

NATION
SWELL

THE GREEN SEAT GUIDE:

Strategies for effective
sustainability leadership

JUNE 2024



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Preface

Climate urgency is intensifying

The [United Nations Framework Convention on Climate Change \(UNFCCC\)](#)'s Global Stocktake synthesis report in September 2023 has crystallized the stark reality we face: the window for meaningful action to secure a sustainable future is narrowing with alarming speed. The report, the most thorough assessment of global climate progress since the Paris Agreement, delivers a sobering message: to mitigate the worsening impacts of climate change, a transformative shift is imperative across all sectors of society.

Highlighting the pivotal role of global and domestic capital markets in scaling up both mitigation and adaptation efforts, the report underscores the undeniable truth that increased engagement from the private sector is not just beneficial, it is unequivocally necessary. In this moment of unprecedented urgency, businesses stand at the forefront of a monumental challenge: to pivot strategies, operations, and investments toward initiatives that safeguard the planet while securing a viable economic future. The task ahead is daunting, yet rich with the potential for innovation, leadership, and transformative change.

Regulation is driving up demand for sustainability leadership

Fortunately, many companies are leaning in, motivated in large part by significant changes in the regulatory environment. Notably, the EU, U.S., and the state of California are mandating companies within their jurisdictions to provide a higher degree of transparency around how they are managing climate-related risks and opportunities.

In recent years, the number of chief sustainability officers (CSOs) within businesses has grown substantially. According to a PwC study, the number of CSOs hired in 2020 and 2021 nearly matched the cumulative total from the prior eight years ([PwC, 2022](#)). In 2023, more than six times more CSOs were appointed than in 2011 ([Weinreb, 2023](#)).

The average team size for CSOs is also increasing ([GreenBiz, 2022](#)), suggesting that businesses are not only appointing leaders to steer their sustainability agendas but are also allocating the necessary resources and personnel to support these efforts effectively.

We expect this trend to continue as regulatory pressures mount and as companies increasingly recognize the value of sustainability in driving innovation, mitigating risk, and creating long-term shareholder value.

The sustainability executive’s mandate is evolving

The sustainability leader’s role is not only becoming more common, it is also changing shape. Today, more executives than ever before are dedicating their full attention to sustainability. In fact, 73% of CSOs now have a standalone title, a substantial rise from 48% in 2011 ([Weinreb, 2023](#)). Similarly, 76% of CSOs today are part of the corporate leadership team, up dramatically from 41% in 2011 ([Weinreb, 2023](#)).

While CSO roles were once associated with marketing and communications, or the pursuit of voluntary environmental aspirations, today's CSOs are deeply involved in a range of critical functions, including compliance, operations, procurement, legal, finance, employee engagement, and overarching corporate strategy. As of 2023, no CSOs report through marketing, a stark contrast to the 16% who did so in 2011 ([Weinreb, 2023](#)). Where CSOs do not report directly to the CEO, the most common reporting line is through the chief operating officer (COO).

Core responsibilities of a CSO have expanded to include:

-  Aligning and embedding sustainability goals with business operations
-  Influencing stakeholders and fostering a movement around sustainability
-  Managing upside and downside climate risk
-  Engaging directly with investors and regulators
-  Overseeing increasingly complex compliance and reporting requirements.

As a chief sustainability officer, you're going to be at the enterprise level in corporate headquarters and orchestrating the work throughout the company. You want to be inspiring, you want to create the right incentives, you want to enable the cross-functional connections throughout the company, provide the right level of support, change mindsets on the part of people you're working with, and figure out how to unleash the superpower that your company has, because every company has that superpower.

MICHAEL KOBORI
Chief Sustainability Officer, Starbucks

Sustainability leaders today require advanced leadership skills and new competencies

This contemporary version of the role demands a diverse set of skills and competencies.

Sustainability leaders must be:



Agile



Solutions-oriented



Collaborative



Entrepreneurial



Perceptive

Sustainability leaders must possess:



A strong capacity for relationship-building



Near superhuman diligence



An understanding of constraints

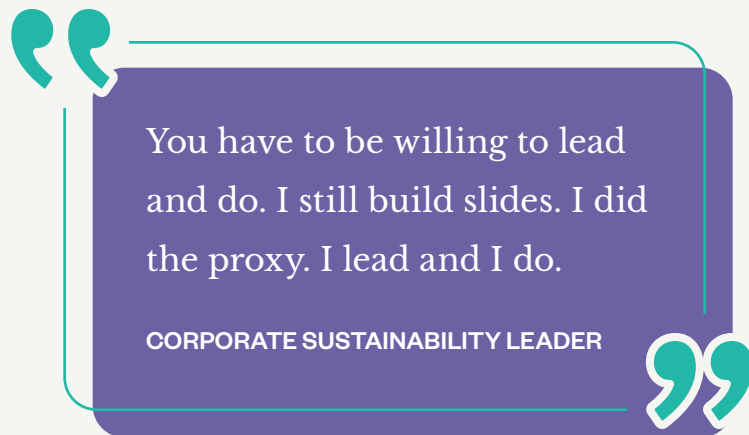


A curiosity that drives continual learning



A dogged determination for navigating the many challenges and opportunities ahead of them

Increasingly, CSOs are coming not only from the ranks of seasoned sustainability experts but also from diverse professional backgrounds. This trend underscores the multidisciplinary nature of sustainability challenges and the varied skill sets required to address them. Regardless of their expertise or background, many new sustainability leaders find themselves navigating uncharted waters when tasked with steering an entire enterprise toward a set of ambitions that may have little or no precedent. This new mandate demands more than just technical knowledge; it calls for leadership, vision, and the ability to inspire change at all levels of an organization.



***The Green Seat Guide* seeks to transfer learned wisdom and practical guidance from experienced CSOs to today's growing cadre of sustainability leaders**

While technical guidance on sustainability is readily available through consultants, vendors, and the scientific community, there remains a significant gap in the transfer of practical wisdom. The field of sustainability is burgeoning, yet the pool of individuals who deeply understand and embody the role of a CSO—those who have worked through its challenges and opportunities—is still relatively small.

The purpose of *The Green Seat Guide*, therefore, is to bridge this gap by conveying learned wisdom from experienced sustainability leaders. It aims to accelerate the impact of sustainability leaders—those who are new to the role, and those who are evolving their mandates—by offering insights, strategies, and lessons learned from those who have done the job, even pioneered it. Each chapter also includes a selection of practical tools to support the adoption of key ideas and tactics.

We hope you enjoy and benefit from the pages that follow.

Contributors to *The Green Seat Guide*

The Green Seat Guide is fundamentally a synthesis of the teachings and guidance shared by a diverse and accomplished group of sustainability executives. NationSwell is in gratitude to the following individuals for the gift of their time, expertise, and wisdom in the development of this report:

ERIN CRAIG

Chief Sustainability Officer, Customer Solutions
and Innovation Lead
3Degrees

KIM DABBS

Global Vice President, ESG and Social Innovation
Steelcase

EDUA DICKERSON

Vice President, ESG and Finance Strategy
ServiceNow

MOLLY FOGARTY

Head of Corporate Affairs and Sustainability
Nestlé North America

JON HIXSON

Chief Sustainability Officer
Yum! Brands

NATE HURST

Former Chief Sustainability Officer
BlackRock; Wells Fargo; HP

JESSICA HYMAN

Chief Sustainability Officer
Atlassian

MICHAEL KOBORI

Chief Sustainability Officer
Starbucks

BRIDGETTE MCADOO

Chief Sustainability Officer
Genesys

ERIN MEEZAN

Chief Sustainability Officer
JLL

KATHERINE NEEBE

Chief Sustainability Officer
Duke Energy

KATHLEEN TALBOT

Chief Sustainability Officer
Reformation

GINA TESLA

Vice President, ESG
Coupa

ANN TRACY

Chief Sustainability Officer
Colgate-Palmolive Company

LETICIA VIVEROS

Vice President, Sustainability
Fresh (LVMH)

LETITIA WEBSTER

Managing Director and Chief Sustainability Officer
Goldman Sachs Asset Management

KELLY WILLIAMS

Vice President, Environmental Sustainability
Cox Enterprises

Chapter 1

Developing a sustainability strategy

The task of developing a sustainability strategy is a foundational – if daunting – part of the sustainability leader’s mandate. Whether you’re establishing your organization’s inaugural sustainability plan or injecting new life into an existing strategy, success requires more than just strategic acumen. It requires rapid, comprehensive learning about a complex enterprise and a nuanced grasp of the forces that motivate your key stakeholders.

Chapter 1 of *The Green Seat Guide* explores the art of crafting a sustainability strategy, drawing on the rich insights of those who have navigated this process before.

