



Strategic oversight:
Embedding sustainability
into corporate strategy

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1. Executive summary

Sustainability is no longer a compliance obligation, it is a strategic imperative that shapes competitive positioning, operational resilience, and long-term value creation. Yet many boards treat sustainability as peripheral, compartmentalised, and disconnected from core business decisions. This paper argues for a fundamental shift: embedding sustainability into the centre of corporate strategy.

The strategic case is compelling. Boards face converging pressures: investor expectations are evolving toward long-term value creation and resilience; geopolitical shocks are exposing vulnerabilities in traditional business models; and regulatory requirements are increasing. Sustainability addresses these challenges through dual pathways: **value creation** (revenue opportunities in sustainable segments, operational cost savings, competitive differentiation), and **resilience** (energy independence, supply chain robustness, regulatory anticipation). These are interdependent, not sequential.

Embedding sustainability requires clarity on four critical dimensions:

- **Long-term vision:** Organisations must articulate a clear sustainability vision aligned with corporate strategy, grounded in systems thinking that recognises interconnections across supply chains, ecosystems, and stakeholder relationships.
- **Business model transformation:** Organisations must fundamentally redesign their products, operations, and market positioning. Both sustainability transformers, legacy companies that are evolving, and sustainability natives, which have sustainability as their core DNA, require disciplined roadmaps with clear phases and board oversight.
- **Governance evolution:** Boards require both strong relationships and specific expertise to oversee sustainability effectively. This demands a combination of relationship-driven networks and expertise-driven competencies in sustainability strategy, systems thinking, and supply chain resilience. Clear accountability, measurable KPIs, and incentive alignment are essential.
- **Stakeholder engagement:** Authentic, evidence-based communication grounded in internal alignment builds credibility, engagement, and trust with investors, employees, suppliers, communities and regulators.

The strategic imperative is clear: organisations that lead sustainability transformation will establish a competitive advantage; those that delay will face mounting pressure to follow.



2. Sustainability beyond compliance: resilience, value, and competitive advantage

For many companies ESG remains primarily a compliance obligation: a regulatory requirement to manage and report on. But this framing obscures a fundamental strategic reality: sustainability is no longer peripheral. It is a chance for business to shape its competitive positioning, operational resilience, and long-term value creation.

The distinction matters. ESG is often seen as a framework of metrics and disclosures upon which you report. Sustainability is a more concerted, systemic approach of integrating environmental and social considerations into your business model, capital allocation, and decision-making. You can excel at ESG reporting while remaining fundamentally unsustainable in operations. A truly sustainable business embeds resilience and value creation into its core strategy.

Boards face a convergence of pressures that are demanding this shift. Investor expectations are evolving toward long-term value creation and resilience. Geopolitical shocks, supply chain disruptions, constraints on strategic materials, energy vulnerability and trade barriers are exposing vulnerabilities in traditional business models. These are not distant risks.

Sustainability addresses the challenge through several pathways, including:

- Value creation: revenue opportunities in growing sustainable segments, competitive differentiation, operational cost savings, enhanced talent attraction, and improved investor relations; and
- Resilience: energy independence through renewables, supply chain resilience through circularity, cost reduction through efficiency, and improved access to capital. These mechanisms directly strengthen an organisation's ability to survive and thrive amid environmental and market volatility.

Resilience and value creation are interdependent. Resilience provides the operational stability and capital efficiency needed to fund and power breakthrough innovations, while value creation ensures a forward-looking focus on competitiveness in rapidly evolving markets. This dual approach balances risk mitigation with seizing opportunity, positioning companies to achieve sustainable growth.

The strategic imperative is clear: sustainability must move from the periphery to the centre of your corporate strategy. This requires clarity on long-term vision, integration into core business decisions, business model transformation, and evolution of board governance to enable strategic ownership. Even if sustainability is already embedded in your strategy, periodic review is essential to ensure it:

- remains aligned with evolving regulatory requirements, market dynamics and stakeholder expectations
- genuinely drives decision-making rather than serving as a compliance checklist
- evolves with rapidly changing, systemic shifts to ensure that the approach remains fit for purpose and continues to drive value creation.



3. Defining long-term vision for sustainable value creation

Rethinking value creation models

The first step in embedding sustainability into corporate strategy is to fundamentally rethink what value means for your company. For decades, corporate value creation has been defined narrowly, as maximising shareholder returns. This definition, however, is incomplete. It ignores the natural capital your company depends on, the human capital that drives innovation and execution, and the social capital embedded in communities, supply chains, and stakeholder relationships. A company that depletes natural resources (natural capital), burns out its workforce (human capital), or erodes community trust (social capital) may generate short-term shareholder returns while destroying long-term value.

Sustainable value creation demands that you define value across multiple stakeholder dimensions: shareholders, employees, communities, and the environment. This is not about sacrificing profit for purpose. Rather, it is about delivering profit while creating value for all stakeholders. Companies that integrate natural capital, human capital, and social capital into their value models are better positioned to identify opportunities for growth, manage risks, and build resilience.

A core question the board must answer is: what is the company's real contribution to society and the environment? This question forces clarity on its business model. Does the company resolve problems? Does it create a positive impact, or does it externalise its costs onto society and the environment? Does it build or deplete the natural, human and social capital it depends on? Are long-term fiduciary responsibilities with respect to sustainability being met? And under what circumstances is sustainability labelled as a cost and what are the implications of this approach?

The answers to these fundamental questions should not be treated as one-time strategic exercises. Instead, they must be revisited regularly as part of the board's ongoing risk governance cycle, ensuring that your company's value proposition remains authentic, sustainable, and aligned with long-term stakeholder interests. The answers should inform the strategy, guide capital allocation decisions, shape risk mitigation priorities and ultimately determine whether the organisation is positioned for sustainable value creation or faces mounting risks from misalignment with societal and environmental realities.

