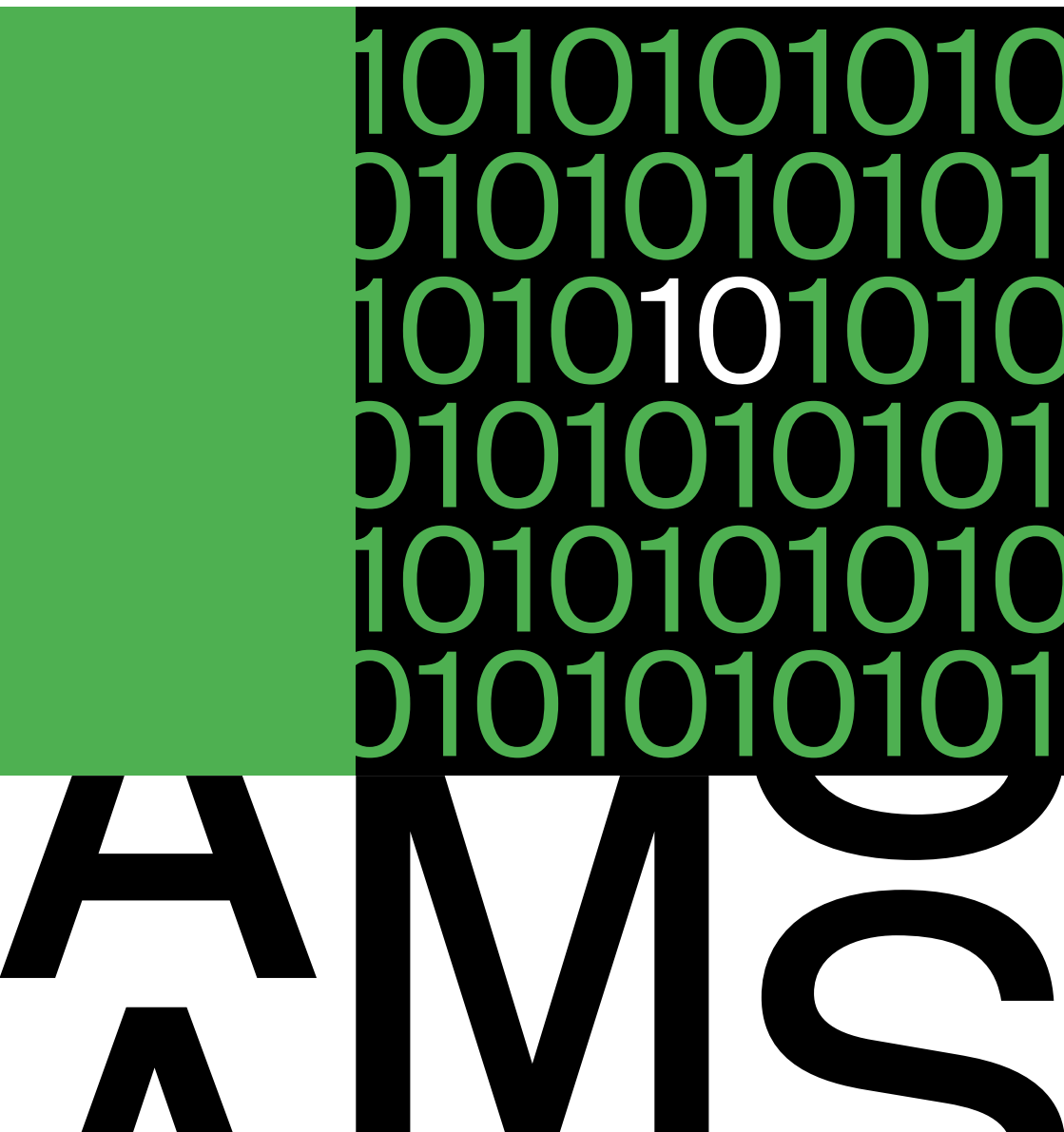


10 Sustainable Transformation Trends in 2023

By Prof. dr Wayne Visser

Antwerp Management School



From 2017 to 2023, my Chair in Sustainable Transformation and the associated competence centre at Antwerp Management School, supported by BASF, Port of Antwerp Bruges and Randstad, has sought to demonstrate thought leadership at the nexus between business, society and the environment. 2023 has already seen significant breakthroughs, shifts and landmark achievements in this area. In this briefing, I will shine a spotlight on 10 of the most significant sustainable transformation trends for business.



