THE PATH TOWARDS 2030:
NORDIC CORPORATE SUSTAINABILITY STOCKTAKE

Global Compact Network Denmark
Global Compact Network Finland
Global Compact Network Norway
Global Compact Network Sweden

Contents

Message from UN Global Compact Nordic leadership

We have reached the midpoint of our journey towards achieving the Sustainable Development Goals (SDGs). In September 2023, an SDG Summit will therefore convene in New York to assess the progress of Agenda 2030 and the SDGs. However, it is already clear that we need to urgently intensify our efforts. In light of this, the Nordic Global Compact networks have joined forces to publish a focused Nordic report. This report aims to identify how we can accelerate progress in the Nordic region in the coming years.

As a starting point, the report identifies and examines the current status, challenges, needs, and opportunities for Nordic companies as we move toward 2030, with a specific focus on Denmark, Finland, Norway, and Sweden.

While the SDGs were originally formulated by and for governments, businesses are recognized as key in achieving these goals. The Nordic business community is at the forefront of sustainability issues and can provide valuable lessons and best practices. Therefore, this report will also showcase Nordic business practices that foster sustainability, while positioning the Nordics globally. Importantly, the report will encompass sustainability broadly, beyond just climate and environment.

This report incorporates a combination of existing and new data sources that have not previously been aggregated, providing new and actionable insights for both the private and public sectors in the Nordic region. By utilizing publicly available and proprietary data, as well as conducting interviews, we have developed blueprints for the private sector to meaningfully contribute to the SDGs.

In addition to assessing the areas where the Nordic countries perform well, the report will also identify areas that require improvement. It will serve as a baseline to measure future progress and highlight key areas where businesses need to improve, as well as where government action is desired and necessary.

We would like to express our gratitude to the numerous companies, business leaders, and sustainability experts across the Nordics who have contributed to the creation of this report. Their invaluable perspectives and inputs give this report the necessary practical relevance as we move forward.

Together, we can work towards a shared mission of making the Nordic countries the most sustainable region in the world by 2030.

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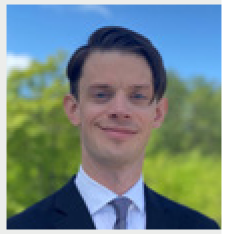

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About UN Global Compact and UN Global Compact Nordics

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment, and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 15,000 companies and 3,000 non-business signatories based in over 160 countries, and 69 Local Networks, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, follow **@globalcompact** on social media and visit our website at **unglobalcompact.org**

This report has been written in collaboration with our global partner **Accenture.**

Engage your mind, and embark on a journey of discovery. Scan the QR code and explore the Global Compact and the UN Global Compact for the Nordic Countries in detail.

Executive summary

As the midpoint of the journey towards the SDGs by 2030 is reached, it is crucial to understand how to accelerate progress in the Nordic region.

This report uniquely aggregates a combination of existing and new data sources that have not previously been combined for the Nordics, thus revealing actionable insights for both businesses and policymakers.

The Nordic region has been at the forefront of progress on the sustainability agenda, but surprisingly, 72% of Nordic businesses are skeptical about the world's ability to meet the SDGs by 2030. Nevertheless, the Nordic private sector has great potential to create a significant impact by tackling the lagging Nordic SDGs, namely 12 (Responsible Consumption & Production), 13 (Climate Action), 14 (Life Below Water), and 15 (Life Above Land).

Nordic businesses must transition from reactive to proactive approaches. The financial implications of not addressing climate change are significant, with the cost of carbon projected to become prohibitively expensive. Adopting climate strategies gives business value, particularly in attracting investors and customers who expect sustainability initiatives. However, companies often prioritize short-term ROI and lack leadership commitment. To be market leaders, companies must take risks and make bets on future transformation.

A key challenge for Nordic business is understanding the complex regulatory landscape. National policies and requirements tend to swing between elected national governments, creating instability. This instability affects companies' effective planning, increasing risk and capital costs. This holds true for the complex regulatory landscape at the EU level. As a result, 78% of companies express strong support for consistent sustainability reporting and disclosure standards.

Efforts to measure climate action, biodiversity, and nature are still evolving, with ongoing development needed in methodologies, frameworks, and regulations. Nordic companies are particularly lagging in their efforts to address nature and biodiversity, with a low proportion of companies disclosing nature-related risks and impacts or requiring suppliers to measure and report on these risks.

To become sustainability leaders, Nordic businesses need to integrate ownership, incentives, and upskill their workforce in sustainability and data. Nordic companies recognize the importance of leadership, with 89% citing it as the primary driver for taking sustainable action. Personal commitment and purpose from CEOs play a significant role, even if upfront investments are required. To ensure engagement throughout the organization, methods such as linking bonuses to sustainability performance or establishing Key Performance Indicators (KPIs) can be applied. However, there is a shortage of sustainability and data experts due to high demand, presenting opportunities to upskill the existing workforce.

Businesses face the challenge of ensuring sustainability standards throughout the entire value chain, particularly beyond tier 1 suppliers. There has been an increasing trend for Nordic companies to outsource and offshore their production globally. This has raised challenges as sustainability requirements extend throughout the entire value chain. One challenge is companies' lack of influence and ability to drive behavioral changes across the value chain, reported by a staggering 89% of companies. This is necessary to respond to increasing pressure to provide responsible products and services.

The opportunities ahead for Nordic businesses are two-fold: improving standards across Nordic business value chains and leveraging the region's inherent strengths for growth. The compact geography of the Nordic region allows for cross-sector collaboration and innovation within its value chains. To fully seize this potential, businesses should embrace ecosystem collaboration across the Nordics, elevating standards across sectors and value chains. Additionally, the Nordic private sector should accelerate efforts in emerging technologies such as ESG Intelligence, automation, and Artificial Intelligence. These technologies enable risk and scenario modeling, foster product innovation, and drive transformative organizational practices. Furthermore, the Nordic business landscape has a chance to shape the future of nature finance and can prioritize alternative fuels to revolutionize industries like steel production and manufacturing. These collective actions are vital for driving the necessary change to achieve the SDGs by 2030.

Key findings on distinctive Nordic positions

Finding	Nordics	Rest of Europe	Rest of the World	
Deeper lack of confidence within the Nordics that the world will achieve the SDG goals by 2030	28%	43%	56%	Percentage of companies that agree or strongly agree with the statement "I am confident the world will achieve the SDGs by 2030"
Deeper lack of confidence within the Nordics that the private sector is doing enough to contribute to the SDGs	27%	41%	57%	Percentage of companies that disagree or strongly disagree with the statement "The private sector is doing enough to contribute to the SDGs"
The Nordics are lagging behind in taking action on biodiversity	40%	52%	57%	Percentage of companies that have taken an action across a part or the whole organization in disclosing nature-related risks and impacts
Leadership prioritization is a key driver for Nordic companies to decide whether to take an action on an SDG or not	59%	49%	39%	Percentage of companies that do not take an action on SDGs because it is not a point of priority for leadership
Nordic companies see the potential to influence their supplier and/or distributors as a key contributor towards achieving the SDGs by 2030	78%	61%	42%	Percentage of companies that believe influencing their suppliers and/or distributors has the greatest potential for contribution towards the SDGs
Nordic companies are less favorable of potential policy changes related to biodiversity	52%	58%	65%	Percentage of companies that would definitely support a government policy change for mandatory nature-related risks and impact reporting

Key asks for policymakers

- Involve businesses in the policy shaping process
- Align regulatory systems for long-term visibility
- Invest in green skills for Nordic citizens
- Support businesses in setting climate & nature related targets
- Mandate actionable transition plans including nature
- Simplify permit processes for sustainable solutions
- Apply financial instruments to mandate a green transition
- Utilize public procurement to accelerate change
- Support development of standardized carbon pricing

About the research

The report's goal is to assess the present state, challenges, requirements, and opportunities for Nordic businesses as they progress towards 2030. Although there are various reports and rankings on sustainability, none of them provide a comprehensive Nordic perspective. This report aims to fill that gap by highlighting the specific areas where the Nordic countries excel and those where improvement is needed. By doing so, it establishes a foundation for measuring future progress and identifies crucial areas for both business improvement and government intervention.

This report combines existing and new data sources that have not been previously aggregated, to produce fresh and actionable insights for both the private and public sectors in the Nordic region. A comprehensive survey was conducted on a global scale, encompassing members and non-members of the UN Global Compact. The survey included objective questions that yielded data on diverse aspects of sustainability and the progress towards the SDGs. From the globally run survey, the Nordic-specific responses were extracted and analyzed from 257 companies. In addition to the survey, qualitative data was collected through 28 in-depth interviews with sustainability professionals across the Nordics.

Both the quantitative and qualitative data had representation from four Nordic countries – Denmark, Sweden, Norway, and Finland. The data collected was analyzed on a country basis as well as for the region.

