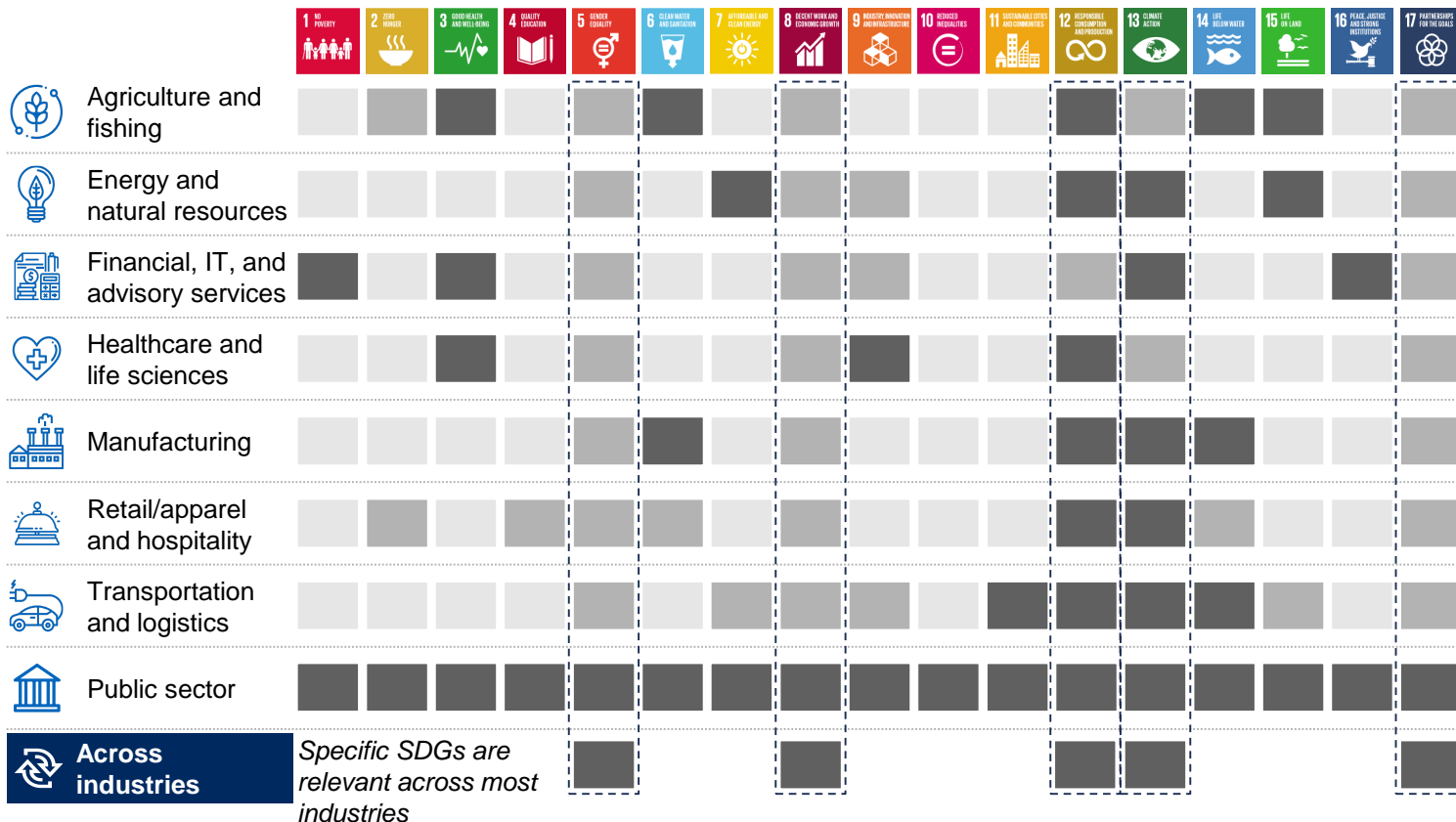
- High
- Medium
- Less relevant

Description

The matrix indicates which SDGs are more likely to be relevant within different industries, as certain types of companies will have elements that are more central to specific SDGs

SDG 5, 8, 12, 13, and 17 are considered to be highly relevant across all industries

If an SDG is marked “less relevant” to an industry, company specificities may still make it an interesting opportunity to explore



Specific SDGs are relevant across most industries



Since February 2019, ~300 Danish executives have generated +800 new ideas incorporating the SDGs to create business value



~300 Danish executives



~20 workshops



+800 ideas



Our workshops have shown where ~300 Danish executives believe their company could create value through 830 initiatives

of responses Greatest potential Least potential

Key takeaways

+800 ideas on how to incorporate the SDGs into the core strategy have been generated through the **~20 workshops** conducted across Denmark

There is a **broad variety** in where companies see opportunity for **value creation**, both from an SDG as well as a strategic perspective

These are all ideas generated within the 3-hour workshops, and there may **still** be **opportunities to generate value** through the SDGs that the companies are yet to realize

																			Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Growth	Innovation and new products	2	6	18	7	6	5	8	21	18	2	7	26	10	4	5	1	19	165
	New markets	1	1	4	10	1	3	9	7	9	4	6	11	6	1	1	3	4	81
	Composition of business portfolio	1	1	7	2	-	2	3	6	5	-	1	8	2	2	1	-	5	46
Return on capital	Green sales and marketing	-	1	2	1	1	-	4	1	5	2	2	9	4	-	2	-	3	37
	Sustainable value chains	1	2	3	4	1	-	7	6	3	-	5	25	8	-	3	-	8	76
	Sustainable operations	-	1	3	2	-	4	8	4	8	2	6	20	7	1	4	1	2	73
Risk management	Operational risk management	1	1	2	1	-	-	3	4	2	1	1	5	1	-	-	2	1	25
	Reputational risk management	1	-	7	-	2	-	1	8	1	3	2	3	5	2	3	2	4	44
	Regulatory risk management	-	-	2	-	1	-	-	2	-	-	1	3	2	-	-	1	1	13
Organizational performance	Company mission	-	-	6	6	8	1	3	8	2	4	5	9	4	2	1	4	3	66
	Talent management	-	-	8	29	27	2	2	18	5	1	1	10	6	-	-	-	5	114
	Partnerships	2	3	9	8	6	-	3	3	9	3	4	5	5	3	1	2	24	90
Total		9	16	71	70	53	17	51	88	67	22	41	134	60	15	21	16	79	830



Survey results: Regional variation in SDG focus with climate action in Eastern Denmark and responsible production and consumption in Western Denmark

Importance of SDGs per region

Key takeaways

Clear differences in focus across the Danish regions though the regions in Western DK as well as in Eastern DK are more aligned

Western DK's focus is more typical for production companies with all regions agreeing on SDG 12, as well as a general focus on sustainable energy and economic growth

Eastern DK emphasizes climate action and also focuses on gender equality and good health

Region Nordjylland

- 7 Affordable and clean energy
- 12 Responsible production and consumption
- 4 Quality education

Region Midtjylland

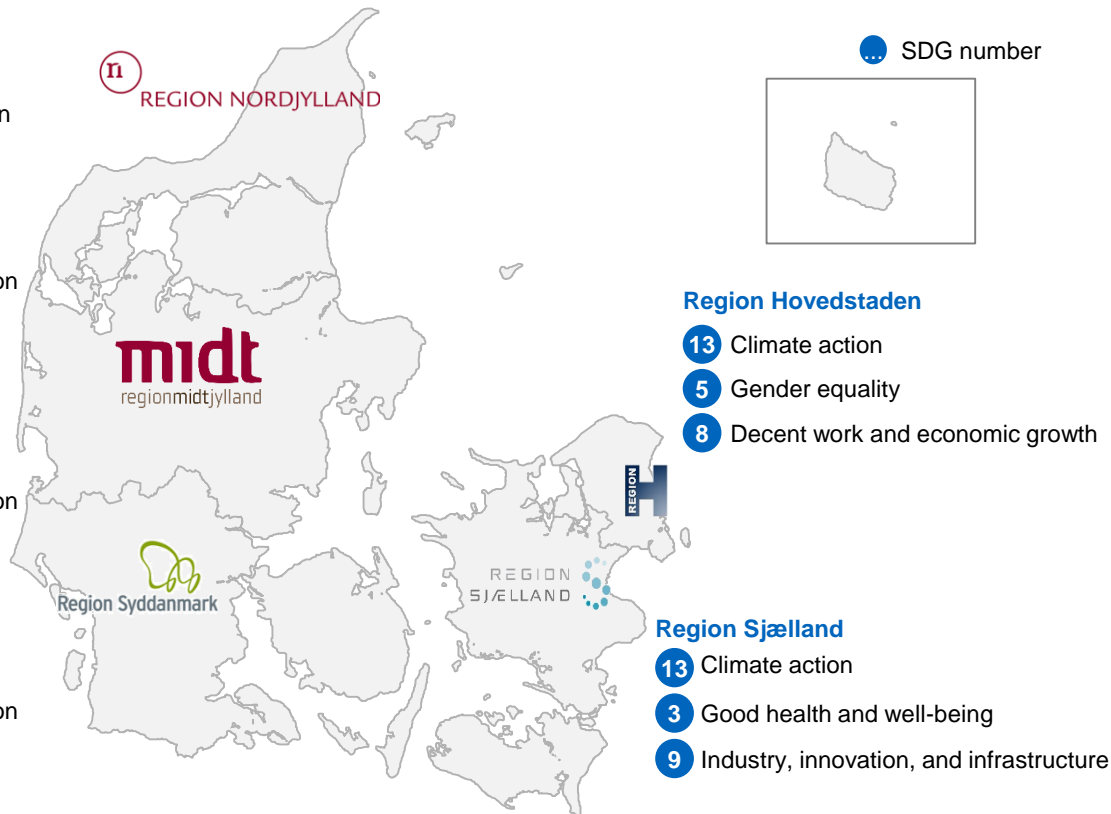
- 12 Responsible production and consumption
- 8 Decent work and economic growth
- 9 Industry, innovation, and infrastructure

Region Syddanmark

- 12 Responsible production and consumption
- 13 Climate action
- 7 Affordable and clean energy

Outside Denmark

- 12 Responsible production and consumption
- 8 Decent work and economic growth
- 9 Industry, innovation, and infrastructure





WHAT ARE THE SDGs AND WHY ARE THEY SO IMPORTANT?



