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Sustainability Today

June 23, 2021 | Digital

RUBICON CONCORDIA

Main Stage

"This is not just a conversation for New York, or Atlanta, or LA. It is everyone coming together in a non-partisan fashion."

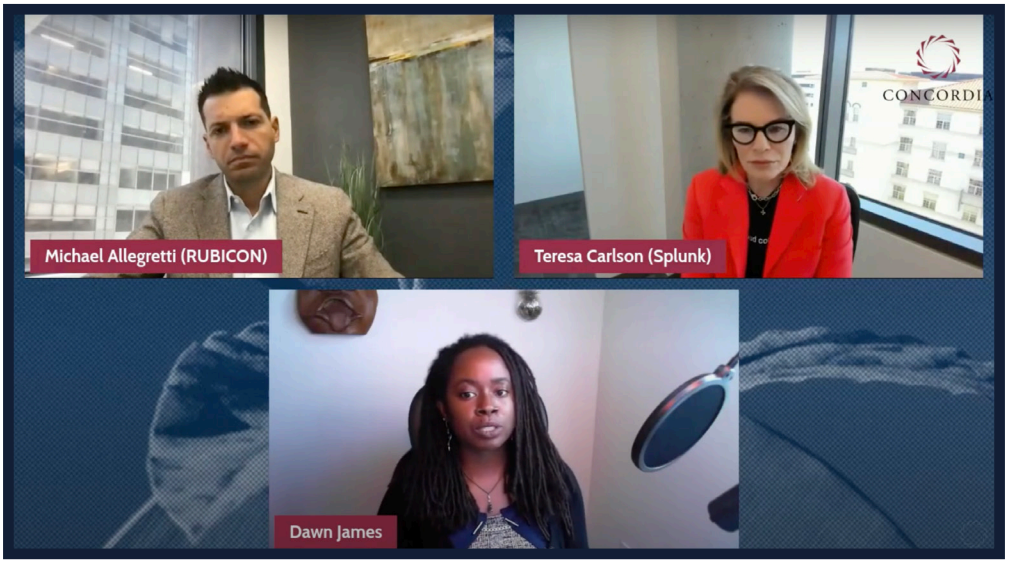
—Hanne Dalmut
Senior Director of Partnerships at Concordia

Redefining the Scope of Corporate Sustainability

A key aspect of the sustainability challenge is the role of corporations in creating a sustainable economy. In ***Redefining the Scope of Corporate Sustainability***, **Eric Loeb**, **Executive Vice President of Government Affairs at Salesforce**, pointed out that Salesforce utilizes many tools, policies, and metrics in its move toward sustainability, and that projects like the Sustainability Cloud can also be utilized to help others. **Valerie Red-Horse Mohl**, **Executive Director of the Social Venture Circle**, is of Cherokee ancestry and has worked with over 100 tribal nations in America on issues of sustainability and regeneration. She argued that sustainability is no longer enough, and instead we need to move toward renewal. The issue is not about any one individual or corporation, but about entire systems that are broken and need to be renewed. Part of the solution is equitable distribution—not just of wealth, but of power and voice.

"Not doing bad things is simply not enough. We need to be proactive and intentional."
—Valerie Red-Horse Mohl, Executive Director of the Social Venture Circle

"This next 10 years has to be the decade of action."
—Eric Loeb, Executive Vice President of Government Affairs at Salesforce



Tech Advancement for Smart, Sustainable Cities

The challenge of achieving a sustainable economy includes not only corporations but municipal organizations. Smart cities are a growing category of municipal organizations that rely on technology to help drive sustainability. Speaking during ***Tech Advancement for Smart, Sustainable Cities***, **Michael Allegretti**, **Chief Strategy Officer at Rubicon**, spoke about the need to change in terms of our waste patterns. In the midst of COVID-19, Rubicon has used its data to help cities action rising waste volumes at homes in real time.

Dawn James, **Director of U.S. Sustainability & Environmental Science at Microsoft**, highlighted the work of Microsoft from a smart cities and connectivity standpoint. The company is connecting academic institutions, entrepreneurs & innovators, and the private sector, and is able to demonstrate the rapid adoption of AI and emerging technologies that impact individual neighborhoods as well as a city as a whole.