Systems thinking

Defining sustainable value creation requires systems thinking. Your company does not operate in isolation. It is embedded in complex ecosystems, supply chains, resource systems, labour markets, communities and regulatory environments. Geopolitical volatility, climate change, resource scarcity, and social fragmentation are reshaping these ecosystems rapidly. Your business model must be designed to navigate this complexity and contribute to systemic resilience, not undermine it.

Systems thinking means understanding interdependencies and consequences that may otherwise be unforeseen. How do your sourcing decisions affect supplier communities and ecosystems? How do these effects impact your supply chain resiliency? How do your products affect customer health and well-being? How do your operations affect energy systems and climate? How do your employment practices affect talent markets and social cohesion?

These interconnections create both risks and opportunities. A supply chain disruption in one region can cascade across your entire value chain. A shift in consumer preferences toward sustainable products can open new market segments. A regulatory change in one jurisdiction can reshape your competitive positioning globally.

Consider a practical example. A coffee roaster sources beans from Ethiopia with a focus on cost minimisation, paying farmers below fair-trade prices. The decision appears to reduce costs, but systems thinking reveals the hidden 'negative' consequences. Low farmer income provokes a rural exodus and creates skills gaps in the next generation. Labour shortages reduce productivity and supply consistency. Inconsistent quality creates production delays and missed orders. Customer dissatisfaction damages brand reputation, allowing competitors to gain market share. Revenue declines, and the initial cost savings are erased by supply instability and reputational risk.

In contrast, fair-trade pricing activates a virtuous cycle where stable farmer income enables environmental stewardship, social investment, and supply reliability, mutually reinforcing economic value creation. A company that pays fair-trade prices ensures a stable farmer supply base and consistent quality, and community investment. This stability promotes reliable production, customer loyalty, and premium pricing that generates higher margins and stronger investor confidence.

Strategic vision

The board's role is to articulate a clear, long-term sustainability vision aligned with your business strategy. This vision should set out your company's contribution to sustainable development and how you intend to build a business model that is resilient to geopolitical and environmental volatility. How will you create value in a world of constrained resources and rising stakeholder expectations? This vision must be validated through stakeholder engagement, with investors, employees, customers, suppliers, communities, and regulators, to ensure it is credible and aligned with market realities.

Time horizons matter:



Short-term action (1-2 years) should focus on immediate resilience: securing energy supply, diversifying supply chains, managing regulatory compliance, and addressing acute social or environmental risks.



Medium-term initiatives (3-5 years) should drive the evolution of the business model: developing sustainable product lines, optimising operations for energy and resource efficiency, and closing skills gaps related to sustainability.



Long-term transformation (5-10+ years) should position your company for net-zero or positive impact operations and future-proof competitive positioning. The board must ensure it is aligned on these time horizons and that progress is tracked and reported regularly.

When progress stalls falls behind established targets, mitigation measures must be triggered immediately: reassessing strategy, reallocating resources, adjusting timelines, or escalating accountability. Without this discipline, sustainability commitments become aspirational rather than operational.

For some companies these steps are urgent. Industries such as spirits and alcohol are already experiencing existential pressures: declining consumption in developed markets, intensifying regulatory scrutiny on health impacts, and erosion of the social licence to operate as stakeholder expectations shift. These companies face a critical choice: transform their business models fundamentally, or risk becoming obsolete. The board must assess whether the company's core business model is aligned with long-term sustainability trends and stakeholder expectations or is in need of being transformed in order to survive.



4. Embedding sustainability into corporate strategy

Many organisations compartmentalise sustainability, assigning it to a dedicated team, reporting on it annually and keeping it separate from core business decisions. When this happens, sustainability becomes a cost centre competing for resources with operational priorities and therefore vulnerable to budget pressures. It remains disconnected from where real value is created and prohibits sustainability from being integrated into all you do.

The organisations that build enduring competitive advantage operate differently. They weave sustainability into the fabric of how they do business: product design, operational decisions, capital allocation, and market positioning. For these companies, sustainability is not something added to their business strategy. Rather it is foundational to their business strategy. As organisations mature, sustainability becomes a cross-functional discipline embedded in the company's DNA. Embedding sustainability into the corporate strategy can be divided into three key aspects., 1) external positioning and stakeholder engagement, 2) innovating products, services and innovation and 3) commercial operations. This section equips boards with insights into how this can be practically implemented. With this knowledge, the board is equipped to ask and challenge executive management as to whether they are adequately embedding sustainability into the corporate strategy.

External positioning and stakeholder engagement

Embedding sustainability into business strategy requires engagement with external stakeholders. To be effective, this engagement must be grounded in authenticity, internal alignment, and collaborative partnership. Some guidelines for external positioning and stakeholder engagement include:

- **Start with authenticity:** Customers, investors, and markets need transparent, evidence-based communication, not aspirational claims without substance. Consistency matters. Companies that communicate honestly about their sustainability journey, including failures and changes of course, build stronger stakeholder relationships and investor confidence than those who reveal only positive narratives.
- **Align internally first:** External credibility starts internally. Employees are both stakeholders and implementers of sustainability strategy. When they understand the strategy, participate in implementation, and see incentives aligned with sustainability outcomes, they become authentic ambassadors. This drives higher engagement and staff retention.
- **Extend the partnership to suppliers:** Working collaboratively with suppliers (providing technical support, sharing best practices, recognising progress) succeeds better in building resilient supply chains than punitive approaches.