Section 1: Getting to know your business inside and out →

Section 2: Roughing out a draft strategy →

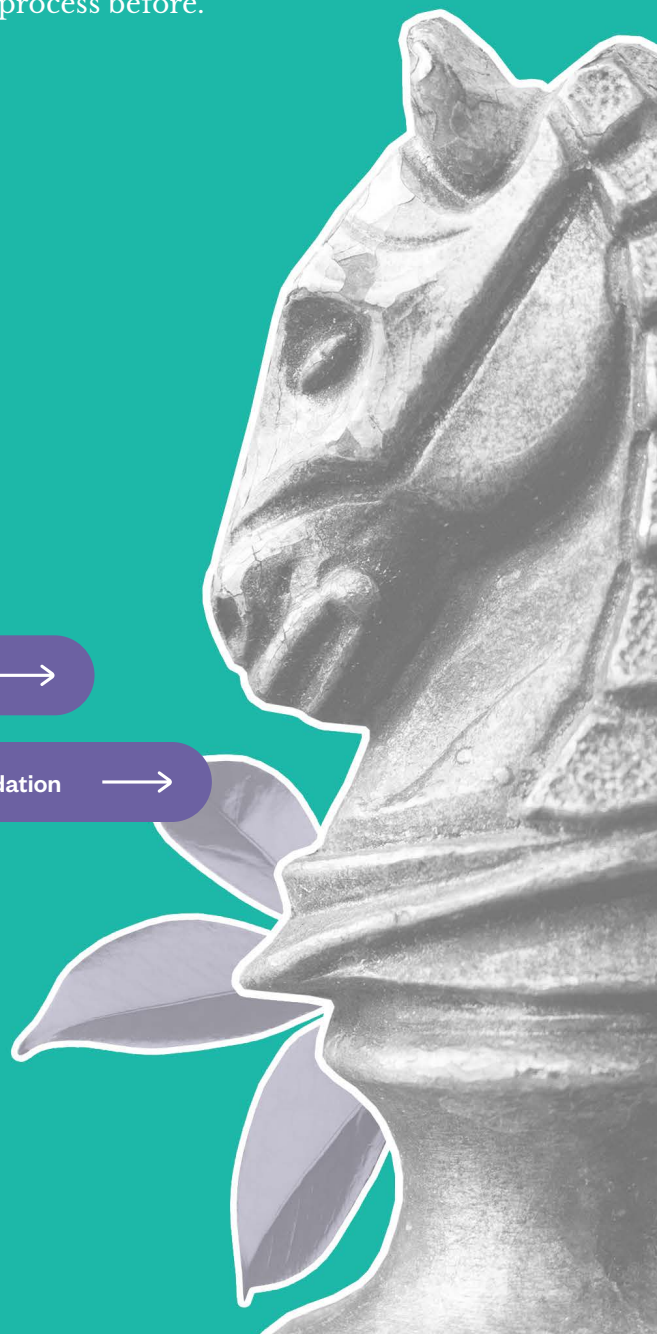
Section 3: Conducting a materiality assessment →

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Getting to know your business inside and out

A successful sustainability strategy begins with a deep and thorough understanding of your organization. There's no universal blueprint for sustainability leaders to work from — strategies are deeply unique to each organization, shaped by its mission, operations, and culture. This initial legwork is critical.

Shaping your own introduction to the organization

Your first six months should be treated as a period of intense learning and relationship building. In fact, the work starts before you start.

Optimize your interview process: Your role in developing a strategy begins with curiosity during the interview process. It is your opportunity to seek a nuanced understanding of the company's expectations for the sustainability leader role—whether its biases lean toward a compliance-only mandate, marketing and PR, or a larger and more strategic climate ambition.

Ask about:



The integration of the sustainability leader role with the company's core strategy



Corporate decision-making processes



Reporting structures



Existing sustainability commitments, and progress to date

These early conversations lay the groundwork for your strategic planning, offering a sneak peek into the challenges and opportunities that lie ahead.

Customize your own onboarding: Traditional onboarding programs may fall short in offering the depth of insight and stakeholder introductions necessary for a new sustainability leader. Take the opportunity to co-design your own introduction to the organization so that you get access to the information and people you'll need in order to build early momentum.

Building relationships

From the beginning of your onboarding, you should introduce yourself to a variety of stakeholders across the organization, many of whom will become key to your strategy development and execution. Dedicate significant time to meeting with other C-suite members, functional leaders (finance, marketing, HR, operations, supply chain, procurement) and business unit heads. Just as importantly, get to know your board of directors. What are their expectations? Their level of ambition for sustainability? Their chief concerns?

Go make the case early and often that you want to be trained the way that someone coming in to run a P&L business is being trained.

NATE HURST

former Chief Sustainability at BlackRock, Wells Fargo, and HP

Focus on getting to know what motivates people: This phase is about building a comprehensive understanding of the organization's human and operational ecosystem. While discussions with other C-suite members are vital to understanding the organization's operational dynamics, they're even more useful to understanding the individuals you'll ultimately need to influence when your strategy takes shape.

Encourage openness in these interactions, aiming to learn about:



The nuances of each stakeholder's role




Performance incentives



Personal motivations, concerns, and perspectives on sustainability

And, take the opportunity to begin identifying the ways you can directly support their work, not just what you'll need them to do for you.



One of the most important things I was told decades ago was you have to meet people where they are and you have to ask them what are their challenges and what are their goals? And you need to find ways through sustainability to support them in achieving those goals. There's so much gymnastics that has to happen in sustainability because it's not always deemed as mission critical, or there's no muscle memory around it. People just don't always have it on the front of their minds, you must stay persistent and on their radar.

LETITIA WEBSTER

Managing Director and Chief Sustainability Officer, Goldman Sachs Asset Management




Establishing a comprehensive knowledge base

In addition to building relationships and understanding the people that make up the organization, sustainability leaders should prioritize several key areas of business and market knowledge early in their tenure.

Understand business operations: Seek a thorough understanding of how the organization generates revenue, makes decisions, and incentivizes its people. This includes grasping the nuances of product lines, service offerings, and the financial mechanisms that drive the business.

Assess the institution's sustainability journey: Map out the sustainability history and status quo of the organization. This involves understanding past and present sustainability commitments, the motivations behind them, and the organization's sustainability maturity. What are its aspirational goals? Is the company's highest aim to achieve compliance, industry leadership, or something in between?




You need to have spent some days walking in the shoes of each of these professionals.

GINA TESLA

Vice President, ESG, Coupa



Evaluate the external context: Gather information about industry trends, competitor strategies, regulatory requirements, and global sustainability frameworks. This external landscape assessment helps in positioning the organization effectively in the market and within the broader sustainability discourse.

 **TOOL A:**
Sustainability landscape assessment components →

Measure your baseline impact: Work with a qualified and credible consultant to collect and audit data on the organization’s current environmental footprint and climate impact. This analysis encompasses all the ways in which a company interacts with the environment, including its use of resources, emissions, waste generation, and the indirect impacts associated with its value chain. The goal of this analysis is to identify and measure the environmental consequences of a company’s activities, from the extraction of raw materials through to the end-of-life treatment of sold products. If your goal is to measure your company’s footprint over a one-year period, be mindful of selecting a time period that represents relatively normal operations for your organization (e.g., no extended and irregular operational disruptions).

Create an accountability map: With the help of senior leaders and other stakeholders, visualize the array of individuals up and down the organization who own – or should own – some level of accountability to its sustainability goals.





Who are the most logical owners for these commitments? Where does the responsibility ultimately lie? I identified those people by name in the organization and put them all on the map. I think that was crucial.

ERIN MEEZAN

Chief Sustainability Officer, JLL



 **TOOL B:**
Preferred consulting and technology solutions →

 **TOOL C:**
Sustainability accountability map components →

Roughing out a draft strategy

Equipped with a thorough understanding of your organization's business model, sustainability status quo, and the broader context in which it operates, you're now positioned to draft an initial sustainability strategy. The goal here is to create a foundational framework from which your comprehensive, actionable plan will evolve.


Drafting the framework

Index heavily into what you've learned about your context: Your initial strategy should mirror your organization's current position and aspirations in sustainability. This is not about imposing a one-size-fits-all solution; it is about weaving sustainability into the fabric of the existing corporate identity. Remember, the goal at this stage is to draft a plan that resonates with the realities of your organization and its overall business strategy, avoiding the pitfall of proposing ambitious yet unattainable goals.

The advice I wish I had when I started is that the most important thing to do to actually get momentum is to ensure that the way you design and define this for your organization is in the most aligned method to the company's focus. Really commit yourself to defining a sustainability strategy that works in harmony with the corporate mission, purpose, and vision.

CORPORATE SUSTAINABILITY LEADER

Let the data guide you: Ground your strategy in the environmental data collected during your baselining, footprint analyses, and other initial activities. Focus on the primary drivers of your company's environmental footprint and identify actionable levers for improvement. This data-driven approach ensures that your strategy is rooted in reality, focusing on areas where your efforts can have the most significant impact.



Whatever strategy that one is developing around sustainability, it has to be grounded in the data. What are the activities in your business that drive that footprint? And what can you do? What are the levers you can pull to reduce the footprint? Those are the fundamental building blocks to then building your strategy. Because then the strategy just falls out of the data.

MICHAEL KOBORI

Chief Sustainability Officer, Starbucks



Stay high level: Based on your analysis to date, aim to identify a small number (3 to 4) key areas where your organization can realistically make substantive sustainability advances. These focuses should emerge somewhat naturally from your deepening understanding of your business operations, sustainability challenges, and opportunities. You can later revisit and modify these focus areas in the context of your materiality assessment and additional stakeholder engagement.

Socializing the draft strategy

Return to your internal stakeholders: With a draft strategy in hand, bring it to your newly established network of engaged peers and stakeholders. This work is useful for two reasons: it provides an opportunity for feedback and refinement, ensuring that your plan resonates with different parts of the organization, and it begins the process of securing buy-in across the company. Engagement at this stage helps in uncovering potential resistance early and allows for the integration of diverse perspectives into your strategy.