The interviews captured a diversified industry focus, encompassing sectors such as industrial, financial services, health, energy, consumer goods and services, agriculture, chemicals, among others. Our respondents primarily included Chief Executive Officers, Chief Sustainability Officers, and other company leadership representatives from small, medium, and large companies. This approach allowed us to gather insights from a wide range of professionals across different industries, enhancing the robustness and validity of our findings.

Nordic businesses lack confidence in reaching the SDGs

The SDGs were adopted by the Member States of the United Nations in 2015 to shape the development agenda through 2030. Functioning as a worldwide 'call-to-action', the 17 universal goals of the SDGs were crafted to meet the urgent environmental, political, and economic challenges facing the globe. Since their adoption, some progress has been made with national and regional variance, but it is evident that the SDGs are not being accomplished with the momentum or speed needed to reach 2030 targets.

Following the COVID-19 pandemic and a surge in inflation, governments are currently confronted with elevated debt levels and difficulties in allocating resources to address the SDGs. Moreover, geopolitical uncertainties, changes in global trade patterns, and various humanitarian and security crises have further complicated matters. These have diverted attention away from crucial long-term objectives such as climate action and revealed fractures in international cooperation.

The Nordic countries stand firmly at the forefront of global progress in implementing the 2030 Agenda and the 17 SDGs. According to the 2022 SDG Index ranking and report , the Nordic countries - Finland, Denmark, Sweden, and Norway - have claimed the top spots. This achievement underscores the effectiveness of the social democratic model in fostering an environment beneficial to sustainable development across all fronts: economic, social, and environmental. It is confirmation that the Nordic region has unlocked a formula where businesses engage in sustainable practices and play a pivotal role alongside governments in pursuing the SDGs. However, while the Nordic countries have made commendable progress, a closer examination reveals challenges in specific SDGs, particularly in the realm of climate action and biodiversity (SDGs 12-15).

"Sustainability is not an option anymore. We should see it as an opportunity to increase our competitiveness."

Mika Hagberg, CEO of Paree Group

Despite the advancements in the Nordic region, a staggering 72% of Nordic businesses express doubt about the world's ability to achieve the SDGs by the target year of 2030. This level of skepticism is significantly higher compared to European doubts, which stand at 57%, and even more so when compared to the rest of the world, where doubts are at 44%. This finding emphasizes the Nordic private sector's firm belief that insufficient efforts are being made. This perspective holds even greater significance due to their deeper understanding of the SDGs compared to the general awareness among global businesses.

Recognizing that governments and their policies often require substantial time for implementation, it is important that businesses actively contribute to address these challenges. Additionally, Nordic companies often operate internationally and have extensive supply chains. Unlike companies limited to a single country, Nordic companies can use their global reach to have a significant impact on driving sustainability efforts globally.

Figure 1
THE UNITED NATIONS' 17 SUSTAINABLE DEVELOPMENT GOALS

Innovation & partnerships are critical to Nordic businesses' achievement of the SDGs

The Nordic private sector can bridge the gap where the Nordics face lagging performance specifically SDGs 12 (Responsible consumption & production), 13 (Climate action), 14 (Life on land), and 15 (Life below water). The failure to make progress can have adverse financial consequences for businesses, especially in terms of stranded assets and the potential risks associated with acute or transitional changes. These risks can directly affect companies' profit and loss statements.

To make progress towards the SDGs, Nordic businesses need to take several key actions. These include developing innovative technologies like low-carbon fuel, enhancing internal governance practices that promote sustainability, effectively using sustainable finance mechanisms, and collaborating with governments and policymakers through trilateral cooperation involving employers, employees, and governments.

As shown in Figure 3, 95% of surveyed companies agree or strongly agree that the private sector plays a crucial role in achieving SDG goals, and only 27% believe that the private sector is currently doing enough. There is consensus on this among the Nordic countries.

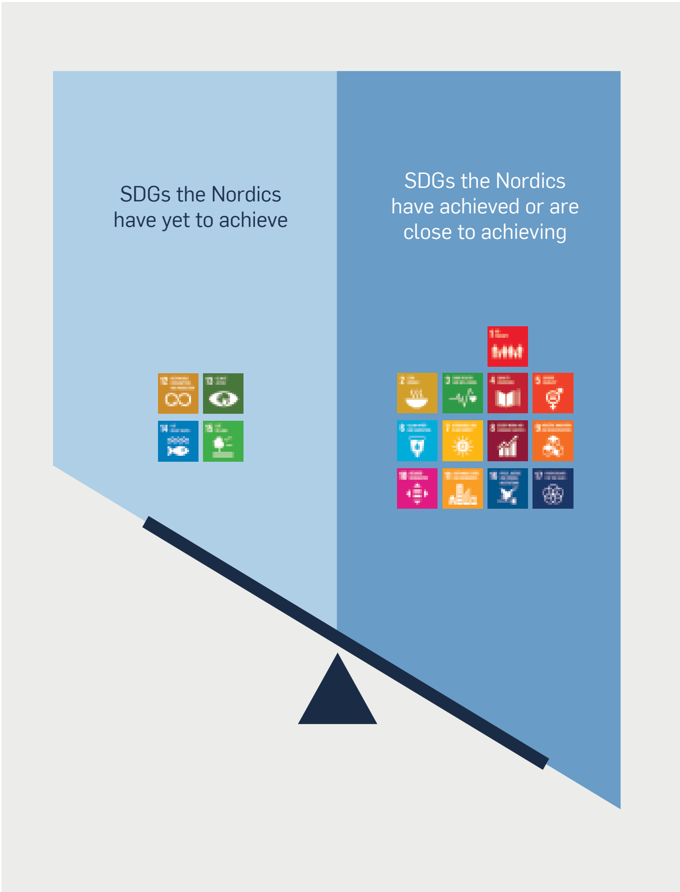


Figure 2
PICTURE INSPIRED BY THE SUSTAINABLE DEVELOPMENT REPORT 2022, AND THE FINNISH BUSINESS AND THE SDGS REPORT

How much do you agree or disagree with the following statements on the SDGs?

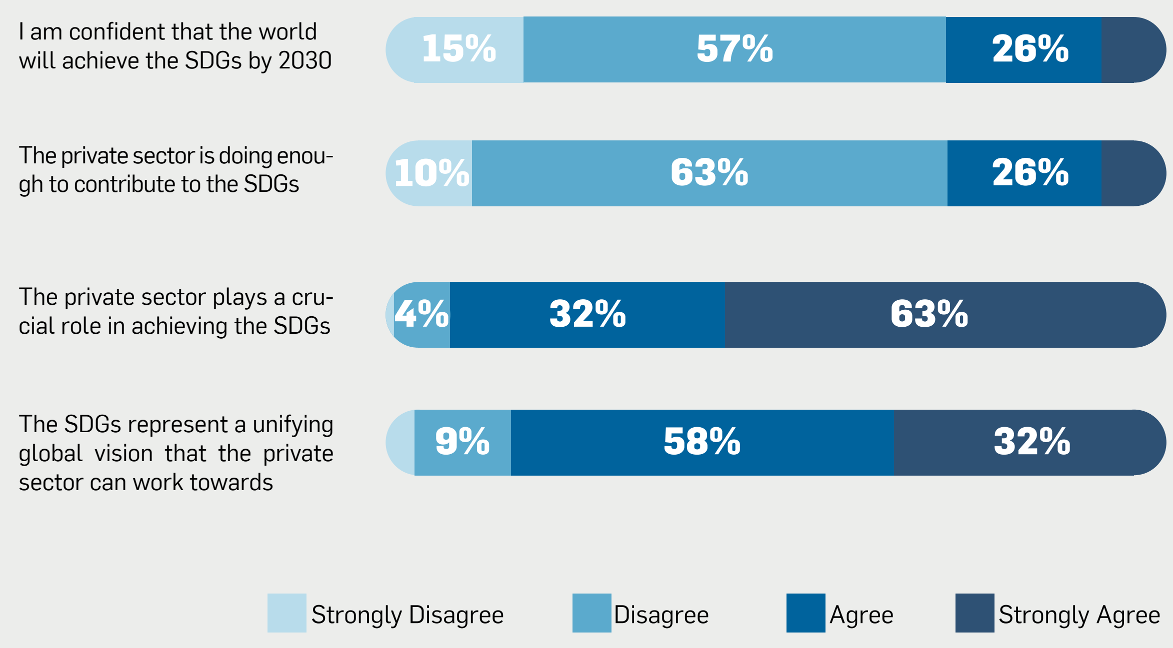


Figure 3
SDGS ACCOMPLISHMENT OUTLOOK AND PRIVATE SECTOR CONTRIBUTION

The Nordic private sector has shown resilience to recent global macrotrends and geopolitical events, enabled by the Nordic welfare system. A strong social security net and universal pension system sets a high bar for employee conditions and removes the burden from businesses. Additionally, Nordic businesses have shown exceptional resilience during recent global adversities. Despite the challenges faced worldwide, Nordic businesses, particularly in Sweden, experienced comparatively milder impacts during the COVID-19 pandemic due to lighter lockdown measures. They have been less affected by the surging global oil and natural gas prices resulting from the Russian invasion of Ukraine. Nordic businesses' access to hydropower has mitigated the rise in operating costs, setting them apart from their counterparts. This advantage, along with their success in achieving SDG 7 (Affordable and clean energy), has facilitated innovation in sectors like steel production, battery manufacturing, and forestry. The unique strengths of the Nordic region empower businesses to contribute to the SDGs even amidst a turbulent geopolitical landscape.