- **Engage communities and civil society:** Beyond the value chain, social sustainability requires genuine partnership with communities and civil society organisations. Companies that listen to community concerns, invest in local development, and partner with NGOs on social impact build a social licence to operate and reduce reputational risk.
- **Shape the regulatory landscape:** Proactive engagement with regulators and industry peers helps to shape the regulatory landscape and build competitive advantage through early adoption. Companies that lag behind scramble to comply.
- **Recognise the potential of 'co-opetition':** Supply chain resilience, circular economy solutions, and industry-wide sustainability standards require collective action. Companies participating in industry initiatives shape standards while building industry-wide resilience. 'Co-opetition' integrates cooperation and competition: companies work together on shared interests while competing against each other on differentiated offerings. Industry consortia distribute the investment burden across participants so that companies compete on execution and innovation, not on who can absorb the highest sustainability costs. The Global Impact Coalition Automotive Plastics Circularity Pilot exemplifies co-opetition in action. Eight leading chemical and recycling companies partnered to solve a shared challenge: recycling plastics from end-of-life vehicles. They worked together to optimise the dismantling, shredding and sorting processes and in the process gained access to specific polymer feedstocks for the chemical industry to increase recycling.

This stakeholder engagement and external positioning analysis should be a key input to embedding sustainability into corporate strategy.

Sustainability at the core: products, services & innovation

The most powerful move is simple: redesign your core offerings with sustainability as a design principle from day one, not an afterthought. Start with a hard question: which of your products align with tomorrow's market, and which are becoming liabilities?

Today's most profitable products can become tomorrow's stranded assets. A chemical manufacturer's legacy line faces regulatory restrictions. A consumer goods company's packaging becomes unacceptable to sustainability-conscious retailers. An energy company's fossil fuel assets could lose value in the future. The board's job is to ensure management systematically assesses the portfolio through a sustainability lens and builds a credible transformation roadmap. Transformation takes time. Prompt action builds organisational resilience and positions the company to navigate future market shifts. Small, deliberate steps taken today generate meaningful competitive advantage in the long term.

Redesigning core offerings for sustainability means:

- **Design for circularity:** Move from take-make-dispose to recover-refurbish-recycle. This reduces resource intensity, creates new revenue streams (remanufacturing, refurbishment), and builds resilience against scarcity. Patagonia's repair and recycling programmes aren't just environmental; they're a competitive differentiator and customer loyalty driver.
- **Reduce resource and energy intensity:** Adopt lighter products with less packaging and fewer toxic materials. This cuts both environmental impact and production cost simultaneously. Unilever has reduced its packaging weight by designing lighter packaging that is viable and scalable.
- **Embed social impact and supply chain transparency:** Move beyond labour compliance to actively improve working conditions, wages, and skills across the value chain. When companies systematically map supply chains and identify where social risks, such as labour exploitation and unsafe conditions, are concentrated, they accomplish multiple objectives at once, reducing reputational and operational risk, strengthening supplier relationships, and building brand trust. This is strategic value creation.

Commercial operations and competitive positioning

Embedding sustainability into business strategy creates measurable commercial value when organisations translate sustainability commitments into competitive advantage, operational efficiency, and business resilience.

From compliance to strategic advantage

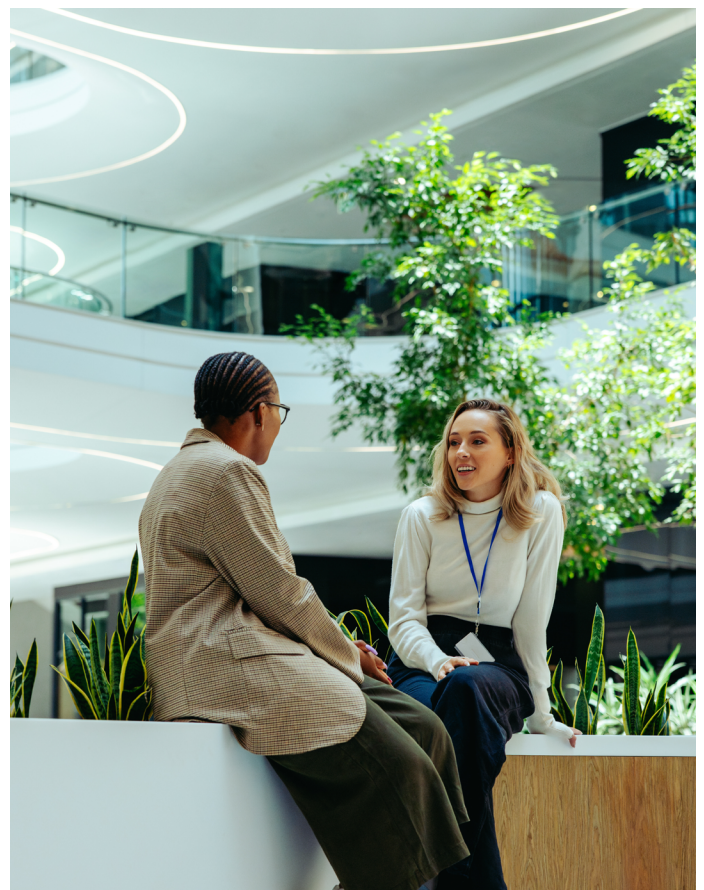
Compliance with regulations and sustainability standards is necessary but insufficient. Regulatory compliance protects you from penalties and reputational damage but not from becoming irrelevant or operational inefficiency.

Consider the alcohol industry. Regulatory compliance, including age restrictions, labelling, advertising limits, remains important. But it doesn't address the fundamental market shift: younger generations are consuming less alcohol, viewing it as incompatible with a healthy lifestyle. Companies relying solely on compliance manage decline. Companies embedding sustainability into their business model by developing lower-alcohol and alcohol-free alternatives, investing in sustainable sourcing and building brands around wellness, position themselves for growth. Sustainability goes beyond meeting minimum standards and translates market shifts into competitive advantage.

