

New Release: Global Goals Yearbook 2024 Transforming Tomorrow – Building Sustainable Product Portfolios

Münster, 11/15/2024. As humanity exceeds key planetary boundaries, the rise in manufactured goods intensifies sustainability challenges. The Global Goals Yearbook 2024 explores how businesses can adjust their product portfolios to reduce risks and seize opportunities in sustainability-focused markets.

Humanity is living beyond its means. Therefore some companies are now revisiting their strategies, driven by regulatory and market demands, to shape product portfolios with a focus on environmental and social responsibility. Integrating sustainability into portfolios transcends mere compliance – it opens doors to new markets, builds brand resilience, and drives long-term growth.

The Sustainability Paradox: Necessity and Impact

The global economy relies on countless products, yet their production and distribution often come at a cost to ecosystems and communities. Excessive resource extraction, pollution, and labor issues challenge companies to sustain market relevance while safeguarding environmental and societal well-being. The UN Guiding Principles on Business and Human Rights underscore this shift, urging companies to redefine risk and responsibility.

For sectors like chemicals, which support over 90 percent of all manufactured goods, the stakes are especially high. The chemical industry's role is pivotal in promoting sustainable practices, aligning with initiatives like the European Green Deal, which advocates for safer, more sustainable chemicals and limits hazardous substances.

The Dual Edge of Sustainability: Risks and Opportunities

The shift to sustainable practices brings both risks and rewards. Companies clinging to unsustainable methods face growing regulatory constraints, reputational risks, and changing consumer preferences. Those investing in sustainable practices, however, can access new markets, attract talent, and lower costs through resource efficiency.

Consumers, investors, and employees are increasingly drawn to companies committed to environmental and social responsibility, pressuring businesses to reconsider product attributes – such as carbon footprint, water usage, and ethical sourcing – from early stages of development.

Early Integration of Sustainability: The Key to Lasting Impact

While many companies recognize the importance of sustainability, they often struggle with implementation. Incorporating sustainability considerations early in the product life cycle, from concept to design, grants greater flexibility for sustainable innovation.

The Portfolio Sustainability Assessment (PSA), created by the World Business Council for Sustainable Development, supports this approach. PSA enables businesses to assess portfolios against sustainability metrics, including life-cycle impacts, emissions, and resource use, and to categorize products by innovation priorities. PSA will soon be rebranded as the integrated Portfolio Sustainability Performance Assessment (iPSA), aligning with global standards for transparency.

Smart Portfolio Management: Balancing Sustainability with Profit

Sustainable portfolio management doesn't mean achieving perfect sustainability overnight; rather, it's about positioning a company in the "smart zone" where profitability meets sustainability. This balanced approach may involve temporarily retaining high-margin but less sustainable products while focusing on long-term sustainable innovations. In the automotive sector, for example, manufacturers are gradually transitioning from internal combustion engines to electric vehicles. EVs align with environmental goals and regulatory shifts, presenting a delicate transition that companies must pace strategically.

The Long View: Why Sustainable Portfolio Management is Here to Stay

In conclusion, sustainable portfolio management isn't merely about regulatory compliance. It's about leveraging sustainability as a central driver of business strategy. As more companies recognize the economic and social value of sustainability, PSA and similar frameworks will become essential tools for those looking to thrive in a changing world.

References:

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About:

The Global Goals Yearbook is published under the patronage of the macondo foundation. It is a non-commercial publication and emerged from the renown Global Compact International Yearbook (2009-2017). The Global Goals Yearbook helps to advance corporate transparency, promotes the sharing of good business practices, and, perhaps most significantly, gives a strong voice to the regional and global stakeholders that are at the heart of the sustainability agenda.

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