



Building trust

Assurance of portfolio assessments

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Executive summary

WBCSD's Portfolio Sustainability Assessment (PSA), first launched in 2018, can form the core of a company's sustainability plan. The PSA offers a proven methodology for assessing a company's product portfolio and provides a structure for decision-making.

Although the PSA is typically used as an internal company tool, external stakeholders are increasingly looking for evidence that companies are making progress on their targets. This paper outlines the role that the PSA methodology and external assurance can play in building trust and providing confidence to stakeholders that a company is making meaningful progress towards more sustainable outcomes.

- Part 1 of this paper provides an introduction to the PSA and outlines the role that external assurance can provide in building trust. It discusses the various forms of assurance and provides an overview of WBCSD's assurance maturity model.
- Part 2 provides concrete case studies that illustrate the business case for using the PSA methodology and the benefits that external assurance can provide both for processes in place and the quality of data.
- Part 3 provides a checklist to help companies assess their maturity in applying the PSA methodology.

This paper is for use by business leaders in the manufacturing and chemical sectors to enhance confidence in their companies' portfolio assessments and engage stakeholders more effectively in their journey towards improved sustainability performance.

Part 1: Getting a better understanding of a company's sustainability efforts

1. Introduction

Despite the significant sustainability efforts of some companies, stakeholders still perceive them as being insufficient. The Edelman Trust Barometer (2021) highlights that even though those people surveyed still trust business (61%) marginally more than NGOs (57%) and governments (53%), they are generally suspicious of the claims all institutions are making. Perhaps a more telling signal is that it falls to business to address these concerns as it remains the only institution that stakeholders perceive as both competent and ethical. It is fair to say that because business can no longer rely on governments and NGOs to address what needs addressing to achieve the Sustainable Development Goals, it has an important, if not leading, role to play. It is against this backdrop that the need for third-party assurance to review and assess the claims companies are making is increasingly important.

Companies are constantly under pressure from investors to make their activities more sustainable and the bar is constantly being raised:

As more and more investors choose to tilt their investments towards sustainability-focused companies, the tectonic shift we are seeing will accelerate further. And because this will have such a dramatic impact on how capital is allocated, every management team and board will need to consider how this will impact their company's stock.¹

Apart from investors, NGOs are also calling out companies over sustainability claims they are making² and other stakeholders and regulators continue to demand more information and evidence of transition. Those tectonic shifts that Fink refers to have already arrived for industries such as oil and gas. Yet other industries are also targets and being called on to adapt. For instance, estimates put the value of food industry output created annually at USD \$10 trillion. At the same time, this results in externalized costs to the planet of USD \$12 trillion.³ The other side of this is that there are tremendous opportunities for companies that invest today to shape their transition rather than having to face upcoming and stringent regulations.

WBCSD has set out the transformations needed for business in its [Vision 2050](#) and our member companies have adopted them. Among these is the urgent need for companies to address the adaptation of their business model to ensure they can continue to create and capture value in the future. Whether you take a management or governance perspective, transformation starts with processes to adapt your product portfolio.

2. Are your products sustainable?

To help businesses assess the sustainability of their product portfolio, the WBCSD chemical group developed the Portfolio Sustainability Assessment (PSA). In 2018 we turned this framework into an industry-specific methodology. As the importance and urgency of sustainable development is now clearer than ever, it has also become crucial to have a common view on the definition of sustainable performance and to work in the same direction. Furthermore, companies are facing an explosion of surveys, questionnaires, standards and tools offered to help them gain insights into sustainability performance: two-thirds of WBCSD Redefining Value members expect to see a significant increase in resources needed to respond to ratings and ranking questionnaires in the next five years.

Companies that developed their approaches based on PSA report tangible benefits:

- Better decisions, more robust strategies
- Higher growth rate of more sustainable solutions
- Credible communication on sustainable benefits
- Stronger customer and stakeholder relationships
- Reduced risks
- Improved corporate image.

In support of various global ambitions, companies increasingly use PSA to proactively steer their overall product portfolios towards improved sustainability outcomes. Many different types of stakeholders – customers, investors, authorities and the general public – define a sustainable product portfolio and it changes over time as more knowledge becomes available.

