




CLIENT ADVISORY

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MEETING THE MOMENT ON CLIMATE CHANGE



A roadmap for corporate decisionmakers on how to accelerate sustainability efforts to mitigate the impact of the climate crisis.

Around the world, the transition to “net-zero” is advancing as countries make pledges to reduce greenhouse gas (GHG) emissions to help achieve a climate neutral world by mid-century. In the U.S., the Biden-Harris Administration is engaging quickly on climate change, moving to establish the foundation of a federal climate policy through a series of executive orders and regulatory reviews. In the decade ahead, the private sector globally will experience heightened pressure—from governments, employees and other stakeholders—to accelerate meaningful sustainability progress, aligned with the UN’s 2030 Sustainable Development Goals (SDGs).

This advisory shares the context on environmental challenges and offers a roadmap for corporate decisionmakers on how to accelerate sustainability efforts to mitigate the impact of the climate crisis.

CONTEXT

Realizing the SDGs by 2030 is heavily dependent on private sector participation and investment. The urgency and importance of this agenda has been underscored by the COVID-19 pandemic, which has caused a backslide on global poverty, health equity, and gender equality. In December 2020, the UN reported¹ that greenhouse gas emissions reached a new high, putting the world on track for an average temperature rise of 3 degrees Celsius—above the 1.5 to 2 degrees Celsius models that have informed climate action to date.

Multilateral institutions such as the World Bank are encouraging countries and companies to adopt “green recovery” plans to strengthen climate resilience and rebuild economies in the aftermath of the pandemic. Consistent with growing expectations for corporate purpose leadership and CEO advocacy, citizens and community leaders are increasingly looking to the private sector to drive innovation, enable large-scale change and accelerate the pace of progress.

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IMPLICATIONS

The private sector has a vital role to play in addressing the climate crisis. Businesses can help develop innovations, implement meaningful changes across their global supply chains, encourage employees and customers to adopt more sustainable behaviors, and influence policy outcomes. In recent years, we have seen a surge in new corporate commitments and strategic initiatives focused on sustainability.

¹<https://www.unenvironment.org/emissions-gap-report-2020>

This has been complemented by new advocacy from influential business organizations. The Business Roundtable announced in September 2020² a set of new principles and policies to address climate change. They included the recommendation to adopt a national market-based emissions reduction policy in the U.S. to reduce greenhouse gas emissions. The largest economies in the world are stepping up.

The European Union will soon enable a series of green initiatives toward becoming the first climate neutral continent. China, Japan and South Korea have all set carbon neutral goals and timetables. Brazil will be pressured to reduce deforestation in the Amazon. Terms like carbon neutral and net-zero reflect similar intentions, but carbon neutral refers to when CO₂ emissions are balanced by CO₂ removal. Net-zero refers to the zeroing out of all greenhouse gas emissions, including CO₂. Precision will be vital as we advance solutions toward collective goals.

AREAS FOR ACTION

While every company must align on the specific issues that are material to its business, there are several themes likely to dominate climate and sustainability conversations this year. Corporate leaders should today be asking two questions: [1] how does our business impact the climate, [2] how does the climate impact our business, as they acknowledge that climate risks are business risks, and act to mitigate them.

We recommend companies address several key questions in order to map how their sustainability strategies and key investments align with and help solve macro challenges:

- + **NET-ZERO:** How is your company planning to contribute to the aims of the Paris Climate Agreement and to targets being established to get to net-zero greenhouse gas emissions?
- + **CIRCULAR ECONOMY:** How is your company working to responsibly source raw materials and reduce waste and pollution by investing in regenerative models that promote keeping materials in use through their initial use, recycling and repurposing?
- + **PLASTICS POLLUTION:** How is your company addressing the use of plastics, especially single-use-plastics—in the supply chain and working to ensure plastics do not leak into the environment?
- + **CLIMATE ADAPTATION:** How is your company addressing biodiversity, land and water conservation and other adaptive efforts to improve resiliency in the face of climate change?
- + **ENVIRONMENTAL JUSTICE:** How is your company working to ensure that lower-income or disadvantaged communities do not bear a disproportionate burden of pollution or environmental harms?

In 2021, leading on solutions to the climate crisis is a powerful way to show corporate values in action. Given the urgency of climate change, companies must act with urgency to demonstrate their engagement on sustainability and encourage others to do likewise. There must also be transparent reporting of progress. These efforts will build broader momentum. With greater scrutiny of the private sector, employees, customers, media and activists will be ready to call out companies that fail to lead on sustainability.

²<https://www.businessroundtable.org/business-roundtable-market-based-solutions-best-approach-to-combat-climate-change>

As companies accelerate their engagement with stakeholders on sustainability, here are a few principles to keep in mind:

- + ARTICULATE AN ENTERPRISE-LEVEL SUSTAINABILITY PLATFORM.** Leading companies are crafting ambitious enterprise-level sustainability strategies—and articulating this in a succinct, accessible creative platform that builds engagement for the company’s work and positive impact.
- + CALIBRATE YOUR CLIMATE AMBITION.** Many companies have made bold commitments to transition to net-zero emissions—and even to reverse their legacy environmental footprint. The scale of your ambitions depends on the issues material to your business and your desire to set the standard in your industry.
- + SHOW EVIDENCE OF PROGRESS AGAINST TANGIBLE GOALS.** Transparency is critical for building credibility and earning trust. Stakeholders want to understand your progress, as well as how you may be “failing forward” and learning as you work to transform your business.
- + COMMUNICATE MORE ABOUT THE “S” FOR SOCIAL IN ESG.** The pandemic has revealed gaps in corporate efforts around the social impacts within environmental, social and governance (ESG), including employee and customer health and safety, human rights and labor standards, which should be addressed as part of any green recovery or net-zero transition effort.
- + DECIDE WHEN AND HOW YOU WILL DEMONSTRATE CORPORATE ADVOCACY.** Determine how you will engage employees, customers and other stakeholders on climate and other ESG issues, including when to deploy board members, the CEO or other senior leaders, and partners who are closely engaged and informing your climate progress.

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