The challenge of creating smart cities is not just about adoption of technology but about making sure that people who support the systems within cities are able to provide action. Speaking about the transformative power of data, **Teresa Carlson**, **President & Chief Growth Officer at Splunk**, pointed out that, in the last year, internet usage has increased 70% and e-commerce has increased 76%. The key to integrating technology into city operations is to ensure that a city has a sustainability plan. Smart city technological adoption requires releasing ourselves from the "winner takes all" mentality and imbuing employees and workers with more of a purpose-driven incentive.

"If the last year has taught us anything, it's that data has become an essential service,"
—Teresa Carlson, President & Chief Growth Officer at Splunk

"The challenge is not a lateral challenge. It has all different facets that impact not just the U.S. but the whole globe,"
—Dawn James, Director of U.S. Sustainability & Environmental Science at Microsoft

Commiting Beyond Zero Waste to Regeneration

Speaking during ***Committing Beyond Zero Waste to Regeneration***, **Kevin Moss**, **Global Director of Center for Sustainability Resources at the World Resources Institute**, stated that corporate approaches are moving from active reduction to zero impact to aspirations for zero net positive or regenerative approaches. Walmart's initiatives related to sustainability can be traced to 2005, said **Kathleen McLaughlin**, **EVP & Chief Sustainability Officer of Walmart**. Walmart has made a commitment to zero waste and 100% renewable energy, but the notion was very much around minimized footprint. For 15 years, Walmart has made tremendous progress, and the company is now working to overcome inequity and drive down carbon in order to restore ecosystems. Regenerative means going beyond limiting carbon footprint to adding net positive value when talking about climate or ecosystem regeneration. Addressing rising consumption in the developing world requires a circular economy and decoupling consumption from growth. Businesses are being valued based on their goals in the areas of climate, ESG, equity, and racial ecosystems.

Businesses need to be transparent about their priorities, and governments need to set clear standards and goals to provide a framework for business. The same is true on the people's side. Where is the opportunity to create economic prosperity for people to grow through jobs and connect small producers to markets? Where are the human rights risks? How do we go beyond and create opportunities for gender equity? These are the questions that must be addressed.

"We're talking about a complete and utter transformation of the methods of production and how we're living,"
—Kathleen McLaughlin, EVP & Chief Sustainability Officer of Walmart

"As we bring people around the world out of poverty, if they consume like we consume, we'll have a 3-4 fold increase in pollution,"
—Kevin Moss, Global Director of Center for Sustainability Resources at the World Resources Institute

Regenerative Agriculture at Scale

As we begin to address systems that are broken and need to be transitioned from a sustainability approach to a regenerative approach, we must take a close look at agriculture. Natural resources are precious and finite, said **Paula Henderson**, **Vice President & Chief Sales Officer at SAS Institute**, speaking during ***Regenerative Agriculture at Scale***. In the U.S., $3.28 trillion is devoted to sustainable agriculture. As highlighted by **Jim Andrew**, **Vice President of Beyond the Bottle Business and Chief Sustainability Officer at PepsiCo**, 55% percent of PepsiCo's portfolio is foods, and two-thirds of the company's portfolio stems from the ground, in some way. PepsiCo's large agricultural footprint is absolutely essential to its business.

While regenerative farming practices are more productive and profitable in the long term, it can take a few years for farmers to see a return on that investment. A lack of clear, industry-wide standards and measurements is a challenge. Henderson stated that SAS looks at what consumers and citizens are driving the need for, as well as analyzing different groups and members across the food chain.

Teryn Wolfe, **Founder & CEO of Measurement Matters**, suggested looking at value chains and the role of data and technology in improving regenerative agriculture. She spoke to the importance of applying analytical models that use consumer data to sense supply and demand, in addition to optimizing pricing and promotion to ensure that products on the shelf are selling.

Communities are absolutely essential to making these things work, highlighted Andrew. No one company or organization can tackle the problem alone; everyone must be working together. From a small farm perspective, there must be a business incentive. When presented with the economic case, most farmers will get on board with regenerative agriculture.