Test against materiality: Your draft strategy should also be evaluated against the results of a materiality assessment—a formal process that identifies and prioritizes sustainability issues based on their significance to stakeholders and potential impact on the business. This alignment ensures that your strategic pillars are not just theoretically sound but are also focused on areas of greatest importance and impact.

Conducting a materiality assessment

Most sustainability executives we interviewed recommend conducting a materiality assessment as early as possible when getting started. The process is not merely about gathering data; it's an exercise that plays a critical role in refining your strategy, building internal buy-in, and identifying allies for your work ahead.


TOOL D:

Overview of commonly used sustainability reporting frameworks →


TOOL E:

Materiality assessment preparation checklist →

Why conduct a new materiality assessment?

It may be required: In some cases, mandatory disclosure requirements may not give you the luxury of delay. Beyond compliance, an early materiality assessment empowers you with actionable insights sooner, facilitating the swift progression to more concrete stages of strategy development and implementation.

Access to fresh perspectives and buy-in: Even if your organization has completed a materiality assessment in the recent past (less than 2 years ago), it may be worth doing a new one sooner than later. The landscape of sustainability is dynamic, and a fresh assessment can uncover evolving priorities and risks. More importantly, it re-engages a broad spectrum of stakeholders at a moment when you are trying to become mutually dependent.

Understanding the scope and impact of materiality assessments

What materiality assessments do well:

Engage stakeholders: They are instrumental in understanding the priorities across a diverse stakeholder landscape, allowing you to integrate these perspectives into a sustainability strategy.

Build buy-in: Early involvement of potential champions in the assessment process can secure allies for future sustainability initiatives.

Ground your strategy in data: Materiality assessments help identify a broad array of risks and opportunities, providing a solid foundation for your strategy development and reporting.

Limitations of materiality assessments:

Not the end of the process: They should not dictate your strategy or goals. The insights gained should inform and refine your approach rather than define it.

Few surprises: If you've immersed yourself in understanding the business, the assessment will not – and should not – reveal unknowns about your company or industry.

Other tips from sustainability leaders:

Conduct an assessment as early as possible. Some sustainability executives report completing their first materiality assessment within six months of starting the job. The value of the process – in terms of engaging stakeholders and providing critical inputs for your strategy development – is highest in the early stages of your work.

Work with a consultant: If budget permits, partnering with a consultant to conduct your materiality assessment can add significant credibility and expertise to the process. Many sustainability executives report working with the major accounting firms, which tend to have ample experience, expertise, and tried-and-true methods for conducting high-quality assessments.

Stay personally involved: Even if consultants are involved, sustainability leaders must maintain active involvement in the process. This is an excellent opportunity to educate, involve, and cultivate sustainability champions within the organization. Your engagement is also essential in translating the assessment into actionable strategy elements and in rallying support across the organization upon its completion.

A typical process for conducting a materiality assessment

A materiality assessment requires diligent planning, many stakeholders, and often a few months of time to complete. They are designed to systematically identify and prioritize the sustainability issues that are most significant to your organization and its stakeholders. Below is a standard stepwise list of activities typically involved in this process:

Prepare and plan:

- Identify internal stakeholders to be involved in the assessment (e.g., representatives from various departments that intersect with ESG, including social impact and DEI).
- Assign a project lead. This individual will function as the primary coordinator of the assessment process, even if the assessment itself is conducted by a third party.
- Define materiality. Of particular importance, determine whether a single or double materiality standard is most relevant based on your regulatory context and organizational goals. Double materiality refers to the consideration of how ESG factors affect a company's operations and financial performance (single materiality), and how a company's activities impact society and the environment.
- Clarify this definition internally to ensure alignment and mutual understanding among stakeholders.

- Determine the boundaries of the assessment, including which parts of the organization and which sustainability topics will be covered.
- Clearly articulate what you hope to achieve with the assessment, including compliance with regulations, informing strategy development, or identifying focus areas for sustainability initiatives.
- Choose or develop a framework that will guide the assessment. This might be based on established standards like GRI (Global Reporting Initiative) or SASB (Sustainability Accounting Standards Board), depending on your organization's needs and goals. Some organizations report using multiple frameworks, in which case your materiality assessment should anticipate the combined reporting requirements.

Identify stakeholders:

- Identify internal and external stakeholders who will be involved in the assessment. This includes employees, customers, suppliers, investors, regulatory bodies, and community representatives.
- Determine the method of engagement for each stakeholder group, such as surveys, interviews, or focus groups.

Compile material issues to test:

- Build a comprehensive list of sustainability issues that could impact your organization, drawing from internal sources, industry reports, and sustainability frameworks.
- Consider both current and emerging issues that may affect the organization in the short and long term.

Engage stakeholders to prioritize issues:

- Through surveys, interviews, and/or focus groups, invite stakeholders to evaluate the relevance and impact of each issue on the organization. This involves considering the severity of the impact, the organization's influence over the issue, and the level of stakeholder concern.

I did a series of workshops with the heads of many functions, so that they felt they were part of it. And at every step of the process, I would come back and say, 'this is where we are at.' That helps them feel accountable; that's important.

LETICIA VIVEROS PULOS

Vice President, Sustainability, Fresh (LVMH)

Defining top strategic priorities

Equipped with a draft framework of your initial strategy and new insights from your materiality assessment, you have the right inputs to codify your top strategic priorities. Synthesize your learnings into a coherent strategy that reflects priorities and the organization's capacity to act.

Two design principles to carry throughout strategy development

Align your process with existing practices:

- Recognize that your organization has established methods for strategic planning. Your challenge and opportunity lies in harmonizing these existing practices with the unique requirements of sustainability planning. This means adapting to the organization's rhythm while gently nudging it toward what you need it to do differently.

Foster stakeholder commitment:

- As you move toward finalizing your strategic priorities, securing leadership and key stakeholder buy-in is essential. Your colleagues should not only endorse the strategy but see themselves as co-owners, understanding their role in its implementation. Your engagement with them up to this point should facilitate this transition, helping it feel like a natural step rather than a leap.
- At this point it is once again useful to re-engage with the stakeholders who have been part of your journey since the beginning. Their insights from the materiality assessment, coupled with your strategy draft, offer a rich ground for discussion about how sustainability priorities intersect with different areas of the business. An iterative dialogue is crucial for ensuring that your strategy is not only reflective of the organization's sustainability context but is also pragmatic and actionable across departments.
- In these conversations you can validate findings from your materiality assessment with internal stakeholders to ensure the results accurately reflect the priorities and concerns of all parties, while aligning on the implications for the organization.

My job is to build a movement. I have a lot of people that I work with every single day that are subject matter experts in the fields that I really need them to be subject matter experts in. But my role as a leader is to build a movement within an organization for all of us to ensure and preserve the well-being of people on the planet. And that's something that I can build.

KIM DABBS

Global Vice President of ESG and Social Innovation, Steelcase

Strategic prioritization

Sustainability executives describe two necessary stages for moving from a materiality assessment to a final strategy:

Prioritize further: While the materiality assessment provides an initial prioritization of a large number of issues, further sorting is likely necessary. Engage with senior leaders and key stakeholders to evaluate priority issues against additional criteria such as cost implications, resource availability, potential for near and long term impact, and any draft strategy you had developed prior to the assessment. This additional scrutiny helps in focusing your efforts where they can yield the most significant benefits.

Group high-priority issues into pillars:

From there, categorize the most highly-ranked sustainability issues, risks, and opportunities into broader pillars. These pillars should reflect the interconnectedness between material issues, based on a range of factors relevant to your business. The aim is to create a structured yet flexible framework that can accommodate detailed strategies and actions. It is possible at this point that you are simply refining and iterating upon what you had previously identified as the most likely key focus areas.



You have to stay focused and tight on what you're doing if you actually want to hit your goals.


MOLLY FOGARTY

*Head of Corporate Affairs & Sustainability,
Nestlé North America*



Moving toward action

With your strategic pillars defined and prioritized, it is time to translate high-level priorities into actionable plans. Each pillar should be broken down into specific goals, initiatives, and metrics that will guide your organization's sustainability efforts. The effectiveness of your strategy ultimately lies in its implementation.



One of the most worthwhile things we did with our strategy was to make it simple and clear. We worked hard to boil it down from 16 focus areas to 11. Within those 11, we have ‘swords’ and ‘shields.’ Shields are the things we have to do: regulations, taxes, fees, etc. Swords are where we want to lead – climate, plastics, and oral health hygiene and education. Those are the areas that we prioritize and limit compromise and trade-offs.

ANN TRACY

Chief Sustainability Officer, Colgate-Palmolive



Developing strategies around Scopes 1, 2, and 3 emissions

The reduction of greenhouse gas emissions will factor heavily into most corporate sustainability strategies. Every company’s challenges and opportunities to reduce emissions will vary. Nevertheless, there are some generalizable challenges and solutions that sustainability executives can build around when developing their strategies. Across Scopes 1, 2, and 3, leaders must invest in mechanisms, tools, and processes that facilitate the collection and analysis of high-quality data. They must report and communicate progress transparently. They must engage stakeholders up and down the value chain. And, they should consider opportunities to engage in policy advocacy to improve the regulatory and market conditions for the success of their sustainability ambitions.

More specific guidance on strategizing around Scopes 1, 2, and 3 follows.

Scope 1

Scope 1 emissions are direct greenhouse gas emissions from sources that are owned or controlled by your company. This includes emissions from combustion in owned boilers, vehicles, and chemical production in controlled process equipment.