HOW DO YOU CREATE BUSINESS VALUE FROM THE SDGs? (step-by-step Guide)



APPENDIX



Developing and executing a truly winning SDG strategy is challenging, but there are ways to improve the odds of beating competition

An SDG strategy is ...

An integrated set of hard-to-reverse choices

Made ahead of time in the face of uncertainty

Meant to create and capture economic profit in addition to social value

It is challenging because ...

Truly strategic choices require **deep commitment** and you have to make **bold trade-offs**

You must get **ahead of fundamental trends** and navigate toward a **highly uncertain future**

Market forces are always at work to **neutralize advantages** and **erode economic profit**



But there are ways to increase your odds of success



SDG strategic planning should stand out from day-to-day operations

- Make it a distinct strategy process with sufficient capacity to drive a focused effort



Eliminate conventional beliefs

- To unlock new insights on where, how, and why money is made in the industry value chain



Full senior management buy-in

- Consider what the different strategic options would mean for each management member



Clear and actionable execution plan

- Deliver a strategy that lands on action and has eliminated causes of poor execution



We have developed an easy-to-use Guide in 3 chapters: The ambition of the Guide is to inspire, engage, and enable easy follow-up



INSPIRE

... executives to think about the SDGs as a way to drive **strategic business value**



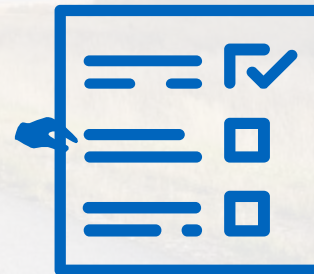
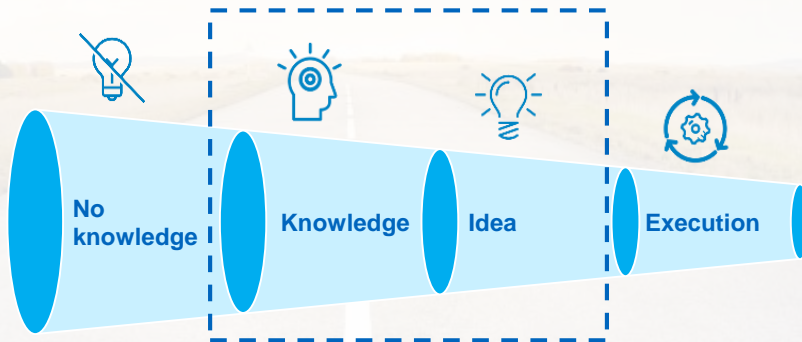
ENGAGE

... executives to **unleash the hidden energy** and potential in their organizations and execute the strategy



IMPACT

... tracked through **surveys**, measuring engagement with the SDGs



The Guide brings together all relevant tools from our Sustainability Practice and learnings from workshops with ~300 Danish executives



INSPIRE: The McKinsey Sustainability Compass will inspire executives to think about how the SDGs can drive business value



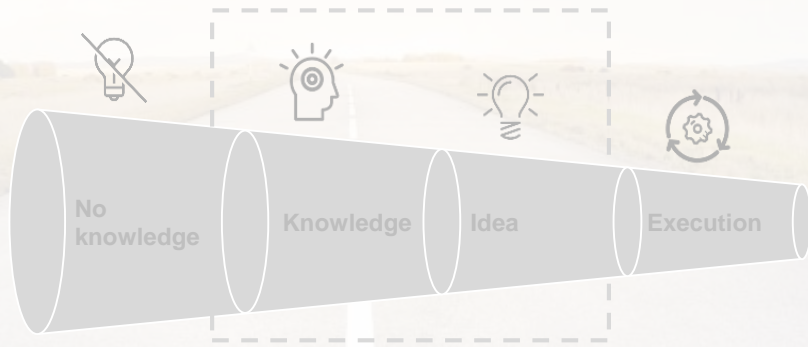
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Setting the direction of your sustainability strategy starts with 2 steps



1

Consider in which of the 4 areas of the McKinsey Sustainability Compass you can create value from the SDGs



2

Fill out the template below to set the direction of your sustainability strategy



1 The SDGs can drive business value from 4 strategic directions as demonstrated by the McKinsey Sustainability Compass

Introduction to the McKinsey Sustainability Compass

Sustainability as a core part of the company strategy is a choice. There are 4 overall areas in which you can generate business value

- Organizational performance
- Risk management
- Growth
- Return on capital

Younger generations and an increasing number of employees are looking for companies with a clear mission with sustainability as a core part

193 countries have agreed to pursue the SDGs and may use legislative measures or cause reputational scrutiny

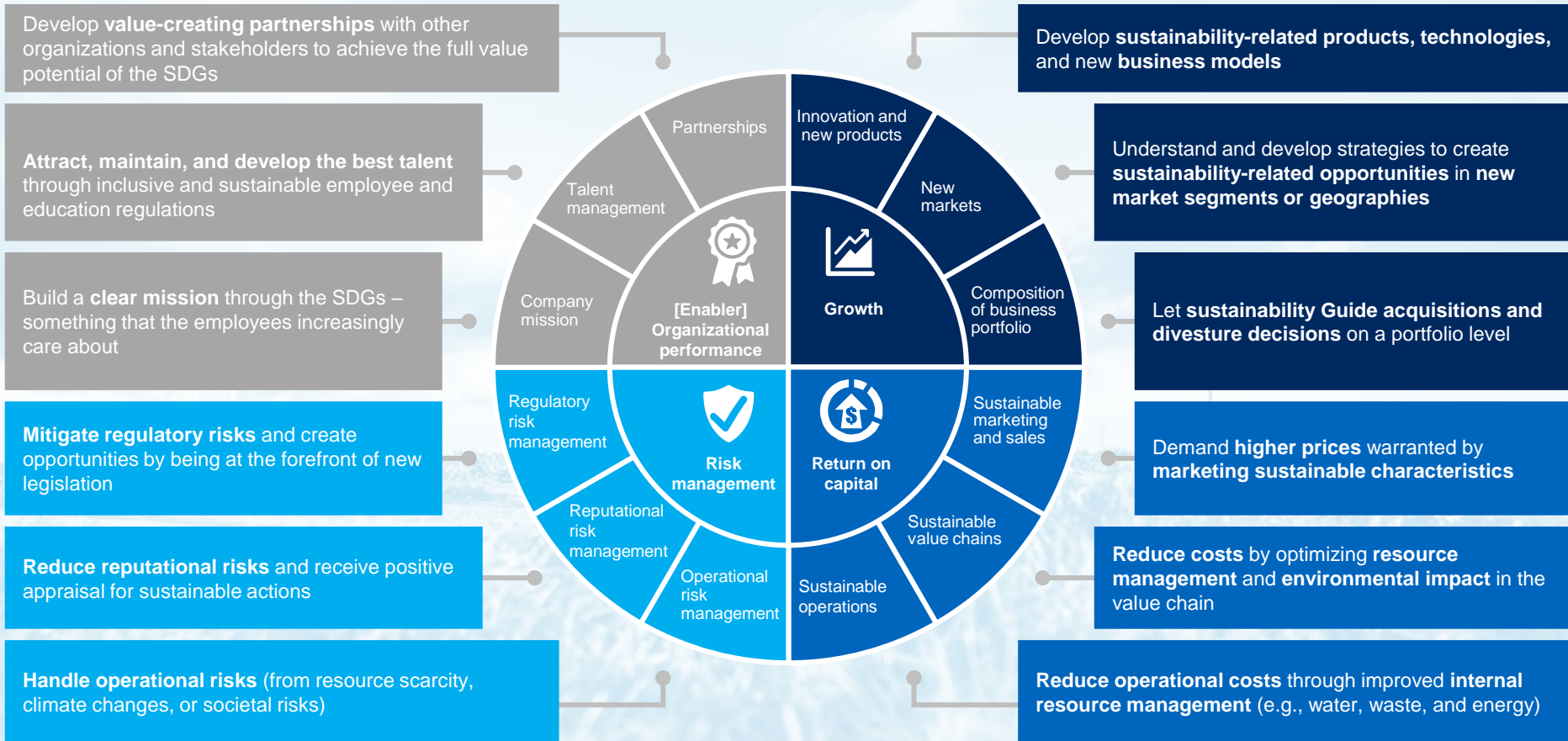


The SDGs shape existing markets and create new markets full of growth opportunities

Potential for optimizing consumption of water, energy, raw materials, etc., to decrease cost



1 The McKinsey Sustainability Compass is showing 12 primary areas in which companies can generate business value from the SDGs





1 4 company cases show how business value can be derived from the SDGs by pursuing different strategic directions¹



CHR HANSEN
Improving food & health

Strengthening diversity and inclusion through clear objectives
Adopted clear and company-wide ambition and operational goals and launched key initiatives to promote diversity and inclusion focusing on nationality, gender, and age

Faerch

Ingraining sustainability in product development
Development of plastics packaging with focus on cradle-to-cradle, extending food shelf life, reducing packaging weight and size, etc.