"We believe analyzing data will help to improve global stewardship."
—Paula Henderson, Vice President & Chief Sales Officer at SAS Institute

"We feel a real responsibility to use our scale to help build a more resilient food system."
—Jim Andrew, Vice President of Beyond the Bottle Business and Chief Sustainability Officer at PepsiCo

The Road to COP26

With the 2021 United Nations Climate Change Conference (COP26) fast approaching, organizations are under increasing pressure to achieve their sustainability targets. In ***The Road to COP26***, **Marisa Drew**, **Chief Sustainability Officer & Global Head of Sustainability Strategy, Advisory & Finance at Credit Suisse**, said that, as a finance organization, Credit Suisse is committed to net-zero using science-based targets. The company wants to come together as an industry, as finance can drive change if organizations are unified. **Douglas Sabo**, **Chief Sustainability Officer at Visa, Inc.**, stressed the company's belief in an inclusive and sustainable world, while **Javier Quiñones**, **CEO & Chief Sustainability Officer at IKEA U.S.**, shared how IKEA already produces more clean energy today than it consumes in the U.S., with the company owning more than 240,000 solar panels across the U.S. and two wind farms.

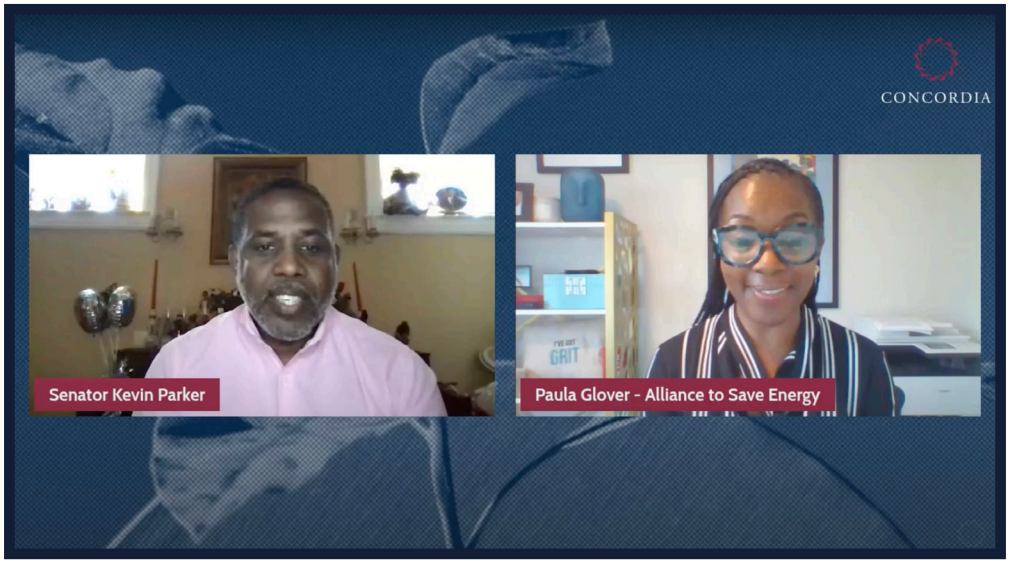
As highlighted by **Virginie Hellas**, **Chief Sustainability Officer of Procter & Gamble**, over 90% of their electricity comes from renewable sources. Procter & Gamble signed a space act agreement to produce space-based laundry detergents, i.e "space Tide", using zero water. Companies play a critical role in leading the way on sustainability with their products and policies.

"You have to get your own house in order first, and that's where our focus has been for a number of years."
—Douglas Sabo, Chief Sustainability Officer at Visa, Inc.

"We say it's good business to be a good business."
—Javier Quiñones, CEO & Chief Sustainability Officer at IKEA U.S.

"I believe the pandemic has been revealing, showing that the private sector will rise to the challenge and take action."
—Virginie Hellas, Chief Sustainability Officer of Procter & Gamble

"High-carbon industries are going to have to invest billions and trillions into their transition to a net-zero world."
—Marisa Drew, Chief Sustainability Officer & Global Head of Sustainability Strategy, Advisory & Finance at Credit Suisse



Smart Energy Policy

Key to driving a sustainable future is smart energy public policy. In ***Smart Energy Policy***, **New York Senator Kevin Parker** stated that New York benefited from having "Democrats from top-to-bottom." **Paula Glover**, **President of the Alliance to Save Energy**, spoke to the importance of bipartisanship and achieving support across the aisle for climate solutions, as well as the role clean energy plays in economic growth for minority communities.