Common challenges associated with addressing Scope 1 emissions include:

High initial costs: Implementing changes to reduce Scope 1 emissions often requires significant upfront investment: replacing old equipment, installing new technologies, or transitioning to cleaner energy sources. The capital expenditure can be a barrier, particularly for small and medium-sized enterprises or industries with tight margins.

Technology limitations: In some cases, the technology needed to significantly reduce emissions is not yet fully developed or is not commercially viable. This is particularly true for heavy industries such as steel, cement, and chemicals, where alternatives to traditional high-emission processes are still under development.

Operational disruption: Implementing new systems or processes to reduce emissions can lead to operational disruptions. This includes downtime required to install new equipment or the learning curve associated with new operational methods, which can temporarily reduce productivity.

Regulatory and policy uncertainty: Changes in environmental regulations or policies can affect the feasibility and timing of investments in emission reduction technologies. Companies may hesitate to invest in certain technologies due to uncertain regulatory landscapes or shifting policy incentives.

Measuring and reporting accuracy: Accurately measuring Scope 1 emissions can be technically challenging, especially for diffuse or indirect sources like fugitive emissions. There is often a need for robust verification processes to ensure data integrity and to comply with reporting standards and regulations.

Scope 1 strategies to consider:

Overcoming the challenges associated with reducing Scope 1 emissions requires a comprehensive approach, blending technical solutions with strategic planning and stakeholder engagement. Here are some effective strategies that companies can adopt:

1. Leverage financial tools and incentives:

- Investment in energy-efficient technology can be supported by exploring financing options such as green bonds, loans, or leases.
- Capitalize on government incentives like tax breaks, grants, and subsidies for renewable energy investments or for technologies that reduce emissions.

2. Adopt advanced technologies:

- Invest in research and development to stay at the forefront of emerging technologies that can make processes cleaner and more efficient.
- Pilot new technologies in parts of the operation to evaluate their impact before full-scale implementation.

3. Optimize operations:

- Regularly maintain and upgrade equipment to ensure it operates at peak efficiency.
- Implement energy management systems to monitor and optimize energy use across operations.

4. Engage employees:

- Educate and train employees on the importance of sustainability efforts and how they can contribute through their roles.
- Incentivize innovation among employees to find new ways of reducing emissions through everyday activities and long-term projects.

5. Plan for flexibility:

- Develop a flexible implementation plan that allows adjustments based on technological advancements and changes in the regulatory environment.
- Establish contingency plans to manage risks associated with investments in new technologies or operational changes.

Scope 2

Scope 2 emissions are indirect greenhouse gas emissions from the generation of purchased electricity, steam, heating, and cooling that a company consumes.

Common challenges associated with addressing Scope 2 emissions include:

Addressing Scope 2 emissions, while essential for a comprehensive sustainability strategy, comes with its own set of universal challenges:

Cost considerations: Transitioning to renewable energy sources or investing in energy efficiency improvements often requires significant upfront costs. Although these investments may pay off over time, the initial financial burden can be a barrier, especially for smaller or less financially flexible companies.

Availability of renewable energy: In some regions, access to renewable energy sources may be limited due to lack of infrastructure, regulatory constraints, or insufficient supply to meet demand. This can make it challenging for companies to switch to renewable energy or to secure long-term renewable energy contracts at competitive prices.

Regulatory and policy frameworks: Inconsistent or unpredictable regulatory environments can complicate decisions about investing in renewable energy. Policies may change with government administrations, affecting incentives, subsidies, or tariffs related to renewable energy.

Energy market complexity: Navigating the complexities of energy markets and understanding the implications of various options like renewable energy certificates (RECs), on-site generation, and power purchase agreements (PPAs) requires specialized knowledge and expertise, which not all companies may have internally.

Contractual and supply chain constraints: Companies often operate in leased facilities or in environments where they do not have direct control over the building infrastructure. This can limit opportunities to implement energy efficiency upgrades or install on-site renewable energy systems.

Measuring and reporting accuracy: Accurately tracking and reporting Scope 2 emissions can be challenging, especially when involving indirect energy use. Ensuring that data collection methods meet recognized standards and that the renewable energy purchased is not double-counted requires robust systems and processes.

Stakeholder engagement: Convincing all stakeholders of the benefits of investing in renewable energy and energy efficiency, especially when the financial returns are long-term rather than immediate, can be challenging. Stakeholders may prioritize short-term financial gains over long-term sustainability goals.

Technological limitations: While renewable energy technologies are advancing rapidly, they might still not fully meet the needs of all types of business operations, especially in industries with high energy demands or specific energy requirements.

Scope 2 strategies to consider:

Addressing Scope 2 emissions effectively involves a combination of energy management, strategic procurement, and engagement with stakeholders. Here are several strategies that can help reduce Scope 2 emissions:

1. Improve energy efficiency:

- Conduct energy audits to identify areas for improvement in energy usage.
- Upgrade to energy-efficient equipment such as LED lighting, high-efficiency boilers, and HVAC systems.
- Implement energy management systems to continuously monitor and optimize energy use.

2. Procure renewable energy:

- Purchase Renewable Energy Certificates (RECs) to offset your energy use. RECs certify that energy has been generated from renewable sources, allowing you to claim that portion of your energy as renewable.
- Engage in Power Purchase Agreements (PPAs), which are long-term contracts to buy power directly from a renewable energy generator. This not only supports renewable energy projects but often locks in energy costs, providing financial predictability.
- Consider participating in collective buying groups like [Clean Energy Buyers Association](#) to leverage additional resources beyond those available in-house
- Install on-site renewable energy sources such as solar panels or wind turbines if feasible, which can directly reduce the reliance on grid electricity.

3. Build green:

- Invest in green building initiatives such as LEED (Leadership in Energy and Environmental Design) or BREEAM (Building Research Establishment Environmental Assessment Method) certification, which can guide and certify your efforts to build sustainably and operate efficiently.

4. Engage stakeholders:

- Educate and involve employees in energy-saving practices through training programs and awareness campaigns.
- Communicate the business case for renewable energy investments to key stakeholders, including the potential for cost savings, brand enhancement, and compliance with regulations.

5. Make technology upgrades:

- Adopt smart grids and smart meter technology to better manage electricity demand and supply, reducing waste and improving system resilience.
- Explore emerging technologies such as battery storage systems, which can enhance the usability of renewable energy by storing excess power during low usage times for use during peak demand periods.

Scope 3

Scope 3 emissions refer to the indirect greenhouse gas emissions that occur in a company's value chain, outside of its own operations. This includes emissions from both upstream activities (like the production of purchased goods and services) and downstream activities (such as the use and disposal of products sold). Scope 3 is often the largest source of a company's emissions.

Common challenges associated with addressing Scope 3 emissions include:

Addressing Scope 3 emissions is understood to be the most complex part of a company's carbon footprint management due to the indirect nature and breadth of these emissions. Here are some of the most universal challenges companies face when tackling Scope 3 emissions:

Complexity of supply chains: Many companies operate within extensive and complex supply chains. Tracking and influencing emissions across these networks, especially when they involve numerous suppliers across different countries and industries, can be highly challenging.

Data availability and quality: Accurate data on Scope 3 emissions is hard to come by. Many companies rely on their suppliers to report their emissions data, which can vary in quality and detail. In some cases, suppliers may lack the capability or willingness to measure and report emissions data accurately.

Lack of control and influence: Since Scope 3 emissions are not directly controlled by the company, influencing reductions requires cooperation and engagement with external entities, such as suppliers, customers, and end-users, which can be difficult to achieve.

Cost and resource intensity: Addressing Scope 3 emissions can require significant resources and investments. For instance, supporting suppliers in adopting greener practices or changing consumer behaviors can entail both direct costs and substantial time investment.

Methodological challenges: There is less standardization in methodologies for calculating and reporting Scope 3 emissions compared to Scope 1 and 2.

Regulatory and market pressures: Companies are increasingly under pressure from regulators, investors, and consumers to not only report but also actively reduce their Scope 3 emissions. These pressures can come with expectations for rapid progress, which may be unrealistic given the complexities involved.

Scaling solutions: Solutions that work for direct operations or in smaller, controlled environments might not easily scale to the broader supply chain.

Scope 3 strategies to consider:

Addressing Scope 3 emissions effectively involves a strategic approach that combines collaboration, technological innovation, and systemic change across the entire value chain. Here are some effective strategies to overcome the challenges associated with Scope 3 emissions and achieve significant reductions:

1. Engage suppliers and build capacity in the value chain:

- Develop partnerships with suppliers to help them understand the importance of emissions reduction and improve their capability to measure and manage emissions.
- Offer training and resources, or co-invest in technologies that enable suppliers to reduce their carbon footprint.
- Develop risk-sharing mechanisms that make it easier for smaller players in the supply chain to invest in sustainability initiatives.

2. Enhance data collection and management:

- Implement robust data collection systems that help track emissions throughout the supply chain. Invest in software and tools that enable better data accuracy and transparency.
- Encourage suppliers to adopt standardized reporting frameworks to ensure consistency and comparability of data.

3. Update procurement policies:

- Revise procurement strategies to favor suppliers with lower carbon footprints or those committed to reducing their emissions.
- Incorporate sustainability criteria into supplier selection and evaluation processes.

4. Improve product design and innovation:

- Design products with lower carbon footprints, considering the entire lifecycle from production to disposal.
- Encourage the use of sustainable materials and processes in product design and packaging.