Trend 01

Planetary boundaries are set, but positive tipping points remain possible

Eight safe and just Earth system boundaries have been quantified for the first time, showing that we have already exceeded the limits for climate, the biosphere, water and nutrient cycles (phosphorous and nitrogen), and aerosols at global and subglobal scales. And research on systems has identified three sector-based ‘super leverage points’ towards a net zero, nature positive economy: mandates for passenger electric vehicle sales, mandates for green ammonia use in fertiliser production and public procurement of plant-based proteins. These would create ‘tipping cascades’ for batteries and renewables, cheap hydrogen for shipping and steel production, and reduce the pressure for livestock associated deforestation.

Trend 02

Climate records are broken, while pledges fall short

July 2023 was the hottest month since records began in 1850, with temperatures exceeding the previous high by 0.25°C. The global average temperature was 1.54 °C above the pre-industrial average for July. The IPCC’s Climate Change 2023: Synthesis Report concludes that “limiting warming to 1.5°C above pre-industrial levels requires deep, rapid and sustained greenhouse gas emissions reductions in all sectors” and “will need to be cut by almost half by 2030”. By contrast, the latest emission pledges by 193 countries still put the world on track for around 2.5°C of warming by the end of the century. This will also cause a 10.6% increase in greenhouse gas emissions by 2030, compared to 2010 levels.

Trend 03

Oil & gas doubles down, but clean energy booms as well

In 2023, Exxon, Shell and BP all scaled back their ambitions on cutting carbon emissions and doubled down on oil & gas expansion. Profits from nine of the biggest energy companies (including those above) were \$457 billion for 2022 and around US\$100 billion in the first quarter of 2023. However, annual investment in clean energy is now \$1.7 trillion, versus \$1 trillion for fossil fuels. In 2023, solar investments alone will exceed oil investments for the first time. Meanwhile, the electric vehicle market grew 60% in 2022: one in every 7 cars sold is now electric (versus 1 in 70 in 2017). Tesla's Model Y was the world's bestselling car in the first quarter of 2023.

Trend 04

A less circular economy, with plastic in the spotlight

Circularity in the global economy has decreased from 9.1% in 2018, to 7.2% in 2023, because the growth rate of resource extraction is outpacing improvements in efficiency and in end-of-use recovery by a factor of two to three. Global material extraction and consumption needs to fall by a third to bring us back within planetary boundaries. As part of the negotiations on the UN convention on plastic pollution, a UNEP action plan aiming to end plastic pollution by 2040 was introduced. This programme estimates potential net savings and avoided externalities at \$4.5 trillion and job creation at 700,000, mainly in low-income countries. The EU also adopted a proposal for a Directive on common rules promoting the repair of goods.

Trend 05

Plummeting biodiversity calls for a new global goal for nature

The Living Planet Index shows that global wildlife populations have plummeted by 69% on average since 1970, with freshwater populations dropping by an average of 83%. The Kunming-Montreal Global Biodiversity Framework (GBF), adopted by 196 countries in December 2022, set the global goal to protect at least 30% of terrestrial and marine areas by 2030 (currently 17% and 10% respectively) and to restore their ecosystems and biodiversity by 2050. Europe introduced a new Regulation on deforestation-free products and a Nature Restoration Law that requires restoration of 20% of land and sea and cutting chemical pesticide pollution by 50% by 2030.