Arla

Mitigating risks through CSR due diligence
Implementing a thorough CSR due diligence process in line with UN Guiding Principles before engaging in new partnerships in developing countries

Carlsberg

Towards zero
Moving towards minimizing carbon and waste footprint e.g. through the “snap pack” – a new, sustainable packaging of beer cans to reduce plastic consumption and waste

¹ More case examples in appendix
Source: McKinsey Sustainable Enterprise service line



2 Now it is your turn! Set your strategic direction: Which SDGs influence your company, and what is your strategic approach?

Description

Start or sharpen your focus on **how the SDGs influence your business**, and **where your business can influence the objectives of the SDGs**

To begin with, make 2-4 marks in the matrix to **indicate where you see an opportunity to generate shared value**

Think through your strategic direction. Is it a growth, ROIC, or risk opportunity or are you creating a high-performing organization?

By settling on these choices, your **strategy will start to materialize**

		Zero hunger		Quality education		Clean water and sanitation		Decent work and economic growth		Reduced inequalities		Responsible consumption and production		Life below water		Peace, justice and strong institutions		
		No poverty	Good health and well-being	Gender equality	Affordable and clean energy	Industry, innovation and infrastructure	Sustainable cities and communities	Climate action	Life on land	Partnerships for the goals								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Growth	Innovation and new products																	
	New markets																	
	Composition of business portfolio																	
Return on capital	Green sales and marketing																	
	Sustainable value chains																	
	Sustainable operations																	
Risk management	Operational risk management																	
	Reputational risk management																	
	Regulatory risk management																	
Organizational performance	Company mission																	
	Talent management																	
	Partnerships																	



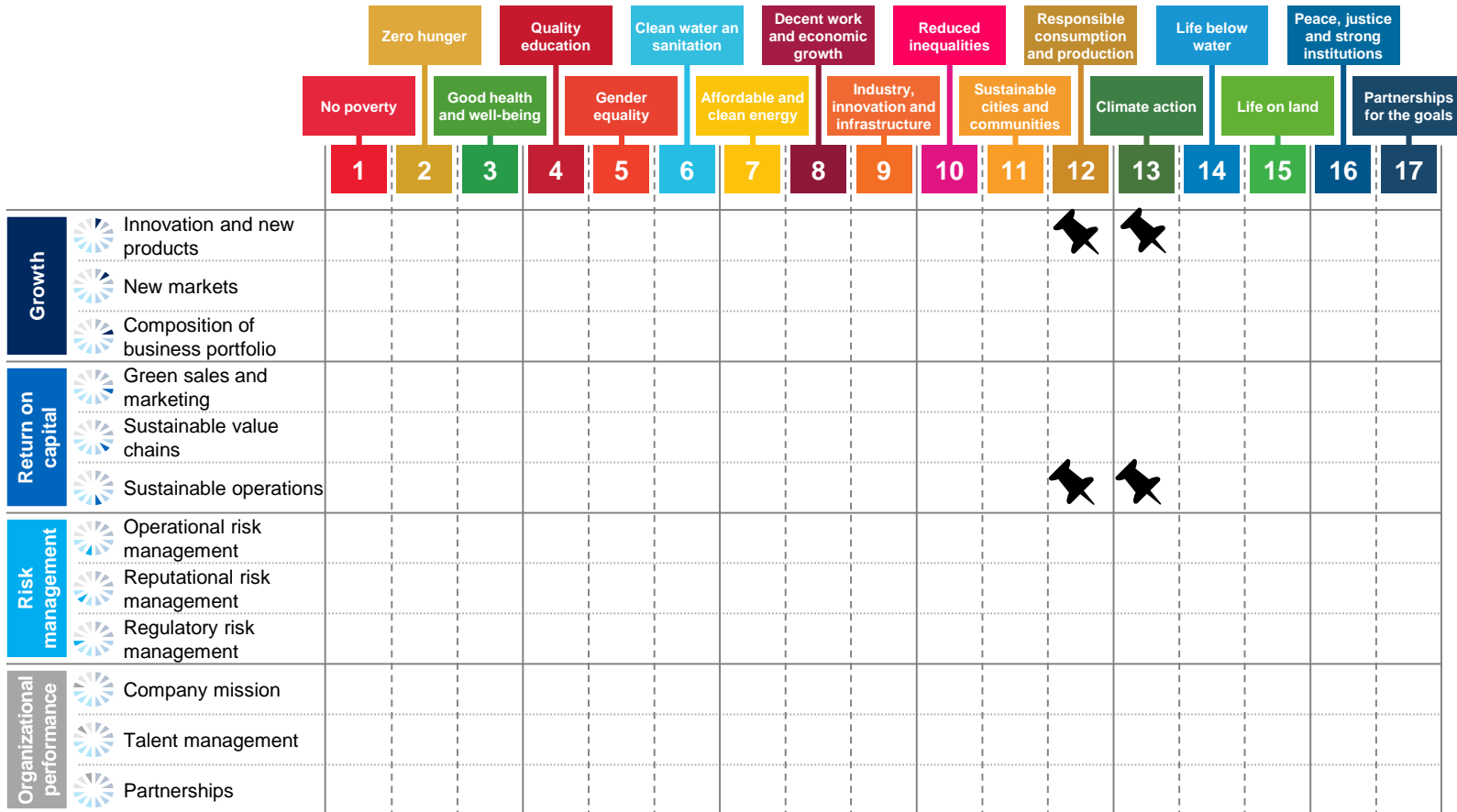
2 Example: Palsgaard is focusing on SDG 12 and 13 with innovation and sustainable operations as strategic direction

Description

Palsgaard is primarily working with **SDG 12 and 13** in ways that will grow their business and bottom line through **new products** and **decreased operational costs**

Initiatives relevant to SDG 12 are met through **responsible use of production resources** and through new plant based polymer additives **reducing food waste**

Focus on SDG 13 has **decreased CO₂ emissions in operations** globally as well as increased focus on optimization for energy consumption





CASE: Palsgaard has grown its business and decreased externalities by integrating SDG 12 and 13 into the core strategy

About Palsgaard



Industry and markets

Global food ingredients industry as well as polymer industry (plastic)

Key products

+100 years of experience within manufacturing and application of emulsifiers and stabilizers as well as vegetable additives for polymers

Key figures, 2018

Revenue: 1.4 bn DKK

Number of employees: 536

Challenge/opportunity



The food and polymer industry

- Production of emulsifiers, stabilizers, and polymer additives requires intensive energy consumption
- Reduce global CO₂ footprint
- Potential to keep food fresh and inviting for low temperatures for longer time through innovative, sustainable polymer solutions

Solution

SDGs impacted



Business focus



Investments in reducing CO₂ emissions for all production sites globally



Sustainable operations and resources

Description of key initiatives

- Goal: All products to be produced at CO₂-neutral factories by 2020
- Use of CO₂-neutral energy sources in main production sites
- Focus on optimization for energy, water, and raw material consumption
- Strong responsible supplier program including the use of sustainable palm oil (RSPO certified)
- Polymer product range with food durability optimization features



Results and benefits



- CO₂-neutral production sites in Denmark, Mexico, and Holland
- Achieved 7% reduction in energy consumption (per kg finished product) in 2018 compared with 2017
- 3 times winner of DK's most prestigious CSR prize, the FSR Danish Auditors' CSR Award
- Gold rating by EcoVadis in 2016 and 2018
- 100% plant based polymer products for packaging prevents food waste. Global demand is increasing
- CSR strategy and results provide competitive advantages



ENGAGE: Your organization should be set up to execute the sustainability strategy



INSPIRE

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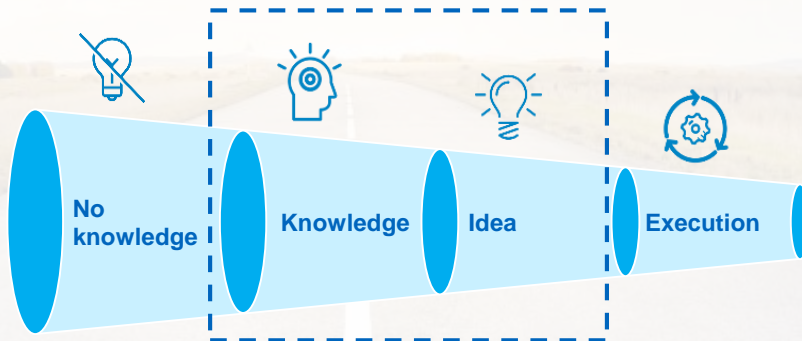
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... tracked through **surveys**, measuring engagement with the SDGs



The Guide brings together all relevant tools from our Sustainability Practice and learnings from workshops with ~300 Danish executives



We have identified 4 actions that your organization needs to take to properly integrate the sustainability agenda into the core strategy



