

2020 ANNUAL SUSTAINABILITY REPORT REVIEW

Lack of measurable KPIs restrains ESG performance

The scope of initiatives and broad effort across the chemical industry to improve companies' performance of environmental, sustainability, and governance (ESG) is encouraging; nonetheless, the apparent lack of focus and maturity in tracking progress detracts from overall progress at the corporate level.



Environmental, social, and governance (ESG) strengthens a company's culture when the floor rises by strengthening the team's weakest link.

The foundations of a robust ESG process and approach are delivered through a mature management operating system (MOS) that drives appropriate behaviors, habits, and results, providing focus and direction with clear, rigorously reviewed measurable KPIs that are reviewed at correct time intervals.

To evaluate the effectiveness of current sustainability efforts in the industry, we reviewed the 2020 Annual Sustainability Report of five

global and publicly traded chemical companies to understand:

1. **Tangible targets for their initiatives**
2. **Key performance indicators (KPIs) that signal achievement**
3. **Period of tracking KPIs**
4. **Milestones set to meet long-term ESG goals**

The five chemical companies under review are from different sectors head quartered in Europe and the US.

All five reports highlighted notable projects, initiatives, and people, which was impressive – but ultimately lacked cohesion and focus.

- **Three reports provided only projected baselines and targets for 2025 onward for KPIs used to track progress in non-financial or operational targets. Typically in sustainability reports, the best-defined indicators, providing multi-year trends, are the financial and operational ones.**
- **Two reports provided multi-annual and target trends (assuming the initial year of the trend as the baseline) but only included a yearly plan for a few indicators.**
- **Only one report provided a clear explanation of how they calculated KPIs.**

The scope of initiatives and broad effort across the chemical industry to improve companies' environmental performance, sustainability, and governance is encouraging; nonetheless, the apparent lack of focus and maturity in tracking progress detracted from overall progress and visibility at the corporate level.

Much of the content in the reports reviewed were more aspirational than practical, exposing projects and initiatives with wild and aggressive goals. None of the initiatives had a clear series of steps defined; instead of milestones, they created large targets five, eight or ten years out. Speed of development and execution will be affected by not having tangible, measurable KPIs with plans or targets set for periods shorter than five or ten years.

With years of experience managing projects, understanding and establishing clear, tangible milestones at an appropriate interval is the key to achieving positive outcomes and results.

Milestones may not always be able to be set, but enough runway should be established for all the team to advance in the same direction.

A mature MOS would be a significant catalyst in successfully delivering the desired ESG outcomes by ensuring that execution of key activities is being managed and reported at the appropriate intervals and levels of leadership. The MOS provides the often absent North Star thus ensuring that the execution roadmap is always current. It provides the checks versus expected outcomes at appropriate intervals and sets well-thought-out and purposeful milestones that provide tangible exit criteria that allow teams to know if they are on track to meet goals and objectives.

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