

# Dr Wayne Visser on Corporate Sustainability Targets

## *Interview with Wayne Visser by Matt Portt*

Dr Wayne Visser is a globally recognised “pracademic”, poet and “possibilist” on the impact of business on nature and society, with faculty roles at the University of Cambridge and Antwerp Management School. He is also director of the thinktank Kaleidoscope Futures, founder of CSR International, and former director of Sustainability Services at KPMG and strategy analyst at Capgemini. He has written 44 books, including the Amazon bestseller *Thriving: The Breakthrough Movement to Regenerate Nature, Society, and the Economy*. His work has taken him to more than 80 countries and he has been listed as a top 100 thought leader in trustworthy business.

***You recently shared a post commenting on a TED talk by Johan Rockström, which highlighted that the planet is changing faster than we expected and that the costs of climate change are increasing. Against that backdrop, you might expect companies to be strengthening their resolve in terms of their sustainability commitments, but we have seen a number of companies watering down their sustainability commitments, what do you put this down to?***

Well, first on Johan Rockström’s presentation (the July 2024 update), which is really around tipping points for climate change. The news is clearly not good, but we’ve always known that, and we’ve always known that the science that gets published, particularly by the IPCC, is the most conservative estimate because you have to get consensus; also because a lot of the models that we have don’t build in tipping points. They don’t build in some of these feedback loops, and so, while sobering, it’s not surprising.

All it does is underscore the message that we already know, which is that this is very serious and very urgent and needs much more dramatic action than we’re currently taking.

So to your question, then why do some companies seem to be scaling back?

I would say firstly that not all companies are scaling back. I think there are plenty of companies still scaling up their ambitions.

A company like Unilever, as we know, for the last 15 years has probably been one of the most ambitious companies. So disappointing that they are feeling, perhaps, the market pressure in the short term to water down some of those ambitions, but they’re certainly not turning away from the strategic goal. I think they’re partly acknowledging that it’s really hard.

It’s tough, particularly in the current economic conditions that we face – in Europe especially, but many parts of the world – and we continue to face an energy crisis and a cost of living crisis. There are probably some short-term trade-offs that are being made. But I think the perspective we have to take is a strategic one. So, is the pressure disappearing? No. The pressure is just getting more and more intense.

Do we expect that companies will be able to continue to backtrack? No. It may be the case of one step forward, two steps back; companies and the market has to adapt to short term pressures.

Are we seeing a deceleration of the transition to a new energy system? No, it’s going like a rocket.

Are we seeing any movement on decarbonising? Yes, it looks like 2023 will be the year that China’s emissions have peaked and in Europe renewables have just overtaken as an energy source. The same for China. So the transition is happening.

Companies are having to negotiate very short-term forces in the market, but it’s not a U-turn. I think it’s an adaptation and I expect that strategically the commitment is still extremely strong.

The net zero transition is uncharted territory and many companies set aspirational goals without fully understanding how to achieve them. Do you feel that in some cases we are seeing companies readjusting goals to be more realistic as companies develop their understanding of the challenges?

Yes, I think that's true. I think some of the aspirations were somewhat blind, although they are also a response to the urgency and the scale of the issues.

So you need to set an ambition that will really make a dent on the problem you're trying to solve. I don't think it was wrong to set those ambitions the way they have been set, but of course, it's a hard path. We are talking about a new industrial revolution.

The change is happening, but for many companies and for some particular sectors, it requires some pretty substantial investments. It also is not necessarily a quick change and in many cases, I think they've already picked the low hanging fruit and now to get further, you have to make these substantial capital investments and strategic decisions. You can't just be hedging your bets anymore. You've got to go all in, I think, into a different business model, a different strategic future. And so, a little bit of a realistic adjustment also. None of us are immune to the political and the geopolitical winds that blow.

Of course, in some cases, the support that sustainability seemed to have has had a bit of a backlash. That's the anti-ESG backlash in Europe and in the US, and so companies also respond to that and they take that signal to mean perhaps the market isn't quite ready. Perhaps customers aren't quite ready. Perhaps the government isn't as intent as we thought they were to push this forward as quickly as we thought they were.

Companies, I've always said, are pretty agnostic – they will respond to the market forces and to where they can continue to make money and at a pace at which they feel like they're being forced to go or allowed to go.

On the other hand, I would also say that change is not linear and so a lot of the groundwork is being done. I know from speaking to some of my contacts in big businesses that some of those big capital investments will only see the returns on sustainability benefits 5 to 10 years from now, and so I also think that there will be a real uptick coming in the future.

***Some of the small companies we work with are surprised to see that their biggest carbon footprint comes from data/communications. Microsoft just reported a 30% increase in Scope 3, due to needing more data centres to cope with the rise of AI. How do you see AI impacting energy use and sustainability goals over the next few years?***

It's very clear that artificial intelligence is already having an impact on energy consumption and will have a much bigger impact and a very significant one.

I read somewhere that a search on ChatGPT has an energy intensity of something like 10 times that of a Google search. So this is a big concern and already it's one of the reasons why we've seen some of these big tech firms scaling back their ambitions, because they thought they could get to net zero much quicker.