5. Engage consumers:

- Educate consumers on the environmental impact of their purchases and promote products with lower Scope 3 emissions.
- Offer products that are easier to repair, reuse, or recycle, extending their lifecycle and reducing waste.

6. Collaborate widely:

- Join or form multi-stakeholder initiatives that work towards common goals in reducing emissions in specific industries or supply chains.
- Participate in sectoral approaches to address common challenges and share best practices.

7. Invest differently:

- Shift investment toward greener and more sustainable operations, both internally and in the supply chain.
- Use your company's investment influence to promote sustainability practices in the companies and assets you invest in.

8. Report and communicate transparently:

- Regularly report on Scope 3 emissions to stakeholders to maintain transparency and build trust.
- Celebrate and publicize progress to encourage continued focus and effort across the supply chain.

Setting targets

With a strategic vision and priorities mapped out, sustainability leaders are ready to help their organization set appropriately ambitious goals and targets for its environmental impact.

Key considerations for setting quality sustainability targets and KPIs

Trim down your time horizon: Sustainability goals often span decades, but it's vital to align with the business's operational timeline. While aspirations like Net Zero by 2040 are impressive and important, they might seem too distant for immediate action. Setting goals for shorter intervals, such as five years, makes targets more tangible and actionable. Consider setting milestone goals for 2030 or sooner to create a sense of urgency and a clearer path forward.

Horizontal and vertical alignment: Goals should not only align vertically with the organization's overarching sustainability ambitions but also horizontally across different functions and regions.

This approach ensures that sustainability targets are integrated throughout the organization, with each unit or geography having specific, tailored goals that contribute to global objectives. This cascading of goals facilitates coherence and synergies across the organization, enhancing overall impact.

Hardwire accountability: Identify clear accountability for achieving sustainability targets. Ideally, this involves integrating sustainability goals into the scorecards of relevant leaders and departments. Consider leveraging mechanisms like performance-based incentives, internal carbon pricing, or water taxes as tools to reinforce commitment and drive progress toward specific goals. Such mechanisms not only underline the importance of sustainability within the organizational culture but also align personal and departmental objectives with broader environmental and social targets.

Five years is an easy number for companies. It is long enough where you can get something done by the end. Three years, maybe. Five years, hopefully.


CORPORATE SUSTAINABILITY LEADER

Stay SMART: For each sustainability target, develop corresponding KPIs that provide a clear measure of progress. These indicators should be **SMART**: Specific, Measurable, Achievable, Relevant, and Time-bound. They should allow for periodic assessment of progress and facilitate adjustments to strategies or tactics as needed.

Integrate into business operations: Ensure that sustainability KPIs are hardwired into daily business operations and decision-making processes. This integration can be facilitated through regular reporting cycles, inclusion in executive dashboards, and discussion in strategic meetings, ensuring sustainability remains a constant focus.

Communicate regularly: Transparently communicate targets and progress against KPIs both internally and externally. This openness not only fosters a culture of accountability but also builds trust with stakeholders, including employees, customers, investors, and regulatory bodies. Regular reporting on sustainability efforts and outcomes can also enhance your organization's reputation and demonstrate leadership in the market.

Embrace flexibility and adaptability: While setting clear targets is important, maintaining flexibility is too. The sustainability landscape, including technological advancements, regulatory changes, and societal expectations, evolves rapidly. Regularly reviewing and, if necessary, adjusting your targets and KPIs ensure that your sustainability strategy remains relevant and aligned with the best practices and expectations of your stakeholders.



This is not a perfect journey, right? That's why rebaselining exists. That's why as you learn more, as what good looks like changes, you will ebb and flow with it. But you have to start somewhere.


BRIDGETTE MCADOO

Chief Sustainability Officer, Genesys



A closer look at environmental and climate targets

While the specific targets a company sets for itself will vary widely based on many variables, including their industry, size, geography, and ambitions, there are several categories of targets and commitments that are relatively common across the private sector. Sustainability leaders should become familiar with and consider the following when setting their own targets:



Carbon emissions

Common types of goals and initiatives:

Carbon reduction: Carbon reduction goals indicate a specific percentage reduction in greenhouse gas emissions over a defined period.

Carbon neutrality: With a carbon neutrality goal, companies aim to balance emitted carbon with an equivalent amount sequestered or offset. Carbon neutrality does not necessarily include other GHGs, and unlike Net Zero, it does not require companies to reduce their own emissions beyond any particular level.


Net Zero: Like carbon neutrality, Net Zero goals require companies to completely neutralize the impact of their emissions by balancing carbon emitted with an equivalent amount removed from the atmosphere. Unlike carbon neutrality, Net Zero includes specific and high standards for emissions reductions, limiting the role of offsets and sequestration in achieving that balance. Net Zero goals are more ambitious, and more aligned with what climate science indicates is necessary to keep warming to 1.5°C.

Illustrative examples of corporate commitments and targets*

COMPANY NAME	CARBON EMISSIONS REDUCTION TARGETS
Atlassian	Achieve Net Zero emissions by 2040; set near-term science-based targets to reduce emissions by FY2025
Colgate-Palmolive	Net Zero carbon emissions by 2040
Coupa	Achieve 50% reduction in carbon emissions from electric generation by 2030 and 80% by 2040 from 2005 levels; Net Zero by 2050 including Scopes 1, 2, and some Scope 3 emissions
Duke Energy	Achieve 50% reduction in carbon emissions by 2030 and 80% by 2040 from 2005 levels; Net Zero by 2050 including Scopes 1, 2, and some Scope 3 emissions
Fresh	Reduction of GHG from energy consumption at its sites and stores by 50% by 2026 and reduce or avoid Scope 3 GHG emissions by 55% per unit of added value by 2030
Genesys	Become carbon neutral by 2030
Goldman Sachs	Achieve Net Zero carbon emissions by 2050
JLL	Reduce absolute Scope 1, 2, and 3 emissions by 51% by 2030, and achieve Net Zero by 2040

**The information in this table is entirely sourced from publicly available sustainability reports from the years 2022 and 2023. The table does not include all targets and commitments made by these companies.*

COMPANY NAME	CARBON EMISSIONS REDUCTION TARGETS
Nestlé	Reduce absolute GHG emissions 50% by 2030, achieve net zero emissions by 2050
ServiceNow	Achieve Net Zero carbon emissions by 2030
Starbucks	50% absolute reduction in scope 1, 2, and 3 GHG emissions by 2030
Steelcase	Long-term target: Achieve Net-Zero greenhouse gas emissions across the value chain by FY2050 Near term targets: Reduce carbon emissions in operations by 50% by 2030; Reduce absolute scope 3 GHG emissions from fuel- and energy-related activities, waste generated in operations, and business travel 28% by 2030; Partner with 80% of suppliers by emissions to set their own science-based targets by 2025
Reformation	Become climate positive by 2025: exceeding science-based targets to remove more emissions than produced
Yum! Brands	Reduce absolute GHG emissions 46% by 2030 from corporate restaurants and offices



Energy
efficiency

Common types of goals and initiatives:

Reduction in energy consumption: Decrease total energy use through more efficient processes, technologies, or behaviors.

Increase in renewable energy use: Shift towards energy sources like solar, wind, or hydroelectric systems.

Building and infrastructure upgrades: Implement energy-efficient systems and constructions in new and existing buildings.

Illustrative examples of corporate commitments and targets*

COMPANY NAME	CARBON EMISSIONS REDUCTION TARGETS
Atlassian	Run operations on 100% renewable electricity (goal initially achieved in FY2020)
Colgate-Palmolive	Achieve 100% renewable electricity by 2030
Coupa	Procure 100% renewable electricity for facilities; implement energy efficiency projects across global facilities
Cox Enterprises	Signed agreements for over 60% renewable energy starting in 2025
JLL	Integrate high energy efficiency standards during office fit-outs and renovations, prioritize renewable energy
Nestlé	Aim for 100% renewable electricity by 2025



Waste management

Common types of goals and initiatives:

Zero waste to landfill: Redirect all waste from landfills to more sustainable disposal processes like recycling.

Recycling initiatives: Enhance systems to recycle materials used in operations.

Reduction in packaging materials: Use less material overall or switch to materials that are easier to recycle or reuse.

Illustrative examples of corporate commitments and targets*

COMPANY NAME	WASTE MANAGEMENT TARGETS
Colgate-Palmolive	Eliminate one-third of virgin plastics; all packaging recyclable, reusable, or compostable by 2025
Cox Enterprises	Aim to send zero waste to landfill by 2024
Fresh	Ensure 100% of product packaging is made with recycled material or is recyclable by 2025
JLL	Equip 100% of offices with waste streaming and recycling by end of 2023, remove all single-use plastics by 2023
Starbucks	Customer packaging to be 100% reusable, recyclable, or compostable by 2030
Steelcase	Phase out single-use plastics in Steelcase brand product packaging by 2030; Achieve 75% recycled content in single-use Steelcase brand product packaging by 2030
Reformation	Aim to be circular by 2030, with comprehensive circularity practices in sourcing and waste
Yum! Brands	Advance packaging solutions that are reusable, recyclable, or compostable



Water stewardship

Common types of goals and initiatives:

Water reduction targets: Lower the amount of water used within operations.

Water recycling programs: Reuse water in operations to reduce total water intake.

Water quality improvements: Enhance the treatment of wastewater before it is discharged back to the environment.