1

CEO, board, and owners must stand behind the sustainability strategy



2

Key employees, customers, and stakeholders should be engaged



3

Introduce top team performance measures to unleash the energy in your organization



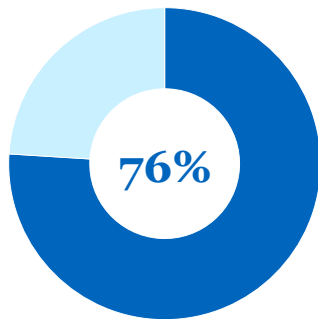
4

Make sustainability an ingrained part of your company culture

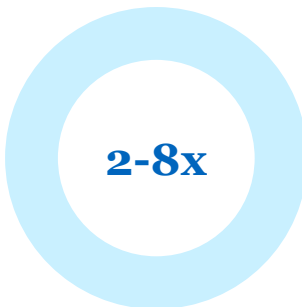


1 CEO, board, and owners should take leadership and embody the SDG strategy and transformation to ensure success

By the numbers



of surveyed Danish CEOs engage in sustainability



greater chance of success when change comes from the top

3 things you can do as a CEO to ensure sustainability focus



Integrate sustainability into your **core strategy** – as an alternative to having an isolated CSR strategy



Involve the **board** and the **owners** on the agenda to ensure support on both short-term and long-term objectives



Use the strategy process and engagement as a lever to inspire and **unleash energy** in your organization and to facilitate **ownership**

To move from philanthropy and CSR to creating business value from the SDGs, it is pivotal to put the SDGs on the CEO and board agenda

Also, in particular for cooperative companies, it is important to involve the owners early and closely



2 Successful companies identify and engage the key employees, key customers and stakeholders to execute the SDG strategy and drive impact

By the numbers

To drive change, successful companies identify and engage the relevant change agents in the organization

Change agents are not only top managers but often also talents and employees with key knowledge, experience, etc.

In addition, key customers and stakeholders should also be involved in executing the strategy, as they possess pivotal knowledge and experience



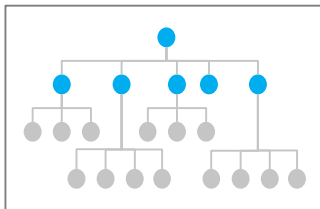
critical talent is missed when organizations only focus at the top



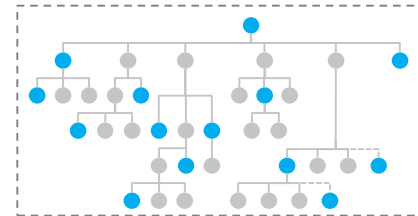
value generated by top performers compared to average

Involve change agents everywhere in the organization – not just the top management team ...

Traditional approach



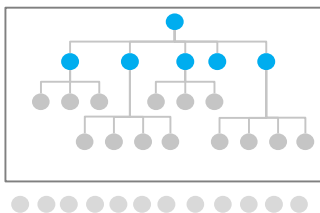
Talent-to-value approach



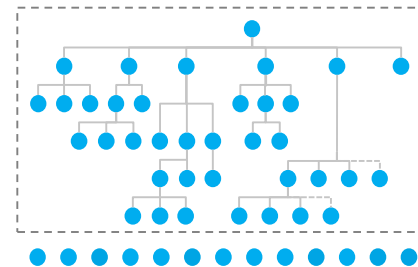
● Change agents

... and involve key customers and stakeholders to understand the outside-in perspective on your organization

Traditional approach



Outside-in approach



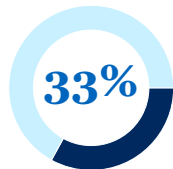


3 To execute the strategy and unleash the energy in your organization, ensure that the top team is set up to deliver on the SDG strategy

By the numbers



95% of investors state that the most important non-financial performance indicator is the credibility and experience of the top team



33% of failed transformations occur because the behavior of the top team did not support the desired changes

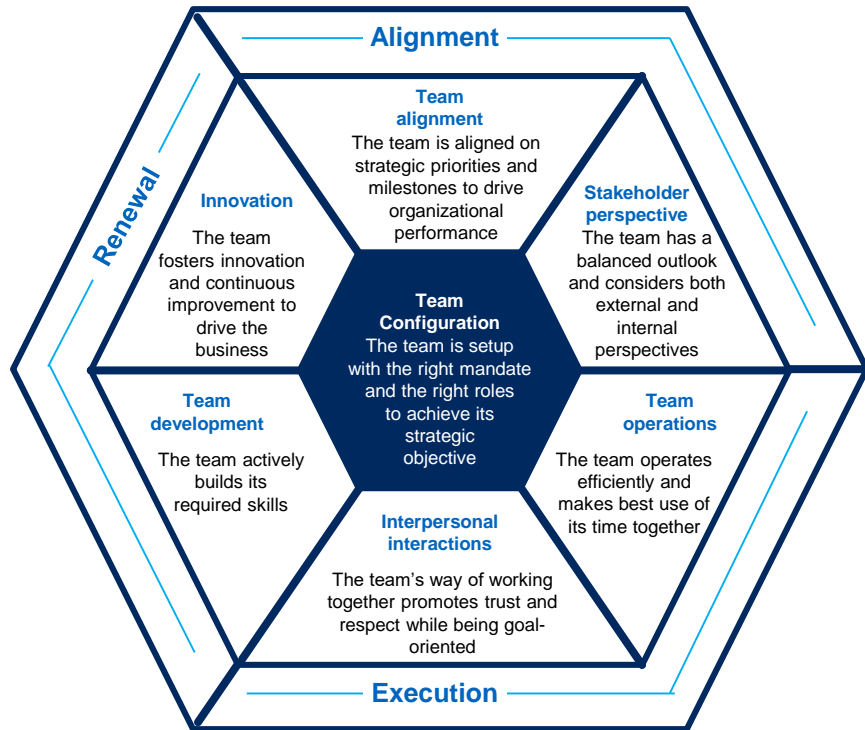


1.9x as likely to have above median financial performance when the top team has a shared, meaningful, and engaging vision

When you have identified the change agents in your companies and set up an agile organization, the principles of Top Team Effectiveness will drive impact

Based on studies of 150 organizations, interviews, and detailed analyses of top literature, we have found that top team effectiveness is based on a few basic principles

Our Top Team Effectiveness assessment evaluates team behaviors and priorities across 7 elements





4 To ensure that the SDG strategy becomes an ingrained part of the organization, frequently assess the 9 dimensions of organizational health

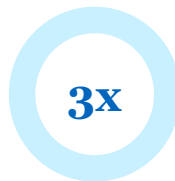
By the numbers

Making the new sustainability strategy an integral part of your company culture is challenging – infamously “culture eats strategy”

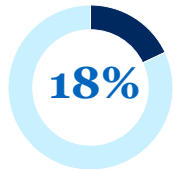
Through more than 1,000 case examples, McKinsey has identified 9 dimensions of organizational health

Organizations with higher levels of organizational health consistently outperform competition

By tracking systematically on the 9 dimensions of organizational health, it is possible to drive change in your company effectively



outperformance by healthy organizations vs. unhealthy organizations¹



EBITA increase after 1 year by companies focusing on organizational health²



of performance variation across business units explained by health differences

9 dimensions constitute the organizational health of your company

- Direction** A clear sense of where the organization is heading and how it will get there that is meaningful to all employees
- Leadership** Extent to which leaders inspire actions by others
- Work Environment** Shared beliefs and quality of interactions in and among organizational units
- Accountability** Extent to which individuals understand what is expected of them, have authority, and take responsibility for delivering results
- Coordination & Control** Ability to evaluate organizational performance and risk, and to address issues and opportunities when they arise
- Capabilities** Presence of the institutional skills and talent required to execute strategy and create competitive advantage
- Motivation** Presence of enthusiasm that drives employees to put in extraordinary effort to deliver results
- External Orientation** Quality of engagement with customers, suppliers, partners, and other external stakeholders to drive value
- Innovation & Learning** Quality and flow of new ideas and ability to adapt and shape the organization as needed



¹ Represents 8 year average Total Return to Shareholders (TRS) for healthy companies vs. unhealthy companies across McKinsey's database

² Companies actively working on organizational health initiatives



IMPACT: Follow up on progress of implementing the SDGs



INSPIRE

... executives to think about the SDGs as a way to drive **strategic business value**



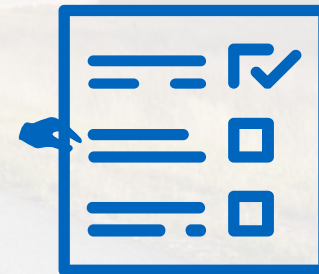
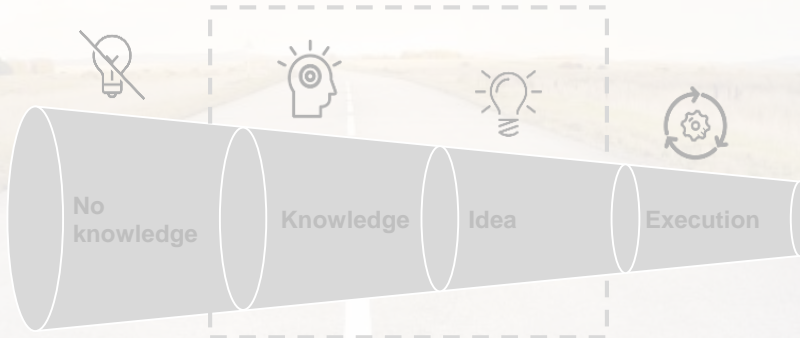
ENGAGE