PSA is therefore not a one-off exercise, but an ongoing process, integrated in the business process. As such it is crucial to making the right decisions for the future of the business and will satisfy the main stakeholders:

- Investors are interested in long-term returns and want to minimize risk; they prefer a company that has good insights into future financial and environmental/regulatory risks and acts on the findings to a company that is reactive.
- Responsible customers have their own environmental, social and governance (ESG) goals and, in some cases, they can only attain them if upstream value chain partners reach theirs.
- Authorities and the general public benefit from increased transparency, which in turn will help in assessing safety and health risks.
- An increasing number of employees prefer to work for companies that take sustainability seriously.

The need for businesses to become more sustainable faster will invariably mean that the life cycles of existing products become shorter, while the development effort for safer products that contribute to the circular economy will have to accelerate. For this to succeed it is paramount for businesses to take a value chain approach to ensure enablement right up to and including end-of-life management of the product.

Why we implemented the PSA methodology

Reinoud Clemens, Portfolio Manager Sustainability, DSM:

“The DSM Brighter Living Solutions program helps build our reputation by creating awareness about the sustainability of DSM products both from an environmental and social perspective.

Another important factor is it pushes us to develop innovative products, services and technologies that offer a superior environmental impact and/or social impact over their entire life cycle compared to the mainstream alternative for the same application.”

Noël Zilberfarb, Sustainable Offer Manager, Arkema:

“We first implemented Arkema’s Archimedes program to properly assess our group’s portfolio, its risks and opportunities.

And in fact, the process of evaluating the environmental and social impact of products is perceived as strategic and it has created expectations both internally and externally.

It actually creates a healthy emulation among our business lines as its results are highly visible and the Executive Committee strongly supports the whole program.

In addition, the program and its long-term objective for the group contribute to making Arkema’s journey to sustainability tangible and credible.”

How is the PSA framework different from the Responsible Care initiative?

Certain companies in the chemical industry may wonder how the Responsible Care initiative may differ from the PSA framework. The PSA framework and the Responsible Care initiative are both voluntary schemes aimed at improving health, safety and environmental performance, increasing product stewardship, and fostering dialogue with chemical industry stakeholders. The PSA framework specifically encourages companies to steer their overall product portfolios towards improved sustainability performance and ultimately contribute to the United Nations Sustainable Development Goals (UN SDGs). In doing so, the PSA framework contributes to eliminating adverse effects resulting from the existing portfolio and creates positive opportunities for the business.

3. Where should you start?

The PSA framework⁴ recommends that companies follow a five-step approach to conduct a PSA. The approach, illustrated in Figure 1, is iterative. This means that companies should use the results of a first assessment to define the objectives, scope and process for future assessments.

Figure 1: The framework's five-step approach



How we implemented the methodology

Noël Zilberfarb, Sustainable Offer Manager, Arkema:

“The Archimedes program originates from the WBCSD PSA Framework. Once we formalized the methodology, we rolled out the program step by step. During year one we carried out a pilot to test the methodology, sharpen the criteria and make them more robust.

Then, we deployed the approach from year two onwards to all business units in the group with a progressive coverage rate.”

Dr. Wibke Lölsberg, Sustainability Strategy, BASF SE:

“We conducted pilots of the Sustainable Solution Steering methodology in a few business units first. Following the decision made by the Board of Directors, we subsequently rolled it out to all business units simultaneously. It took approximately four years for us to segment the entire portfolio for the first time.

Before we received the first limited assurance on the methodology in 2014, we defined segmentation criteria such that they could be subjected to external assurance.”

Defining objectives, scope and process

Before deciding on the scope of business activities to be included in the PSA, you should conduct a high-level screening of your company’s complete portfolio. The objective of the high-level screening is to ensure that your company has an adequate understanding of the location of business topics with potential sustainability concerns in the portfolio.

Following this, you may decide to either include all activities in the PSA's scope (full scope), select a part of the business (such as one business unit), or exclude activities from the scope of the assessment (such as activities not considered core). You should include a clear justification and rationale for activities included in or excluded from the primary scope, as well as information on the company roadmap to more complete coverage if the scope is limited.