The Nordic private sector has a proven history of innovation. Many companies interviewed shared that they are investing in research and development to either transform their production processes or create innovative products. For example, renewable energy developer Eolus is evaluating switching to green cement instead of Portland cement in their onshore wind power projects, to help them reduce their scope 3 carbon emissions. Another Nordic company Topsoe, active in the chemicals, catalysts, and technology industry, is innovating to decarbonize heavy-industry by developing cost-competitive technologies to produce green hydrogen, which is fundamental for the green transition. Accordingly, 64% of the companies believe that the necessary innovation to maximize their contribution to the SDGs already exists today. However, there is a disparity in the Nordics – only 55% of Danish companies agree, while 71% of Finnish companies agree.

Other Nordic companies are using investment to incentivize innovators. Early-stage innovators require high-risk capital and access to labs and factories for testing materials and solutions. The Nordic private sector is well positioned to provide such capital and resources.

Percentage of companies agreeing or strongly agreeing that the necessary innovation to maximize their contribution to the SDGs already exists today

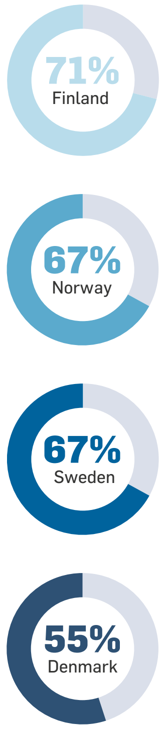
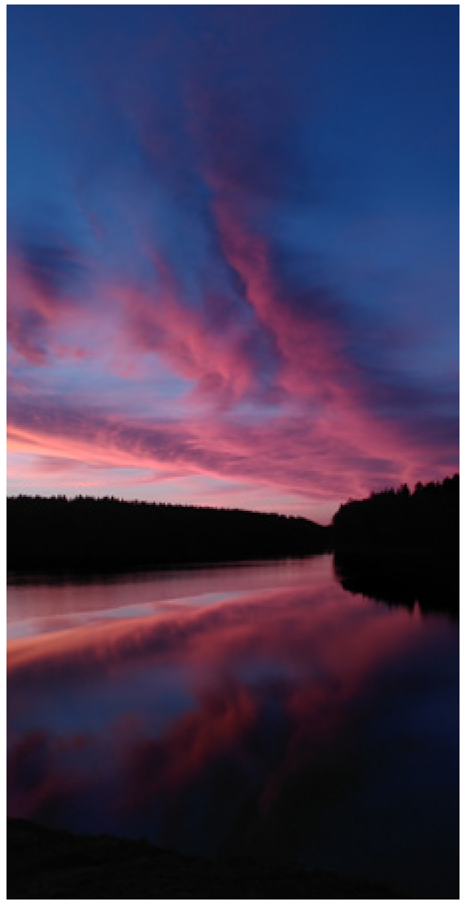
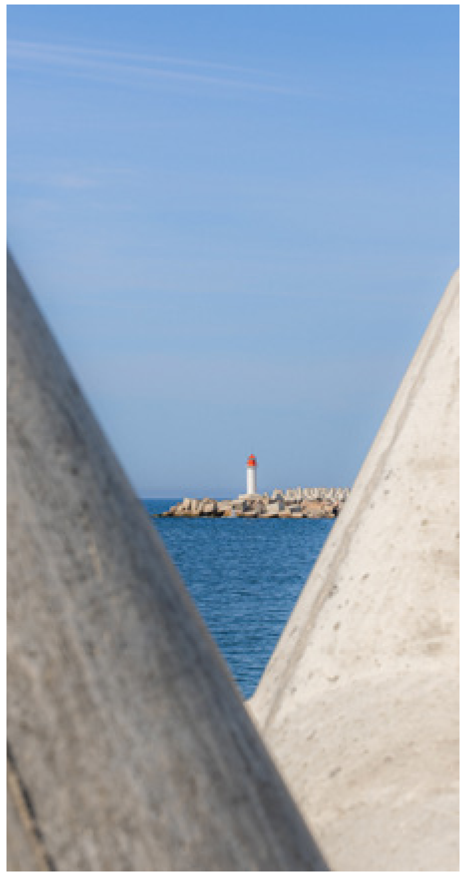


Figure 4
NORDIC PERSPECTIVE ON THE CURRENT PRESENCE OF NECESSARY INNOVATION TO MAXIMIZE CONTRIBUTION TO THE SDGS





Collaboration also serves as a powerful tool for Nordic companies to generate significant impact. There are a multitude of examples of Nordic companies partnering with other businesses to create SDG impact. Grundfos, a Danish company specializing in pump solutions and water management systems, partnered with Carlsberg, a Danish multinational brewer, to help them reduce their water consumption by 50% through process water reuse with onsite treatment.

Private and public partnerships also play a critical role. Businesses have the capacity to offer innovation, solutions, and investments that align with the long-term goals of the public sector. The Danish government's engagement with renewable energy illustrates this dynamic. For instance, in 2022, Denmark initiated a subsidy scheme to back Power-to-X projects, aiming to enhance the production and utilization of green hydrogen in sectors such as shipping, aviation, heavy road transport, and industry.

Transforming internal operations is necessary for concrete SDG contributions

To internally enable the transformation needed to reach the SDGs on a global scale, businesses must embrace a new era of leadership that prioritizes sustainability. In the Nordic region, 89% of businesses surveyed recognize leadership as the primary driver for action.

As can be seen in Figure 5, a major reason for inaction is the absence of sustainability-focused leadership. Instead, leaders are often focused on the short-term and continuous financial quarterly ROIs. Some Nordic businesses are leading in encouraging leadership to prioritize sustainable action. They have done so by incentivizing sustainability through governance restructuring and integrating sustainability into performance assessments. In some cases, a portion of leadership bonuses are linked to sustainability performance. This can range from 10-25% towards sustainability performance and can also include placing emphasis on occupational health and safety performance, which aligns with SDG 3 (Good Health & Well Being). In fact, the emphasis on safety can be effective in reducing the number of near misses and work-related accidents.

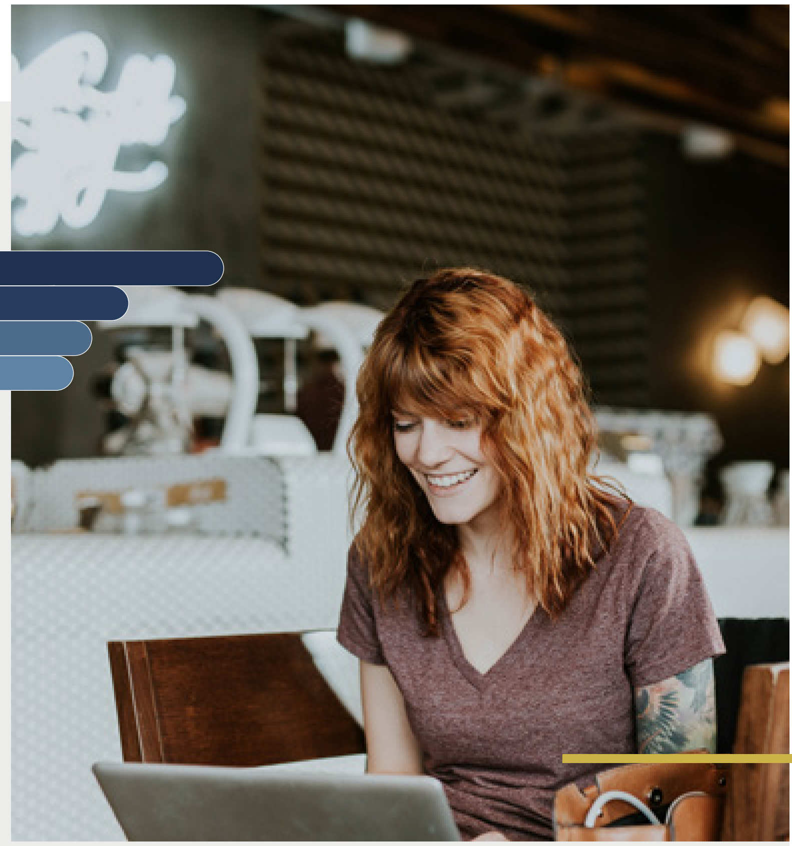
When sustainability indicators are incorporated into the bonus schemes of executive management, sustainability tends to cascade down throughout the organization.

Figure 5 BUSINESSES DRIVERS FOR ACTION AND REASONS FOR INACTION

> **"Linking leadership bonuses to safety performance has helped us reduce occupational accidents significantly."**
>
> Arto Halonen, CEO of Lunawood

Another way for companies to focus more on sustainability is by refreshing their performance assessment system. Companies like Konecranes have now integrated sustainability KPIs for all staff at the mid-senior levels, empowering employees across the organization to increase sustainability.

