The journey to integrated business action on climate and nature

Business Action on Climate and Nature Case Studies
EXECUTIVE SUMMARY
NOVEMBER 2021
Introduction

Nature is the foundation of our economy, with over half the world’s GDP (44 trillion USD) dependent on nature and its services.

The World Economic Forum (WEF) ranks biodiversity loss, ecosystem collapse and failure to act on climate change as three of the top five threats that humanity will face in the next 10 years. Given the risks these environmental issues pose to economic stability, the private sector has a critical stake in the transition to a nature-positive, net-zero and equitable global economy.

The Nature-Positive CEO Briefing — issued jointly by the WEF, the World Business Council for Sustainable Development, We Mean Business and Business for Nature — emphasises the interconnected nature of these threats, which are also connected to global matters of food insecurity and social inequality. It is not possible to solve one of these issues without addressing the others.

While many companies still approach climate and nature as separate sustainability topics, some are starting to take a more holistic approach. To better understand how the private sector is addressing these dual challenges, interviews were conducted with the following nine companies, representing diverse industries, sectors and geographies, who are taking critical steps towards integrated approaches:

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>Headquarters Region</th>
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<tbody>
<tr>
<td>BNP Paribas</td>
<td>Financial institution</td>
<td>Europe</td>
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<tr>
<td>CEMEX</td>
<td>Building materials</td>
<td>Latin America</td>
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<tr>
<td>H&amp;M Group</td>
<td>Fashion / apparel</td>
<td>Europe</td>
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<tr>
<td>International Paper</td>
<td>Forest and paper products</td>
<td>North America</td>
</tr>
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<td>Jayanti</td>
<td>Food and agriculture</td>
<td>South Asia</td>
</tr>
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<td>Mahindra &amp; Mahindra</td>
<td>Auto/mobility products</td>
<td>South Asia</td>
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<tr>
<td>Solvay</td>
<td>Chemicals</td>
<td>Europe</td>
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<tr>
<td>Suzano</td>
<td>Forest and paper products</td>
<td>Latin America</td>
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<td>Unilever</td>
<td>Consumer products</td>
<td>Europe</td>
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While these companies’ sustainability journeys are ongoing, and no one has all the answers, the conversations revealed critical insights into the enablers and challenges of integrated action on climate and nature and the lessons companies have learned so far.

Each of these conversations has been captured in a short case study. Key observations and takeaways from these studies have been synthesised in this executive summary, which explores the challenges and opportunities companies may encounter along their sustainability journeys. This summary, and the associated case studies, can serve as a resource for companies in any industry or location to adopt a climate and nature roadmap, across the value chain and beyond.
Tactics for integrating climate and nature into corporate strategy

ENTRY POINTS

Companies each find their own entry-points into integrated climate and nature action.

Those with obvious dependencies on nature and ecosystem services tend to intertwine their climate and nature strategies early in their sustainability journeys. For these companies, the same activities may drive both greenhouse gas (GHG) emissions and nature loss. In contrast, companies largely dependent on fossil fuels may begin their sustainability journey by sourcing clean energy and improving their operations’ energy efficiency, then later adopt an integrated focus on nature.

Companies’ entry points also largely depend upon the priorities and interests of key stakeholders: investors, customers, employees and the public. Investors are increasingly asking for climate action plans, for example. Sustainable operations may be integral to a company’s license to operate, and sustainable products can provide a compelling competitive advantage.

There is no single way for a company to start its climate and nature journey; any of the following tactics may serve as a company’s starting point:

- Some companies thoroughly assess specific climate- and nature-related risks and exposures before making any public commitments.

- Other companies first commit to ambitious stretch goals, then determine how to deliver on them.

- Another option is to act first, taking bold, ambitious steps and building a cohesive strategy from there.

- A company may advocate for stronger environmental regulations as a first course of action.

- To garner stakeholder support, some companies start with efforts to engage external parties, including customers, NGOs, and industry peers.
Learnings from the interviewed companies’ journeys

ASSESS

By understanding the scope and scale of their environmental impacts and dependencies — not just in their own operations, but also among their suppliers, customers and stakeholders — companies can develop a cohesive strategy to address them.

○ Mahindra & Mahindra works with internal and external stakeholders along the value chain to identify key environmental issues. Impacts and dependencies are then integrated into comprehensive materiality assessments.

Companies also need to determine how to measure their material impacts. Technological advances in the past decade have increased the availability and quality of environmental data, improved the traceability of commodities and provided assurance in supply chains.

○ In 2020, Suzano streamlined its data collection system to enable operations-level ownership of key metrics.

○ With help from the Sustainable Spices Initiative, Jayanti uses monitoring software to track individual suppliers.

○ International Paper has developed an innovative GIS-based mapping and due diligence system that helps guide responsible fibre procurement.

Most companies note high levels of uncertainty in measuring their climate and nature impacts beyond their direct operations (scope 3 emissions, in climate terminology).

○ Several companies interviewed are engaging with the Science-Based Targets Network (SBTN) to provide feedback on draft methodologies, which — among other outcomes — will help take the guesswork out of measuring impacts on nature, and ensuring they are operating within planetary boundaries.

○ Companies reporting in line with the GHG Protocol can expect additional guidance in development explaining how companies should account for emissions and removals from land use, land use change, technological CO2 removals and related activities.