Defining assessment segments

The purpose of portfolio segmentation is to ensure that PSAs consider the specific context of a product/service and the supply and value chain in a region while simultaneously reducing complexity through the effective grouping of similar activities with similar sustainability performance.

You need to define the exact approach used to determine assessment segments in the methodology as it depends on the types of products or services provided, as well as the position in the value chain.

Detecting market signals

The next step requires the identification of material environmental and social challenges and opportunities related to each assessment segment. The signal categories aim to represent the perspectives of different stakeholder groups, which are relevant for specific applications.

Assessing sustainability using criteria defined by relevant stakeholder groups enables you to assess your company's sustainability performance using a fact-based outside-in view and highlights areas where changes in decision-making are likely to occur for sustainability-related reasons. Signal categories may, for instance, evaluate sustainability performance based on: regulatory trends, authoritative ecolabels, sustainability ambitions in the value chain, sustainability performance compared to alternative solutions, economic value creation versus environmental and societal harms and benefits, contribution to the Sustainable Development Goals, company internal guidelines and objectives, etc.

Signals on environmental and social performance will evolve over time.

Categorizing the portfolio

Following the identification of sustainability signals, you should evaluate all material signals identified and categorize assessment segments based on the overall sustainability performance. The categorization of assessment segments enables you to aggregate results and evaluate performance at the portfolio level.

When categorizing results, you should make use of at least three reporting categories (best-practice approaches use five categories). For instance:

- A. Assessment segments contributing to a more sustainable world
- B. Neutral assessment segments
- C. Assessment segments with a material sustainability concern

You should not offset material sustainability-related concerns (negative signals) with sustainability benefits (positive signals) when assigning an assessment segment to a category.

Using the results and external reporting

Once you have successfully designed and implemented PSA approaches you can use the methodology throughout all key decision-making processes, including risk and opportunity identification, strategy development and review, (innovation) project management, capital expenditure decisions, mergers and acquisitions, sales planning and customer co-development projects, portfolio steering by target-setting.

When reporting results externally, you should provide full transparency in reporting on the methodology used to assess sustainability performance, the scope of the assessment, the results of the assessment for at least the three categories (positive, neutral and negative), the process used to conduct the assessment, and in the assurance process in place and the outcome of the assurance process.

What are the challenges faced in implementing the methodology?

Noël Zilberfarb, Sustainable Offer Manager, Arkema:

“Resources are a key factor in the success of the process and it is necessary to ensure that dedicated people are available.

On the other hand, the collection and storage can become challenging if data is sourced from heterogeneous information systems and if not supported by a dedicated tool for storage integrity and correct use.

Finally, the PSA outputs might highlight certain sensitive business challenges, which operational staff and decision-makers need to acknowledge and take into account.”

Daniel Gambus, Senior Specialist, Corporate Sustainability Europe, Sabic:

“SABIC is convinced that PSA has value and we are committed to implementing it. However, the efforts associated with the implementation are high in terms of the amount of work it requires. Therefore, the challenge is to assign enough resources in order to assure the implementation in the targeted timeframe.”

4. Why should you act now?

Benefits of being a first mover

Early adoption of the PSA framework can allow you to test the approach in the initial phase and then improve it over time. It is also an opportunity to promote PSA internally during its roll-out, so that management becomes familiar with the use of the results, particularly in strategic decision-making. Finally, the PSA framework is a tool for greater transparency in the evaluation and development of a portfolio. As such, adopting it early can highlight both your company's ability to listen to stakeholders and its capacity to innovate.

Planned approach to product transition

The PSA methodology aims to categorize the portfolio into different segments (usually between three and five categories), reflecting products that contribute to a more sustainable world, products with a neutral assessment, and products with a material sustainability issue.

You can use the findings to report on the positive impacts associated with the part of your company's portfolio that creates a positive impact. However, you can also use the outcomes of the assessment to target certain products to improve to meet pre-defined sustainability criteria and thus implement a transition process internally.

