



# 8 business & sustainability trends that will define 2018

In this trends briefing, you'll find the condensed views and predictions of more than 40 Directors, Fellows, and Senior Associates affiliated to the University of Cambridge Institute for Sustainability Leadership (CISL).

# The University of Cambridge Institute for Sustainability Leadership

For 800 years, the University of Cambridge has fostered leadership, ideas and innovations that have benefited and transformed societies. The University now has a critical role to play to help the world respond to a singular challenge: how to provide for as many as nine billion people by 2050 within a finite envelope of land, water and natural resources, whilst adapting to a warmer, less predictable climate.

The University of Cambridge Institute for Sustainability Leadership (CISL) empowers business and policy leaders to make the necessary adjustments to their organisations, industries and economic systems in light of this challenge. By bringing together multidisciplinary researchers with influential business and policy practitioners across the globe, we foster an exchange of ideas across traditional boundaries to generate new solutions-oriented thinking. A particular strength of CISL is its ability to engage actors across business, government and finance. With deep policy connections across the EU and internationally; dedicated platforms for the banking, investment and insurance industries; and executive development programmes for senior decision-makers, it is well placed to support leadership in both the real and financial economies.

## Rewiring the Economy

*Rewiring the Economy* is our ten-year plan to lay the foundations for a sustainable economy. The plan is built on ten interdependent tasks, delivered by business, government, and finance leaders co-operatively over the next decade to create an economy that encourages sustainable business practices and delivers positive outcomes for people and societies.

### Publications Details

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The opinions expressed here are those of the authors and do not represent an official position of CISL or the wider University of Cambridge.

### Author and acknowledgements

The trends identified in this report are based on input from over 40 CISL Directors, Senior Associates and Ambassadors. This is supported by a survey of the wider CISL Network, which was completed by more than 300 Network members.

The report was authored by Donna Bowater, with support of the editorial team of Zoë Loughlin, James Cole, Clare Tilley, Alexandra Brunner and Michael Hoevel. Further input was provided by Lindsay Hooper, Lucy Bruzzone and Eliot Whittington.

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# Trends briefing

Stay ahead of the curve with the insights and expectations of the Directors, Fellows, and Senior Associates affiliated with the University of Cambridge Institute for Sustainability Leadership (CISL).

The following trends were identified by 40 CISL Directors, Senior Associates and Ambassadors, supported by a survey of the wider CISL Network, a global Network of 8,000 senior leaders and leading practitioners representing every industry on every continent.

## 1 Volatility is the new normal

From disruptive technologies to political uncertainty, the future is chaotic and it is here to stay.

## 2 Sustainability to shape the face of business

Growing public consciousness of sustainability issues and political leadership gaps will increasingly open the way for business to step up to the challenge of sustainability leadership, and either lead, adapt or fail.

## 3 Enduring loss and damage from extreme weather

After the unprecedented climate events of 2017, vulnerable cities, countries and people will face yet more extreme and disruptive weather events, with the potential to impact business through value chain disruption and stranded assets, and contribute to social unrest.

## 4 Human versus machine

Growing levels of automation will not only begin to transform the future of business but also the future of work.

## 5 China and the global shift to the East

The re-election of President Xi Jinping has given China stability in a turbulent world, and has reinforced the state's mandate to address climate change at a time when other world leaders have faltered over sustainability.

## 6 The end of an era for plastics

Packaging is set to be key battleground in addressing the environmental impacts of business on oceans, land and air.

## 7 A watershed year for transparency

Anticipating the recommendations for reporting climate-related financial risks from the Taskforce on Climate-Related Financial Disclosures (TCFD), companies such as ExxonMobil have faced investor and public pressure to voluntarily improve risk disclosure. This could fire the gun for greater transparency in other parts of business such as executive pay, gender equality and tax arrangements.

## 8 Life after coal

The energy revolution is reaching its climax as the switch to renewables and electricity is unstoppable.

Integrate sustainability into your organisation and become a future-fit leader.

[FIND OUT MORE](#)



# 1 Volatility is the new normal

From disruptive technologies to political uncertainty, the future is chaotic and volatility is here to stay. But despite such uncertain times, there are plenty of opportunities for those who can prove themselves responsive and agile.