Sustainability drives operational excellence and cost reduction

Renewable energy and efficiency improvements reduce operational costs and carbon footprint simultaneously while building resilience against price volatility. Localisation reduces transportation costs and supply chain risks. Waste is also an inefficiency; companies systematically reducing waste (water consumption, material scrap, packaging etc.) reduce their production costs and environmental impact. Circular supply chains reduce material costs and build resilience by decreasing the demand for externally sourced raw materials. Regulatory requirements also increasingly mandate circular practices: the EU's updated End-of-Life Vehicles (ELV) Regulation mandates the use of recycled plastics in new cars, while the EU's Extended Producer Responsibility (EPR) schemes require textile producers, fashion brands, and retailers to finance product collection, sorting, and recycling. Companies that embed circular practices proactively gain competitive advantage, while those that wait risk facing compliance costs and operational disruption.

To evaluate the financial impact of sustainability initiatives the board must track the full investment cycle: upfront capital and transition costs alongside benefits (cost savings, revenue growth, margin improvement, market share expansion). The relevant metrics are the return on investment and directional trends, recognising that sustainability transformation is a multi-year exercise. Disciplined measurement distinguishes between value-creating transformation and wasteful spending.



Risk mitigation and business resilience: navigating geopolitical fragmentation

Sustainability-driven operational changes build resilience. A rigorous risk assessment is the starting point. Climate change creates physical risks (flooding, water scarcity, extreme weather) and transition risks (stranded assets, regulatory costs, market shifts). Nature-related risks (biodiversity loss, ecosystem degradation) pose direct threats to supply chains and operational continuity. A company dependent on agricultural commodities faces soil degradation risks. A manufacturer relying on freshwater faces water scarcity risks. A logistics company faces infrastructure damage from flooding and disruptions to transport networks caused by extreme weather events.

The geopolitical context amplifies these risks. Supply chains are fragile. China controls large shares of global rare earths and critical minerals¹ essential for renewable energy, electric vehicles, and advanced electronics. Critical resources, such as lithium and cobalt, are concentrated in politically unstable regions². The International Energy Agency (IEA) projects a potential copper shortfall of 30% by 2035 due to declining ore grades and long project lead times, yet demand is surging for electrification³. These supply chain challenges are existential constraints on the energy transition.

The way to respond is to embed operational resilience in sustainability strategy. Companies need to systematically assess their risks through scenario analysis and stress testing and adjust capital allocation, asset positioning, and market strategy accordingly. They understand how strategy performs under different climate pathways, nature scenarios, and geopolitical outcomes: stress scenarios where supply chains break, water becomes scarce, energy prices spike, and regulatory requirements intensify. For more detailed information on Sustainability Risk management, see our previous paper [Beyond Disclosure: A Board Framework for Sustainability Risk Oversight in Swiss Organisations](#)

When sustainability requires sacrifice: an honest trade-off analysis

Embedding sustainability into corporate strategy requires genuine sacrifice. Companies must navigate five critical trade-offs: absorbing significant upfront transition costs while accepting margin compression; choosing between premium pricing (protecting margins but losing market share) or cost absorption (gaining share but compressing margins); setting credible rather than aspirational sustainability targets; prioritising stakeholder interests alongside shareholder returns; and balancing transformation scope against organisational capacity. Boards have a fiduciary duty to assess these trade-offs honestly and communicate clearly to shareholders, acknowledging that sustainability success may create short-term costs, margin pressure or portfolio changes.



5. Transforming to future-proof business models

Embedding sustainability into corporate strategy inevitably leads to the realisation that incremental change is insufficient. For most companies, the gap between current business models and future-proof, sustainable operations is too wide to bridge through efficiency improvements alone. Genuine transformation is required, which means fundamentally reimagining how the business creates value, serves markets, and operates.

This transformation takes different forms depending on the organisation's starting point. Understanding these archetypes helps boards assess their own transformation journey and learn from peers navigating similar challenges.

Sustainability transformers: companies evolving toward sustainability

Sustainability transformers are established companies with legacy business models that must fundamentally evolve to remain competitive. These organisations face a dual challenge: they must continue operating and generating cash from their existing business while simultaneously building new capabilities, reshaping culture, and repositioning towards sustainability. This requires portfolio redesign, investment in new technologies and capabilities, supply chain restructuring, and cultural transformation in which sustainability becomes a core design principle rather than an add-on.

The challenge for Swiss small and medium enterprises (SMEs) that are sustainability transformers is compounded by scale constraints. Unlike multinational corporations, Swiss SMEs often lack the capital reserves to absorb transformation costs while maintaining operational continuity. They must also navigate the political landscape carefully as regulatory changes at both national and EU levels can shift investment priorities rapidly and smaller organisations may have less flexibility to adapt.

Examples of sustainability transformers include chemicals, materials, and consumer goods companies that have systematically:

- redesigned their product portfolios toward sustainable alternatives
- invested in biotechnology or circular economy capabilities
- divested legacy businesses incompatible with their sustainability vision
- acquired complementary capabilities.

All require continuous board commitment to resource allocation, risk tolerance, and accountability.