... executives to **unleash the hidden energy** and potential in their organizations and execute the strategy



IMPACT

... tracked through **surveys**, measuring engagement with the SDGs



The Guide brings together all relevant tools from our Sustainability Practice and learnings from workshops with ~300 Danish executives



To maximize the impact of working with the SDGs, it is key to make the initiatives operational and define how to measure and track the effects



1

Fill out the templates below to identify the impact you wish to achieve, prioritize your ideas, and operationalize your initiatives



2

Draw up a timeline and appoint a person in charge of each initiative



3

Identify, track, and communicate the shared value generated by the SDG initiatives



1 Now it is your turn! Identify the impact you want to achieve through the goals

2. Write your desired impact

Description

Fill out this template to define the concrete impact you wish to achieve through the SDGs you have chosen to prioritize

Examples: CO₂ reduction targets, energy consumption targets, rare material consumption targets, gender equality targets

This will concretize your strategy and help you identify specific initiatives and actions in the next step

SDGs	Focus area	Desired impact	SDGs	Focus area	Desired impact
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>			<input type="checkbox"/>	
	<input type="checkbox"/>				

1. Mark SDGs that are focus areas for you



1 Now it is your turn! Fill out the template¹ below to operationalize and realize the goals you want to achieve

Description

This template allows you to fill out the action plan related to one of the SDG opportunities identified in the strategy matrix on page 23

Firstly, fill out the specific SDG goal and the area where it will derive business value using the McKinsey Sustainability Compass

Secondly, describe the specific initiative

Lastly, identify the next 3 activities to realize your idea and commit to action by giving each step a deadline. Try to be as concrete and pragmatic as possible

Overall description of initiative

# SDG goal		Description of initiative	
Area of the McKinsey Sustainability Compass			

Concrete activities

	Activity	Deadline
1		
2		
3		

¹ See example in appendix



1 Now it is your turn! Fill out the template below to operationalize and realize the goals you want to achieve

2. Place each initiative in the matrix

Implementation matrix – impact vs. ease of implementation

Initiatives

Description

Prioritize your initiatives by plotting them on the implementation matrix

Start by listing your initiatives on the right

Then, consider the impact and ease of implementation of each initiative and place the number bubble on the matrix accordingly

This will provide you with an overview of which initiatives that will create the largest impact with the least effort, which initiatives that may be hard to implement, and which initiatives that will need to be analyzed further



Impact

- Growth
- Return on capital
- Risk
- Organizational performance

	High			
	Medium			
	Low			
		Easy	Medium	Hard



Ease of implementation

- Required investment
- Complexity of implementation
- Time to implement
- Organizational capabilities

1

2

3

4

5

6

7

8

1. List your initiatives



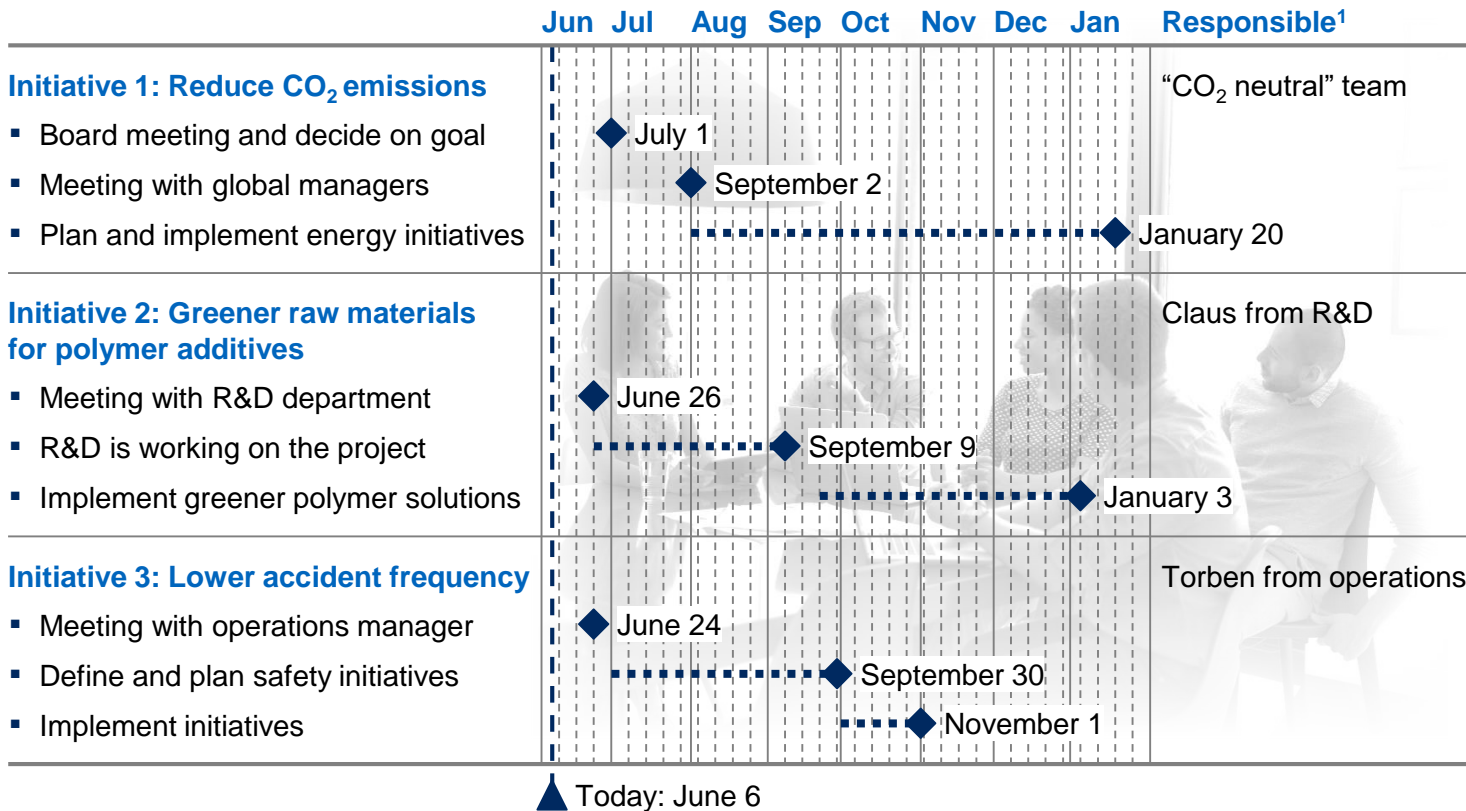
2 In order to track and control the new initiatives, draw up a timeline and appoint a person in charge of each initiative

..... Process

◆ Deadline

You should track and control your initiatives!

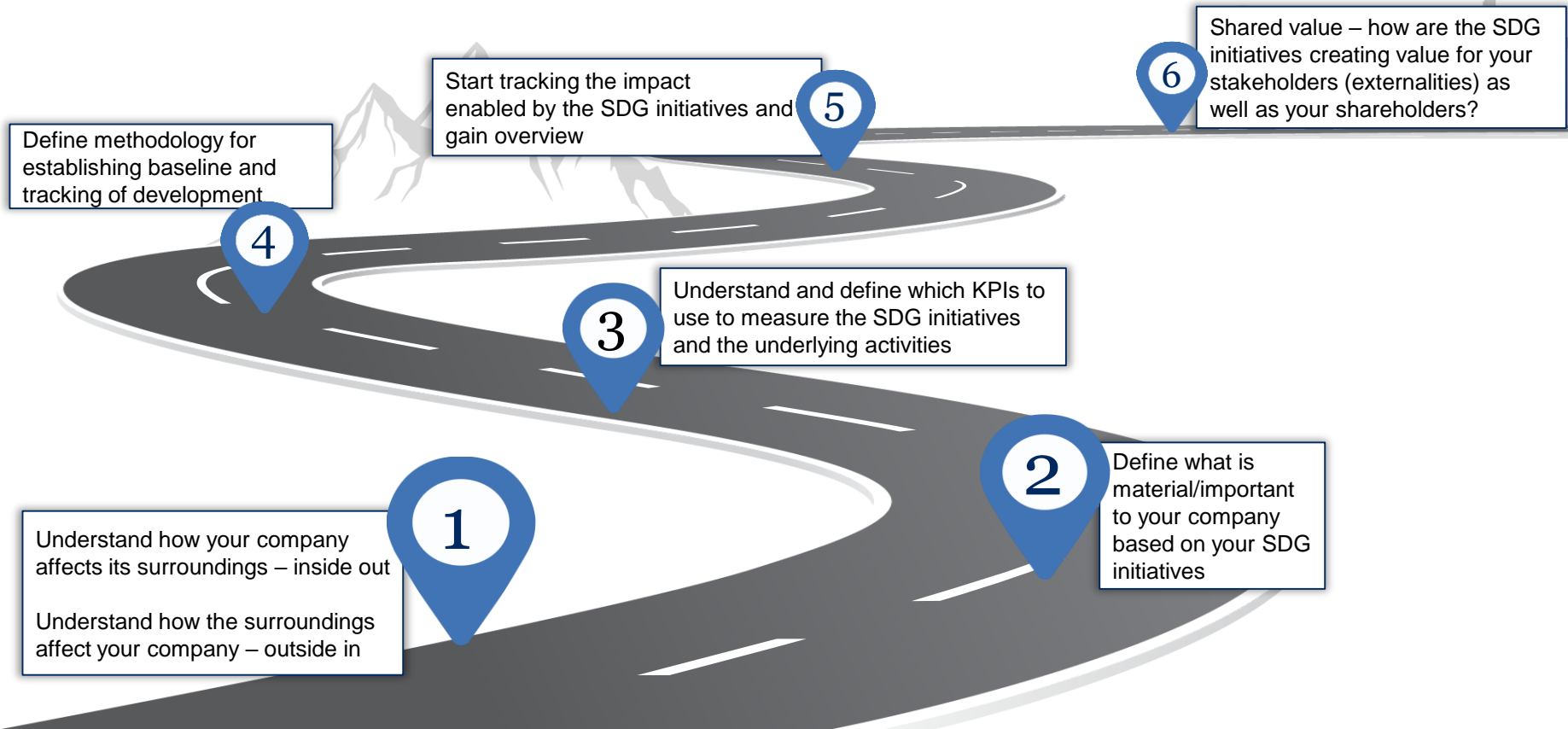
To keep an overview of the different initiatives and activities, track the progress and success with next steps and deadlines