Shape rather than react to regulatory policy

The social and environmental regulatory environment for companies is changing at an increasing pace worldwide. Various regulations, including the EU Taxonomy, the UK Modern Slavery Act, greenhouse gas emissions trading schemes in the EU, the US and China, are already having or will have a profound impact on the way companies do business in the years to come.

Therefore, the selection of market signals can be part of the discussion with legislators and can support regulatory developments.

What are the benefits associated with the implementation of the methodology?

Daniel Gambus, Senior Specialist, Corporate Sustainability Europe, Sabic:

“The Portfolio Sustainability Assessment is a universal language. It ensures comparability across the business and can be applied in a systematic way. It creates awareness about the actual sustainability performance in the business.”

Dr. Wibke Lölsberg, Sustainability Strategy, BASF SE:

“The Sustainable Solution Steering methodology provides us with a fully transparent and consistent evaluation of the sustainability performance of BASF’s solutions. It also provides a basis for actively steering a portfolio towards a more sustainable profile.

It allows us to identify key drivers and issues in our customers’ industries.

It increases the portfolio with innovative and sustainable solutions and makes our customers more successful, steering instrument triggering sustainability-related innovations that ensure differentiation in the markets through their contribution to improve quality of life.

It allows us to gain a clear picture of sustainability concerns and drivers within the current and future portfolio, identify solutions which will likely be affected by regulations and/or a negative market perception in the future at an early stage, and serve as an early warning system.

It anchors sustainability in the company’s daily business. Employees in various positions and functions, such as R&D, marketing, sales, strategy or product stewardship, are engaged in sustainability in a structured and consistent approach.”

Guido Vornholt, Sustainability Strategy, Evonik:

“The PSA methodology is integrated into Evonik’s strategic management process.

It also provides a direct link to Evonik’s core sustainability targets:

- *Increasing the share of sales of next generation solutions*
- *Reducing the Evonik carbon footprint*

The methodology has intensified our internal discussions about sustainability-related issues and has brought together the internal community of sustainability managers. Moreover, the intensive consideration of their businesses as part of the PSA leads to fruitful discussions among our managers, in our customer dialogues, about possible options for action as well as about new business opportunities and models. Overall, we are observing a greater identification with the sustainability issues that are essential for our business. In addition, we pay greater attention to opportunities and risks along the value chain and to developments in end-markets. We are thus further consolidating our close cooperation with partners along the value chain – which has always been a strength of Evonik.”

5. How can assurance build confidence?

External assurance can provide various benefits, ranging from increasing confidence over the information disclosed, helping management strengthen control over the processes in place, to improving the quality of the data, all of which help decision-making for both internal and external stakeholders.

Developing effective systems to apply the PSA framework requires robust processes for collecting, controlling, consolidating and reporting the data. Management consulting can provide assistance in the development of the methodology, tools and controls required to conduct a portfolio sustainability assessment. The role of internal audit can also be extremely useful in helping evaluate and improve the robustness and effectiveness of the systems implemented over time. Therefore, internal audit may also play a role in supporting the business getting prepared for external assurance.

How stakeholders perceive assurance

Reinoud Clemens, Portfolio Manager Sustainability, DSM:

“External assurance gives greater credibility to the information related to the DSM Brighter Living Solutions program both internally and externally.

Internally, the Board receives the same level of assurance (i.e., reasonable assurance) on the financial and non-financial criteria used in the variable remuneration of the management.

Externally, external assurance helps us demonstrate the accuracy and robustness of the data we disclose and is useful in our dialogue with stakeholders.”

Noël Zilberfarb, Sustainable Offer Manager, Arkema:

“Assurance means credibility: it reinforces internal Archimedes ownership while supporting public disclosure and commitments. Last but not least, it is also a constructive challenge for our Archimedes steering team – every year – to further improve the methodology and its implementation.”

Dr. Wibke Lölsberg, Sustainability Strategy, BASF SE:

“Reasonable assurance on the ‘accelerator sales’ data provides higher credibility for external stakeholders, including shareholders.”

External assurance

External assurance enhances the degree of confidence in the information your company discloses based on the PSA framework. It can be useful at different stages in the framework's application, whether your company has just started to apply it or is an early adopter with mature processes in place.