Key Takeaways & Next Steps:

• The road to a sustainable economy will require the participation of corporations, municipalities, academics, farmers, and ordinary citizens.

• In some cases, sustainability as a goal is shortsighted, and regeneration should be the target.

• Projects like regenerative agriculture require sign-on from individual farmers, who may be reluctant to do so because of cost. If the long-term positive benefits of regenerative agriculture can be explained to farmers as a business case, many will recognize the potential.

• Companies are hindered in their sustainability efforts by a lack of clear standards and targets from government entities.

• Projects like Microsoft's partnership with smart cities can be expanded upon and scaled up from a city-wide basis to a national scale.

Intervention Flashpoints

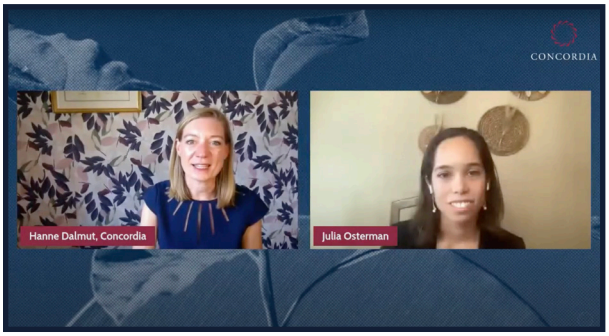
Speaking about Bayer Corporation's approach to sustainability, **Matthias Berninger**, **Senior Vice President of Public Affairs & Sustainability at Bayer**, said that, for a sustainability conversation, it is really important to develop key performance indicators. Developing quantitative sustainability targets, measuring yourself against them, and linking to remuneration will help you to achieve targets, but these targets have to be meaningful and ambitious.

"We have to stop sustainability announcement Ponzi schemes," Matthias Berninger, Senior Vice President of Public Affairs & Sustainability at Bayer

Philip Morris International is transitioning to a "smoke-free" future, according to **Sarah Bostwick Stromoski**, **Head of Sustainability Stakeholder Engagement at Philip Morris International**. Their new strategy is called p(product)+ESG. By 2025, less than half of PMI's revenue will be from cigarettes. They are currently following 24 business transformation metrics.

Julia Osterman, **Head of Business Development at NCX**, spoke to the importance of utilizing remote sensing and AI to quantify natural capital values beyond timber in the sustainability space.

"Natural capitals are the values that forests provide that are critical to solving challenges like climate change or biodiversity loss and creating a more sustainable future," Julia Osterman, Head of Business Development at NCX



As one of the largest providers of high-quality forest carbon credits in the U.S., NCX has faced a challenge of how to not only manage forests but how to quantify their relative health. NCX created a methodology to measure forest health and partnered with Microsoft to create a forest map of the U.S. Forest Map is an acre-level report on forest quality and viability of wilderness habitats, and NCX is using the data to quantify the carbon in forests and pay landowners to change forestry practices. NCX is also sorting the data to measure the quality of habitats around the country. ■

Partnership Accelerators

Reverse Logistics & Repurposing

The return management space provides a significant opportunity for reverse logistics to serve as the cornerstone of a successful circular economy. In North America, following a spree of pandemic purchases on top of a more general recognition of the value of repurposing over waste, return rates have reached an estimated 9-10%. Numbers suggest $428 billion worth of products are returned to the realtor. To counteract the linear economy of return management, reverse logistics, sustainable design & manufacturing, and data integration must be incorporated into the retail industry.

Reselling is the premier option for consumers and producers alike. Through different digital and in-person platforms, consumers have the opportunity to trade in a product, receive a credit, and use that credit to make a new purchase. At the same time, the realtor can resell the product, ensuring it stays on the market.

Through the creation of a viable secondhand market, a number of shifts have occurred in the apparel industry. Previously, fashion companies approached the circular economy with the hope that there would be a recyclable product that served as a one-stop solution; they have since recognized the importance of design and product creation and, as a result, have begun training their designers to keep renewal in their design process. According to one participant, "good solutions start with good design."