¹ A team will be allocated to each initiative, i.e., the responsible is not the sole person pushing the initiative



3 To identify the impact of the sustainability initiatives, we suggest this 6-step approach to allow for tracking and communication of the shared value





3 Palsgaard is an example of how to track the impact of the SDG initiatives and how to communicate it

Palsgaard has followed the 6-step approach for their SDG initiatives ...

1

Inside out: Availability of sustainably produced emulsifiers for healthy food solutions and polymers
Outside in: Increasing concern for climate and consumer focus on climate and sustainable food

2

Emulsifiers require heavy energy consuming production. CO₂ emissions, energy, water, and raw materials are essential indicators for sustainable production

3

SDG 12 KPI: Optimize energy, water, and raw material consumption
SDG 13 KPI: Reduce CO₂ emissions, goal: CO₂ neutral production in 2020

4

Define baseline by looking at energy, water, and raw material consumption. Indicators are internally reported at global scale. CO₂ emissions and indicators are published in yearly CSR reports

5

Provide results and stories via communication channels. Focus on employee communication globally and measure importance for customers. Transparency on company performance related to the SDG initiatives (12 and 13)

6

Climate is a hot topic. Contributing to fighting climate changes, responsible production, focus on resource consumption and overall CSR is highly valued by customers, employees, society

... which has resulted in clear tracking and communication of their efforts and results



Our Journey to the 2020 targets

<u>Core CSR figures and targets</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Target 2020</u>
CO ₂ emissions (kilo CO ₂ per kilo finished product)	0.17	0.17	0.12	0.12	0.11	0
Energy consumption (gross) (kWh per kilo finished product)	1.11	1.36	1.34	1.27	1.21	1.05
Waste water emissions (litre per kilo finished product)	1.39	1.64	1.42	1.56	1.44	1.00
Raw material consumption (kilo per 100 kilo finished product)	107.37	108.39	107.71	107.11	106.01	104.00
Accident frequency (per million working hours)	11	16	18	13	20	3



WHAT ARE THE SDGs AND WHY ARE THEY SO IMPORTANT?



HOW DO YOU CREATE BUSINESS VALUE FROM THE SDGs? (step-by-step Guide)



APPENDIX

Survey results: Sectorial variation in SDG focus



... SDG number

Key takeaways

Relevance of SDGs vary across sectors/industries

The most productive sectors consider **climate action** and **responsible consumption and production** as the most relevant SDGs in their industries

Thus, we assume that these SDGs in particular have a higher probability of success in business

Sector	Most relevant SDG	Productivity rank ¹
 Industry (production and manufacturing)	12 Responsible consumption and production	4
 Consultancy/advisory	5 Gender equality	7
 Financial sector	12 Responsible consumption and production	2
 Wholesale, retail, hotels and restaurants	5 Gender equality	10
 Healthcare, medico and life sciences	12 Responsible consumption and production	N/A
 Education and research	3 Good health and well-being	8
 Organizations and associations	4 Quality education	N/A
 Liberal professions	3 Good health and well-being	N/A
 IT	5 Gender equality	6
 Transport and logistics	5 Gender equality	5
 Energy and natural resources	13 Climate action	1
 Service	13 Climate action	11
 Other public institution	8 Decent work and economic growth	NA
 Cultural institution	8 Decent work and economic growth	9
 Agriculture and fishing	12 Responsible consumption and production	12
 Telecommunications	12 Responsible consumption and production	3
 Other	11 Sustainable cities and communities	N/A

¹ Ranking based on productivity measured as Gross Value Added per employee within sector



Survey results: SDG 12 is considered to be the most relevant among Danish executives closely followed by SDG 8, 13, 9, and 3 ...