Having a recognized third party provide external assurance will ensure independence, integrity, objectivity and professional skepticism in the conduct of the assurance engagement. Also, external assurance providers carry out their engagements in accordance with professional standards that guide their work as well as the output of their work – the assurance report.

Limited and reasonable assurance

The International Standard on Assurance Engagements ISAE 3000 (Revised) is the principal reference point for a standard on assurance in this guidance. It is the most widely used international standard for assurance over non-financial information issued by the International Auditing and Assurance Standards Board (IAASB). ISAE 3000 (Revised) provides assurance at two levels: *reasonable* (in the form of a positive statement) and *limited* (in the form of a negative statement). The IAASB International Framework for Assurance Engagements sets out the difference between *reasonable* and *limited* assurance.

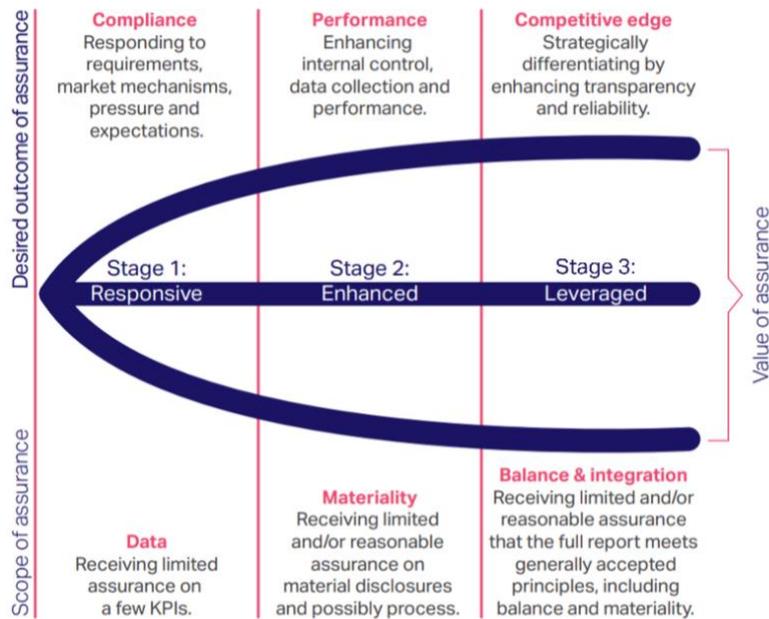
The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion.

The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion.

WBCSD assurance maturity model

For several years now, we have sought to demonstrate the value that external assurance can add to sustainability reporting. To help reporters navigate through the assurance journey we developed a [three-stage assurance maturity model](#). Its purpose is to help those who seek assurance services understand where they are, where they want to go and how they can generate value through continuous improvement. It helps reporters assess the current stage of their internal control environment and navigate their assurance journey through three stages.

Figure 2: WBCSD assurance maturity model



1. Responsive

At this stage, reporters are generally aware of external assurance requirements and are likely to seek limited assurance on a selection of data points or indicators, for example the share of the portfolio assessed using the PSA methodology. Many companies at this stage are just beginning their journey and are therefore unaware of how to fully use the benefits of external assurance. The assurance engagement may be useful in helping define clear roles and responsibilities, enhance processes and controls, and ensure consistent and replicable methodologies. This is an opportunity to enhance stakeholder trust and confidence.

2. Enhanced

Reporters at this level are seeking external assurance at a limited or reasonable level on material disclosures and potentially reporting processes, for example the outcome of the portfolio assessment conducted. At this stage, companies are enhancing their own internal controls and data collection to improve the quality of data reported. The enhanced stage may help your company gain greater confidence in reported information to inform internal and external decisions.

3. Leveraged

Reporters at this stage are looking to gain a competitive advantage through transparency and reliability of data. They seek external assurance on the full report that meets generally accepted principles, including balance and maturity. For example, the assurance report may cover a dedicated report or an entire section of a report presenting the approach, the objectives and key performance indicators related to the PSA framework. Reporters at this stage go beyond obtaining assurance on the accuracy of the information and seek greater trust and transparency in the information. This assurance may be of limited or reasonable level. You can achieve higher levels of confidence from this stage as the dedicated report or entire section of a report has gone through a rigorous assurance process.