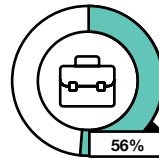
On the one hand, we are seeing a rise in extreme weather events, such as the devastating trio of hurricanes of 2017 (Harvey, Irma and Maria) leading to value chain disruption and exposing an enormous insurance protection gap. Hurricane Harvey in Texas alone cost \$180 billion, with just \$19 billion of that loss insured.

At the same time, global power shifts in the US, UK and EU have also realigned international leadership when it comes to sustainability, producing new levels of uncertainty and ambiguity.

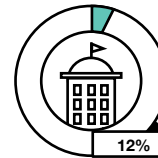


“The foreseeable future is chaotic – we are now living in a VUCA world (Volatile, Uncertain, Complex and Ambiguous) and that’s here to stay.”

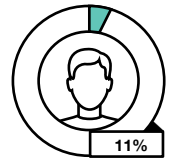
**Eliot Whittington**  
CISL Programme Director, Policy



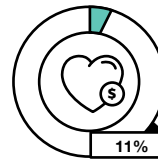
Business



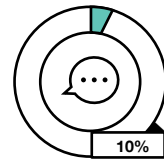
Government



Consumer



NGO



Other

**56% of our Network believe businesses over government will lead the way in taking direct action towards sustainability in 2018.**

This requires the private sector to step up and proactively lead in sustainability matters. This momentum swelled at the end of 2017 with the emphasis on private sector funding for achieving targets under the Paris Agreement at the One Planet Summit, hosted by President Emmanuel Macron.

In particular, the private sector is suitably placed when it comes to harnessing the potential of new technology in tackling sustainability challenges. By leading the way in investment and innovation, companies can find value in developments such as blockchain technology and fintech for greater efficiency.

## CATALYSE FINTECH FOR SUSTAINABILITY



## 2 Sustainability to shape the face of business

New technology, products and processes together with global issues like climate change and wealth inequality have exposed a leadership gap within businesses for responding to the fast-moving challenges of today's economy.

Companies are facing growing pressure to align their commercial interests with social and environmental challenges, as young people increasingly seek jobs with businesses that reflect their own priorities.

The role of leadership development and HR teams will be crucial to filling this gap through recruiting, training and incentivising individuals to succeed in this context. Key to this will be the recognition by Boards and CEOs that sustainability is a leadership issue, and that the leadership gap, left by policymakers and governments, is an opportunity

BECOME A FUTURE-FIT LEADER



Our survey found that **'strong organisational leadership'** and **'buy-in from the board'** were deemed the most critical factors for an organisation to take real action towards sustainability.



*“The failure of governments to move quickly enough to deliver the sustainable development goals is exposing businesses to a widening range of economic, social and political risks both directly and through impacts on their supply chains. Businesses will need to develop better capacity to understand non-financial risks and to integrate those findings with standard financial risk management practices.”*

**Tom Burke CBE,**  
Chairman at E3G and Senior Associate, CISL



### 3 Enduring loss and damage from extreme weather

The impact of climate-related disasters in 2017 was devastating and it was no one-off. Almost every continent suffered, from droughts across the Horn of Africa to flooding in South Asia and hurricanes in the US and Caribbean, and 2018 is likely to bring yet more.



More than  $\frac{3}{4}$  of survey respondents acknowledge that loss and damage from extreme weather could have an impact on their business in 2018.

Temperature rises, severe rainfall and natural disasters are hugely disruptive, leaving people homeless, hungry and without power. When Hurricane Harvey hit Texas, **one in five homeowners** in Greater Houston did not have flood insurance. By the end of the year, the US endured a record winter while Australia faced historic heatwaves and Storm Eleanor caused disruption in the UK and across Europe. These events affect industry's ability to help people recover, disrupting supply chains and adding to food insecurity.

With increasingly global supply chains running across multiple borders, improving resilience to extreme weather is more important than ever. This means maximising the sustainability of supply chains – from transportation and logistics to water and energy conservation. At the same time, there are growing examples of stranded assets, urgently requiring a long-term strategy to transition away from unsustainable business activities such as fossil fuels.