Reverse logistics look different in the electronic space. Rather than focusing on reselling through a third market, major retailers can utilize reverse logistics centers to manage returns and determine if they can be resold or recycled. This process, which skips reshipping returned products back to the manufacturer, allows for the highest value and least impact from a sustainability standpoint.

While brick and mortar stores have developed innovative ways to manage returns more sustainably, major internet retailers are slower to pivot directions. For internet retailers, it is not economically viable to accept returns and deliver them to the original manufacturer. For internet retailers to become more sustainable, profit margins must be aligned with sustainability. To advance reverse logistics and create more sustainable solutions, there must be an intersection of economic benefits and choice.

Data can be essential in this regard. Intelligent serial numbers and other innovations that capture key data points—like where a product is located, delivered, and/or resold—can help experts create innovative solutions on how to move materials more sustainably. In this way, data-driven partnerships become central to "how to make doing the right thing the right economic decision."

The role of the consumer has become increasingly prominent and has influenced a rise in sustainability practices. The demand by consumers for transparency has proven to be an intangible value in the move towards a more circular economy. The consumer-driven movement has resulted in resale becoming more present in business models and an increase in product quality. Additionally, according to one participant, resale has been linked to a 60% rise of

new-to-file customers, many of which later become direct customers. The financial benefits from reverse logistics include a rise in the number of new customers and a growth in customer loyalty.

KEY TAKEAWAYS & NEXT STEPS::

• There must be continued innovation in this space, specifically as it pertains to the use of data. In reverse logistics, data can be used as leverage in the decision-making process. Data allows for a better understanding of the challenges businesses are facing and the opportunities they have to incorporate new cyclical return management programs into their business models. Some solutions include:
Scan and sell practices, which would create more efficiency by tracking the product throughout its history.

• Reverse logistics centers, which work towards recovering the highest possible amount of retail products.

• Integrating zero-waste savings alongside other ESG data points, like reduced carbon emissions related to lower rates of new production.

• To transition to a future circular economy, the retail and manufacturing industries must incorporate the repurposing of products into their product design and business models. The retail return management space must find ways to connect economic benefits with sustainable practices. Additionally, the manufacturing process must keep sustainability in mind to extend the life of a product and prevent limited storage space and rises in the number of improperly recycled products.

• While many businesses are incorporating the reselling, reuse, recycling, and restoration of natural resources into their processes, challenges remain. One of the largest hindrances to advancing sustainable practices in return management is scale and economic benefits. There are not nearly enough reverse logistic centers to create the necessary change. With return rates at new highs as a result of the COVID-19 pandemic, the lack of storage space has become a more prevalent issue. To account for this moving forward, reverse logistics must be incorporated into manufacturing. This is more than just a warehouse or storage matter, however. In the design process, manufacturers must keep renewal in the conversation and universities should include the importance of new technology and sustainable design in their curriculum.

Table Lead: Tony Sciarrotta, Executive Director, Reverse Logistics Association (RLA)

Participants:

• John Daunt, EVP, Chief Commercial Officer, Liquidity Services

• Daniel Kietzer, Director of Ecosystem Regrowth, Rheapply

• Kurt Kurzawa, Sustainability Operations Manager, Best Buy

• Alden Miles, VP of Product, Trove

• François Souchet, Global Head of Sustainability and Impact, BPCM

• Dr. Ben Wang, Executive Director, Georgia Institute of Technology

• Marci Zaroff, Founder/CEO, ECOFashionCORP ■

Public-Private Collaboration in Building Climate Smart Cities

Cities across the world are facing growing economic and infrastructure crises, which were only exacerbated by the COVID-19 pandemic. As cities attempt to maintain a quality of life and deliver health and economic opportunities for their inhabitants, they are also faced with the challenges of budgetary shortfalls. Public-private partnerships allow cities to mitigate frozen budgets and aging municipal assets. The rise in public-private partnerships offer an opportunity for local governments to adequately fund and execute infrastructure and sustainability projects through co-innovation and resource sharing.

Co-innovation and resource sharing is best seen in the abundance of small-scale projects that exist. Although small-scale projects provide solutions at the local level, to better impact cities in their entirety, a platform or system that can be deployed at scale is required. Developing partnerships that can be scaled requires a focus on how partnerships are designed. Data plays a fundamental role in the design of partnerships and the decision-making process. The critical obstacle partnerships face with data is the lack of transparency. One example of this is when cities lack access to reliable and accurate data on properties as it pertains to energy consumption, and are thus unable to build a sustainability strategy, structure appropriate financing models, or even effectively partner with utility providers.