How assurance helps improve the processes

Reinoud Clemens, Portfolio Manager Sustainability, DSM:

“External assurance helped us make the DSM Brighter Living Solutions processes more reliable. For instance, it allowed us to better define the roles and responsibilities involved in the process.

It also allowed us to ensure greater consistency and repeatability in the assessments conducted by colleagues across functions and business teams.”

Guido Vornholt, Sustainability Strategy, Evonik:

“In general, external assurance increases the credibility, transparency and comparability of our sustainability data and statements.

Moreover, from a regulatory point of view, the requirements in terms of external assurance are increasing. We see this, for example, in the draft of the CSRD Directive. According to this draft, an external audit of the non-financial report with level ‘limited’ will become mandatory.

Internally, we determined that external assurance increases the discipline of all colleagues involved – frankly speaking, it makes our lives as process owners easier.”

Dr. Wibke Lölsberg, Sustainability Strategy, BASF SE:

“External assurance brought improvements in several areas: IT application, documentation quality and extent, chapters of the manual reworked where required.”

The assurance report

The independent third party conveys the conclusion of the assurance engagement it conducts in the assurance report. Your company can release the assurance report to the public together with the information disclosed on the PSA framework implementation. In this case the assurance report adds transparency and credibility to the information disclosed.

It is important to highlight that assurance engagements are subject to inherent limitations. First of all, external assurance cannot provide additional confidence if the information is of low quality or it is based on estimations. Also, because external assurance providers apply sampling techniques when testing the data, there is a risk that the assurance procedures may fail to detect a material misstatement. Finally, historic information provides the basis for assurance procedures and thus the assurance report may not fully reflect the situation at the time when the assurance report is made public.

Part 2: How can this help your business today?

Many companies have embarked on the PSA journey and therefore have different levels of maturity, both in terms of the depth of application of the PSA methodology and the level of external assurance provided by an independent third party.

The two case studies featured in this section illustrate that it is possible to implement the PSA methodology step-by-step and refine it over time. They also show that external assurance can take different forms and bring multiple benefits both for the processes in place as well as the data.

Case study #1 – Chemours – Evolve 2030 Sustainable Offerings Assessment Method

Chemours developed its Corporate Responsibility Commitment (CRC) based on three pillars – Inspired People, Shared Planet and Evolved Portfolio – broken down into 10 goals.

As part of the Evolved Portfolio pillar, Chemours defined the goal that it would derive 50% or more of the company’s revenue from offerings that make a specific contribution to the UN SDGs by 2030.

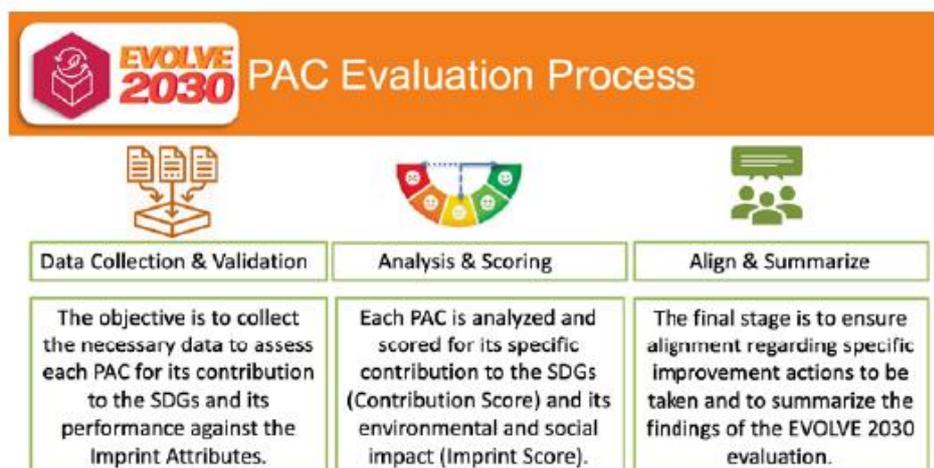
Methodology development

Chemours started developing the Evolve 2030 Sustainable Offerings Assessment Method in 2019, based on the Portfolio Sustainability Assessment methodology. It took approximately six months for the company to establish the approach, with the aim to cover both existing products as well as products under development.