Sustainability natives: companies with sustainability in their core DNA

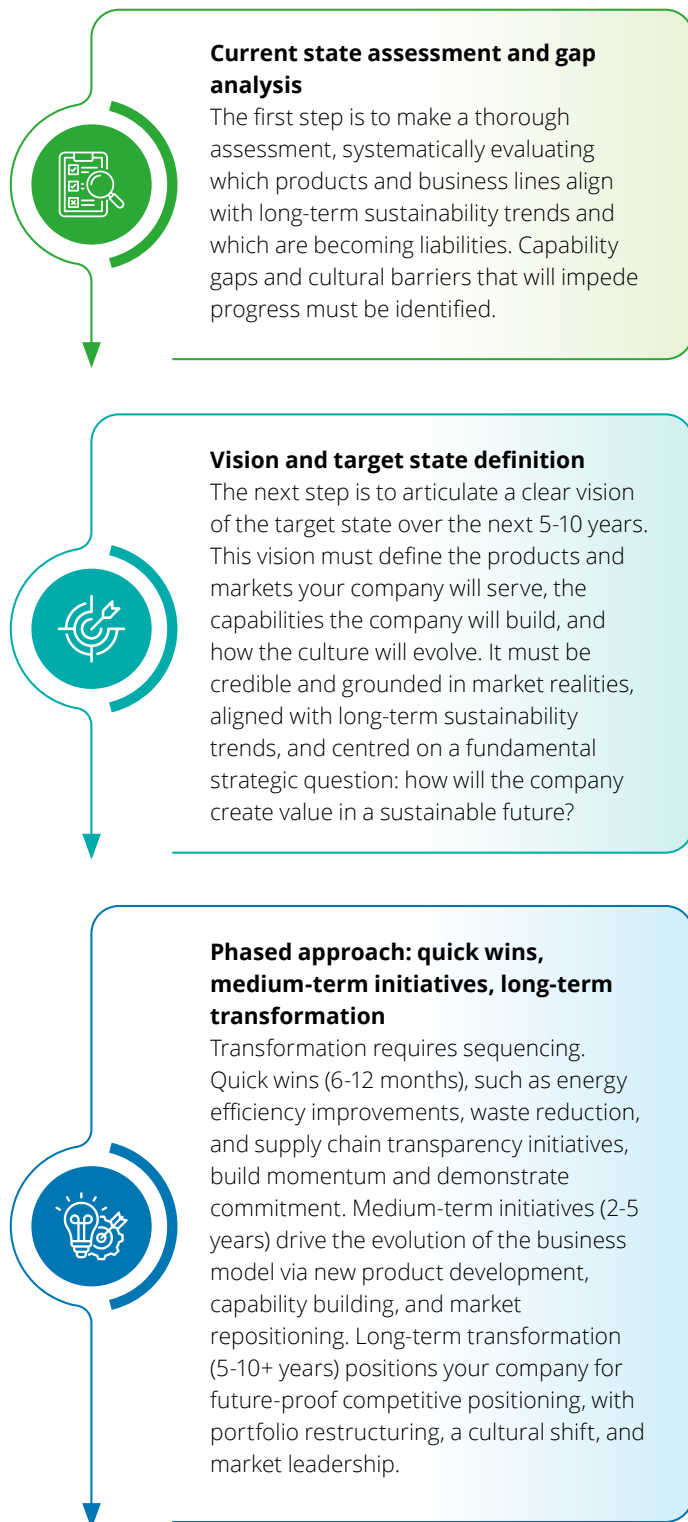
Sustainability natives are companies that have sustainability in their DNA from inception. Their entire business model, from product design and supply chain to capital allocation and culture, flows from sustainability principles. Sustainability is not a strategic layer, but the strategy itself.

Examples of sustainability natives include Patagonia (durable goods designed to last, direct supplier relationships, profits reinvested in environmental advocacy), Freitag (bags manufactured from recycled truck tarps with transparent supply chains and local production), and Tibits (plant-based restaurant chain embedding sustainability into sourcing, menu design, and waste reduction). For these companies, competitive advantage flows directly from their sustainability commitment, which brings them brand loyalty, premium pricing power, and access to purpose-driven talent.



The transformation roadmap: from assessment to execution

Effective transformation requires a disciplined roadmap with clear phases and board oversight at each stage:



Managing organisational change: the hidden challenge

Embedding sustainability into corporate strategy goes beyond strategy and operations and demands fundamental shifts in how people work, think, and make decisions. The gap between sustainability strategy and execution is typically not a strategy problem; it is a change management problem. Boards must recognise that transformation unfolds across three distinct timeframes. Structural changes (governance, roles, reporting lines) typically take 3-6 months to implement. Process changes (decision-making, capital allocation, performance management) require 6-18 months to embed. Cultural changes (mindsets, behaviours, values) take 2-5 years to shift meaningfully. However, even once this cultural shift has taken hold, organisations could expect another 5-10 years to develop and introduce new sustainable products or services—a reality that underscores this as a long-term journey requiring sustained commitment before meaningful outcomes materialise. Success depends on engaging four stakeholder groups: champions (20%) who are already convinced and become change agents; pragmatists (50%) who will support if they see a clear business case and direction; skeptics (20%) who raise legitimate concerns that must be addressed; and resisters (10%) who may need to exit the organisation. The board's role is not to manage change directly but to make clear that sustainability is non-negotiable, provide air cover for difficult decisions, hold management accountable for execution, and recognise that some organisational change is necessary and inevitable. Without explicit attention to change management, even well-designed sustainability strategies fail to take root.



6. The board's strategic oversight

The composition question: relationships or expertise?

Many boards are made up of accomplished individuals selected for their networks, expertise or general business acumen. This worked well in a more stable business environment but no longer suffices now. Board members are increasingly tasked with overseeing sustainability risks, climate scenarios, nature-related impacts, and geopolitical supply chain fragmentation, challenges that may not have existed during their executive careers. When sustainability risks threaten strategy and value creation, geopolitical fragmentation reshapes supply chains, and regulatory requirements increase, boards need specific expertise in these emerging domains.

The shift required is fundamental: from relationship-driven to expertise-driven composition. If sustainability is embedded into strategy, if it drives capital allocation, competitive positioning, and risk management, then the board must have the expertise to oversee it effectively. This requires specific competencies:

- sustainability strategy expertise to understand how to embed sustainability into business models
- systems thinking to grasp interconnections across supply chains and geopolitical systems
- climate, nature and social risk literacy to engage in meaningful conversations about management of these risks
- financial acumen to assess the implications of sustainability risks and opportunities
- supply chain expertise to understand how geopolitical fragmentation and resource dependencies shape competitive advantage.

Board ownership and accountability

Effective board oversight requires clear ownership and accountability. The board must have strategic decision-making authority on sustainability, not just the authority to review management proposals, but the authority to shape sustainability strategy and hold management accountable for execution. This fiduciary responsibility, the board's legal and ethical obligation to act in the best interests of the organisation and its stakeholders, extends to identifying, assessing, and mitigating material sustainability risks that impact long-term value creation.