SDG number

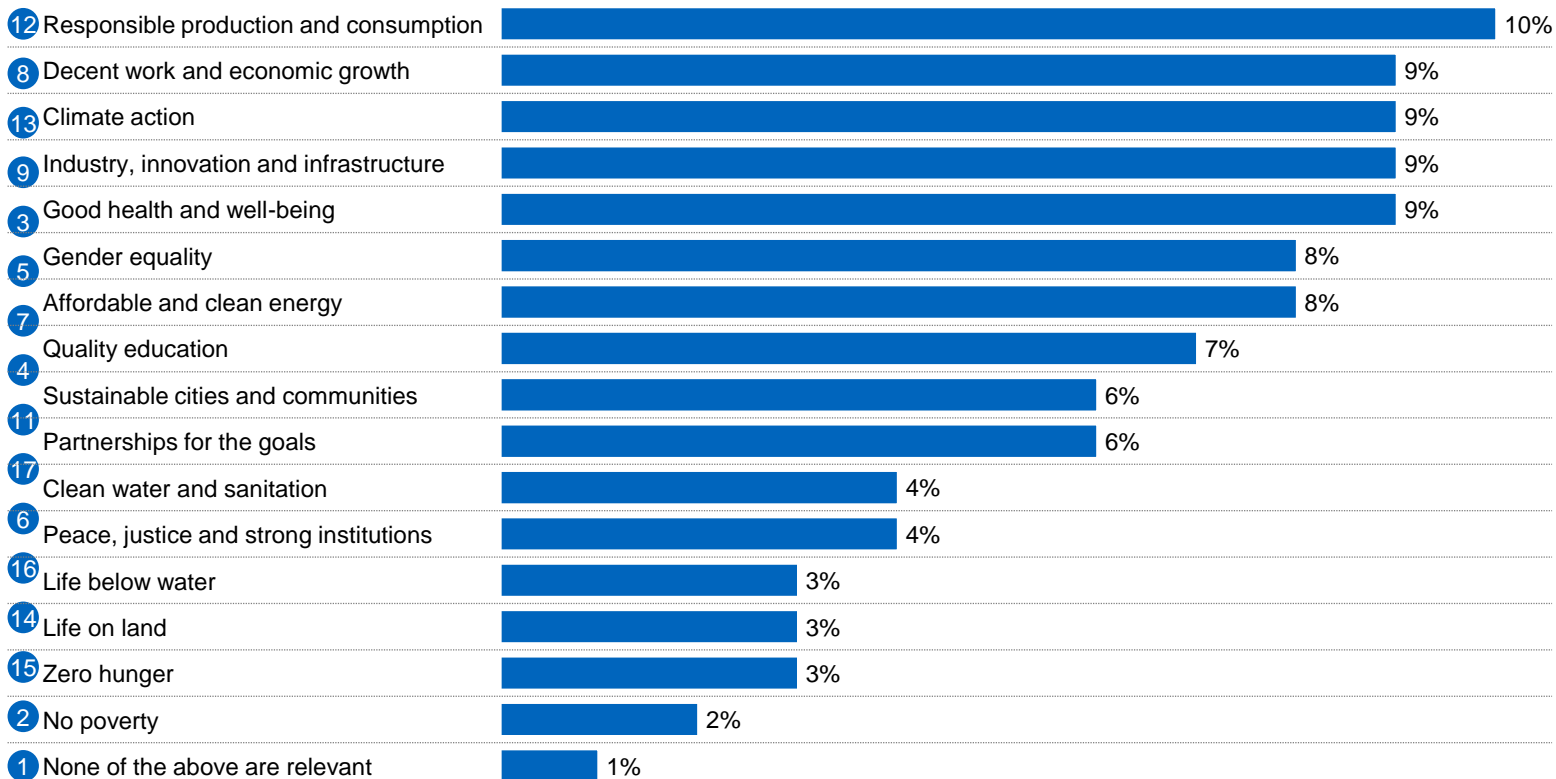
Key takeaways

Executives see SDG 12, 8, 13, 9, and 3 as most relevant to business

SDG 5, 7, 4, 11, and 17 also receive high business attention

All goals are seen as somewhat relevant to business

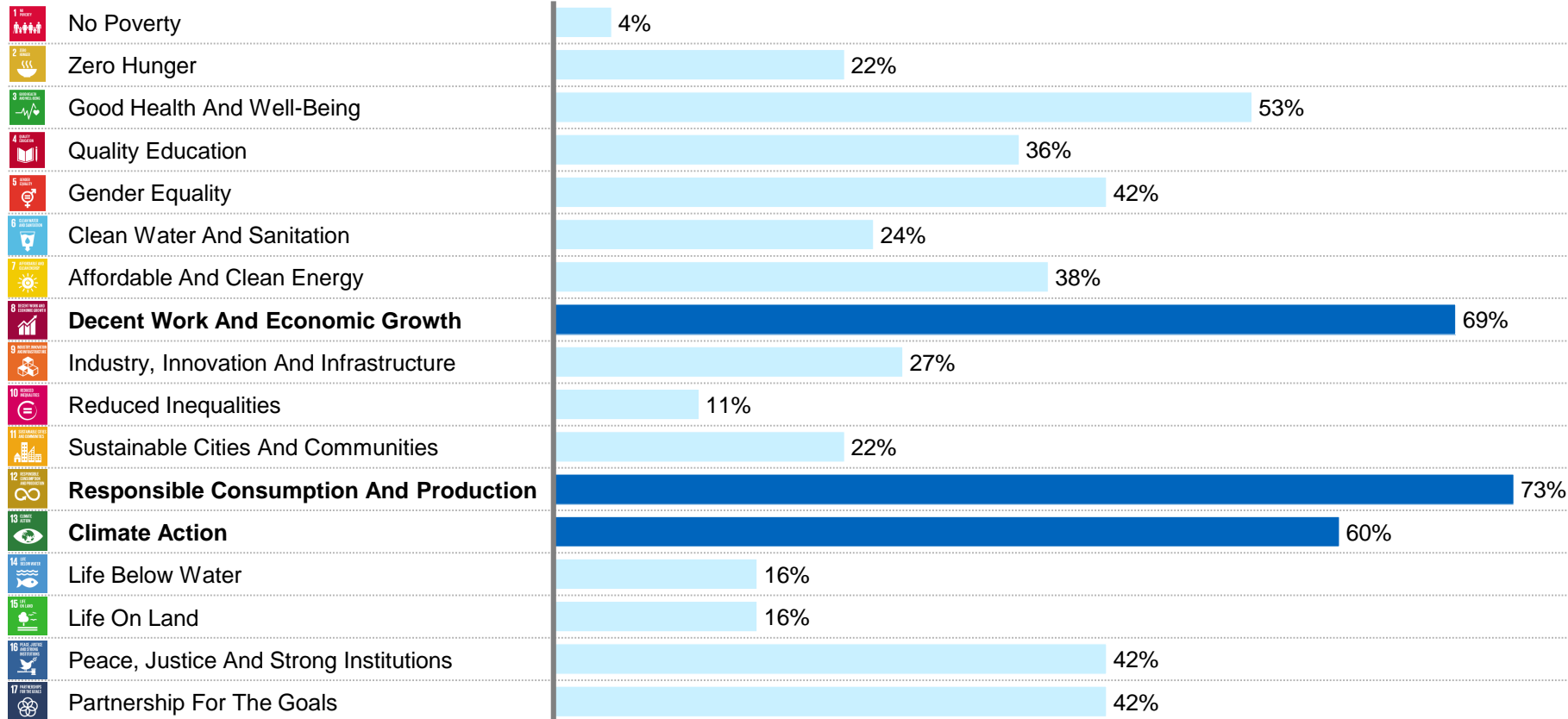
Relevance of the different SDGs, % of 3,682 votes made by 605 survey participants



... this is in line with the SDGs in focus in the annual reports and sustainability reports of the largest Danish companies

Goal

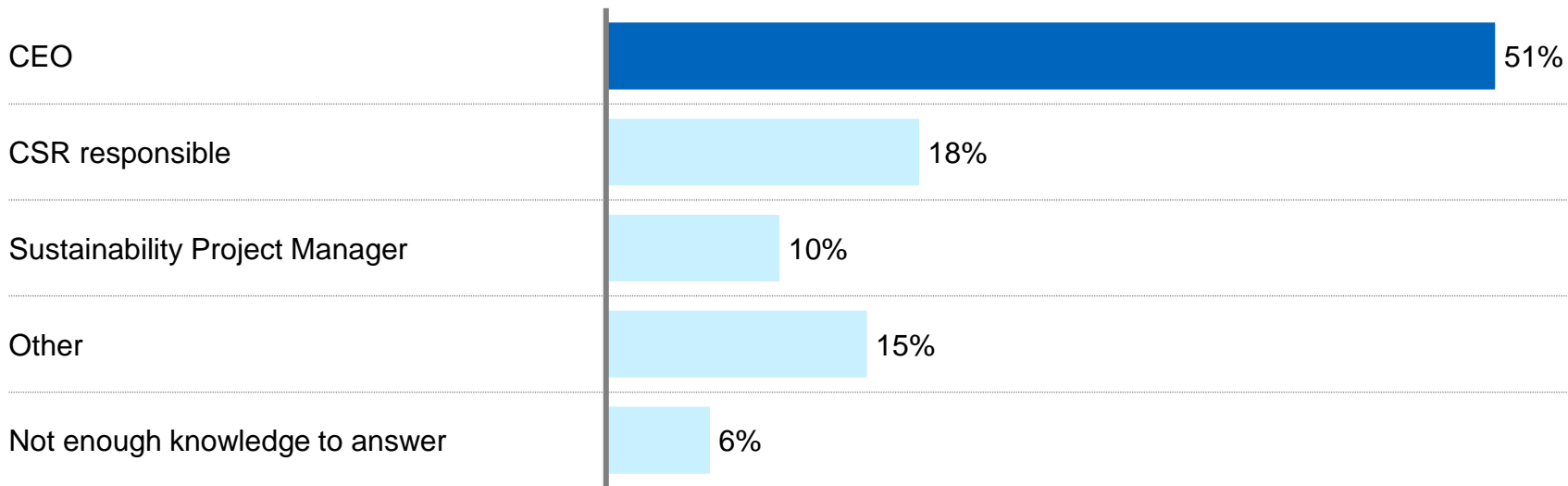
Share of 100 largest Danish companies working with the SDG, %





Survey results: CEOs drive the work with the SDGs in more than half of the companies working with the SDGs

Who is the primary driver of the work with the SDGs today?, % of responses, N = 543

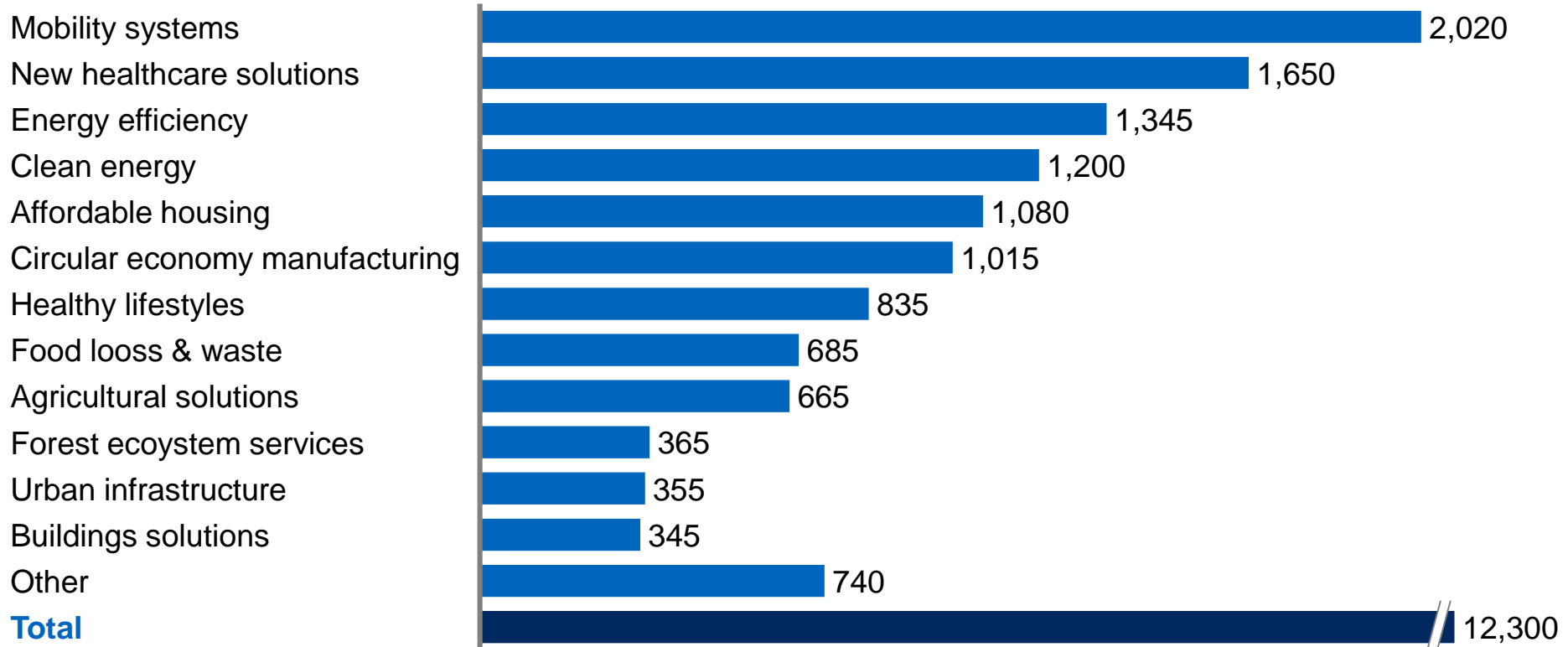




The SDGs present business opportunities of at least USD 12 trillion

Incremental value of 12 largest SDG-related business opportunities in 2030

USD billions, estimated savings or projected market sizing



Companies consider innovation and talent management as key value drivers across the SDGs

of responses Greatest potential Least potential

Key takeaways

Innovation and new products as well as talent management regarding education, gender equality, and decent work are considered the largest opportunities for value creation