It first tested the methodology on four pilot Product Application Combinations (PACs), then subsequently rolled it out to the entire portfolio. To ensure credibility and consistency of the approach, it conducted reproducibility studies.

The results of the evaluation process inform the company’s decisions about the product portfolio, investments in innovations, and how the company deploys its resources.

Figure 3: Evolve 2030 PAC evaluation process



Assurance

Chemours hired an external third party to assure the EVOLVE 2030 methodology at the end of 2019. External assurance helped improve the tools used and communications with other stakeholders.

Case study #2 – Solvay – Sustainable Portfolio Management

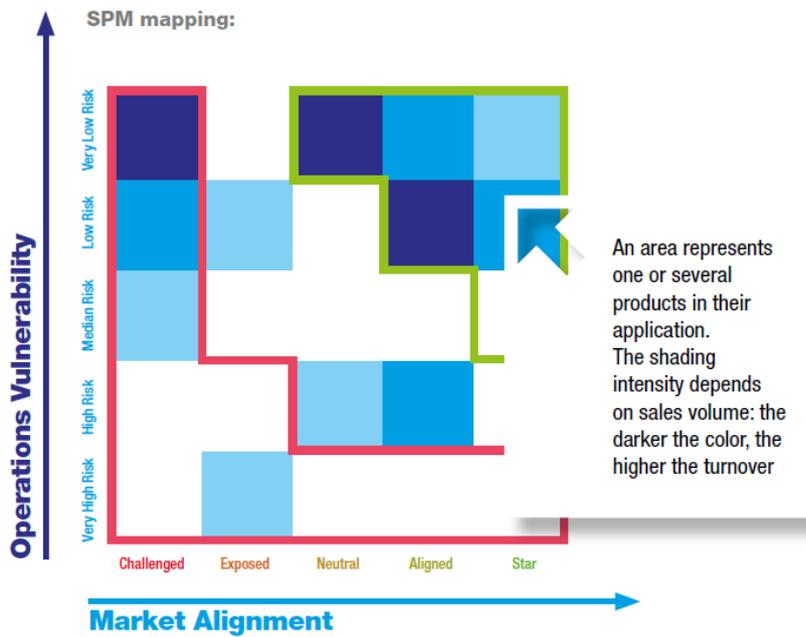
To understand how sustainability trends impacted the profit and loss account of the company, Solvay launched the Sustainable Portfolio Management (SPM) tool in 2008 at a time when no ready-made sustainable portfolio assessment methodologies were available. The SPM combines scientific robustness with the specifics of the corporate financial decision-making processes. The SPM tool has become a strategic management tool and the SPM score has been a key extra-financial indicator for the group since 2015.

Methodology development

The methodology is based on the assessment of:

1. Operation vulnerability. This is a quantitative approach based on a cradle-to-gate life-cycle analysis (LCA). It evaluates related risks and opportunities posed by the environmental footprint of products according to the “polluter pays” principle.
2. Market alignment. This is a qualitative approach based on a questionnaire. The objective is to identify environmental, societal and health issues associated with products from a customer/market perspective.

Figure 4: SPM mapping



Solvay first applied the SPM approach on certain business units in 2009 then extended it to cover over 80% of the company’s revenue by 2012.

The result of the evaluation process informs the company’s decisions about the product portfolio, the investments in innovations, and how the company deploys its resources.

Assurance

Solvay received third-party assurance on the SPM disclosure in its *Annual Report*. The company started with limited assurance first then moved to reasonable assurance.

External assurance provided more credibility and robustness over the overall assessment. It helped improve the robustness and the reliability of the process. Therefore, various stakeholders, including investors and the board of directors, have seen the added value associated with the assurance process.

Part 3: How does your company measure up?

We have designed the following checklist to help companies consider how mature they are in applying the PSA methodology.