This requires three mechanisms:

- performance accountability through clear, measurable sustainability KPIs linked to commercial and risk goals
- regular KPI tracking with clear identification of areas requiring board attention
- incentive alignment, ensuring executive compensation is tied to sustainability outcomes.

Board leadership as a catalyst for transformation

Board leadership, particularly the board chair, determines whether sustainability transformation succeeds or stalls. The board must embed sustainability into every board discussion and capital allocation decision, requiring impact assessment for all strategic choices and refusing to approve strategies that conflict with long-term commitments. Board leaders must actively challenge legacy business models by asking difficult questions about product viability and market positioning, leveraging new members' fresh perspectives, unburdened by legacy assumptions. The board chair must create permission structures for bold action by approving transformation roadmaps, accepting near-term margin pressure, and protecting management from short-term shareholder pressure. This active leadership signals priorities, attracts transformation-focused talent, and demonstrates that sustainability is central—not peripheral—to organisational strategy and competitive positioning.



Board-relevant KPIs: translating sustainability into business language

The board cannot oversee what it cannot measure. A rigorous set of KPIs are needed to translate sustainability into business language and link sustainability performance to commercial and risk goals.

Commercial performance KPIs demonstrate that sustainability drives financial value. Revenue from sustainable products and services (as a percentage of total revenue) shows whether the company is capturing growth in sustainable market segments. Cost savings from efficiency improvements (in absolute Swiss francs and as a percentage of operating costs) quantify the operational benefits of sustainability initiatives. A supply chain resilience score (measuring critical material dependency risk) shows whether the company is building resilience against geopolitical and resource constraints.

Risk management KPIs demonstrate that sustainability reduces organisational risk. An energy security score (measuring the percentage of renewable energy and supply diversification) shows whether the company is building strategic autonomy against energy price volatility and supply disruptions. Supply chain disruption incidents and recovery time measure organisational resilience, not just whether disruptions occur, but how quickly the company recovers. The regulatory compliance status (tracking progress against the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD) and the Task Force on Climate-related Financial Disclosures (TCFD) and emerging standards) shows whether the company is anticipating regulatory evolution or reacting to it.

Governance and resilience KPIs demonstrate that the board is equipped to oversee sustainability effectively. Board diversity and sustainability expertise measure whether the board has the competencies required for strategic oversight. Stakeholder engagement effectiveness measures whether the company is building trust across employees, suppliers, communities, and regulators. The progress against the transformation roadmap measures whether the company is executing its sustainability strategy.

These KPIs should be presented to the board on a regular basis, with trend analysis and clear identification of areas requiring board attention. The goal is to provide the information necessary to fulfil governance responsibilities: understanding the organisation's sustainability risk posture, assessing management's execution of sustainability strategy, and making informed decisions about risk appetite, capital allocation, and strategic direction.



7. Board self-assessment: critical questions for strategic sustainability integration

The following self-assessment framework enables boards to evaluate their readiness and progress in embedding sustainability into corporate strategy. These questions should guide board discussions, inform governance evolution, and identify gaps requiring attention.

Stakeholder engagement and authenticity

- Does the board ensure that external communications on sustainability are authentic, evidence-based, and consistent with internal actions, or are there gaps between the narrative and reality?
- Are employees engaged in sustainability strategy and implementation, with clear understanding of how their roles contribute to transformation?
- Does the company work collaboratively with suppliers as strategic partners in sustainability, or are supplier relationships primarily compliance-focused?

Strategic vision and alignment

- Does the board have a clear, articulated long-term sustainability vision aligned with the organisation's corporate strategy, or does sustainability remain a separate compliance agenda?
- Has the board validated this vision through engagement with stakeholders (investors, employees, customers, suppliers, communities, regulators), or is it primarily internally defined?
- Are short-term actions (1-2 years), medium-term initiatives (3-5 years), and long-term transformation (5-10+ years) clearly sequenced and aligned, or are they disconnected?

Business model and portfolio assessment

- Has the board asked management to systematically assess which products and services align with long-term sustainability trends and which are becoming liabilities?
- Does management have a credible transformation roadmap addressing portfolio evolution, capability building, and market repositioning, or are sustainability initiatives fragmented and incremental?
- Does the board understand the financial implications of transformation, including investment requirements, timeline, and expected returns?
- Is the board prepared to make difficult capital allocation decisions that prioritise long-term sustainability over short-term returns, or are there unresolved tensions between these objectives?

Governance and accountability

- Is sustainability governance clearly defined through a dedicated committee, enhanced board oversight, or integrated into existing structures with clear accountability for progress?
- Does the board receive regular, disciplined reporting on sustainability progress, including metrics on business model evolution, capability building, and market positioning?
- Are management incentives (compensation, performance targets, career advancement) aligned with sustainability outcomes, or do they remain focused on short-term financial metrics?
- Does the board have the expertise and diversity of perspective required to oversee sustainability strategy, or are there gaps in sustainability knowledge, industry experience, or market insight?