Companies can also institute a sustainability score card for their subsidiary entities. DistIT AB, a holding company with many subsidiaries, has instituted a sustainability score card which helps in measuring a subsidiary's sustainability performance. This creates a healthy sense of competition amongst the subsidiaries.



Companies recognize the importance of having a dedicated sustainability committee at the C-Suite level to drive and prioritize the sustainability agenda. Internal sustainability can be strengthened by support from a sustainability advisory board composed of external subject matter experts. External experts help to provide better insights on industry best practices, trends, and opportunities that other companies may be capitalizing on.

44% of respondents believe that a main reason for inaction is a lack of practical knowledge on how to implement sustainability. Accordingly, companies like Pandora and Storebrand have taken a different approach where they have embedded sustainability managers across key functions in addition to a standalone sustainability team. The embedded sustainability roles collaborate within their functions on a day-to-day basis to execute sustainability related work.

While prioritizing sustainability, incentivizing employees, and integrating expertise are crucial, these actions alone cannot achieve the SDGs by 2030.

Reliable and traceable sustainability data is crucial, but a data gap in the Nordic region hinders accurate quantification of SDG impact. Figure 6 reveals that 79% of companies face challenges due to limited access or poor-quality data, impacting their ability to measure SDG contributions. While financial performance data capture is mature, companies struggle to gather sustainability data, especially regarding biodiversity, water, and social SDGs.

Here, the role of technology is important to gather data. Technology also has a variety of other applicable uses, with 63% of Nordic companies acknowledging that technology has enabled them to scale their impact on the SDGs profitably. Advanced data analytics, cloud & edge computing, and Artificial Intelligence stand out as the top three technologies contributing significantly to the SDGs. However, when examining country-specific insights, Denmark perceives individual technologies to have a relatively lower impact, with only 17% of Danish companies acknowledging its high impact on SDG contribution. In contrast, Finnish, Norwegian, and Swedish companies show a relatively higher potential for technologies, with 22% of Finnish and Norwegian companies, and 23% of Swedish companies considering technology to have a high impact on their SDG contribution.

Impact of governance topics on company's ability to contribute to the SDGs

Showing the percentage of respondants that reported high to moderate impact

79% **Limited access and/or poor quality of data limits ability to measure contribution to the SDGs**

77% **Unclear measurement resources to calculate adverse impacts and/or contribution towards the SDGs**

67% **Insufficient policy incentives to incorporate the SDGs in business strategy**

Figure 6
AREAS OF IMPACT IN COMPANIES' ABILITY TO CONTRIBUTE TO SDGS

Pressure to provide responsible products & services is growing

Investors, customers, and employees are calling upon businesses to provide responsible products and services, while upholding sustainable value chains around the world. Nordic companies have increasingly turned to outsourcing and offshoring their production to countries worldwide. As businesses are progressively required to demonstrate sustainability throughout the entire value chain, a few challenges arise. A shocking 89% companies report a lack of influence to change behavior throughout the value chain.

.Additionally, gathering secure and reliable information, particularly when considering suppliers is a significant challenge. Many executives interviewed reported a lack of end-to-end supply chain visibility particularly beyond Scope 1 and 2 – yet most of a product's carbon footprint can be found in Scope 3 emissions, beyond a company's direct operational control. Scope 3 emissions often involve different countries and regions with local legal frameworks, labor standards, and human rights safeguards.

"Take solar panels as an example. To secure fair working conditions for workers working for our suppliers across the world is tricky. One needs to have clear visibility of their practices. The Nordic region is doing a lot to increase transparency but there's much more to be done."

Annika Ramsköld, Vice President Corporate Sustainability at Vattenfall

There is a bigger likelihood of facing human rights challenges, such as exploitative labor practices, unsafe working conditions, child labor, and forced labor deeper in the value chain. Sigrid Carstairs, Sustainability Coordinator at Eolus stated that, **"The renewable energy transition is very important, but it cannot be done sustainably if human rights are infringed upon".** Many companies must rely on third party auditors to ensure that these standards are being met – however, this is not a guaranteed solution.

Norway is lighting the way in regulation – the newly passed Norwegian Transparency Act mandates that companies based in Norway must carry out human rights due diligence activities to ensure responsible operation throughout the entire supply chain and publish these results. This has shown to be effective, as it allows companies to demand that they need to investigate supply chains because it is the law.

75% of companies report that they have acted with their suppliers and wider value chain in tackling forced labor issues. One opportunity in this space is to localize supply chains and take steps to make sure that suppliers are in parts of the world with more stringent regulations. For example, Mette Bredkjaer, Director of Sustainability at Solar noted that **"We operate only in northern European countries and have 99% of our tier 1 suppliers in Europe which makes our supply chains less vulnerable".** Yet, there is often a lack of sufficient incentives to encourage manufacturers to source materials locally.

Companies can promote circularity and eliminate areas of high risk, like raw material extraction, within their supply chains – relevant for SDG 14, 15, and 8. Companies producing products also have the option to exclusively source recycled materials. A prominent jewelry brand, Pandora, is actively transitioning its suppliers to ensure that only recycled silver and gold are purchased for use in their jewelry. By the end of 2025, their objective is to exclusively source silver and gold from certified recycled sources. This approach serves to mitigate the associated environmental and social risks associated with raw material extraction.

“Companies need to understand that if they invest now in R&D to create a low-carbon product, it won´t necessarily directly contribute to their immediate profitability, but it will show in the long term.”

Päivi Koivisto, Vice President Sustainability at Cargotec

During the R&D phase of new products, there is an opportunity to incorporate responsible design practices. 67% of companies have embedded circular economy principles to (re)design products and services for sustainability. For instance, Water Company's product named ‘Tower’ is designed to be carbon neutral by utilizing reclaimed wood from a floor manufacturer and metal instead of plastic, ensuring end-of-life recyclability. Moreover, the company prioritizes the ability to return and refurbish the machines once installed.

“Business processes are still largely focused on the linear, waste-based economy. Transitioning to circularity can help organizations make meaningful progress on the SDGs while also ensuring their long-term resilience and sustainability.”

Carmen Ene, CEO of 3StepIT

Companies can also use partnerships to innovate sustainable solutions. A demonstration can be seen in the innovative partnership between KLP, Norway's largest pension provider, and Norfund, the Norwegian Investment Fund for developing countries. They have joined forces through ‘KLP Norfund Investments’ to invest in renewable energy projects aimed at reducing emissions in developing nations. One noteworthy initiative is their recent investment in a significant solar power plant in India, where KLP and Norfund acquired a 49% stake. This project holds the potential to supply India with a substantial annual energy output, thereby contributing to the country's sustainable energy goals.

Another example is that Essity, a global hygiene and health company, has entered an exclusive partnership with the global technology company Voith to develop a new tissue making process that will reduce energy and CO_2 emissions while cutting water consumption by up to 95%. Successful test runs have already taken place on a laboratory scale, and the concept is now being transferred to a dynamic process. A pilot phase will be launched later this year before being implemented industrially.

Tina Kristensen, Head of Sustainability and Communications at Troldtekt emphasizes that there is a need for more collaboration and partnerships to accelerate SDG 12. **“We thought it would be relatively easy to facilitate take-back schemes to ensure that we can obtain old used Troldtekt panels and upcycle them. However, it has turned out that we need to explore partnerships that we are not accustomed to seeing in the building industry. This involves collaborating with a range of actors, including the waste sector and demolition companies. Without partnerships, it is simply not possible to realize a full circular economy.”**

Case study:

A 'made to order' business model within fashion can significantly lower resource use and waste across the value chain.

Son of a Tailor

Related SDGs:

Industry challenge

Consumer goods and services companies, particularly those in the clothing industry, are struggling with the overutilization of natural resources and waste throughout the value chain, which is closely linked to SDGs 12 and 13. The production of surplus clothing, which often remains unsold or returned, not only generates waste but also incurs unnecessary logistical costs. In recent years, concerns about working conditions (SDG 8) in the clothing industry have also come to the spotlight. Transparency is necessary for companies to measure and improve working conditions and address environmental inefficiencies throughout their value chain.

Son of a Tailor, a small Danish clothing company that produces custom-fit clothing for men, wants to change this.

Son of a Tailor's solution

Son of a Tailor produces clothing on demand with a made-to-order business model, providing customized garments based on the measurements of customers. All garments are manufactured in Portugal and Italy, with the majority being produced in Son of a Tailor's recently acquired production facility in Portugal. Insourcing its own production Song of a Tailor to increase transparency, reduce delivery time, and lower costs, aligning with SDGs 8, 12, and 13.

The made-to-order approach reduces waste and unnecessary emissions throughout the value chain. Additionally, the custom-made nature of the products reduces the rate of returns since the clothing is tailored specifically to meet the individual needs of customers. By insourcing production, Son of a Tailor has been able to optimize line production, resulting in decreased waste and cost per unit sold, while also enhancing transparency in the production process. These improvements will help minimize their carbon footprint and resource use. Through increased control they can also ensure decent working conditions for their employees – real contracts and rights that are otherwise not standard.