For each section, consider how many answers are “yes” and “no” in order to assess whether your company is still in the early stages, need improvements or is fairly mature regarding the following areas (the higher the number of “yes” answers, the greater the maturity):

- Rolling out the PSA methodology
- Developing robust PSA processes
- Enhancing the credibility of the PSA disclosure internally
- Enhancing the credibility of the PSA disclosure externally.

Rolling out the PSA methodology	Yes/no
Has your company started implementing the Portfolio Sustainability Assessment (PSA) methodology?	
Has your company implemented PSA in selected parts of the business (e.g., as a pilot project)?	
Has your company implemented PSA over the entire portfolio of your company?	
Developing robust PSA processes	
Has your company developed company-specific procedures to implement PSA?	
Has your company developed company-specific tools to implement PSA?	
Has your company defined the roles and responsibilities associated with PSA?	
Enhancing the credibility of the PSA disclosure internally	
Does your company rely on PSA for decision-making?	
Is management reviewing PSA results on a regular basis?	
Has an external third party reviewed (assessment for the attention of management only) your company’s PSA processes and/or data ?	
Enhancing the credibility of the PSA disclosure externally	
Is your company disclosing the outcome of the PSA methodology externally?	
Has an external third party assured (external assurance with an assurance report publicly disclosed) your company’s PSA processes and/or data ?	

Glossary

Assurance report: Written report provided by the assurance provider that expresses a conclusion on the basis of the evidence obtained about the subject matter information.

Information: Refers to the processed, organized, structured or presented form of data used as an output for decision-making.

External assurance: Usually describes the methods and processes employed to evaluate an organization's public disclosures about its performance as well as underlying systems, data and processes against suitable criteria and standards to increase the credibility of public disclosure. Professionals from an organization independent of the company perform external assurance.

Life cycle assessment (LCA): Compilation and evaluation of inputs, outputs and potential environmental impacts of a product system throughout its life cycle.

Limited assurance: An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.

Framework for Portfolio Sustainability Assessments (PSA): A framework developed by WBCSD aimed at guiding companies from different sectors in developing and applying consistent approaches to steer their overall product portfolios towards improved sustainability performance.

Reasonable assurance: An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner expresses their conclusion in a form that conveys their opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.

Reporting: Presenting data to internal management and external users such as regulators, shareholders, the general public or specific stakeholder groups. External reporting refers to the reporting to external stakeholders.

UN SDGs: United Nations Sustainable Development Goals. For more information, please refer to <http://www.un.org/sustainabledevelopment/sustainable-development-goals>

Acknowledgements

WBCD wishes to acknowledge the contribution of:

Patrick Francois sr Manager Sustainability services KPMG, co-author

Mario Abela, co-author

Marcel van den Noort, Senior Director Chemical group, WBCSD, co-author

Dr. Wibke Lölsberg, Sustainability Strategy, BASF SE

Kathy O’Keefe, Global Product Sustainability sr director, the Chemours company

Guido Vornholt, Sustainability Strategy, Evonik

Reinoud Clemens, Portfolio Manager Sustainability, DSM

Noël Zilberfarb, Sustainable Offer Manager, Arkema

Daniel Gambus, Senior Specialist, Corporate Sustainability Europe, Sabic

Disclaimer

This report has been developed in the name of WBCSD. Like other WBCSD publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the perspective of the WBCSD membership. Input and feedback from stakeholders listed above was incorporated in a balanced way. This does not mean, however, that every member company or stakeholder agrees with every word.

About WBCSD

WBCSD is the premier global, CEO-led community of over 200 of the world’s leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing “how-to” CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995,



WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of creating a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

www.wbcasd.org

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Endnotes

¹ See the annual Larry Fink (BlackRock) letter to CEOs at <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

² For example, see Client Earth's "Greenwashing: the tipping point" at www.clientearth.org/latest/latest-updates/stories/greenwashing-the-tipping-point/.

³ The Food and Land Use Coalition (FOLU) (2019). *Growing Better report 2019*. Available at <https://www.foodandlandusecoalition.org/global-report/>.

⁴ WBCSD (2017). "Framework for Portfolio Sustainability Assessments (PSA)". Available at <https://www.wbcasd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>.

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