

# Warming to the challenge

**Businesses take on climate change. Brunswick's PHIL DREW and JORDAN BICKERTON report**

POLITICIANS AND THE MEDIA MAY STILL BE debating climate change, but in the business world there is a clear consensus that action is needed. Many leading investors, prominent business heads and large organizations are answering the call – and taking serious action.

Climate initiatives, renewable energy projects and green bonds now attract hundreds of billions of dollars in investment annually. Far from being an expensive drain on a company's bottom line, a growing body of data suggests that companies leading the way on climate change tend to outperform their peers financially.

Many are setting their sights even higher, publicly pledging to commit more resources to tackle the problem and become energy neutral themselves.

The following research provides a snapshot of the movement among some of the world's leading businesses to address climate change today.

It also shows how businesses can become, and already are becoming, leaders in society by taking action to solve a global crisis.

## THE CONSENSUS: CLIMATE IS BUSINESS CRITICAL

**Climate-related disruption** is the dominant threat to global economy, in the view of 750 experts from business and academia who take part in the World Economic Forum's annual analysis of global risks. Failure to take action on climate change amplifies many other risks – from food crises and water security, to migration and social instability.

**Business** has an "important" or "very important" role in tackling climate change according to 86 percent of respondents surveyed by GlobeScan/SustainAbility. Respondents included professionals in the public and private sector, as well as those working in NGOs and academia.

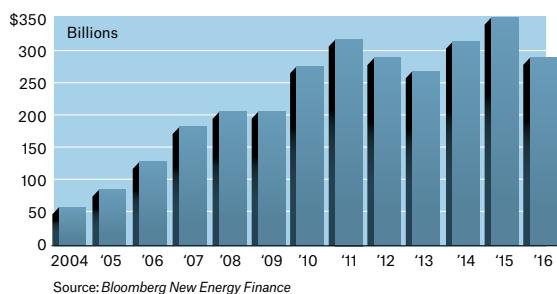
**Climate change risk** has arrived as an investment issue, according to Ewen Cameron Watt, chief investment strategist at BlackRock: "Even if you are

## LEADING BUSINESSES & INVESTORS ARE TAKING ACTION

According to CDP, a nonprofit that runs a system for companies, cities and states to disclose their environmental impact, 827 investors, with a combined **\$100 trillion** in assets, requested information on climate change, water or forests. Cities are joining in the effort, too: CDP reports that 533 cities disclosed their impact in 2016.

### GLOBAL NEW INVESTMENTS IN CLEAN ENERGY

More than \$2.5 trillion in new investments have been made in clean energy since 2007



Of the 1,089 businesses that disclosed data to CDP,

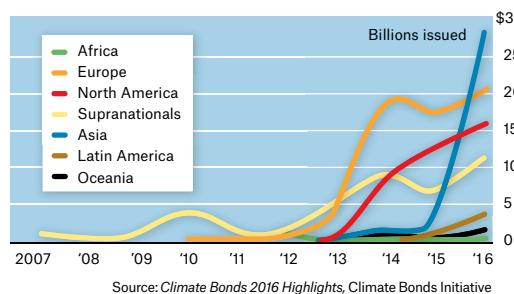
# 85 PERCENT

have emissions reductions targets in place. These companies accounted for 12 percent of global GHG emissions

Sixteen of the world's 20 largest banks, representing **\$1.7 trillion** by market capitalization, are taking action in their core business, according to data from Nazca, a platform created by the UN that tracks climate action. The same data set recorded that companies from 145 countries are taking some form of action.

### DEMAND FOR GREEN BONDS IS ACCELERATING

The market for bonds that finance environmental projects is growing, nowhere faster than in Asia



skeptical of global warming and its causes, no one should ignore that significant regulatory, economic and technological factors make this a major investment issue."

**Financial returns** are stronger for companies taking a lead on climate issues, according to a 2014 study of the S&P 500 by CDP. Businesses ranked by CDP as climate leaders generated 18 percent higher ROE than lower-scoring companies, and 67 percent higher ROE than companies that did not disclose any information at all. And the returns leading businesses enjoyed were more stable – their earnings were 50 percent less volatile over the previous decade than those of their low-scoring peers.

#### BUSINESSES ARE TAKING COLLECTIVE ACTION

630 companies wrote to US President Donald Trump, urging him to take action on climate change – they included DuPont, General Mills, HP, Johnson & Johnson, VF Corp. and Unilever.

**We Mean Business** is a coalition of more than 320 companies and investors committed to reducing their carbon footprints. Its members include IKEA, BT Group, Commerzbank, H&M and Unilever.



PETER LACY  
MD, Accenture



DOUG MCMILLON  
CEO, Wal-Mart

S&P 500 companies that disclosed their environmental impact to the nonprofit CDP in 2014 had

**67**

PERCENT  
higher ROE than companies that didn't disclose

## BUSINESS LEADERS

### ARE SPEAKING OUT

**A UNITED FRONT**  
"For perhaps the first time, we are beginning to see a united front of business leaders and policymakers [on climate change]"

**GOOD FOR BUSINESS**  
"We'll just ignore it. As I've said before, doing the right thing is good business"  
Replying to a question at Davos 2016 about climate change skepticism

**Business for Innovative Climate and Energy Policy** is an effort on behalf of more than 1,000 companies to pass meaningful legislation to combat climate change. Apple, Intel, GM, Gap, eBay and Nike are signatories.

#### BIG BUSINESSES ARE SETTING BIG AMBITIONS

**APPLE** issued \$1.5 billion in green bonds in 2016 to finance renewable projects.

**GOOGLE** invested \$2.5 billion to help take new green technology to scale.

**WAL-MART** vowed 100 percent renewable energy by 2020, and 20 percent less energy per square foot.

**GOLDMAN SACHS** pledged \$150 billion to clean energy finance, plus advocacy efforts.

**IKEA** says by 2020, through wind, solar and biomass, it will produce as much energy as it consumes.

**GE**, with the world's largest clean energy portfolio, pledged to invest \$10 billion in green technology.

**CITI** is lending, investing and facilitating \$100 billion over 10 years to environmental solutions.

**PHIL DREW**, a Director, is part of Brunswick's Business & Society Practice. **JORDAN BICKERTON** is an Associate. Both are based in the firm's London office.



BILL GATES  
Co-Founder, Microsoft



PAUL BULCKE  
Former CEO, Nestlé

**A TRULY GLOBAL PROBLEM**

"We don't have that many world problems – most problems can be solved locally – but this one is a world problem"

**TIME TO ACT IS NOW**

"The consequences of climate change are already clearly with us: farmers struggle with changing crop cycles; communities migrate; and extreme weather events proliferate. ... So it is time to act"