Only few companies see potential for value creation within risk management using the SDGs

Focus on growth and organizational performance indicates a proactive approach to working with the SDGs as Danish executives believe they have more to win than to lose

		SDG																	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
		No poverty	Zero hunger	Quality education	Clean water and sanitation	Decent work and economic growth	Reduced inequalities	Responsible consumption and production	Life below water	Peace, justice and strong institutions	Partnerships for the goals	Life on land	Climate action	Sustainable cities and communities	Industry, innovation and infrastructure	Affordable and clean energy	Gender equality	Good health and well-being	
Growth	Innovation and new products	2	6	18	7	6	5	8	21	18	2	7	26	10	4	5	1	19	165
	New markets	1	1	4	10	1	3	9	7	9	4	6	11	6	1	1	3	4	81
	Composition of business portfolio	1	1	7	2	-	2	3	6	5	-	1	8	2	2	1	-	5	46
Return on capital	Green sales and marketing	-	1	2	1	1	-	4	1	5	2	2	9	4	-	2	-	3	37
	Sustainable value chains	1	2	3	4	1	-	7	6	3	-	5	25	8	-	3	-	8	76
	Sustainable operations	-	1	3	2	-	4	8	4	8	2	6	20	7	1	4	1	2	73
Risk management	Operational risk management	1	1	2	1	-	-	3	4	2	1	1	5	1	-	-	2	1	25
	Reputational risk management	1	-	7	-	2	-	1	8	1	3	2	3	5	2	3	2	4	44
	Regulatory risk management	-	-	2	-	1	-	-	2	-	-	1	3	2	-	-	1	1	13
Organizational performance	Company mission	-	-	6	6	8	1	3	8	2	4	5	9	4	2	1	4	3	66
	Talent management	-	-	8	29	27	2	2	18	5	1	1	10	6	-	-	-	5	114
	Partnerships	2	3	9	8	6	-	3	3	9	3	4	5	5	3	1	2	24	90
Total		9	16	71	70	53	17	51	88	67	22	41	134	60	15	21	16	79	830

Responsible consumption and production, and partnerships are considered the largest opportunities for value creation

of responses Greatest potential Least potential

Key takeaways









Many companies believe they can create value through increased **responsibility** in both **consumption and production**


This is particularly relevant within **innovation and rethinking of the value chain** and **general operations**

Only very **few companies** consider themselves able to create value within the area of **peace, justice, and strong institutions** – probably because of the existing high standards in Denmark and rest of Europe













		Zero hunger		Quality education		Clean water and sanitation		Decent work and economic growth		Reduced inequalities		Responsible consumption and production		Life below water		Peace, justice and strong institutions			
		No poverty	Good health and well-being	Gender equality	Affordable and clean energy	Industry, innovation and infrastructure	Sustainable cities and communities	Climate action	Life on land	Partnerships for the goals									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	17	Total	
Growth	Innovation and new products	2	6	18	7	6	5	8	21	18	2	7	26	10	4	5	1	19	165
	New markets	1	1	4	10	1	3	9	7	9	4	6	11	6	1	1	3	4	81
	Composition of business portfolio	1	1	7	2	-	2	3	6	5	-	1	8	2	2	1	-	5	46
Return on capital	Green sales and marketing	-	1	2	1	1	-	4	1	5	2	2	9	4	-	2	-	3	37
	Sustainable value chains	1	2	3	4	1	-	7	6	3	-	5	25	8	-	3	-	8	76
	Sustainable operations	-	1	3	2	-	4	8	4	8	2	6	20	7	1	4	1	2	73
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Total		9	16	71	70	53	17	51	88	67	22	41	134	60	15	21	16	79	830













Tremendous achievements have been made in the last 2-3 decades, but still a huge effort needs to be made to reach the goals (1/2)

Goal	Status
 <p>1 NO POVERTY</p>	<p>Extreme poverty 1/3 of 1990 level in 2013</p>  <p>11% of the world population (783 million people) lived in extreme poverty in 2013</p>
 <p>2 ZERO HUNGER</p>	<p>815 million people undernourished in 2016, up from 777 million in 2015</p>  <p>Aid to agriculture in developing countries down to 6% of all donors' sector-allocable aid from ~20% in the mid-1980s</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Under-5 deaths down to 5.6 million in 2016 from 9.9 million in 2000</p>  <p>Malaria cases increased from 210 million in 2013 to 216 million in 2016</p>
 <p>4 QUALITY EDUCATION</p>	<p>Participation rate in early childhood and primary education improved to 70% in 2016 from 63% in 2010</p>  <p>58% of children and adolescents not achieving minimum proficiency in reading and mathematics</p>

Goal	Status
 <p>5 GENDER EQUALITY</p>	<p>Child marriage in Southern Asia decreased by +40% between 2000 and 2017</p>  <p>On average, women spend ~3x as many hours on unpaid domestic work and care as men</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>3 in 10 people lack access to safely managed drinking water</p>  <p>59% of all wastewater is safely treated</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>55% of renewable energy was derived from modern forms in 2015</p>  <p>4 in 10 people still lack access to clean cooking fuels and technologies</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Men earn 12.5% more than women in 40 of 45 countries with data</p>  <p>Young people 3 times more likely to be unemployed than adults</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Global carbon intensity decreased by 19% between 2000 and 2015</p>  <p>61% of population in LDCs covered by a 3G mobile broadband network in 2016 vs. 84% globally</p>

Tremendous achievements have been made in the last 2-3 decades, but still a huge effort needs to be made to reach the goals (2/2)

Goal	Status
	 <p>Incomes of the poorest 40% grew faster than those of the entire population between 2010 and 2016, in 60 out of 94 countries</p>  <p>Developing countries had duty-free market access for about 50% of all products exported in 2016</p>
	 <p>Global urban population living in slums dropped from 28.4% to 22.8% between 2000 and 2014</p>  <p>In 2016, 91% of the urban population worldwide was breathing air that did not meet the WHO Air Quality Guidelines</p>
	 <p>By 2018, 108 countries had national policies on sustainable consumption and production</p>  <p>93% of the world's 250 largest companies are now reporting on sustainability</p>
	 <p>The majority of countries have ratified the Paris Agreement and provided nationally determined contributions (NDCs)</p>  <p>2017 was the most costly North Atlantic hurricane season on record</p>

Goal	Status
	 <p>Global share of marine fish stocks within biologically sustainable levels down from 90% in 1974 to 69% in 2013</p>  <p>From 2010 to 2018, protected marine areas under national jurisdiction more than doubled</p>
	 <p>Rate of forest loss cut by 25% since 2000-2005</p>  <p>Global Red List Index of threatened species fell from 0.82 to 0.74 since 1993, indicating an alarming trend in the decline of mammals, birds, amphibians, corals and cycads</p>
	 <p>Proportion of prisoners held in detention without being sentenced remained almost constant in the last decade (32% in 2003-05 to 31% in 2014-16)</p>  <p>Almost 1 in 5 firms worldwide report receiving at least 1 bribery payment request when engaged in regulatory or utility transactions</p>
	 <p>In 2017, net ODA totaled \$146.6 bill, a decrease of 0.6% from 2016 in real terms</p>  <p>LDC's share of world merchandise exports fell between 2013 and 2016, after a long period of increase</p>



Template example: Palsgaard

Overall description of initiative

# SDG goal	<i>12: Responsible consumption and production</i>	Description of initiative	<i>Make changes to production that will allow for reducing energy consumption reaching a level of 1.05 kWh per kilo finished product in 2020 down from 1.21 kWh per kilo finished product in 2017</i>
Area of the McKinsey Sustainability Compass	<i>Return on capital: Sustainable operations</i>		

Concrete activities

	Activity	Deadline
1	<i>Set up meeting with production department to discuss opportunities</i>	<i>July 1</i>
2	<i>Discuss the business model at next board meeting to achieve support for the project and possible investments</i>	<i>September 2</i>
3	<i>If the board approves: Plan for implementation of initiatives to reduce energy consumption and launch initiative</i>	<i>January 20</i>

McKinsey has also used the UN Sustainable Development Goals to drive business value within all 4 areas of the McKinsey Sustainability Compass



Focusing on diversity and inclusion
 Firmwide commitment reflecting a deep, long-standing practice of bringing everyone's voices to the table, recruiting diverse talent, and creating an exceptional environment for our people – with policies and programs to increase representation of women and other under-represented groups

Minimizing environmental footprint
 Carbon neutral since 2018 through emissions reduction and offsetting to address greenhouse-gas emissions. Target to use 100% renewable electricity by 2025. Green Teams in ~70 offices address local footprint, including waste and recycling



Leading sustainability practice
 Fast-growing sustainability consulting practice, drawing on decades of global consulting experience to help clients focus on the sustainability issues that matter most to them and deliver economic value as well as better environmental and social outcomes

Supporting the transition to a circular economy
 McKinsey.org – a non-profit founded by McKinsey – is developing new solutions to build recycling systems that will put all waste to productive use for the benefit of communities and the environment, with pilots in Bali and Buenos Aires