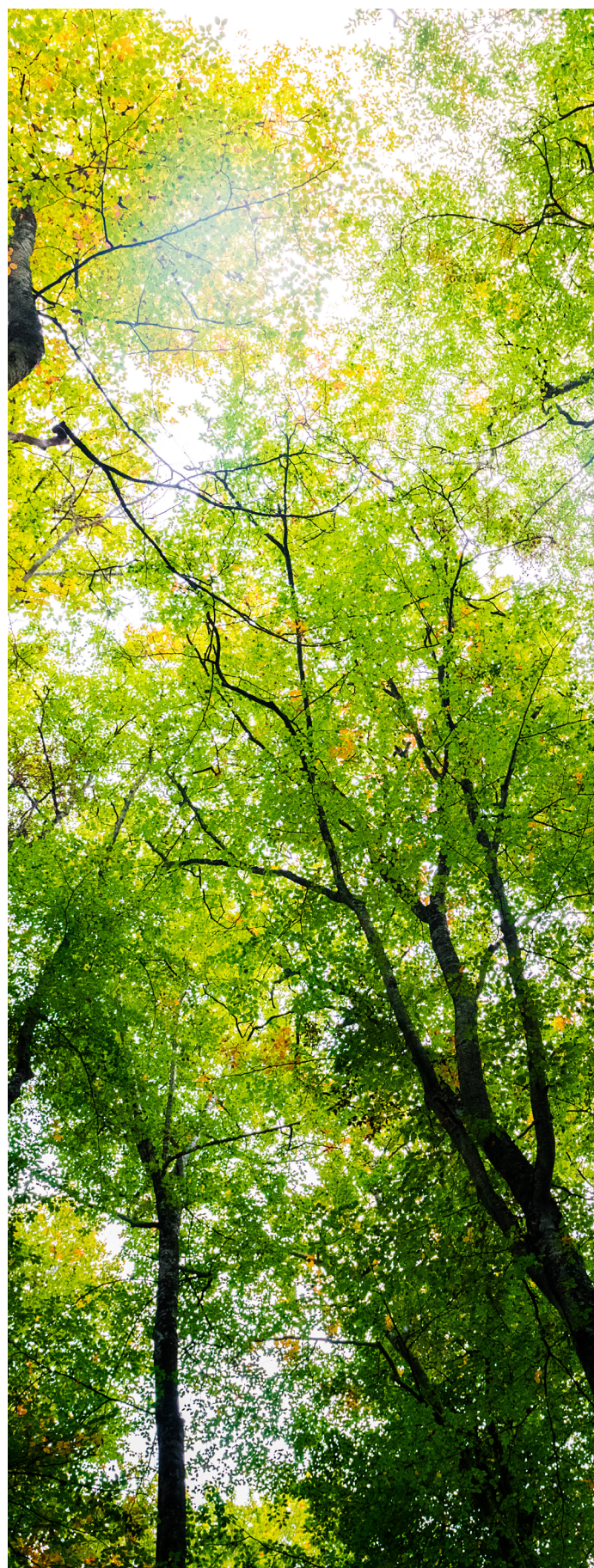
Risk and resilience

- Has the board assessed how the company's strategy performs under different climate pathways, nature scenarios, and geopolitical outcomes, or are stress tests limited to optimistic scenarios?
- Does the board have oversight of critical supply chain vulnerabilities, resource dependencies, and geopolitical exposures, and track progress on developed mitigation strategies and their implementation?

For more detailed information on sustainability risk management, see our previous paper [Beyond Disclosure: A Board Framework for Sustainability Risk Oversight in Swiss Organisations](#).

These questions are not a one-time assessment. They should guide ongoing board discussions, inform governance evolution, and ensure that sustainability remains a strategic priority as markets, regulations, and stakeholder expectations continue to shift.





Next steps for your board

Immediate (Next 30 days)

- ✓ Conduct a self-assessment of the board using the framework in this paper
- ✓ Identify expertise gaps in board composition
- ✓ Schedule a deep-dive session on sustainability strategy

Short-Term (Next 90 days)

- ✓ Establish a sustainability governance structure
- ✓ Conduct a materiality assessment
- ✓ Establish baseline KPIs
- ✓ Identify 3-5 quick wins.

Medium-Term (Next 12 months)

- ✓ Validate the sustainability vision through stakeholder engagement
- ✓ Approve the transformation roadmap with clear phases
- ✓ Establish incentive alignment
- ✓ Conduct a first stress test.

Long-Term (Next 3 years)

- ✓ Execute the transformation roadmap
- ✓ Monitor KPI progress quarterly
- ✓ Adjust strategy based on market/regulatory changes
- ✓ Build internal expertise and capabilities.



8. How it works in practice: Givaudan's transformation

When you smell a fragrance or taste a flavoured beverage, you're experiencing the result of a complex global supply chain that sources thousands of raw materials from diverse geographies. For Givaudan, a global leader in flavours and fragrances, this complexity represents both a profound responsibility and an extraordinary opportunity to embed sustainability into the way the company creates value.

Givaudan's journey towards sustainable value creation can be split into three distinct chapters:

Pre-2019: fragmented approach

Before 2019, the company had some non-financial targets and distributed organisational responsibilities, but sustainability was run through a Project Management Office (PMO) with heavy reliance on external consultants. There was no integrated governance structure, no explicit connection to corporate strategy, and no defined ownership. Sustainability was implicit and its degree of integration into business decisions was unclear.

2019-2025: structural transformation

In 2019 the Executive Committee appointed a Global Head of Sustainability tasked with leading comprehensive transformation of the operating model. This transformation comprised three key components:

- **Dedicated sustainability function:** Givaudan invested in establishing a centralised sustainability organisation reporting directly to the Global Head of Sustainability. This function owns all sustainability programmes end-to-end: climate action, responsible sourcing, human rights and circularity. It is complemented by business partnering for internal stakeholders and customers, communications, reporting and ESG support for investor relations. This creates clear ownership, accountability, and responsibility.

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It enables us to have a good sense of what we do, what's our duty, and what we don't do.

”

- **From projects to programmes:** The company transitioned from ad-hoc timebound projects to structured, ongoing programmes with management systems, targets, and measures of success. Each programme is professionalised with clear governance, accountability, and progress tracking. This shift from project to programme is critical: it signals that sustainability is not temporary or optional but embedded in how the company operates. This was further strengthened by the introduction of Givaudan's purpose – “Creating for happier, healthier lives with love for nature. Let's imagine together” – in 2020. This set out new, long-term ambitions on key sustainability topics under the team's stewardship, including climate and responsible sourcing, which sat at the heart of the 2025 strategic business cycle.
- **Insourced expertise and embedded double materiality:** Givaudan invested in building internal expertise. The company developed its sustainability team from a handful of people to 33 dedicated world-class sustainability experts. And, more importantly, the company went “full on double materiality”, systematically identifying which sustainability topics are material. With material topics clearly identified for both business and stakeholders, the focus shifted from debating relevance to deciding how best to address the challenges.