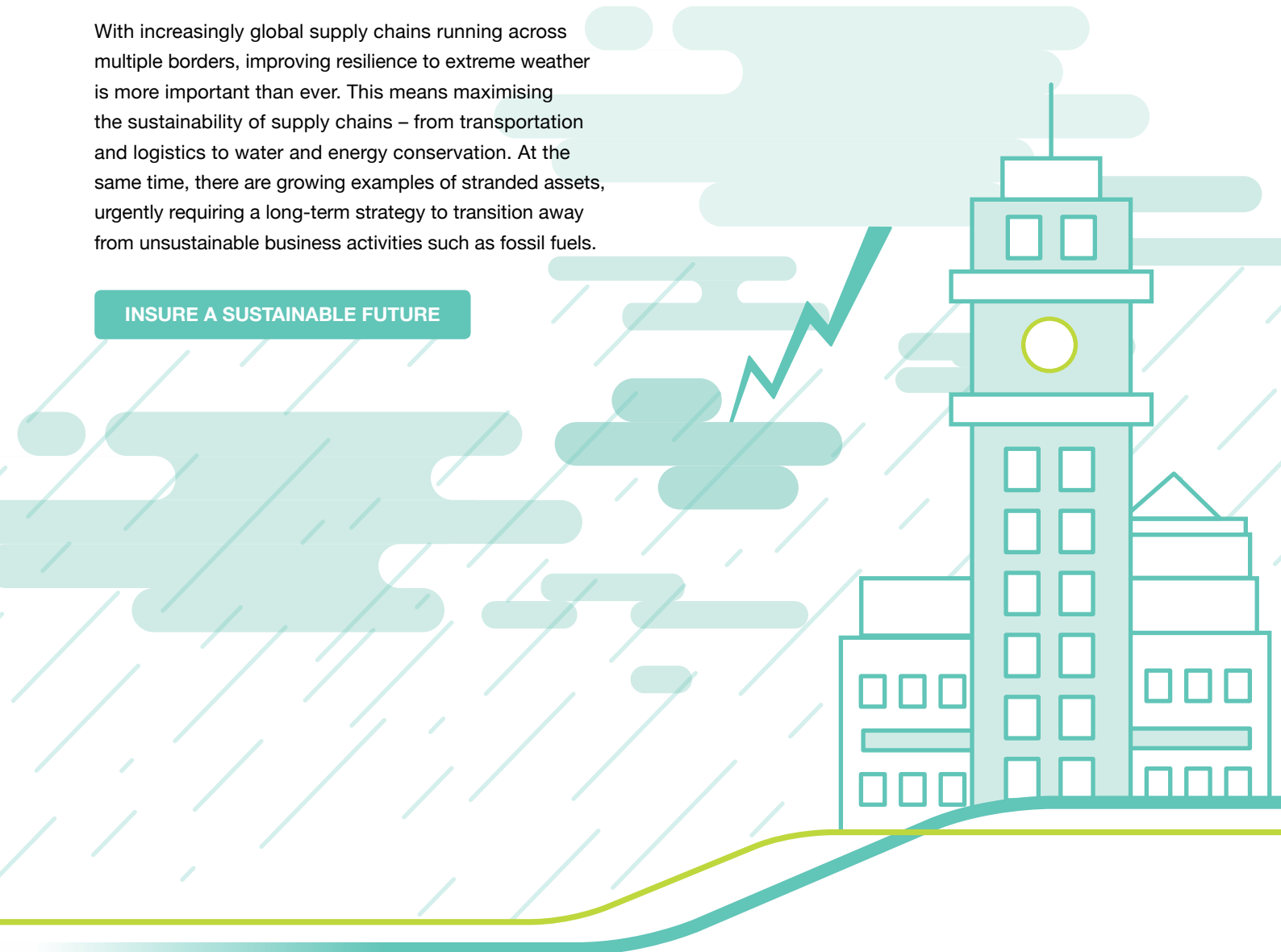
INSURE A SUSTAINABLE FUTURE



“Severe weather events (hurricanes, fires) continue to show the economic costs of climate change. At the same time, transformation of the economy to low or carbon-free energy also has its costs, even to the average investor saving for retirement. This is creating demands for relevant and reliable information for decision-making and new standards of disclosure.”