To promote their business model within the industry, Son of a Tailor plans to utilize their production site as a flagship supplier, inviting competitors and peers to visit and learn about the implementation and benefits of made-to-order production, relating to SDG 17. Jess Fleischer, the CEO of Son of a Tailor, expresses the company's commitment to making a positive impact, stating, **"This is a fundamental small step towards changing a part of the world that I believe is not in great shape. It's also about being true to what we say. We believe that if you are open, it will ultimately come back and benefit yourself."**

Employees are at the heart of the green transition

We are at an inflection point in history – companies are adjusting their strategies, business models, and workforce to meet their sustainability goals. In this journey, human capital takes center stage, driving the greening of industries. Companies must acquire essential green knowledge and skills to navigate sustainable practices, comply with evolving regulations, and implement innovative solutions. Moreover, employee pressure can compel sustainability changes, with 77% of companies acting on the SDGs due to employee expectations and demands.

Talented employees with relevant education and work experience are instrumental in providing expertise for driving the green transition. A significant 71% of companies recognize that the lack of knowledge and skills within their workforce has a notable impact on their ability to seize SDG-related opportunities, and 48% of companies have cited the lack of skills or capacity as the primary reason for their inaction on SDGs. Consequently, companies are increasingly prioritizing the hiring of professionals with green skills to achieve their net-zero targets. Capable technology specialists, engineers and sustainability professionals are and continue to be vital for reaching net zero emission targets in the Nordics.

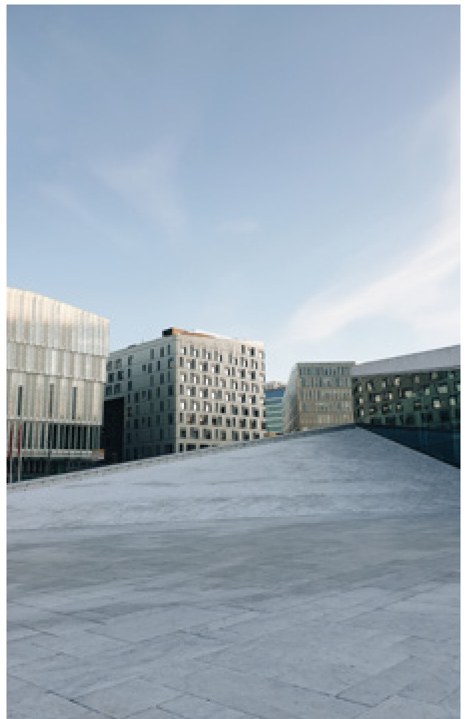
Despite these efforts, the current trajectory reveals a shortage of candidates possessing the required green skills to effectively contribute to climate goals. The future expectation, with predictable shortages of competences in engineering and technology, creates an urgent call for action. It is important to note that green skills hold immense value across a wide range of occupations, extending beyond traditional "green" roles – to professionals in fields like healthcare and data analysis, for example. Margrethe Assev, the Corporate Sustainability Officer of Storebrand stated, **"War for talent is a reality. We need digital competences and data capabilities to make use of ESG data."**

As the demand for green skills is outpacing the supply, companies need to adapt innovative ways to upskill current employees and attract talent. Research highlights that companies often prefer to find individuals who possess both thematic industry knowledge and a passion for sustainability, but it is challenging to find candidates who have both. As Jamie Rusby, Group Director Sustainability at Velux shared, **"The market in general for qualified people is tight. And it takes time to build the needed capabilities from within organizations."** Rather than waiting for the perfect candidate, some companies have taken a proactive approach by nurturing existing talent within their teams. For instance, KLP hired a data analyst within their organization onto their corporate responsibility team, thus transforming them into an EU taxonomy expert. Although this individual later transitioned to a new role within the data department, their sustainability expertise was then embedded within a new part of the organization.

"We need people with both function specific knowledge and sustainability expertise. This is a gap in the talent market."

Heidi Finskas, Vice President of Corporate Responsibility at KLP

Younger generations typically have more green skills than those who are older. Although this is positive, it requires targeted mechanisms and support to upskill and facilitate green knowledge transfer to more experienced professionals. Companies can play a crucial role by investing in the continuous learning and professional development of their employees, meeting SDG 4 (Quality Education). Often, the incentive to reskill the workforce comes from a push from leadership – 80% of companies stated that the reason they have taken action on reskilling and upskilling their workforce is because it is a point of priority for the leadership. This can take many forms including internal workshops for the entire company including the board, participating in SDG accelerator programs, and conducting annual training modules for employees on sustainability topics. For example, Konecranes, has 'coffee and culture' meetings internally to talk about diversity, equity, and inclusion.



Beyond skilling, the importance of diversity and inclusion is growing especially in relation to SDG 10 (Reduced Inequality). Potential employees, customers, and investors are demanding transparency in workforce representation – 67% of companies have acted on gender equality as a top priority set by their leadership, while 63% have done so in response to the expectations and demands of their employees.

While regulations exist in the Diversity & Inclusion area that require companies to report on gender and minority representation, there are limitations on collecting and tagging employee information. This poses difficulties in capturing data to evaluate internal progress on these indicators. Privacy concerns are an important consideration in the Nordic region, and while they protect individual rights, they can hinder efforts to address workplace diversity and inclusion effectively.

Therefore, strong human resource departments are vital to progress on this front. As Mikael Salo, the Corporate Sustainability Officer of DistIT AB noted, **"HR will be key in driving the social SDGs. Especially within increased equality, gender, diversity and pay and, because HR often has responsibility for policy, skills development, recruitment, and staffing of the organization's key roles".**

Protecting the environment is key to meeting global targets

Progress on nature and biodiversity is lagging in the Nordics compared to other SDGs

Nature and biodiversity, represented by SDG 14 (Life Below Water) and 15 (Life on Land), are vital foundations for our planet's well-being and the green transition. They are equally crucial for companies as they navigate towards a sustainable future. In fact, more than 50% of the global GDP today is directly dependent on nature. While strides have been made in the Nordics regarding climate-related SDGs, it is important that biodiversity is placed at the forefront of efforts to fast-track progress.

Percentage of companies that have disclosed nature-related risks and impacts

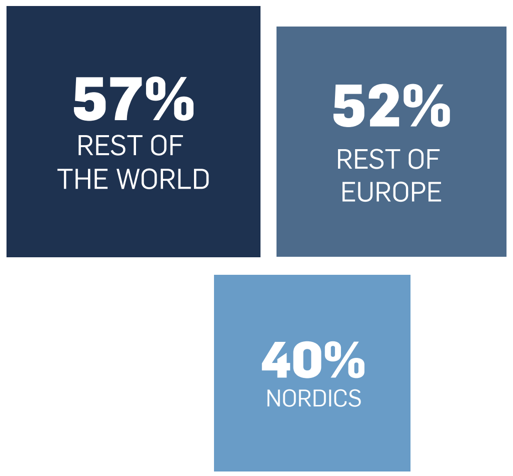
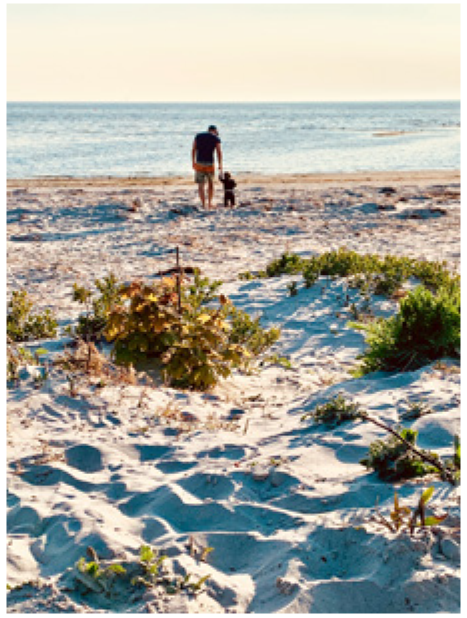


Figure 7
REGIONAL COMPARISON ON ACTIONS TAKEN IN BIODIVERSITY

In the Nordics, climate action has been a focus for the private sector – yet companies are falling behind in addressing nature and biodiversity. A mere 40% of companies stated that they disclose nature-related risks and impacts in parts or across their entire company and only 21% companies stated that they currently require suppliers and/or distributors to measure and report on nature-related risks and impacts. This is, in part, due to a lack of methodology on how to measure progress. In contrast, the climate area is saturated with measurement frameworks and is relatively easier to measure. This was echoed by Jamie Rusby, Group Director Sustainability at Velux Group who noted **"In the area of climate, we have the Paris agreement, boundaries to work up against with Science Based Targets, and a common measure in terms of CO_2 emissions. We need to get moving on biodiversity but it's harder to act decisively because the frameworks and methodologies are not there yet".**

Although measuring progress on biodiversity remains an ongoing challenge, efforts are being made to develop effective frameworks for assessing impact and progress. In May of 2023, during the writing of this report, the Science Based Targets Network published the first formal framework to set nature goals, which will enable the private sector to set targets for freshwater use, freshwater pollution, and ecosystem protection and restoration. This is a major step forward in creating a global standard for ambitious corporate action relating to nature and biodiversity. According to the Science Based Target Network, companies should start submitting their targets in 2024.



