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The United Nations Global Compact-Accenture CEO Study

# Special Edition: A Call to Climate Action



United Nations  
Global Compact

 **accenture**strategy

Caring for Climate |





The United Nations Global Compact-Accenture CEO Study

# Special Edition: A Call to Climate Action

In the first Special Edition of the CEO Study, the world's largest program of CEO research on sustainability, business leaders call for urgent action from governments and policymakers as we examine their views on the importance of climate change to their business; on the opportunities for growth and innovation in addressing the climate challenge; on the role of policy in enabling new solutions, digital technologies and innovative business models; and on the need for bold action in Paris to unlock the potential of the private sector.

November 2015

# Foreword

The adoption of the Sustainable Development Goals marks a critical turning point in the history of global development. As we look ahead to a new sustainable development agenda that tackles emerging challenges across economic, social and environmental dimensions, we anticipate the need for a rejuvenation of our global partnership.

As we embrace a new set of global goals for development, we recognize a single, integrated agenda that codifies our ambition to end extreme poverty, fight inequality and injustice, and tackle climate change. Business, governments and civil society have a unique opportunity to step up in support of the Sustainable Development Goals, acting in concert to unlock the full potential of our combined commitment, attention and resources.

On the eve of the 21st Conference of the Parties in Paris, the international community has an immediate opportunity to advance action through a bold, ambitious and universal agreement on climate. Collectively, we must recognize that climate change is not simply one element among multiple priorities: action to protect habitats, secure livelihoods and enshrine environmental justice can provide the cornerstone of an integrated development agenda and can lay the foundations of achievement across the 17 individual development goals.

Achieving ambitious goals on climate will depend on the active engagement of business. Through commitments rooted in the Ten Principles of the United Nations Global Compact—the core values across human rights, labor standards, the environment and anti-corruption that participant companies are asked to embrace, support and enact—business leaders can play a central role in galvanizing momentum to meet the first test of our collective ability to deliver collaborative action on the Sustainable Development Goals.

But unlocking the potential of the private sector will require enabling action on the part of governments and policymakers. The innovation required to forge the transition toward a low-carbon economy will depend on clear, coherent and consistent policy frameworks that enable companies to invest with confidence and place the big bets that will bring about new technologies and new business models to tackle the challenges of the 21st century.

Foremost among the challenges we face in rejuvenating our partnership for development is working together effectively across sectors, understanding our common priorities and facilitating transformative action. Over the past decade, the UN Global Compact-Accenture CEO Study has helped to understand the priorities of business leaders worldwide, revealing the motivations of companies leading on sustainability and uncovering the challenges in embedding environmental, social and governance issues at the heart of business worldwide.

Recognizing the urgency and immediacy of the climate challenge, we have dedicated this Special Edition of the CEO Study to understanding the perspective of business leaders on climate change. In presenting the authentic voice of global CEOs on the importance of climate change to their business; on the opportunities for growth and innovation in addressing the climate challenge; and on the role of policy in enabling new solutions, digital technologies and innovative business models, we hope to provide a rich, robust evidence base for discussion and collaboration that can lay the foundations of transformation in a new era of global development.



**Lise Kingo**  
Executive Director  
United Nations  
Global Compact



**Jean-Marc Ollagnier**  
Group Chief Executive,  
Resources  
Accenture



# Introduction

The climate negotiations in Paris in December present a unique opportunity to chart a new pathway for the development of the global economy. Fully 91% of CEOs see climate change as an urgent priority for business, and a clear majority call for urgent action from policymakers to unlock growth and innovation in the private sector.

Growing recognition of the scale of the challenge has begun to translate into renewed advocacy for action: for perhaps the first time, we are beginning to see a united front of business leaders and policymakers setting their course toward a bold deal that can begin to close the gap between ambition and execution.

This year is also a significant milestone for the United Nations Global Compact, marking 15 years since its founding at the turn of the millennium, and for our CEO Study program. Over the course of a decade of research, during which we have been fortunate enough to conduct one-to-one interviews with several hundred CEOs from the world's largest companies, and collect the views of thousands more through our surveys, we have traced the development of corporate sustainability from its roots in corporate social responsibility toward the integration of environmental, social and governance issues as a critical element in strategies for growth.

In compiling this year's study, we followed two principal strands of research. First, we conducted two surveys: one of CEOs of Caring for Climate participant companies, to identify and explore the unique approaches and beliefs of companies publicly leading the way in addressing the climate challenge; and another of business leaders from 750 Global Compact participants, drawn from 152 countries across 41 industry sectors, to "take the temperature" of a wide cross-section of companies globally.

Second, we have engaged further with Caring for Climate participants to develop in-depth case studies of companies approaching the climate challenge as an

opportunity for growth and innovation, and we have invited CEOs to share their views through a series of open letters. While we acknowledge our sample may not be representative of business globally – in its balance of gender, or of industries and regions represented, for example – we hope that our research can provide a platform for the authentic, unmediated views of business leaders to share their unique perspectives on the climate challenge and the role of the private sector in charting a pathway forward.