Illustrative examples of corporate commitments and targets*

COMPANY NAME	WATER STEWARDSHIP TARGETS
Colgate-Palmolive	Net Zero water at CP manufacturing sites in water-stressed areas by 2025, all sites by 2030
Duke Energy	Reduce water withdrawals by 1 trillion gallons from a 2016 baseline by 2030
ServiceNow	Implement water conservation strategies to reduce usage
Starbucks	50% of water withdrawals to be conserved or replenished by 2030
Yum! Brands	Reduce average water consumption by 10% by end of 2025



Sustainable sourcing

Common types of goals and initiatives:

Responsible sourcing certifications: Achieve certifications such as Fair Trade or Rainforest Alliance for products.

Supplier environmental assessments: Conduct environmental impact assessments of suppliers and engage them in improvement practices.


Use of recycled or renewable materials: Increase the proportion of sustainable materials in products and packaging.

Illustrative examples of corporate commitments and targets*

COMPANY NAME	SUSTAINABLE SOURCING TARGETS
Atlassian	Ensure 65% of suppliers by emissions have set science-based targets by FY2025
Colgate-Palmolive	Engage all key suppliers to support deforestation and conversion-free sourcing
Fresh	On-site assessments and verification with suppliers to improve sourcing practices in partnership with the UEBT (Union of Ethical Bioproducts)
JLL	Enhance sustainable procurement, particularly in reducing Scope 3 supply chain emissions to support Net Zero by 2040 target
Nestlé	Aim for 100% responsibly sourced of key ingredient volumes to be responsibly sourced by 2030
Starbucks	Ethical sourcing with C.A.F.E. Practices
Reformation	Aim to be circular by 2030, with comprehensive circularity practices in sourcing and waste
Yum! Brands	Engage with suppliers to support responsible agricultural practices and eliminate deforestation risk

Nascent opportunity: *Biodiversity conservation*

Historically, companies have not understood their influence on biodiversity or made commitments to preserve it. Now, fueled in part by emergent standards and frameworks, they're increasingly adopting and investing in biodiversity and nature-based targets.



Biodiversity conservation

Common types of goals and initiatives:

- Habitat preservation:** Commit to protect and restore habitats affected by company operations.
- Support for conservation projects:** Provide financial or logistical support for biodiversity conservation initiatives.
- Sustainable land use practices:** Implement or support farming or forestry practices that promote biodiversity.

Setting science-based targets

Science Based Targets (SBTs) are emission reduction targets that align with what the climate science deems necessary to meet the goals of the Paris Agreement — to limit global warming to 1.5°C above pre-industrial levels.

The Science Based Targets initiative (SBTi) provides tailored guidance for different industries, acknowledging that the potential for reductions and the methods for achieving them can vary significantly by sector. Companies can have their targets validated by the SBTi, which provides credibility and recognition that those targets are scientifically valid.

Adopting SBTs often pushes companies to innovate in order to meet rigorous goals, driving advancements in technology, efficiency, and renewable energy utilization. By setting SBTs, companies not only contribute to combating climate change but also enhance their competitiveness in a transitioning global economy, attract environmentally conscious investors, and meet increasing regulatory standards.

SETTING SBTS INVOLVES SEVERAL KEY STEPS:

Commitment: Companies first commit to setting a science-based target, typically through a formal statement of intent and registration with the SBTi.

Development: Businesses calculate their current emissions and model different scenarios to find the most effective strategies for significant reductions. This stage involves detailed analysis and may require consulting with experts or using specialized software tools.

Submission and validation: Once developed, the proposed targets are submitted to the SBTi for validation to ensure they meet rigorous scientific criteria. This validation process is crucial for ensuring the targets are both ambitious and achievable based on the latest climate science.

Implementation: After approval, companies implement the strategies and actions necessary to meet their targets.

Reporting and review: Companies must regularly report on their progress and may undergo periodic reviews to ensure continued compliance with their targets. This transparency is key to maintaining the integrity and credibility of the SBT process.

A note about the use of environmental attribute certificates (EACs) and science-based targets: In April 2024, the SBTi Board of Trustees issued a statement announcing that the organization will consider allowing the use of EACs toward Scope 3 abatement targets. In response to criticism and requests for clarification, the Trustees further stated that “Any use of EACs for Scope 3 will be informed by evidence. Any change to SBTi standards, including use of EACs for Scope 3, will be conducted according to previously approved SBTi [Standard Operating Procedure](#).” SBTi intends to release a discussion paper with a draft proposal about potential changes to Scope 3 targets in July 2024.

This episode underscores the importance of managing expectations internally that sustainability reporting frameworks will likely be evolving for some time.

For more comprehensive details on the process and its benefits, the [Science Based Targets initiative](#) provides extensive resources and guidance.

Roadmapping and resourcing your sustainability strategy

Successfully translating a sustainability strategy into action requires a carefully designed roadmap and the strategic allocation of resources. For sustainability leaders, this process is not just about planning but about inspiring change, driving innovation, and ensuring sustainable growth.

**TOOL F:**

Essential elements of a sustainability roadmap



The four levers of change that I have seen businesses use most effectively in sustainability are corporate practices, multi-stakeholder collaboration, philanthropy, and policy. Corporate practices are the things within our direct and immediate control. But some challenges are too big for any one company to make a meaningful difference to create the unlock that is needed. Here you can go together with a group to get to scale, to get to impact, to send a consistent signal to the market, et cetera. With philanthropy, so often there is not a business case for action – no one has perfect information and the market is yet to be mature enough to get something to scale. Corporate philanthropy can help tweak where the market forces aren't quite there, where there is no business case for action. It can close gaps and work on issues that can sometimes be more sensitive or more controversial. And finally, depending on which countries you work in, sometimes policies on the books are quite good, but they're not being enforced. Sometimes the policies don't exist, so you need to explore and push for change.

KATHERINE NEEBE

Chief Sustainability Officer, Duke Energy

Guiding principles for creating a dynamic roadmap

Phase your approach: Develop your roadmap by breaking down the strategy into manageable phases, likely in the range of 1-3 years for each phase. This approach allows for flexibility, making it easier to adjust to unforeseen challenges or opportunities. Each phase should have specific, measurable objectives, ensuring that the organization can celebrate successes and build momentum. Regularly report on your progress toward those objectives.

Incorporate quick wins: Quick wins are essential for demonstrating the value of the sustainability initiative, securing continued support, and maintaining enthusiasm across the organization. Identify opportunities that can achieve significant impact with minimal effort and showcase these successes to stakeholders.



Find things that are visible that represent early successes in whichever domain you're trying to work. And solve for some things that are easy, because that is how you build the momentum to take on things that are harder.

ERIN CRAIG

Chief Sustainability Officer, Customer Solutions and Innovation Lead, 3Degrees



Specify resourcing requirements and, if needed, tradeoffs: Effective implementation hinges on aligning your organization's resources—budget, personnel, and technology—with its sustainability goals. This involves not only the initial allocation but also continuous reassessment to redirect resources as priorities evolve. The sustainability landscape is dynamic. Build agility and resilience into your resource allocation to quickly adapt to new information, trends, or regulatory changes.

Design for cross-functional collaboration: Sustainability challenges are complex and require diverse skill sets to solve. Indicate how and when collaboration across departments can be used to leverage different perspectives, expertise, and resources. This holistic approach ensures sustainability is integrated across all functions and enhances overall effectiveness.

Consider the role of technology: Tech holds the potential to accelerate your sustainability objectives, but it can be expensive and come with a high barrier to entry. Your roadmap should consider what technology can be leveraged toward your goals, and when it becomes advisable to do so.

Build organizational capability: Identify specific needs and opportunities to invest in training and development programs in order to build internal sustainability expertise.

Hardwire iteration into your roadmap: View your sustainability strategy as an iterative process. Establish mechanisms in your roadmap for continuous monitoring and feedback, allowing your organization to learn from both successes and challenges and to refine the strategy accordingly.



Once you get to a point where you feel comfortable, where that educated inner voice is telling you, ‘you need to do something different,’ pull the trigger on it sooner rather than later. Because generally, it gets harder the longer you wait.

KELLY WILLIAMS

Vice President of Environmental Sustainability, Cox Enterprises



CASE STUDY:

Atlassian's path to setting an ambitious sustainability strategy

In 2023, Atlassian published [Don't #@!% the Planet](#), a detailed summary of the company's journey toward its net zero commitments and the lessons it learned along the way.

The report provides a useful point of reference for other businesses and their leaders. The fundamental building blocks of Atlassian's sustainability strategy process are as follows:



1. BUILDING THE BUSINESS CASE FOR SUSTAINABILITY

Atlassian began by identifying the necessity for sustainability in the evolving global landscape. The company conducted a materiality assessment with the help of BSR (Business for Social Responsibility) to prioritize sustainability issues that mattered most to its stakeholders and the business. This helped shape Atlassian's sustainability framework, focusing on four main pillars: Planet, People, Customers, and Community.



2. GAINING LEADERSHIP SUPPORT

With a clear framework, Atlassian engaged its leadership to ensure top-down commitment. This involved presentations and discussions that helped align the executive team on the business case and the strategic vision for sustainability. The company emphasized the opportunities over risks to secure buy-in and created a shared understanding of potential roadblocks and contributions from different departments.



3. SETTING GOALS AND TARGETS

Atlassian established specific, measurable sustainability goals, starting with baselining their current emissions and setting targets for reduction. They committed to 100% renewable electricity by 2025 and set science-based targets for carbon emissions in line with the Science Based Targets initiative (SBTi).