Whether that's Microsoft or Amazon or Apple or the others, they're all investing in AI now and it has a very significant energy footprint.

The question is what to do about that? I don't think we can go backwards. We can't put the genie back in the bottle, AI is out there, everybody seems to want it. It's incredibly useful, and so what we have to do, once again, is to adapt and to innovate.

The good news is that a lot of those tech firms are already very strongly committed to renewable energy, so if you are using 100% renewable energy, it matters less that you're using more energy, although of course there are ancillary impacts as well and that's going to matter a lot. So, we need them to keep to that commitment and this means that they will continue to be one of the drivers in scaling even more renewable energy, because they have to try to plug this gap now.

But it's definitely one of those slightly unexpected setbacks, a kind of a curve ball that's come our way and we have to deal with it.

On the other hand, we also have to step back and say: OK and what could be the upside of artificial intelligence? It's such a powerful tool if we want to call it that.

I expect the sustainability benefits from AI, once we let the dust settle and we've got the perspective of a decade or something like that, the benefits on sustainability will far outweigh those short-term energy costs. It's a little bit like the old controversy of flying and whether we should all feel "flight shame". Of course flying, for an individual, has a big impact on your carbon footprint and if we can minimize that, that's great. But you have to stand back and also say: what's the benefit of people travelling? I think you need to count up the benefits; particularly, I'm thinking about people who are working in sustainability.

I remember Al Gore used to get criticised for this - flying here and there and doing his presentations. Then you think of the positive impact that he had on the climate agenda. Sometimes we miss the wood for the trees, and I think it's it may be the same with AI. We have to now figure out how this can be used to help us with the efficiency of renewables. It's certainly going to do that with the energy efficiency, with finding smarter ways to scale solutions, to have optimisations in logistics, all kinds of things.

***Scope 3 continues to be an area of limited progress. A recent report by the Boston Consulting Group suggested only 15% of companies had set a scope 3 emissions reduction target. Why do you think so few companies are setting scope 3 targets?***

Firstly, there is an accounting point to make here, which of course is that my scope 3, if you're my supplier, is your scope 1 and 2 probably, so there is an issue of double counting and that's been one of the concerns, that by pushing for the big corporates to account for scope 3 emissions, we may be getting some double counting.

So we do need to think about that. The other thing is then, why are so few doing it and when they're doing it, why is the data so poor? Well again, it's just really, really tough. The reluctance is because they don't control their suppliers' emissions, so they can influence, but they can't control and therefore there's been a reluctance for them to put targets and sometimes even to collect data unless they're being forced to.

It's just an additional transactional burden and a public reputational risk if you put that target out there and you don't meet it - because you can't guarantee that you will, you don't control their operations - then you risk getting blowback.

***So whilst companies may be reluctant to set and publicly declare formal targets, I still feel like the consumer pressure is building on companies to improve sustainability within their supply chains?***

I agree with you and I think that that pressure will continue to mount. If there's been a little bit of a relaxation because of market conditions or geopolitics or whatever it may be, I don't think that's going to be the way that it always is I think that the pressure will continue to build for as much transparency as possible - and I think the big companies will always be trying to show that they are the most sustainable, most responsible. It doesn't take a genius to know that a lot of their biggest impacts are in their supply chain.

We've known this for many decades, not only on the environmental issues, but on the social issues. So I think they are always going to be expected to report on those impacts and as we get more and more sophisticated and have more and more data, I think the market itself, including the financial markets but also other stakeholders, are going to say, it's not enough for you to say that you're working with suppliers to reduce their carbon footprint, you do need to show me - show me the numbers and show me the evidence and probably show me your targets as well.

So I don't think they're off the hook at all, and I think we will get more and more transparency and the more transparency you get, the more people want. People will want it in more granularity in the same way that when a big corporate now reports on anything. It's all very well to say, Unilever globally has X emissions or Y waste. But what about in my country? And what about in my city?

I think that bottom-up demand for granularity will just build and build and hopefully the markets will favour that. I am hearing that the anti-ESG sentiment is cooling off. I'm not sure if the label will survive, but the pressure from financial markets to disclose social environmental risks hasn't gone away and is rebuilding even if it had a small set back in the last year or so.

In relation to target setting, I think companies will continue to be pressured to set targets. The current step back is because it's too difficult or we don't have the data. But as far as I understand it SBTi still requires target setting for scope 3, if they're significant enough, which for most companies they are. I don't think that we're going to go to a situation of a sort of get out of jail free card where you don't have to set targets anymore.

I think that's going to be seen as part of what a responsible company does.

I don't think they'll be able to be held legally accountable for meeting those targets.

So then it becomes more about managing stakeholder expectations. Are these targets ambitious enough? On the other hand, are they realistic? Are we overpromising and underdelivering? And the financial stakeholders especially will have an outsized voice on that, and hopefully as they continue to become more literate on sustainability and the risks that are associated, especially with climate, they will ask for progress against the targets and for them to be more ambitious when they can see that the risk is getting higher not lower.

I don't think we're going to see targets disappear at all. I think we will see more of them. It's just that we're in a moment now of stock taking. Was I too enthusiastic? Did I promise something I don't know how to deliver?

#### References:

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2. TED talk  
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#### **Source:**

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