On behalf of the United Nations Global Compact and Accenture Strategy, we would like to express our sincere thanks to the CEOs, business leaders and other stakeholders who participated in the study. The project team has endeavored to understand and interpret their many ideas, reflections and case study examples in conducting the study and delivering this report. Any insights are theirs, while any errors are our own.

In compiling this CEO Study Special Edition, we are once again indebted to the Global Compact and Caring for Climate team of Lise Kingo, Sean Cruse, Margaret Fenwick, Carrie Hall, Tim Wall and Bianca Wilson. We also recognize the leadership of the Accenture team, in particular lead author and project manager Jenna Trescott, as well as Marielle Tourel and Amanpreet Talwar. There have been many further contributions from colleagues in Accenture too numerous to mention here, but without whom our analysis would not be as compelling—in particular the project sponsors Jean-Marc Ollagnier and Bruno Berthon, as well as Nobuko Asakai, Gib Bulloch, Ynse de Boer, Alexander Holst, Jessica Long, Matthew McGuinness and Liz Steel.

Last—and most importantly—we pay tribute to the founding executive director of the Global Compact, Georg Kell. Georg's leadership and vision over the past 15 years has been instrumental in the growth of the Global Compact to become the world's largest voluntary corporate sustainability initiative, and the unique role of the Global Compact in inspiring, guiding and catalyzing change will stand testament to his extraordinary legacy.



**Lila Karbassi**  
Head of Environment  
and Climate  
United Nations  
Global Compact



**Peter Lacy**  
Global Managing  
Director  
Accenture Strategy,  
Sustainability Services



**Rob Hayward**  
CEO Study Lead  
Accenture Strategy,  
Sustainability Services

# Caring for Climate: An Urgent Priority



of business leaders believe that climate change is an **urgent priority** for business; just 2% disagree



believe **progress is on track** to restrict global warming to less than 2C



believe **business is not doing enough** to tackle climate change



**750**

business leaders surveyed



**41**

industry sectors



**152**

countries

## Growth & Innovation: A Climate of Opportunity

**54%** of business leaders see **opportunities for growth and innovation** in addressing the climate challenge

**57%** believe that **investment in climate solutions** is essential to competitive advantage

Of leaders from the world's largest companies\*:

**70%** see opportunities for **growth and innovation**

**67%** report a **clear business case for action**

**69%** see **investment in climate solutions** as essential to competitive advantage

**48%** report a **clear business case for action** on climate



\*annual revenues in excess of US\$1bn

# Climate Coalitions: The Road to Paris

Business leaders identify  
**5 Policy Measures**  
that can unlock further  
private sector investment  
in climate solutions:

**61%** of respondents, and  
**74%** of leaders of the  
world's largest companies, see a  
long-term agreement in Paris as  
critical to unlocking private sector  
investment in climate solutions

Legislative  
and fiscal  
mechanisms  
to increase  
investment



Financial  
instruments  
to stimulate  
R&D and  
innovation



Global,  
robust and  
predictable  
carbon pricing  
mechanisms



Performance  
standards  
to reduce  
emissions  
and enhance  
resilience



The removal  
or phasing  
out of fossil  
fuel subsidies



Our research also identifies  
**5 Leadership Behaviors**  
exhibited by companies taking a leading  
role in addressing the climate challenge:

Providing proactive, constructive  
input for governments to create  
effective climate policies