**Shari Littan**

**Editor Author for Thomson Reuters,  
and CISL US Ambassador**



## 4 Human versus machine

**The Fourth Industrial Revolution is in full swing, with challenges and consequences for people and the planet. Will automation really take our jobs and make industry more efficient? What are the implications for the social contract of business? And at what cost to society, if workers are replaced by robots?**

The economic and environmental potential of new technology – from artificial intelligence to autonomous vehicles and renewable energy – is enormous. But unless it is properly managed and regulated, we also risk unintended and adverse impacts, such as unemployment and growing inequality.

While the rise of the electric car has promised greener transport and better safety, the driverless car will also become the workerless car. Chevrolet's Bolt has just **24 moving parts** compared to the 149 that make up a Volkswagen Golf, requiring much less assembly. According to PWC, **30 per cent of jobs** in the UK, 38 per cent of jobs in the US and 21 per cent in Japan could be at high risk of automation by the early 2030s.

Yet technology can also create **new opportunities** with employment being redirected to areas such as research and development rather than simply substituted.

However - we must prepare, especially in the northern hemisphere where the workforce is ageing and yet more people are returning to work from retirement - for a future

of work that integrates both people and robots to fully benefit. This may mean retraining existing staff to use new technology as achieved at AT&T in the US, where new skills in e-commerce are supplied by new hires, who are then able to train retained workers.

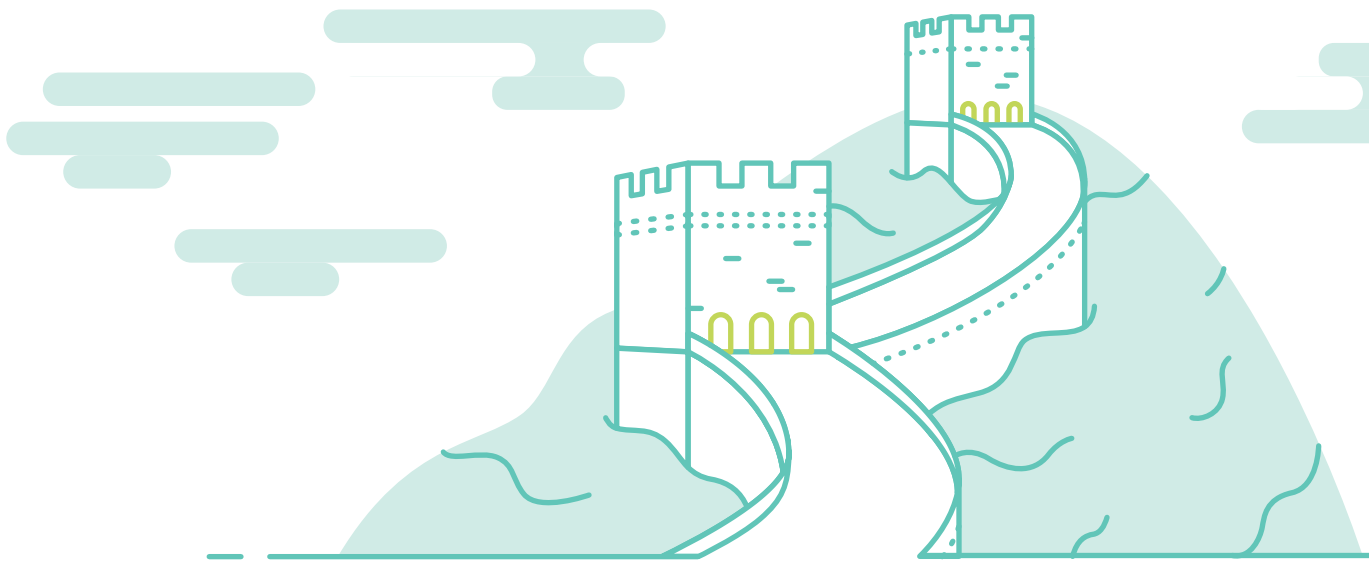


*“Technology - ranging from AI to robotics – is closely linked to disruption, but the impacts will be both positive (enhanced efficiency) and negative (job losses)”*

**Will Day**

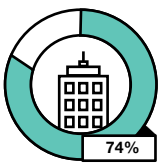
**Chairman of Water and Sanitation for the Urban Poor, Sustainability Advisor to PwC UK, CISL Fellow and Business Sustainability Management online short course guest lecturer**





## 5 China and the global shift to the East

While the West continues to depend on the private sector to propel the sustainability agenda, China's most powerful leader since Mao is blazing a trail for public interventions to bring about swift and transformative change.