While it is challenging to value natural capital in monetary terms, companies are working to justify the relative costs of environmental action by quantifying both the risks of inaction (e.g. reputational and regulatory exposure) and potential value of action (e.g. access to green financing instruments, increased brand appeal).

○ To ensure climate impacts are a factor in decision-making, CEMEX developed an internal carbon price, and now tracks GHG emissions via a CO₂ pro-forma.

COMMIT

Credible commitments need to incorporate ambitious enterprise-level goals and quantitative metrics.

○ When setting its environmental targets, Suzano first consulted with hundreds of stakeholders, including NGOs, scientists, employees and local community representatives. This extensive consultation process has strengthened stakeholder buy-in and helps Suzano ensure alignment with the best understanding of global boundaries, as well as local contexts.

The Science-Based Targets initiative (SBTi) is widely recognised as the gold standard for companies setting emissions reduction targets in line with a global 1.5°C climate pathway, while SBTN is developing comparable methodologies for other impacts on nature.

○ By engaging with SBTi and SBTN, companies like H&M Group are working to understand their impacts within planetary boundaries and local contexts.
Corporate targets are only credible if they are accompanied by concrete, strategic actions. Companies might invest in regenerative agriculture, waste reduction and circular economy, and nature-based solutions. Given the urgent need to halve emissions and reverse nature loss in this decade, companies cannot wait for a perfect solution. They should instead foster corporate cultures that encourage trying new approaches and reward a willingness to learn and improve.

- Alongside efforts to reduce carbon emissions, Mahindra plants trees through the Mahindra Hariyali Sustainable Initiative to provide both climate mitigation and biodiversity uplift.
- BNP Paribas’s pipeline of jurisdictional and landscape-based pilot projects provide the framework to quickly identify and scale best practices that support the environment and local economic development.

In some cases, standards and certifications can help companies improve the environmental impacts of their supply chains. Local communities play a key role in protecting and restoring nature, and it is vital to include them in these pursuits.

- In 2013, Jayanti became the first company in India to have its chili peppers earn Rain Forest Alliance Certification and has since obtained certification for various other commodities.
- In the first public-private partnership of its kind, Unilever has partnered with NGOs and district governments in Indonesia and Malaysia to obtain jurisdictional certifications from the Roundtable on Sustainable Palm Oil (RSPO) — ensuring that local mills and thousands of smallholder farmers in Unilever’s supply chain adhere to RSPO standards.

Incorporating climate and nature targets into corporate and individual performance criteria was identified as a key enabler among many companies we interviewed.

- Variable compensation for Suzano’s C-suite directors is partially linked to long-term goals including emissions targets, and the company is now working to cascade these goals throughout the organisation.

While it can be challenging to engage middle-management and operational staff, these employees are crucial to connecting corporate-level ambition with site-level action.

- H&M Group embeds sustainability KPIs in the objectives of employees who work on-the-ground at its supplier sites.
- Unilever has established a network of sustainability professionals who serve as a resource to all staff working to meet sustainability targets.

It is critical for governments to establish ambitious and integrated policies that create a level playing field, remove barriers to action, and incentivise pro-environmental activities. Together with voluntary action, regulation can catalyse positive feedback loops of corporate action.

- While all companies interviewed have undertaken some form of voluntary disclosure to increase transparency, some, such as H&M Group, are advocating for mandatory disclosures.
- Solvay has observed incongruencies in policy within and between the regions in which it operates — while the company believes in robust policy, rather than wait for inconsistent regulations to align, it assesses local needs and acts accordingly, even if not required by local policy.

Companies are increasingly recognising the value of pre-competitive partnerships with peers, which help scale impacts to the industry level.

- Every company we spoke with identified such coalitions as a key enabler for their efforts — helping to drive innovation, improve
transparency, change perceptions about the business costs of sustainability and help advocate for policy reform.

In developing sustainable products, companies can empower their consumers — whether individuals, governments or other businesses — to meet their own environmental goals. Doing this sometimes entails the risk of developing and marketing innovative products before there is a demand for them.

○ Solvay prioritises engagement with customers on environmental topics, demonstrating how its products can help customers reach their personal sustainability goals.

○ CEMEX did not wait for customer demand to materialise before investing in development of net carbon-neutral products as a sustainable supply-chain solution.

○ More sustainable options can pay off: in 2017, Unilever’s Sustainable Living Brands delivered 75% of the company’s growth.

NGO partners can provide strategic advice, technical guidance, access to resources, and knowledge on how to execute multi-stakeholder, landscape-level projects.

○ Several companies cited times their bold actions were met with public scrutiny. Working with trusted partners (and being transparent about failures and learnings) can help to foster trust among the community at large.

Conclusion

As the global biodiversity and climate crises grow more dire, the need for integrated action to achieve a nature-positive, net-zero and equitable global economy is becoming increasingly clear. To ensure the stability of the ecosystem services on which businesses, people and wildlife depend, it is imperative that the private sector, governments and civil society take quick, collaborative action.

These are a small sample of practical insights that can serve as inspiration to other companies. Ultimately, widespread, urgent, and bold action by companies, and an enabling environment delivered by governments, will be crucial to addressing the climate and nature crises in this decade.

Read the nine case studies at ClimateNatureBusiness.org