Collaborating with  
industry peers to  
foster leadership  
and innovation



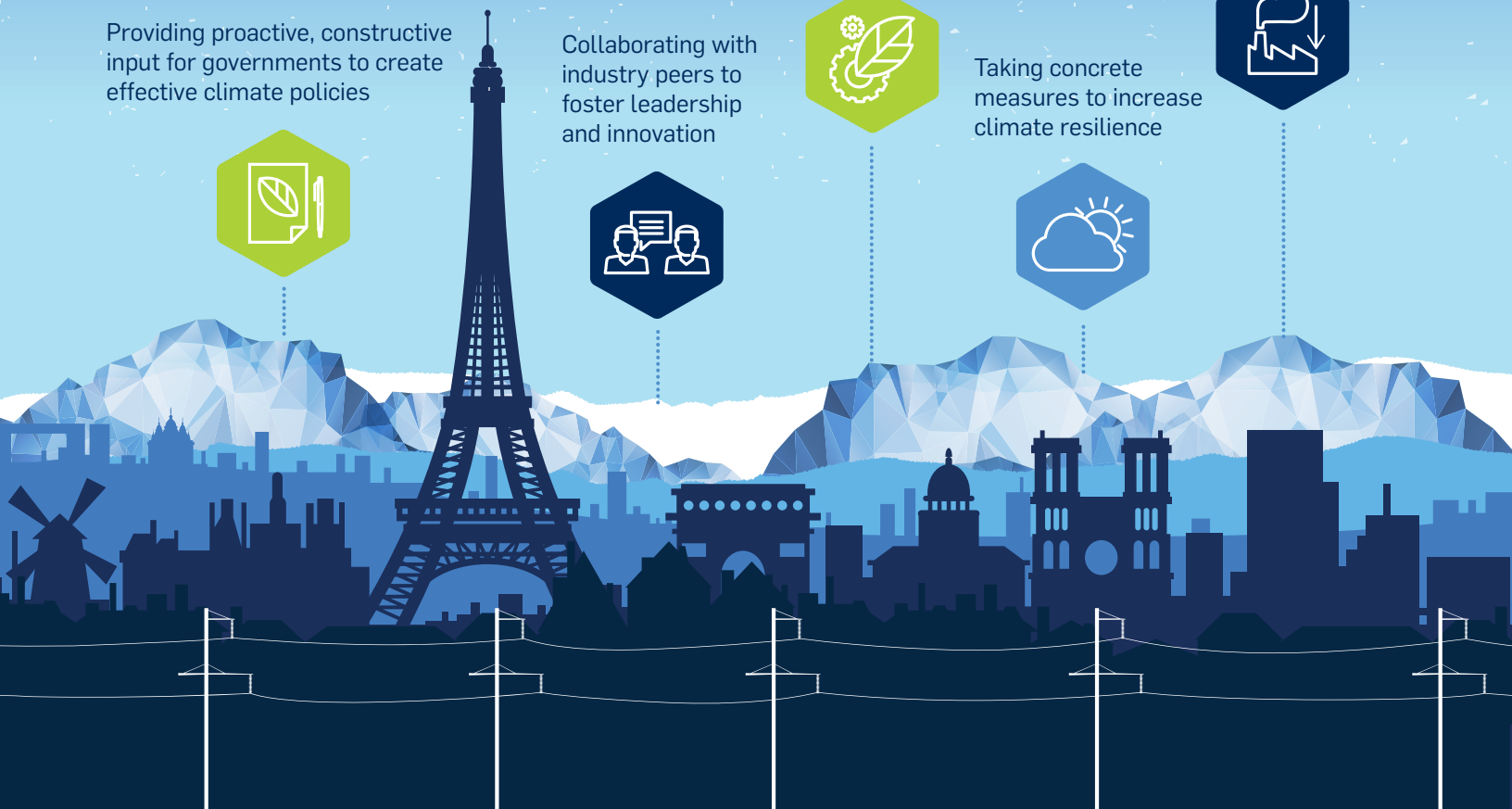
Investing in low-carbon  
technologies and solutions



Taking concrete  
measures to increase  
climate resilience



Setting emissions  
reduction targets  
inline with science  
and the 2C limit



# The Road to Paris: A Call to Action

We would like to thank the CEOs featured here for their participation in the Study, and for contributing their insights on the challenges and opportunities of climate change for their companies. The in-depth perspectives shared in our series of open letters complement our broad-based survey research, and offer a unique insight into the opinions and approaches of leading companies worldwide.

Kurt Bock  
CEO, BASF



"At COP21, politicians have the chance to set up a long-term, reliable emission reduction framework, enabled by low-carbon technologies... Creative minds in business all over the world would have a clear picture of the low-carbon future they are innovating for, finding answers to the substantial challenges we are facing."

Gavin Patterson  
Chief Executive Officer, BT Group



"We need certainty. Certainty that our investment in renewable energy and the low-carbon economy will reap rewards for all. Certainty that the actions of companies like ours are adding up to a bigger impact on a global scale. Let's make Paris not just a footnote in history, but a turning point for us all."

Niels B. Christiansen  
President and CEO, Danfoss A/S



"In Paris in December, world leaders should ensure that the new global agreement enables greater uptake of energy efficient solutions: we need to create frameworks that make it easier to overcome barriers such as funding, policy incentives, knowledge sharing and education."

Claudio Descalzi  
Chief Executive Officer, Eni S.p.A.



"We believe this is not the time for business as usual, but that we now need governments around the world to provide a precise, stable, ambitious regulatory framework."

José Edison Barros Franco, Board of Directors' President, InterCement



"We hope the private sector will, through leadership and collaboration, unlock scalable solutions that will address the climate challenge. We have already come a long way, but we have to—and we can do—even more."



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"We strongly believe that business is part of the solution and that industry-wide, multi-agency, collaborative efforts are pivotal to scale efforts and make lasting change. We want to encourage country member states to make ambitious, time-bound commitments and set action-oriented targets."

Paul Bulcke  
Chief Executive Officer, Nestlé



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"I believe international and domestic collaboration will be critical to more broadly commit the private sector to climate solutions."