Trend 06

Employee engagement rises, as does 'quiet quitting' and stress

According to Gallup's State of the Global Workplace, 23% of the global workforce thrives at work (engaged) - a peak since Gallup began measuring employee engagement in 2009. Engagement is highest in South Asia (33%) and lowest in Europe (13%). However, most employees are still 'quiet quitting' (59%, not engaged) or 'loud quitting' (18%, actively disengaged). Globally, over half of employees (51%) expressed some level of intent to leave their job. And despite job prospects rebounding in 2022, 44% said they experienced a lot of stress, which is higher than during the height of the COVID-19 pandemic. Engagement has 3.8 times as much influence on employee stress as work location.

Trend 07

Gender diversity is prioritised, but progress remains unsatisfactory

68% of Gen Z workers are not satisfied with their organisation's progress in creating a diverse and inclusive work environment, and 56% of Gen Z workers would not accept a role without diverse leadership. The gender pay gap is still 40% globally and 30% in Europe, with little improvement since 2006. As it looks now, it will take 169 years to close the gap. As part of their diversity, equity and inclusion (DEI) programmes, most companies worldwide prioritise women (79%), youth under 25 (68%) and those with disabilities (51%). Less attention is paid to people from a disadvantaged (39%) or low income background (33%), workers over age 55 (36%) and those who identify as LGBTQI+ (35%).

Trend 08

Automation looms large, while generative AI unleashes productivity

While an estimated two thirds of business-related tasks are performed by humans today, automation is expected to rise to 42% by 2027 - varying from 35% of tasks that require reasoning and decision-making to 65% of information and data processing activities. Since the launch of OpenAI's Chat-GPT in November 2022, generative AI has received the most attention. 50% of organisations believe it will create job growth, while 25% expect job losses. Regardless, 98% of global executives believe generative AI will play an important role in their organisations' strategies in the next 3 to 5 years. Large language models (like GPT-4) are expected to impact all industries and all job categories, affecting up to 66% of total hours worked in some cases.

Trend 09

Mandates sustainability reporting and emerging nature standards

The European Union's Corporate Sustainability Reporting Directive (CSRD) became effective in January 2023, requiring over 50,000 companies to report from 2024 in line with the European Sustainability Reporting Standards (ESRS). A key feature is the emphasis on double-materiality, meaning "the union of impact materiality and financial materiality". Another milestone was the launch of the world's first science-based targets for nature by the Science Based Targets Network (SBTN), while the Taskforce on Nature-related Financial Disclosures (TNFD) released V0.4 of its Nature-Related Risk and Opportunity Management and Disclosure Framework.

Trend 10

ESG weathers backlash, yet grows unabated

Environmental, Social and Government investment strategies have been weathering two storms. The first caused by greenwashing by ESG funds, mostly in Europe, where the EU published a proposal for a Green Claims Directive in March 2023. The second consists of the politicisation of ESG as "woke" by conservative politics, mostly in the US, where at least 165 anti-ESG bills were introduced in 2023. Despite this backlash, most analysts predict that the global ESG market will grow, from \$40 trillion in assets under management globally in 2022 to \$50 trillion in 2025. And even in the US, 81% of institutional investors surveyed planned to increase their ESG products over the next 2 years, with the market expected to more than double from \$4.5 trillion in 2021 to \$10.5 trillion in 2026.

These 10 trends show how dynamic the sustainable transformation space is. While evidence of the scale and urgency of our global challenges is mounting, sustainable market breakthroughs are starting to scale. We are running a race of existential importance. To make a thriving future possible – to regenerate nature, society and the economy – we will need bolder government policies, bigger business investments and more civil society activism. I invite you to partner with me at Antwerp Management School, as we open minds to positively impact the world.



*Prof. dr Wayne Visser is a globally recognised “pracademic”, poet and “possibilist” on the impact of business on nature and society, with faculty roles at Antwerp Management School and the University of Cambridge. He has written 43 books, including the Amazon bestseller *Thriving: The Breakthrough Movement to Regenerate Nature, Society, and the Economy*.

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