“

Everyone likes sustainability, but there's a world of difference between liking it and making it explicit in your strategy, your targets, your governance, and your decision-making.

”



2026 and beyond: strategic integration

Givaudan's new five-year strategic cycle places sustainability at its core. The strategic tagline – "Driving Sustainable Growth with Customers" – is not just a sustainability slogan but the company's business strategy.

“We have learned that to make sustainability real, it has to be connected with a strategy.”

Sustainability, rather than being treated as a side project, is now tangibly integrated into how the company designs its products, defines competitive advantage, allocates capital, and measures success.

“We will further enhance our product sustainability credentials because sustainability at a corporate level is great, but what matters are the proof points we share with our customers on their portfolio.”

The company is also pivoting to "absolute maximum end-to-end impact with the help of digital." Givaudan has created a digital framework for sustainability performance that connects product-level data to corporate-level metrics across more than 200,000 formulas. This industrialisation of sustainability performance is unprecedented in the industry, combining product carbon footprint and responsible sourcing performance.

“Today we compute the product carbon footprint (PCF) with the same source of information that we compute the carbon emission inventory, keeping consistency end-to-end. And we have a live Scope 3 inventory on more than 11,000 raw materials.”

Product development and sustainability focus

Sustainability must be science-driven. Givaudan defined biodegradability as one fundamental property in all ingredients development, ensuring that every substance created, whether perfumes or consumables, returns to nature without harm. This commitment represents a core principle rather than an option. Recognising that in today's complex world maintaining this standard requires proactive leadership, the company emphasises continuous innovation and strategic foresight to remain relevant and provide organisational confidence in navigating sustainability challenges effectively.

“When you're a leader in the industry, you need to show the way.”

Board evolution and strategic governance

The board has matured significantly by turning lessons learned into lessons applied, with a strong emphasis on proactivity and duty of care. Rather than making binary decisions, the organisation leverages comprehensive deep dives into critical transitions, including the inevitable phase-out of fossil fuels to renewable energy sources and the stabilisation of supply chain costs through renewable energy adoption. The board integrates customer perspectives on sustainability at the strategic level, leveraging collective expertise and advanced knowledge across multiple topics to confirm proposed implementation pathways. This evolution demonstrates the company's industry leadership position, where the focus remains on staying relevant, maintaining strategic focus, and connecting organisational work with customers' sustainability expectations.

“Many board members enthusiastically attended our optional Scope 3 deep dive session and said, 'Wow, we have never had the chance to look under the hood.' This was a great illustration of commitment and interest from the top.”



Key lessons from Givaudan for board-level oversight

Givaudan's experience offers several lessons for boards overseeing sustainability transformation:

- 1 Make it explicit:** Sustainability must be named, defined, and embedded in corporate strategy. Implicit approaches create confusion and inconsistency.
- 2 Create dedicated accountability:** A dedicated sustainability function with clear ownership and responsibility is essential. This is not a cost centre; it is a strategic capability.
- 3 Embed in governance:** Sustainability must be integrated into board governance, not siloed in a separate committee. The board must ask strategic questions about relevance, resilience, and competitive positioning.
- 4 Invest for the long term and set priorities:** "It's not about doing or not doing, it's about doing, but phasing it so it is manageable and realistic."
- 5 Connect product and corporate performance:** Sustainability must be measured at both the corporate and product level, with clear connections between them. This enables informed decision-making about which products, ingredients, and suppliers to prioritise.
- 6 Use materiality as a strategic tool:** Double materiality assessment should drive strategy and resource allocation, not just compliance reporting. If a topic is material, it deserves resources and board attention.
- 7 Invest in digital capability:** Digital tools that connect sustainability data across the value chain enable industrialisation of sustainability performance and unlock competitive advantage.
- 8 Balance the short-term and long-term:** Sustainability transformation requires balancing immediate resilience (energy security, supply chain diversification) with long-term value creation (product innovation, market positioning).



Contact information

This white paper was written as part of a collaboration between Deloitte Switzerland and ESG4Boards.

Deloitte

Liza Engel

Chief Sustainability Officer, Deloitte Switzerland
lengel@deloitte.ch

Bastien Girod

Partner, Sustainability & Strategy, Deloitte Switzerland
bvgirod@deloitte.ch

Abetare Zymeri

Director, Sustainability Reporting & Assurance, Deloitte Switzerland
azymeri@deloitte.ch

ESG4Boards

Aurelia Figueroa

Chief Sustainability Officer, Breitling, Board Member, UN Global Compact Network Switzerland & Lichtenstein & Board Member, The Villars Institute Aurelia Figueroa | LinkedIn

Ingrid Kissling-Näf

Director, Business School, Bern University of Applied Sciences Ingrid Kissling-Näf | LinkedIn

Pauline Desfontaines

Owner, Foximba Consulting & ESG4Boards Member Pauline Desfontaines | LinkedIn

Hallvard Bremnes

Global Head of Sustainability, Givaudan International SA, UN Global Compact Network Switzerland & Lichtenstein & Board Member, Hallvard Bremnes | LinkedIn



Endnotes

- 1 International Energy Agency, "World Energy Outlook 2025", 2025, [Overview of outlook for key minerals – Global Critical Minerals Outlook 2025 – Analysis - IEA](#)
- 2 International Energy Agency, "World Energy Outlook 2025", 2025, [Overview of outlook for key minerals – Global Critical Minerals Outlook 2025 – Analysis - IEA](#)
- 3 S&P Global, "Copper faces 30% supply deficit by 2035, IEA warns at UK summit", 2025, [Copper faces 30% supply deficit by 2035, IEA warns at UK summit | S&P Global](#)



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