74% of respondents acknowledge that China and the global shift to the East could have an impact on their business in 2018.

If the rest of the world caught a cold whenever the US sneezed, then it developed a fever when President Xi Jinping committed to upholding the Paris Agreement while emphasising the need to manage and protect China's own environment. Its clean air initiatives have targeted base metal producers, which could mean **a third of aluminium** smelting plants in Beijing and other cities are closed for part of the year to reduce smog. Tighter environmental regulations on iron ore have also led to an increase in demand for higher quality, less polluting material.

The challenge of unequal development has also been acknowledged with a focus on committing to a people-centred approach. The government is looking towards green finance as a route to support and drive many of these changes with the announcement of **five green finance pilot zones** in 2017 and a clear focus on continuing to grow and test new finance mechanisms and public-private financing initiatives will be seen in the coming months.



“Emerging markets, particularly China, will continue to be a focus for business growth and with stricter expectations of environmental responsibility than in the past. China is setting increasingly stringent regulations, with both private and public sector being held accountable.”

**Lucy Bruzzone**  
CISL Programme Director,  
Executive Education

Meanwhile, China's ambitious Belt and Road Initiative (BRI) to better connect China to Asia, Africa and Europe also offers the opportunity to green the global economy and help countries to deliver their targets for the Sustainable Development Goals in areas including jobs, poverty, infrastructure, and sustainable cities.

KEEP AN EYE ON CHINA



## 6 The end of an era for plastics

In 2017, the impact of single use plastics and microplastics drew widespread condemnation.

**A drive to reduce the use of plastic by consumers and companies is likely to be accompanied by greater scrutiny over other environmental impacts of business such as waste, land degradation and resource scarcity.**

In 2018, businesses can expect to face continued consumer and NGO pressure for a rapid move away from single use plastic. The most responsive companies will make use of new technologies, invest in alternatives and develop more sustainable practices throughout their value chains. This is likely to reinforce the growing notion of a circular economy where materials and products are reused, repurposed or recycled.



**62% of our Network believe that the move away from plastics will impact their business in 2018.**

### Case in point: UN pledges to stop plastic waste reaching the ocean.

The UN Environment's declaration of war on ocean plastic in early 2017 climaxed in December with a UN resolution that the world must unequivocally prevent plastic waste from reaching the sea. Amid warnings that there will be more plastic in the ocean than fish by 2050 without urgent action, some 200 countries signed up to the resolution.



Perhaps of equal significance, China moved to ban the import of plastic waste, which will force exporters to find urgent solutions for recycling while in the UK, the popular BBC nature program, Blue Planet, inspired the public to back action on plastic. This follows the UK's levy on single use plastic bags, and similar interventions in other countries including Kenya, which banned single use bags altogether.

As public consciousness of the issue grew, crew members of the **Vestas 11th Hour Racing** team joined the Cambridge Institute for Sustainability Leadership (CISL) ahead of the Volvo Ocean Race to discuss reversing marine degradation and the conservation leadership opportunities for sailors.

Explore how organisations can challenge society's current unsustainable production and consumption practices.

**FIND OUT MORE**



*“Concern over packaging’s negative impact is very much in the Zeitgeist.”*

**John Isherwood**

**CISL Ambassador and former Head of Sustainable Business at Pret A Manger**

## 7 A watershed year for transparency

Global agreements on sustainability from the UN Sustainable Development Goals to the Paris Agreement and the Taskforce on Climate-related Financial Disclosure (TCFD) are moving from the margins to the mainstream. The coming year will see businesses held to their commitments to report their sustainability performance, paving the way for greater impetus to meet sustainability targets.

### Case in point: Insurers find opportunities to address protection gap

For the last decade, members of the global insurers' network, ClimateWise, have been voluntarily disclosing their response to climate change risk with The ClimateWise Principles.