4. OPERATIONALIZING THE STRATEGY

Once goals were set, Atlassian moved into action by operationalizing the plan across various aspects of its business, from reducing emissions in office spaces to engaging suppliers. The company took a practical and ambitious approach to meet its targets, employing tools such as Energy Attribute Certificates (EACs) and Virtual Power Purchase Agreements (VPPAs) to advance their renewable energy goals.



5. HOLDING THEMSELVES ACCOUNTABLE

Atlassian committed to transparency and accountability by reporting annually on their sustainability progress. They adopted frameworks such as the Carbon Disclosure Project (CDP) and incorporated principles from the Task Force on Climate-related Financial Disclosures (TCFD) to ensure thorough and honest reporting.

Visualizing your journey from information gathering to roadmapping

The steps to developing a sustainability strategy, as detailed in Sections 1 through 6 of this chapter, are summarized below.



Gather information about your business and market



Develop a preliminary strategic framework



Conduct a materiality assessment



Update and build out strategic framework based on new learnings



Set goals, targets, and KPIs



Design your roadmap for action



Engaging with external coalitions, pledges, and third-party validation

With a strategy, targets, and a roadmap established, sustainability leaders can consider opportunities for external engagement to deepen and accelerate their work. Coalitions, public sustainability pledges, and third-party validation all hold the potential to amplify your efforts, enhance credibility, and foster continuous improvement. They also bring certain risks and downsides.

There are partners for everything. Find a partner. It allows you to play the right part and share in the amazing breakthroughs when they happen. I really think that there's a lot of white space for a better, deeper form of partnership that isn't just a name only.

MOLLY FOGARTY

Head of Corporate Affairs & Sustainability, Nestlé North America



TOOL G:

Common product sustainability certifications →

Potential value and benefits

Amplified impact through collective action: Joining external coalitions allows organizations to contribute to and benefit from collective actions tackling global sustainability challenges. This collaboration can lead to innovative solutions that no single entity could achieve alone, leveraging shared resources and knowledge.

Enhanced credibility and trust: Public pledges signal a commitment to sustainability goals that stakeholders, including customers, investors, and employees, increasingly demand. Third-party validations, such as certifications from recognized sustainability standards, further enhance credibility, demonstrating that an organization's sustainability efforts meet rigorous, independently assessed criteria.

Access to expertise and best practices: Coalitions and certification bodies often provide access to cutting-edge research, tools, and networks. This access can accelerate learning, inform strategy development, and facilitate the implementation of best practices in sustainability management.



Where we join a coalition and we get the most value from it is when it's helping us unlock a really difficult challenge we have. For example, we joined Closed Loop Partners a few years ago because drink cups in the fast food space are mostly a paper cup with a plastic lining. It's really difficult to recycle...That was a meaningful valuable exercise of collaboration and partnership for us because it sought to drive resources, innovation, and thinking to a really difficult challenge for us and our peers.

JON HIXSON

Chief Sustainability Officer, Yum! Brands



Potential risks and costs

Resource drain: Joining coalitions and achieving certifications often require significant investments of time and resources. Organizations must be prepared to contribute actively, which can include membership fees, personnel time for participation in initiatives, and the costs associated with meeting certification standards.

Misalignment with organizational goals: There's a risk of misalignment between the goals or activities of a coalition and an organization's specific sustainability objectives or corporate values. Such misalignment can dilute efforts or lead to commitments that the organization is not fully prepared to meet.

Public scrutiny: Making public sustainability pledges increases accountability and scrutiny. Failure to meet these commitments can damage reputation and stakeholder trust, highlighting the importance of setting realistic goals and transparently communicating progress and challenges.

Assessing the right timing and opportunities

Strategic alignment: Before joining a coalition or making a public pledge, assess how well the group's goals align with your organization's sustainability strategy and values. Participation should directly support your strategic priorities and offer clear benefits in terms of impact, learning, or reputation enhancement.

Readiness assessment: Consider whether your organization is prepared to meet the commitments of joining a coalition or achieving certification. This includes having the internal processes, resources, and culture that support active engagement and the fulfillment of any pledges made.

Stakeholder perspective: Consult with key stakeholders, including employees, customers, and investors, to gauge their views on potential engagements. Their insights can help identify which initiatives are most valued and where your organization can make the most meaningful contributions.

Timing and market position: The decision to join a coalition or make a pledge should also consider market and competitive factors. Engaging in initiatives that set your organization apart as a sustainability leader can offer a competitive edge, but the timing needs to be right to ensure that initiatives are successful and impactful.

Continuous evaluation: Treat the decision to join external groups as a component of your overall sustainability strategy, subject to ongoing evaluation. As your strategy evolves, reassess engagements to ensure they remain aligned with your goals and continue to offer value.



TOOL A:

Sustainability landscape assessment components

For sustainability leaders aiming to build a comprehensive understanding of their organization's position within its industry, among peers and competitors, and in relation to the broader regulatory and legal context, a landscape assessment can be invaluable. This tool recommends several components of a structured analysis of the external and internal factors that influence an organization's sustainability strategy.

Part 1: Organizational assessment

Objective: Gain an in-depth understanding of the organization's current sustainability efforts, culture, and internal capabilities.

- Sustainability initiatives inventory:** A comprehensive list of ongoing and past sustainability efforts, their outcomes, and areas of improvement.
- Cultural and capability assessment:** Evaluation of the organization's culture toward sustainability and internal capabilities, including staff knowledge and resource availability.

Part 2: Industry and peer analysis

Objective: Understand the competitive landscape, including how peers and competitors are approaching sustainability.

- Competitive sustainability benchmarking:** Analysis of key competitors' sustainability initiatives, strengths, and weaknesses.
- Review of industry best practices and relevant tools:** Identification of sustainability best practices within the industry, potential partnerships, commonly used tools, technologies, and vendors, and industry-wide initiatives.

Part 3: Regulatory and legal context

Objective: Map out the regulatory and legal frameworks impacting the company's sustainability efforts.

- Regulatory inventory:** List of relevant local, national, and international environmental regulations and policies.
- Compliance status and risks:** Assessment of the organization's compliance with these regulations and identification of potential legal and regulatory risks.

Part 4: Societal and environmental trends

Objective: Identify broader societal and environmental trends that could impact the organization.

- Trend analysis:** Overview of global and local environmental trends, societal attitudes towards sustainability, and emerging issues.
- Impact assessment:** Evaluation of how these trends could affect the organization and its sustainability strategy.



TOOL B:

Preferred consulting and technology solutions

Report contributors have valuable insights to share about the consultants and vendors they use to make their sustainability strategies come to life. In the list below, you'll find recommendations from some of those leaders. This list may grow and evolve as additional chapters of *The Green Seat Guide* are published.

*more than one recommendation

Carbon accounting and offsets:	<p>BEF - nonprofit offset provider, with solutions for water, carbon, and energy</p> <p>Change Climate - an independent climate action label; recommended for carbon neutral certification and as a carbon accounting tool</p>
Data management and other technology solutions:	<p>Coupa - provides tools to support sustainable spend management (e.g. directing spend to diverse suppliers, mitigating ESG risk, supply chain efficiency)</p> <p>Watershed* - platform for audit-ready sustainability data, including a climate database for granular emissions measurement, software tools for sustainability reporting and supply chain engagement, and a Marketplace with carbon removal and clean power projects</p>
Materiality assessments:	<p>BSR* - sustainable business network and consultancy that enable business transformation to create long-term value for business and society</p> <p>EY - global management consulting firm that helps businesses create value for sustainability as well as helping sustainability create value for business</p> <p>Sustainerv - global management consulting firm that works with companies to integrate sustainability considerations into long-term strategies, everyday operations, and communications</p>
Sustainability reports:	<p>Curran & Connors - design firm specializing in corporate reports, digital experiences and branding services</p>
General sustainability strategy and consulting:	<p>3Degrees - certified B-Corp that helps organizations around the world achieve renewable energy and decarbonization goals</p> <p>Anthesis - organization that guides businesses toward decarbonized and more sustainable futures; recommended for circularity strategy and bespoke carbon accounting verification</p> <p>ClimateWorks - a global platform for philanthropy to innovate and accelerate climate solutions that scale; recommended for purchase of credible renewable energy credits and climate transition strategies</p> <p>Foresight Management - organization that does a wide variety of sustainability consulting, GHG data collection, management and reporting for buildings, products, and organizations</p> <p>South Pole - organization that develops and implements comprehensive emission reduction projects and strategies that turn climate action into long-term business opportunities for companies, governments and organizations around the world</p>



TOOL C:

Sustainability accountability map components

A sustainability accountability map should identify the key individuals who own some responsibility for your ultimate success, and visualize their roles in relation to each other. To help you get started, consider mapping out individuals and teams within the following categories, as relevant to your organization:

Strategic leadership:

Location on the map: Positioned at the top. Includes the Board of Directors, CEO, and other C-suite executives.

Key responsibilities: Sets overall sustainability vision, goals, and strategic priorities. Approves major sustainability initiatives and investments.

Reporting: Regular updates from the sustainability executive on the progress of sustainability initiatives, KPIs, and strategic adjustments.

Sustainability Steering Committee:

Location on the map: Central to the map. Composed of leaders from various departments (e.g., operations, finance, marketing, HR).