Coordination between the public and private sectors from the initial design phase is essential to addressing these data gaps. Roughly 40% of the top companies today have forward-looking goals of social impact and sustainability, but those goals can only be achieved in coordination with the public sector.

Although public-private partnerships are seen as solutions for governments, the messaging of these ambitious targets is often met with public skepticism and, to some constituents, usher future needs to the top of the agenda. To address the skepticism, government leaders and elected officials must be as transparent as possible so the public can better understand the benefits of public-private partnerships.

For partnerships to be successful, there must be more transparency, flexibility in financing, and accessibility to actionable data. Currently, public-private partnerships in building smart cities have hit a crossroads because companies have specific finance models and organizations want data that fit their specific goals. This complicates funding and hinders collaboration for sustainability initiatives.

With the challenges our society faces, public-private partnerships cannot separate social justice from environmental justice and expect to have effective outcomes. Creating shared value starts with social engagement, analysis, and an understanding of the interventions that can be made.

"Climate change and energy and emissions are all discussed, but there's a broader scope than that and when you look into the universe of sustainability, it's more than simply climate change; it's human rights, labor rights, ethics, governance. So we need to meet communities where they're at and use language that's approachable to really elicit engagement from them and find a middle ground," said one participant.

An example of how partnership messaging can be successful is the Marshall Plan for Middle America, which serves as a roadmap to drive investment into infrastructure

and energy diversification towards economic recovery and Ohio Valley regional climate goals.

Engagement and coordination around targets can be accelerated through pre-procurement and pre-competitive collaboration. It can also lead to knowledge sharing, demand aggregation, and business-business collaboration. In this structure, the city must take the role of the orchestrator. From the beginning, there has to be a clear plan and strategy laid out because the private sector becomes motivated when concrete mitigation targets are established. In addition to supporting the city and getting plans in place, you need to create an innovative ecology to push the boundaries of innovation to explore and demonstrate the art of the possible. This allows politicians to take more risk on policy and creates a useful cycle.

KEY TAKEAWAYS & NEXT STEPS:

• For public-private partnerships to gain support and be successful, there must be a clear articulation of the public interest above all else. This can be accomplished by ensuring that messaging is articulated effectively and efficiently (communicating and translating) to the different constituencies that make up the city and to members of the public-private partnership community. Additionally, increasing mediums for collaborative discussions and platforms for public-private partnerships can be useful.

• For partnerships to be scaled and achieve the highest possible social impact, there needs to be dedicated funding for the drivers of public-private partnerships, and the need for constant data analysis needs to be addressed.

Table Lead: Michael Allegretti, Chief Strategy Officer, Rubicon

Participants:

• Paul Camuti, Executive Vice President & Chief Technology Officer, Trane Technologies

• Shannon Carroll, Director of Global Environmental Sustainability, AT&T

• John Cleveland, Executive Director, Boston Green Ribbon Commission

• Pamela Jouven, Head, City Business Climate Alliance

• Ross MacWhinney, Senior Advisor, NYC Mayor's Office of Sustainability

• William Peduto, Mayor, City of Pittsburgh

• Peter Perrault, Senior Manager, Circular Economy & Sustainable Solutions, Enel North America, Inc.

• Greg Schiffer, Head of Global Specialty, Swiss Re ■

Net Zero & Carbon Solutions

Many of the largest U.S. banks and companies have made the net zero 2050 pledge, but it has become apparent that there is currently no clear nor common vision of how to mobilize the totality of an organization to get involved or how to get lending and investment portfolios to net zero.

A huge challenge in driving forward the agenda, echoed by most of the participants, is the lack of skills and expertise across all organs of an organization to implement de-carbonization, yet this can also serve as an area of opportunity for growth in resources and personnel training.

There are important concerns in terms of data trust and data integrity, particularly in tackling the scope 3 challenge, and participants collectively agreed that penalty payment provisions are not the best response. An area of future opportunity identified was the need for further innovation and the development of better technology to reduce the cost of existing solutions.