Such early alignment with the TCFD recommendations has put these organisations on the front foot when it comes to developing strategies for greater resilience and increasing board-level oversight on climate change and sustainability. This is particularly relevant for cities and urban areas as recognition of their vulnerability and importance continues to grow. With half of the world's population now living in cities and 1.5 million moving to urban areas every week, investing in more resilient cities is both a social and commercial necessity.

### BUILDING INSURABLE CITIES

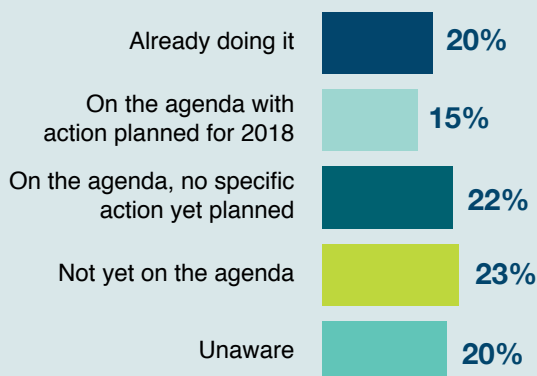


“2018 is going to be a crucial year for implementation of the TCFD recommendations. A critical issue for all will be the development of scenario analysis. But above all, we should find out whether voluntary TCFD disclosures gain momentum. If not, the authorities will have to look at making it mandatory.”

**Paul Fisher**

**CISL Senior Associate and  
Vice Chair of CISL's Banking  
Environment Initiative**

### Are businesses on board with adopting the TCFD recommendations for climate-related financial disclosure?



## 8 Life after coal

The dramatic decline in the burning of fossil fuels, driven by the EU, China and US, has consolidated the future of renewables - particularly solar power - and the inevitable switchover to electric vehicles.

With the International Energy Agency (IEA) forecasting **stagnant coal consumption** for the next five years and the World Bank announcing it will stop funding upstream oil and gas after a similar commitment regarding coal, all eyes will fall on the alternative and renewable energy market. China's plans to introduce a new system to **monitor the solar market** will help direct investments to areas with fewer idle plants while the UK ramps up efforts to phase out coal before 2025. Meanwhile, sub-Saharan Africa's renewable energy capacity is expected to **increase by 70 percent** in the next five years amid new solar, wind and hydropower projects.

At the same time, the energy sector will need to minimise the impact of stranded assets as it transitions to clean energy. Oil company Shell made the significant move into electricity with the takeover of First Utility at the close of 2017, challenging competitors to look closely at their own transition strategies.

PREPARE YOUR BUSINESS  
FOR A LOW CARBON WORLD



“India, one of the world's fastest growing carbon emitters, may soon have the distinction of never needing another coal plant. 2018 will see integration of renewable energy in corporate portfolios gaining greater traction.”

**Namrata Rana**

**Director at Futurescape and CISL  
Network Ambassador - India**

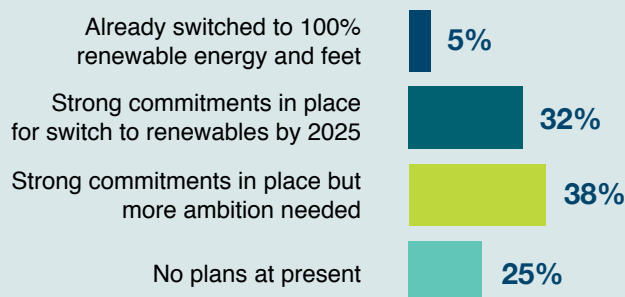


“The energy market will be turned inside out - the price of generating, storing and distributing cleaner energy will tumble and create more prosumers than any industry ever.”

**Munish Data**

**Head of Plan A and Facilities  
Management at Marks & Spencer  
and CISL Senior Associate**

### To what extent are organisations committed to switch to renewable energy and electric vehicles?



University of Cambridge Institute for Sustainability Leadership

# Business Sustainability Management online short course

The University of Cambridge Institute for Sustainability Leadership (CISL) empowers business and policy leaders to make the necessary adjustments to their organisations, industries and economic systems in light of these global sustainability challenges.

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