Key responsibilities: Oversees the development and implementation of sustainability initiatives across departments. Coordinates cross-functional efforts and resources allocation.

Reporting: Provides updates to the strategic leadership layer and receives feedback and direction.

Operational implementation teams:

Location on the map: Spread across departments. Teams or individuals within specific departments or business units responsible for executing sustainability initiatives.

Key responsibilities: Implements specific actions and projects aligned with the sustainability strategy. Monitors performance and gathers data on sustainability KPIs.

Reporting: Reports progress to the Sustainability Steering Committee and provides data for sustainability reporting.

Sustainability champions:

Location on the map: Throughout the organization. Enthusiastic individuals across different levels and departments.

Key responsibilities: Advocates for sustainability within their areas, supports the implementation of initiatives, and helps to engage and educate other employees.

Reporting: Shares insights and employee feedback with operational teams and the Sustainability Steering Committee.



TOOL D:

Overview of commonly used sustainability reporting frameworks

Sustainability reporting frameworks provide guidelines and standards for organizations to measure, understand, and communicate their environmental, social, and governance (ESG) performance. The most common sustainability reporting frameworks in use today include:

REPORTING	OVERVIEW	KEY FEATURES
<u>Global Reporting Initiative (GRI)</u>	GRI is one of the world's most widely used sustainability reporting standards. It offers a comprehensive set of standards that organizations can use to report on their sustainability impacts, including economic, environmental, and social impacts.	Provides a modular, interrelated structure focusing on material aspects of sustainability. It encourages organizations to report on their impacts on the economy, environment, and people comprehensively.
<u>International Sustainability Standards Board (ISSB)</u>	Led by the IFRS Foundation, ISSB is consolidating and superseding the work of market-led investor-focused reporting initiatives, including the Climate Disclosure Standards Board (CDSB), the Task Force for Climate-related Financial Disclosures (TCFD), the Value Reporting Foundation's Integrated Reporting Framework and industry-based SASB Standards, as well as the World Economic Forum's Stakeholder Capitalism Metrics.	ISSB standards aim to create a new reporting baseline that is investor-oriented, comprehensive, globally relevant, and interoperable with other reporting standards.
<u>Sustainability Accounting Standards Board (SASB)</u>	SASB standards focus on financially material sustainability information that investors might find useful. It provides industry-specific standards to help businesses disclose material sustainability information in their regulatory filings.	Emphasizes issues that are likely to affect the financial condition or operating performance of companies within an industry.
<u>Task Force on Climate-related Financial Disclosures (TCFD)</u>	Recently disbanded yet still in use by many companies, the TCFD provides recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions. It aims to enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.	Focuses on the financial impacts of climate change, providing a framework for companies to disclose climate-related financial risks and opportunities.

REPORTING	OVERVIEW	KEY FEATURES
<p><u>CDP (formerly the Carbon Disclosure Project)</u></p>	<p>CDP runs a global disclosure system that enables companies, cities, states, and regions to measure and manage their environmental impacts. It has built one of the most comprehensive collections of self-reported environmental data in the world.</p>	<p>Focuses on climate change, water security, and deforestation data. It provides a platform for disclosing and managing environmental impacts, with the goal of making environmental reporting and risk management a business norm.</p>
<p><u>Integrated Reporting Framework (<IR>)</u></p>	<p>Developed by the International Integrated Reporting Council (IIRC), the <IR> Framework focuses on how organizations create value over time. It promotes a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.</p>	<p>Encourages the integration of financial and non-financial data to provide a holistic view of the organization's performance.</p>
<p><u>Science Based Targets Initiative (SBTi)</u></p>	<p>Though not a reporting framework per se, SBTi helps companies set emissions reduction targets in line with climate science. It offers tools and guidance to ensure that companies' targets are aligned with the Paris Agreement goals.</p>	<p>Focuses on greenhouse gas emissions reduction targets. It supports companies in setting scientifically based sustainability goals and reporting progress towards these goals.</p> <p>These frameworks serve different but often complementary purposes, helping organizations to navigate the complex landscape of sustainability performance and reporting. Companies may use one or several of these frameworks depending on their specific sustainability goals, industry standards, and stakeholder requirements.</p>



TOOL E:

Materiality assessment preparation checklist

The checklist below provides a standard yet easily modifiable process for sustainability leaders to track their progress when planning a materiality assessment:

Define the scope and objectives	<ul style="list-style-type: none"><input type="checkbox"/> Determine the boundaries of the assessment (e.g., global operations, specific business units).<input type="checkbox"/> Clarify the objectives of the assessment (e.g., informing strategy, stakeholder engagement, reporting).
Establish a project team	<ul style="list-style-type: none"><input type="checkbox"/> Identify internal stakeholders to be involved in the assessment (e.g., representatives from various departments).<input type="checkbox"/> Assign a project lead to coordinate the assessment process.<input type="checkbox"/> Consider hiring external consultants for expertise and impartiality, if resources permit.
Understand regulatory requirements	<ul style="list-style-type: none"><input type="checkbox"/> Review applicable sustainability reporting standards and regulations.<input type="checkbox"/> Determine if there are specific issues that must be included due to regulatory requirements.
Engage stakeholders	<ul style="list-style-type: none"><input type="checkbox"/> Identify key internal and external stakeholders (e.g., employees, customers, suppliers, investors, community groups).<input type="checkbox"/> Plan how to engage stakeholders (surveys, interviews, workshops) to gather their perspectives on material issues.
Develop a list of potential issues	<ul style="list-style-type: none"><input type="checkbox"/> Compile a comprehensive list of sustainability issues that could impact the organization, drawing from sources like sustainability frameworks (e.g., GRI, SASB), industry reports, and peer benchmarks.<input type="checkbox"/> Ensure the list covers a broad range of topics, including environmental, social, and governance (ESG) issues.

Prioritize issues for assessment

- Develop criteria for prioritizing issues to be assessed (e.g., impact on the business, importance to stakeholders).
- Use the criteria to narrow down the list to a manageable number of issues for in-depth assessment.

Plan data collection

- Determine the data needed to assess the materiality of each issue (e.g., internal performance data, stakeholder feedback).
- Plan how to collect this data, identifying any gaps in available information and how they will be addressed.

Communicate the process

- Develop a communication plan to inform stakeholders about the materiality assessment process, objectives, and how their input will be used.
- Ensure transparency in the process to build trust and engagement.

Review and adapt

- Set up a process for reviewing the findings of the materiality assessment with key stakeholders.
- Plan how to integrate the results into the sustainability strategy and reporting.
- Prepare to revisit the materiality assessment periodically or when significant changes occur in the business or industry context.

Document everything

- Keep detailed records of the process, criteria used for prioritization, stakeholder engagement activities, and the rationale behind decisions.
- Prepare to disclose the process and outcomes as part of sustainability reporting efforts.



TOOL F:

Essential elements of a sustainability roadmap

While every organization’s sustainability roadmap will differ in substance, the components below provide a strong organizational framework:

Executive summary	<p>Purpose: Briefly describes the overarching sustainability vision and objectives of the organization.</p> <p>Scope: Outlines the breadth of the strategy, including the key focus areas and the intended impact.</p>
Materiality assessment summary	<p>Key findings: Highlights the critical sustainability issues identified through the materiality assessment.</p> <p>Stakeholder insights: Summarizes stakeholder perspectives that have shaped the strategy priorities.</p>
Strategic priorities and pillars	<p>Priority areas: Details the chosen focus areas or pillars of the sustainability strategy, based on the materiality assessment and other planning inputs.</p> <p>Rationale: Explains why these areas were selected and their expected impact.</p>
Implementation plan	<p>Initiatives and actions: Outlines specific initiatives and actions under each strategic pillar, including responsible parties and timelines.</p> <p>Resources allocation: Details the allocation of resources (financial, human, technological) to support the implementation of each initiative.</p>
Key performance indicators (KPIs) and targets	<p>KPIs: Lists the key performance indicators that will be used to measure progress toward each sustainability goal.</p> <p>Targets: Sets specific, measurable targets for each KPI over defined timeframes.</p>
Governance and accountability	<p>Roles and responsibilities: Defines the roles and responsibilities of teams and individuals in implementing the sustainability strategy.</p> <p>Reporting structure: Outlines the reporting structure for sustainability performance, including internal and external reporting mechanisms.</p>

Stakeholder engagement plan

Engagement strategies: Describes the approaches for ongoing stakeholder engagement throughout the implementation of the sustainability strategy.

Feedback mechanisms: Details mechanisms for receiving and integrating stakeholder feedback into strategy refinement.

Risk management and mitigation strategies

Potential risks: Identifies potential risks to the successful implementation of the sustainability strategy.

Mitigation strategies: Details strategies for mitigating identified risks.

Review and update process

Review schedule: Specifies the schedule for periodic reviews of the sustainability strategy.

Update mechanism: Describes the process for updating the strategy based on review findings, changing priorities, or external changes in the sustainability landscape.



TOOL G:

Common product sustainability certifications

This resource provides sustainability leaders in the private sector with a roundup of U.S.-specific certifications related to different aspects of product sustainability. While there are a number of other recognitions available on a global scale, those included in this document are geared toward a U.S.-based audience. Certifications featured in the document can be applied to many industries, and we encourage leaders to look closely at each certification to determine relevance to their organization.

[Download the resource here](#)



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NationSwell welcomes input on this research and invites you to reach out with questions, feedback, and suggestions for how we can further support your work.

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