The activities of Nordic companies in regions around the globe can have a detrimental impact on local biodiversity, including endangered species. The challenge of monitoring biodiversity loss in supply chains is further magnified by the geographical distance and the web of stakeholders involved. To tackle this challenge, Outokumpu, a global stainless-steel manufacturer, has been closely following forestry companies' sustainability journeys. By doing so, they aim to leverage the successful sustainable practices and best practices already implemented by these companies. They are also working on managing relationships with third-party entities involved in the supply chain and maintaining open dialogues with NGOs.

"Climate is a global issue, whereas water and biodiversity issues are anchored in a local context. Therefore, it is challenging to establish globally applicable standards for these areas."

Louise Koch, Senior Director, Group Head of Sustainability at Grundfos

Overall, corporate action on biodiversity is in a nascent stage – as seen by the low percentage of companies taking biodiversity targeted actions across their value chains. Yet, the degradation of natural resources and ecosystems pose risks to businesses, including reputational risks, supply chain disruptions, increased operational costs, and potential loss of market access.

There are measures that can be taken to enhance knowledge regarding the measurement of local biodiversity. This can include providing training and tools to suppliers. However, only 11% of Nordic companies have indicated their provision of training and tools to assist suppliers and/or distributors in measuring nature-related risks and impacts.

Incorporating nature-related considerations into corporate strategies and operations is not only important for mitigating risks – but seizing business opportunities in a rapidly changing global landscape. To complement this, there are companies intentionally restoring ecosystems. Ørsted, a renewable-focused energy company, has recently launched an initiative to plant salt marsh and seagrass and introduce native oysters to restore biodiversity around a large tidal estuary in England. This is part of Ørsted's target: by 2030, all the energy projects that Ørsted commissions must have a net-positive impact on biodiversity. Currently, there is no existing blueprint for how to achieve this goal. Therefore, this project is one of several initiatives they have launched and will launch with local partners in different ecosystems to learn how to restore nature. This project is expected to create positive relationships with regulators and other stakeholders while contributing to the overall ecological health of the estuary.

"Biodiversity and nature can be very localized issues, and the impacts can be deep within the supply chain, making it difficult to manage effectively."

Jamie Rusby, Group Director Sustainability at Velux Group

Biodiversity also intersects with other SDGs, unlocking valuable opportunities for the private sector. The preservation of biodiversity can contribute to SDG 1 (No Poverty) by fostering economic growth through sustainable resource management and eco-tourism, thereby generating employment, and improving the livelihoods of local communities. Moreover, the interconnection between biodiversity and SDG 2 (Zero Hunger) cannot be overlooked, as biodiversity forms the foundation for food security and sustainable agriculture.

Yet, it is crucial to remain mindful of potential conflicts among SDGs. For instance, Drytech highlighted a dilemma faced by the food industry in Norway, where Norwegian public purchasing guidelines encourage reducing the consumption of red meat. This policy shift necessitates sourcing alternative protein options, such as pea proteins from Germany. However, this well-intentioned action has the potential to adversely affect Nordic farmers who have not had sufficient time to adapt to these changes, presenting a challenging trade-off.

Case study:

Assessing value chain impacts on nature by quantifying the biodiversity footprint of economic activities can result in new target setting.

Vattenfall

Related SDGs:

15 LIFE ON LAND

14 LIFE BELOW WATER

Industry challenge

The energy sector plays a crucial role in achieving climate-related goals in the Nordic region. Energy companies face a significant challenge in considering biodiversity when planning and implementing their infrastructure. For instance, offshore wind farms must coexist with seabirds, while fish need to be guided past hydropower plants. To tackle biodiversity related SDGs (14 and 15), businesses recognize the need for data and standardized measurements in nature-related aspects, which are currently insufficient.

Vattenfall, Sweden´s largest producer of fossil-free electricity, acknowledges that biodiversity management is closely linked to their license to operate. Rather than waiting for targets to emerge, Vattenfall has taken proactive steps to lead the way.

Vattenfall's solution

In 2021, Vattenfall joined the Science Based Targets Network (SBTN) with the aim of establishing a comprehensive system for Science Based Targets to monitor nature's impact, focusing initially on freshwater and land. Vattenfall actively contributed by assessing their own value chain's impact on nature, piloting the SBTN framework, and exploring baseline measurement indicators. They utilized the Global Biodiversity Score (GBS), which incorporates land use, emissions, water use, and financial data to gauge a company's impact on pristine nature through the Means Species Abundance (MSA) indicator.

Through this assessment, Vattenfall gained a better understanding of how different pressures directly and indirectly affect biodiversity loss. Furthermore, this has facilitated a deeper understanding of biodiversity impacts within Vattenfall's supply chain by identifying critical areas that require prioritized attention for setting targets. These insights will influence their future target setting and actions. Additionally, the GBS assessment underscored the link between climate change, biodiversity loss, and Vattenfall's CO_2 roadmap and Science Based Targets for climate.

Vattenfall has set an overarching ambition to integrate a Net Positive Impact approach, both at existing sites and in new builds. Several underlying targets have been defined that contribute to biodiversity enhancement within the areas of renewable energy generation, heat production, office premises, and R&D. The results from the biodiversity footprint assessment will feed into their continuous work to develop biodiversity targets, strategic environmental work, and their investments in R&D for testing innovative solutions.

Companies are setting climate targets, but struggle with legislative unpredictability and long-term visioning

> **"There is a tendency to focus now on reporting, but it shouldn't be reporting for the sake of reporting. It should also be reporting to set the strategic agenda."**
>
> Kirsten Mariager, Director of Green Transition and Sustainability at COWI

Climate action (SDG 13) is a top priority for companies in the Nordic countries, spanning across large corporations and small businesses operating in diverse sectors. However, there is a gap between the priority given to this area and the actual actions taken.

Established methods exist to measure a company's climate impact. Voluntary frameworks like TCFD, GRI, and CDP have emerged since the Paris Agreement, providing guidelines for measuring greenhouse gas emissions. These frameworks enable businesses to set targets for climate action. European Union regulations, such as the EU Taxonomy for Climate and the CSRD, heavily influence the Nordic private sector, focusing primarily on the climate agenda and shaping private sector priorities. While there is a regulatory need to prioritize climate action, companies must go beyond setting targets to demonstrate their commitment to the climate agenda and act.

There is clear business value in adopting climate strategies. From a business perspective, Heikki Malinen, President and CEO of Outokumpu outlined the future if they do not adjust now, **"The cost of carbon currently stands at 90-100 euros per tonne, and with our current annual emissions at approximately 1 million tonnes, the financial implications become evident. Even considering the existence of certain free carbon allowances, projections suggest that by 2030, the cost will become prohibitively expensive for us."** The significant financial benefits provide a strong motivation to combat climate change, especially when investors allocate resources based on a business's risk profile.

On the demand side, developing products with low carbon emissions can attract customers, making it a commercially savvy strategy. In fact, 60% of companies stated that the reason they take climate action is because investors expect or demand it, while 70% of companies take climate action because the customer expects or demands it. Within the Nordics, 74% of companies in Sweden reported that they have acted because investors expect it, significantly higher than the other Nordic countries.