Largely pertinent to the voluntary carbon space, reliable metrics are needed for more intricate direct air and carbon captures. The political climate in the U.S. is arguably an institutional barrier in the way of setting genuine and science-based initiatives for targets and the decarbonization agenda could benefit in its entirety from a move towards a more product-based, rather than company-based, understanding. Against this backdrop, there is a pressing need for enhancing the regulatory framework, to which the SEC has taken the initial steps by implementing an ESG Taskforce in order to avoid misconduct.

Overall, the decarbonization agenda must make substantial progress to—as one participant presented it—"achieve synergy between environmental performance and financial performance."

KEY TAKEAWAYS & NEXT STEPS:

• Momentum must be built around the recent uptick in corporate interest in offsetting. Catalyzing this market is possible through affirming that decarbonization is not inherently costly, as renewable power can be cheaper than conventional sources. Businesses may also be encouraged once capital is redirected towards sustainable practices.

• These developments can be influenced through further science and research around scope 3 emissions in order to reach genuine equivalency between metrics and standards, comparable to the EU taxonomy. The 'people factor' and the human capital challenges of decarbonization must also be factored more meaningfully into net-zero calculations.

• Across all sectors and industries, it will be highly beneficial for more companies and organizations to issue global reports regarding net zero goals and the significant cultural changes this shift entails.

• Solutions must adopt both a jurisdictional level and a system level in order to avoid leakage. Novel carbon accounting must be developed largely because the status quo method is hindered by differences in system boundaries per industry.

Table Lead: David Rachelson, Chief Sustainability Officer, Rubicon

Participants:

• Michele Demers, Founder & CEO, Boundless Impact Investing

• Jeremy Faust, Environmental Sustainability Leader,

Fifth Third Bank

• Mary Grady, Executive Director, American Carbon Registry and Architecture for REDD+ Transactions (ART), American Carbon Registry

• Mike Hayes, Partner and Global Renewables Leader, KPMG

• Jon Hixson, Vice President for Global Government Affairs and Sustainability, Yum! Brands ■

Smart Cities & GovTech

Most governments are riddled with old systems, siloed processes, and disjointed frameworks. In the past, digital transformation was often synonymous with the implementation of new technologies; but the truth is that people still lack the skills, and the right policies are not in place, so simply introducing new technologies has been futile. In other words, it's not just transforming the IT department of governments, but rather it's about transforming the entire process. By advancing the technological capabilities of individuals and communities, cities can become more equitable and sustainable in their delivery of public services.

While digital transformation is crucial to community improvement, it cannot be an immediate process—there must be concrete investment from community members. Cities have learned throughout the pandemic that it is not only about making things digital, but about making things people-centered and trustworthy. Intentionally partnering with community-based organizations and hosting regular, inclusive community forums are best practices towards building that trust. With trust established, digital transformation initiatives can be created by governments.

A positive initiative that has begun to emerge recently is the idea of technical "workshops" with no commitments from private sector vendors. It gives them a chance for governments to get information before writing an RFP. In many ways it is a "flipping the table around" before an RFP. This is actually something where local and city governments have been behind. Labeled as "market research", the federal government has been doing this for a long time. This sort of collaboration will be critical to bridging the digital divide.

One such initiative to train internal workforces on digital skills is in Los Angeles. The city initiated a series around their Google suite, and the results of those attending, across all departments (e.g. police department, parks department, etc.), has been remarkable. Now the city is passionate about addressing two issues: upskilling everybody internally on digital skills and providing free public wifi across the city.

The private sector's commitment to digital transformation can best be seen in data sharing and leveraging decision making. *Together for Safer Roads* looks at digital transformation as "how can they help policymakers?". For example, there is a huge gap in the basic understanding of what is going on in cities (e.g. how much sidewalk is available in a city vs. how much is needed). Democratizing insight is at the heart of digital transformation.

KEY TAKEAWAYS & NEXT STEPS:

• To advance the digital transformation, businesses and policy leaders must connect to ensure digital technologies are not only a part of the conversation but also allocated the necessary resources to be implemented effectively. The COVID-19 pandemic accelerated the marriage between government and digital transformation. With IT leaders at the table, for both the planning and implementing stages, governments can make effective and efficient sustainable decisions. With digital technology companies more involved in the process, there is more room for collaboration and initiatives are not siloed.