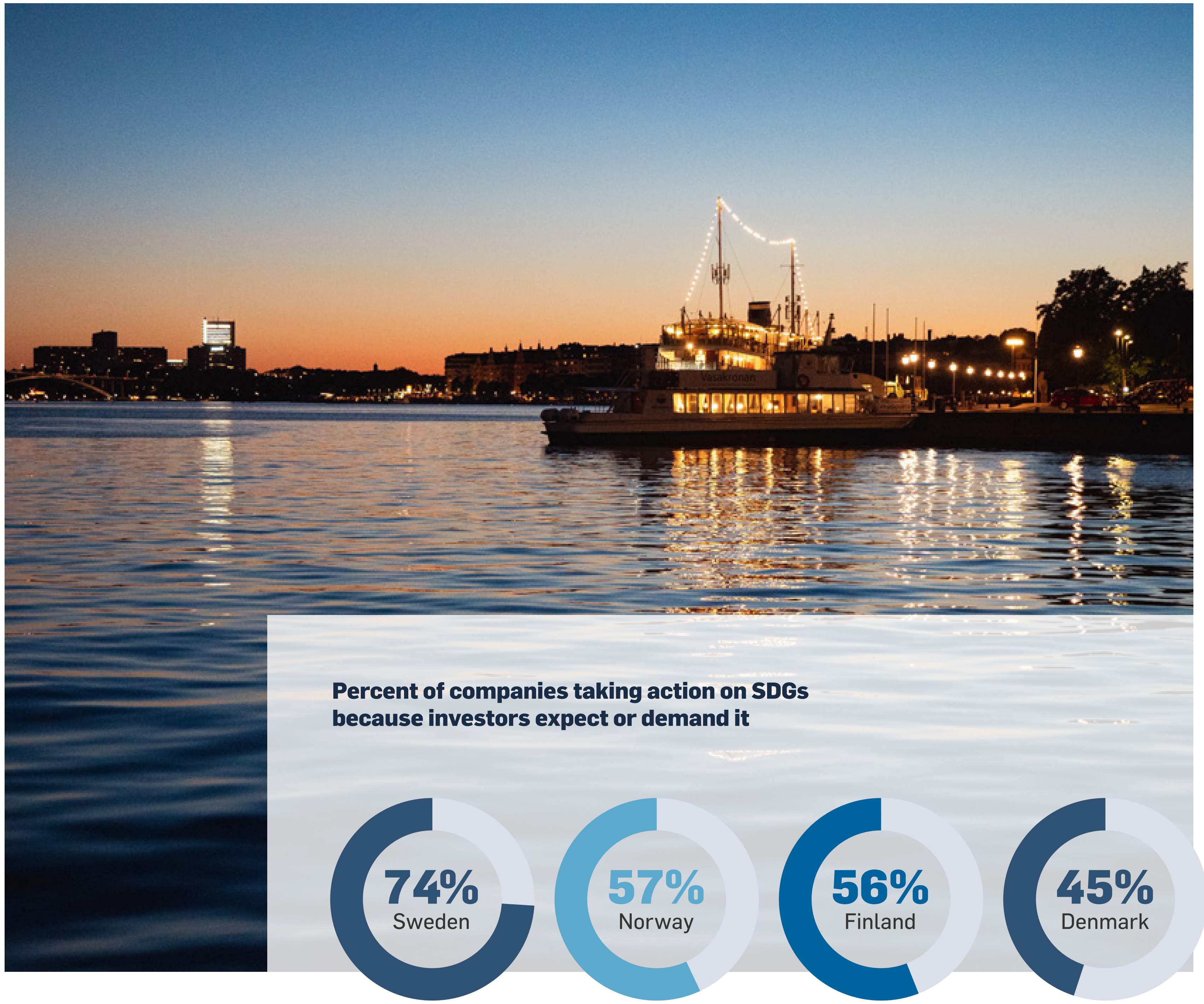


Figure 8
INVESTOR PRESSURE TO ACT ON SDGS ACROSS THE NORDICS

Would you support government policies related to reporting

Consistent sustainability reporting and disclosure standards

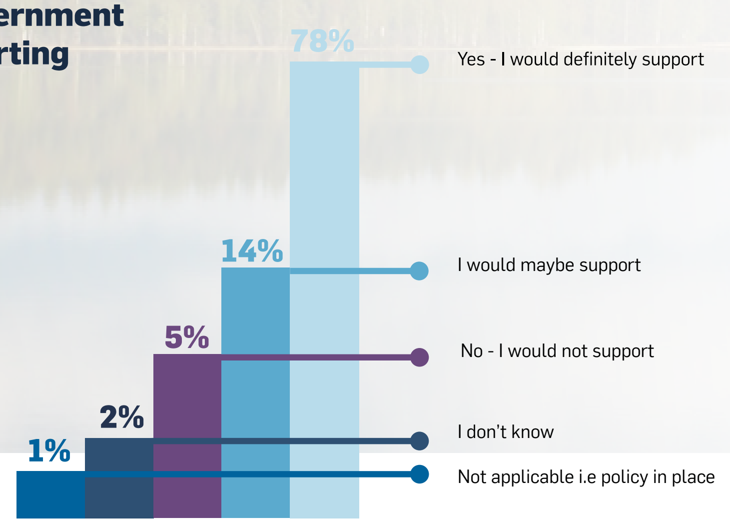


Figure 9
BUSINESS SUPPORT FOR POLICIES RELATED TO REPORTING

Lastly, the responsibility falls on large companies to drive their suppliers towards acting, as achieving climate ambitions and targets is impossible without their collaboration. 40% of companies see that they need more engagement from their suppliers to accelerate impact on the SDGs. However, Nordic companies have the authority to establish expectations, sustainability criteria, and supplier accountability.

Vattenfall, an energy company, actively audits their suppliers, especially those located in high-risk countries or with critical components in their supply chain. They have also implemented a partnership framework that involves a thorough evaluation of adverse media, sanction lists, corporate values, policies, and strategies before entering close partnerships. Through such initiatives, large companies can ensure that their suppliers align with their sustainability goals and contribute to a more responsible and resilient supply chain.

"I have a personal stake in this as a member of society."

Heikki Malinen, President and CEO of Outokumpu

Company reactiveness instead of proactiveness is preventing Nordic businesses from reaching SDG 13. To really become a market leader, risks need to be taken. However, there is also a tendency from leadership to prioritize short-term ROIs over sustainability initiatives. This holds particularly true for listed companies where there is pressure on leadership to show continuous results to investors. Ida Krabek, Senior Director, Head of Global Sustainability at Ørsted advised that **"Companies need to make big bets on where the transformation will be in 5 to 7 years' time. If you want frontrunner advantages, you have to start earlier than later."**

Furthermore, there is lack of predictability in national legislative environments, where policymakers swing on some relevant climate issues. However, it is crucial to establish a clear, long-term trajectory without any uncertainties or inconsistencies. Lack of stability hampers companies' ability to plan effectively, resulting in increased risk and cost associated with capital. Ultimately, instability also limits investment potential. This holds true for the complex regulatory landscape on the EU level. Accordingly, 78% of companies would definitely support consistent sustainability reporting and disclosure standards.

Case study:

Significant reductions in carbon emissions can be made by choosing the lowest carbon emitting solution for each step of the value chain.

Outokumpu

Related SDGs:

Industry challenge

The steel industry is one of the most resource intensive industries in the Nordics – there is a huge amount of energy needed to go from raw material to refined steel products. This impacts SDG 13 (Climate Action) tremendously. Leaders from interviewed industrial and infrastructure companies say that reducing emissions in heavily emitting raw material industries such as the steel industry is hard, but key to reducing the footprint of their own products and improving progress on SDG 13.

The Finnish stainless-steel producer, Outokumpu, is taking the lead in solving this challenge.

Outokumpu's solution

Outokumpu has developed a towards-zero emission product called 'Circle Green'. Circle Green has a 92% lower carbon footprint than the global industry average. "We reduced emissions by so much that people didn't believe it was possible," said CEO of Outokumpu, Heikki Malinen. The production of Circle Green was based on the same assets as Outokumpu's conventional stainless steel – thus no heavy investment was needed.

This was enabled by assessing each step of their production line and implementing the least carbon-intensive option available. By utilizing low-carbon electricity and bio-based materials, 95% of their scope 1 and 2 emissions were eliminated. Sourcing raw materials plays a key role in reducing the carbon intensity of steel, requiring the latest technical expertise and careful optimization to decrease carbon emissions. Outokumpu partnered with strategic customers to deliver the product in the first phase. An outcome of Circle Green is that it has sparked engagement across the organization.

The main outcome of this initiative, however, has been that Outokumpu has control of its production chain from raw material to refined stainless steel. This not only contributes to the transparency of Outokumpu's own carbon footprint, but also helps their customers who want to accelerate their own progress on SDG 12 and 13.

Opportunities ahead for the private sector on the path to 2030

The Nordic private sector needs to seize opportunities to close the gap between the current and target state to reach the SDGs by 2030.

The Nordic private sector's unique position demands embracing visionary opportunities and innovations to inspire other regions around the world and pave the way for a sustainable future. Innovative technologies will propel this journey— cutting-edge advancements, ranging from data analytics to exponential technologies, will play a pivotal role in addressing the challenges highlighted throughout this report.

Improve the standard across value chains

Provide advanced educational programs to enable flexible and accessible sustainability education for professionals throughout the value chain.

The skills gap in the Nordic private sector highlights the need to upskill the workforce, particularly in the ESG and technology fields. This is not only needed within companies' own operations, but also requires that suppliers acquire the latest knowledge in science, regulations, and trends through upskilling. By utilizing advanced educational platforms, companies can further skill professionals across the value chain.

Foster ecosystem collaborations and partnerships to scale transformation.

Companies need to challenge themselves and engage with a diverse range of stakeholders to lift the standard across the value chain. Throughout the interviews, a consistent pattern emerged regarding the successful delivery of innovative initiatives at scale. This pattern involves fostering ecosystem collaboration by engaging with suppliers, customers, investors, peers, NGOs, academia, and governments. By involving these stakeholders in research and development, companies can drive innovation at scale and align their strategies with the SDGs.

Leverage exponential technologies to set strategic targets that enable breakthrough solutions.

Companies in the Nordics can take a leading position in leveraging ESG intelligence systems to measure and obtain real-time sustainability data, empowering them to make strategic choices that align with their ESG objectives. Strategic targets and choices demand innovation like the use of automation, artificial intelligence, and machine learning. These exponential technologies can optimize processes, reduce waste, and enhance resource efficiency, leading to more sustainable practices.

Responsible implementation of AI can help to address social situations within companies like enhancing worker well-being and promoting diversity in decision-making processes. Additionally, companies can use applied analytics to democratize data, making it accessible and relevant to every department's unique needs. This inclusivity ensures that high-quality data seeps throughout the company, enabling decision-making. Lastly, using predictive analytics can help businesses to proactively predict challenges and optimize operations, ensuring a sustainable and efficient workflow. Build on Nordic strengths to pave the way.

Build on Nordic strengths to pave the way

The Nordic business landscape, enriched by its vibrant FinTech and payment ecosystem, has a window of opportunity to shape the future architecture of nature finance.

Across the board, Nordic businesses have started to realize the acute and critical transition risks associated with biodiversity loss. Nordic businesses that effectively manage geospatial data models on species impacts for n-tier suppliers across geographies and ecosystems will gain competitiveness and resilience in the future.

Furthermore, Nordic companies that embed exponential technologies like distributed ledger transfer and blockchain into supply chains will gain interest from investors and asset managers by fulfilling the TNFD requirements, unlocking access to lending and investments. Leading up to 2030, there will be a convergence of nature-climate risk management, disclosure, and ultimately, impact. Businesses in mining, forestry, agriculture – heavily dependent on nature for critical inputs – are more likely to be dependent on biodiversity credits to restore nature impacts.

Companies should focus on alternative fuels to revolutionize industries like steel production and manufacturing.

The utilization of hydrogen as a clean energy source in steel manufacturing can significantly reduce carbon emissions. Additionally, leveraging ammonia as an alternative to conventional fuels offers a greener solution that minimizes pollution and contributes to a circular economy.

Another opportunity lies within green corridors – designated lanes or routes for zero-carbon shipping. These corridors will enable the reliable movement of goods and resources. By placing refueling stations and charging infrastructure along these corridors, companies can encourage the widespread adoption of alternative fuels, such as hydrogen, electric, or biofuels. This infrastructure will help the private sector transition away from fossil fuel dependency, in turn reducing greenhouse gas emissions and air pollution. Companies can not only meet their sustainability goals but also drive the transition towards a low-carbon future, setting a positive example for industries worldwide.

Urgent appeals to policymakers & governments

Nordic companies view governments as the most critical stakeholders for driving SDG impact, even more than consumers, suppliers, investors, and boards. While companies play their part in transitioning, it is essential for governments to actively engage with businesses and align their efforts. Accordingly, 65% of Nordic companies express the need for increased government engagement. This research identifies nine key requests for action from Nordic businesses to policymakers and governments:

Involve businesses in the policy shaping process

The current formulation of policies, frameworks, and reporting standards is too challenging and complex for Nordic businesses to adapt to their specific business contexts. To address this issue and help businesses comply with new standards and regulations, Nordic companies urge policymakers and governments to involve them in the policy-shaping process. This collaborative approach will ensure that newly introduced standards are relevant to businesses and can be adopted quickly throughout organizations.

Align regulatory systems for long-term visibility

Leaders across the Nordic private sector believe that European Union legislation is propelling the private sector towards a more sustainable future with commendable speed. Indeed, Lisa Ryden, Vice President of Corporate Social Responsibility at Tetra Pak expressed that **"The EU directives on corporate sustainability reporting and due diligence is a catalyst for change and harmonization in the area of sustainability."**

Although Nordic business leaders express positivity towards EU regulations, there is concern that the continuous flow of new voluntary frameworks and regulations will create administrative challenges if not streamlined. A clear sentiment articulated is the need for alignment between national-level policies and EU policies. As previously mentioned, 92% of companies would support consistent sustainability reporting and disclosure standards.

By aligning regulatory systems across regions and countries, policymakers will enable long-term visibility in the regulatory environment, allowing businesses to maneuver. By creating a supportive and enduring regulatory environment, businesses can make substantial strides towards achieving their sustainability goals. Karl-Oskar Olming, Head of Sustainability Strategy at SEB stresses the importance of this, **"The absolute most important is to get long-term policy visibility on where we are headed and not have back and forth in terms of policies and targets, as it increases risk and cost, limiting investments."**

Invest in green skills for Nordic citizens

Scaling the necessary sustainable transformation requires the Nordic private sector to improve knowledge and expertise in various ESG-related areas. The businesses interviewed emphasize the need to upskill their own workforce, while also securing the skills and expertise they lack. However, there is a high demand for these competences with a limited supply, resulting in a skills gap within the Nordic region. Governments should take responsibility by investing in green skills through expanding education and creating platforms for knowledge sharing and upskilling.

"Regulations help nudge us in the right direction. However, sustainability regulations are at a nascent stage and will take time to stabilize. Additionally, there is a need for harmonization between country-specific regulations and the regulations at the EU level."

Mette Bredkjaer, Director of Sustainability at Solar

"Politicians need to make a decisive determination on how things are going to be so that we can make our calculations and investments in accordance with a long-term, stable and predictable regulation."

Karolina Viksten, Head of Sustainability at Ellevio

Support businesses in setting climate and nature-related targets

As the regulatory landscape evolves and stakeholder pressure intensifies, the demand for statistic and measurement comparability is growing. Many interviewed companies have established Science Based Targets for climate, signifying their commitment to ambitious goals to halve greenhouse gas emissions by 2030 and achieve net-zero emissions by 2050. However, to successfully meet these goals, there must be a substantial increase in the number of companies adopting SBTs. Governments can play a crucial role by mandating and supporting companies in setting SBTs for both climate and nature, thus driving necessary action and progress.

Mandate actionable transition plans including nature

The Nordic region's GDP relies heavily on nature. In addition to action on climate emissions, lagging progress on nature-related SDGs poses a significant collective threat to businesses, governments, and society. To address these challenges and drive Nordic businesses towards progress, policymakers should mandate that businesses disclose credible and actionable transition plans. By mandating such disclosure, policymakers can incentivize businesses to take concrete steps towards sustainability and contribute to a just transition.

Simplify permit processes for sustainable solutions

As companies aim to redesign their products, transition to electric-driven equipment, and align their operations with the green transition, it is imperative for national governments to ensure that the energy grid and renewable energy sources are adequately equipped to meet new demand. Today, delays in obtaining permits hinder the timely deployment of renewable energy projects. Vattenfall articulated that in Sweden, a permit process can take up to 15 years. This is incongruent with the goal of achieving net-zero requirements by 2050. Shortened permit approval times are required to ensure that renewable energy can be swiftly integrated into the market.

"Currently, the equation is wrong where some 'brown' companies have high margins and some 'green' companies have low margins, since the true costs of for example climate impact are not reflected."

Karl-Oskar Olming, Head of Sustainability Strategy at SEB

"We need politicians to implement measures that make pollution more expensive and provide subsidies to those contributing to the SDGs."

Margrethe Assev, the Corporate Sustainability Officer at Storebrand

Apply financial instruments to mandate a green transition

In the Nordic region, the rapid growth of the renewable sector can be attributed largely to subsidies, which has played an important role in driving the region towards the green transition. Building upon this progress, companies are now advocating for the application of similar financial tools to develop other emerging sectors vital for the green transition. In fact, 76% of Nordic companies express strong support for policies that redirect subsidies from fossil fuels towards renewables and a just energy transition. This kind of support is particularly valuable for small and medium-sized enterprises that may have limited capacity for substantial and high-risk investments. Additionally, the companies interviewed suggest that governments should use other financial mechanisms such as lowering the cost of capital for environmental projects to favor longer time horizons which is often needed for sustainability related investments. Also, to help shift the demand, companies request that governments implement taxes on environmentally harmful options to have 'brown' companies pay for their negative externalities.

Use public procurement to drive change

To foster innovation and create a predictable market for sustainable products and services, governments can use public procurement as a powerful tool for driving change. By prioritizing environmentally friendly options in their procurement processes, governments can stimulate demand, encourage innovation, and provide a stable market for sustainable solutions.

Support development of standardized carbon pricing

Even though companies want to prioritize sustainable solutions and pave the way for the green transition in the Nordics, the cost associated with being a first mover is a challenge for some Nordic businesses. One solution is standardized carbon pricing. In fact, 88% of Nordic companies would support carbon pricing to reduce fossil fuels use and shift to renewable energy. Heidi Finskas, Vice President of Corporate Responsibility at KLP says **"If I could dream big, I would like to see CO_2 pricing internationally".**

Nordic companies also emphasize the need for global collaboration. They urge policymakers to encourage the rest of the world to take ownership of their respective environmental impacts. Jess Fleischer, CEO of Son of a Tailor says, **"I would like to see regulations that require everyone to account for their full environmental footprint - that would lead to real change."**

Contributing companies to this research

3stepIT
DIST IT
drytech
ELLEVIO
eolus
essity
GRUNDFOS
klp
KONECRANES
LUNAWOOD
LYNK&CO
Ørsted
outokumpu
PANDORA
PAREE GROUP
SEB
solar
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Troldtekt
VATTENFALL
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