• COVID-19 has forced governments to be less risk averse and adapt their processes. This comes as a

welcomed change to partners and constituents as governments are typically one of the last industries to modernize. One positive example of this is the use of chatbots for more mundane transactions or filtering, as is seen with the State of NY on digital health passes.

• Partnerships between governments and private sector organizations offer an opportunity to implement new digital technologies such as predictive analytics and A.I., but they must be implemented correctly to avoid errors in the process.

Table Lead: Michael A. Nutter, Professor, Media Contributor and Public Policy Advisor

Participants:

• David Braunstein, President, Together for Safer Roads

• Courtney S. Bromley, General Manager, Government and Education Industry – US Federal and Public Sector Market, IBM

• Shonte Eldrige, Executive Government Advisor, AWS
Jeanne Holm, Deputy Mayor, City of Los Angeles

• Jennifer Robinson, Director of Local Government Solutions, SAS ■

ESG Reporting

Environmental, social, and governance (ESG) initiatives have gained increasing importance in corporate strategy, business development, and consumer messaging. However, there exists a discrepancy in the standardization of ESG reporting. This causes a challenge for businesses in terms of conducting ESG reporting and disclosure, due to internal motivation or external regulation.

Businesses in Europe are significantly more advanced in ESG disclosure than businesses based in the U.S. and Canada, due to the existence of regulations that provide a framework for businesses to follow. Along with this lack of framework in the U.S., a lack of financial benefits from ESG reporting serve as the most common deterrent for companies to prioritize ESG.

There are two schools of thought when it comes to ESG reporting. The first is that it should be mandated and regulated by the government, and the second is that companies should be tasked with addressing ESG on their own. If the latter is to become the standard practice, questions regarding transparency arise. Along with the question of what is being reported, the standard of reporting will also vary depending on the company. This would put an ever-increasing burden on small-to-medium-sized enterprises. There is no incentive for companies, at any level in any industry, to enforce ESG reporting policies because it is not a profitable solution. It is especially difficult for publicly-traded companies to adopt these practices because they are overly reliant on the needs and demands of their shareholders.

As companies work to find innovative ways for ESG and profit margins to align, they utilize supportive data points. The lack of a mandated reporting structure for private companies allows companies that disclose ESG data to paint themselves in the best light and prevents companies from being held accountable. However, there has been a rise in activist groups, investors, consumers, and regulators questioning businesses on their disclosures. As it stands in the U.S., with no government regulation on ESG disclosure, businesses can have their own reporting standards and disclose the data they choose. A standard set of reporting practices would require all businesses to report on the same subjects and ultimately improve transparency. Advancing ESG initiatives requires a standardization of reporting, effective use of data, and broader conversations. The vast majority of ESG conversations are held between experts in the field creating echo-chambers and preventing transparency. To advance ESG disclosures, consumers, regulators, and other groups must be a part of the conversation and standards must be set if government regulations are not implemented.

KEY TAKEAWAYS & NEXT STEPS:

• For ESG reporting to progress, stakeholders, citizens, and SMEs must be included in the conversations. Current ESG conversations take place in echo-chambers between experts and rarely include the individuals who can ensure standardization takes place. By including these groups, specifically SMEs, groups will be able to present a wider picture of international participation in this conversation.

• Countries outside of North America and Europe must also be held accountable because they are responsible for massive contributions to climate change yet fly under the radar for ESG disclosures.

• Additionally, data collection standards need to be implemented. Many have advocated for ESG

standards to be federally mandated, as compared to financial reporting standards.

Table Lead: Cynthia Dalagelis, SVP Director of ESG Investing, Amalgamated Bank

Participants:

• Doug Beal, Partner and Director, Sustainable Financial Institutions, Finance and Investing, BCG
Jessica Long, Managing Director, Closed Loop Partners

• Dr. James Mandel, Managing Director of Sustainability, Blackstone

• Brendan Morrissey, Senior Director, ESG Strategy & Engagement, Walmart

• Ken Pucker, Senior Lecturer, Tufts Fletcher School
Matthew Rusk, Head of Regional Hub North America, GRI

• Peggy Van de Plassche, Founding Partner, Roar VC

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