Zenji Miura  
President and CEO, Ricoh



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"The opportunity is clear: We have the technologies, we have the business cases, and we have the responsibility. Now all we need is the commitment."

Joe Kaeser, President and Chief  
Executive Officer, Siemens AG



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"Making the transition to a low-carbon economy is a bigger task than any single company alone can achieve. For us to contribute more and faster, we need urgent action from policymakers to enable clear, stable and long-term regulatory frameworks."

Eldar Sætre, President and Chief  
Executive Officer, Statoil ASA



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"At COP21 in Paris this December, we need business, governments and civil society to come together to set a global framework that enables greater international ambition while securing justice and prosperity for all."

Murilo Ferreira  
CEO, Vale









# Growth and Innovation: A Climate of Opportunity

## Business leaders see climate change as an urgent priority for business—but do not believe their industries are doing enough

Climate change is an urgent priority for business, presenting a clear business case for action and opportunities for growth and innovation – but companies are not doing enough, and government action will be essential to unlocking the full potential of the private sector.

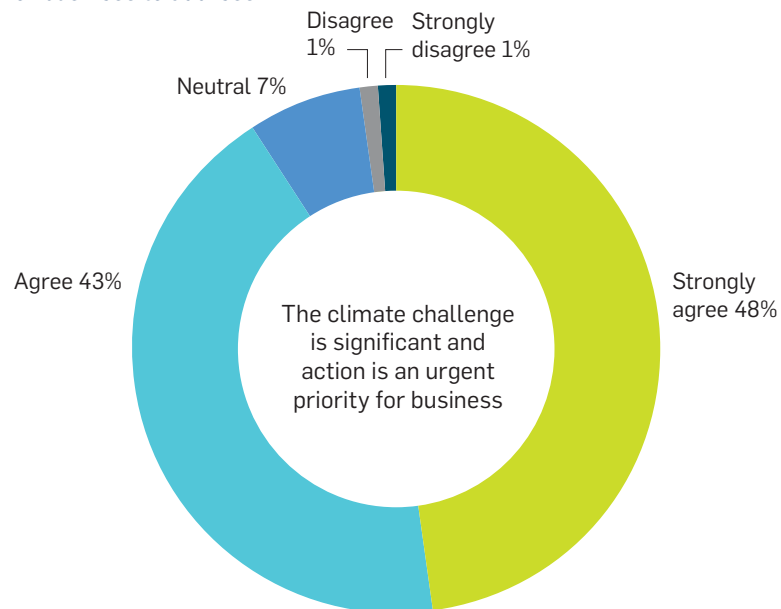
That is the unambiguous view of business leaders in our latest survey of United Nations Global Compact participants. Fully 91% of the 750 business leaders we surveyed, across 152 countries and 41 industry sectors, believe that the climate challenge is significant and that action is an urgent priority for business – not just in the interests of the planet, but core to the future success of their companies.

More than half (54%) of business leaders surveyed believe that climate change will create opportunities for growth and innovation for their company in the next five years, and 48% believe that there is already a clear business case in their industry for action on climate change.

But amid this strong belief in the importance of urgent action, and the opportunities that action on climate change can present, just one-third of business leaders surveyed believe that progress is on track to restrict global warming to less than 2 degrees Celsius (2C)—and just one-third believe that companies in their industry are doing enough.

These views are particularly pronounced among the world's largest companies: 94% of business leaders from companies

Figure 1: Business leaders believe climate action is an urgent priority for business to address



Data based on UN Global Compact-Accenture survey of 750 Global Compact participant companies

with annual revenue in excess of \$1 billion see climate change as an urgent priority, and 70% see opportunities for growth and innovation – but less than one-quarter (24%) believe that progress is on track.

In the context of the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) negotiations in Paris later this year, this marks an important recognition of the gap between ambition and execution, and promises bolder action from the private sector in collaborating with governments and policymakers to address the climate challenge.

Our sample of 750 UN Global Compact participant companies reveals instructive findings on business leaders' approaches to climate change. Against the backdrop of climate challenges reshaping industry dynamics, leaders

in certain sectors perceive the climate challenge particularly acutely: 100% of business leaders we surveyed in the mining and metals industry, for example, and 97% of those in the utilities sector see climate change as an urgent priority. But despite the clear impact of climate change on the economics of their sector and the drivers of future success, just 35% and 44%, respectively, see their industry peers doing enough.

Strikingly, for industry sectors that will be at the center of global initiatives to address the climate challenge, very few business leaders in the financial services (25%) and energy (26%) sectors believe their industries are making sufficient efforts to restrict global warming to less than 2C, demonstrating the scale of the challenge in extending the commitment of leading companies to businesses globally.



**Kurt Bock**  
CEO, BASF

A stylized, handwritten signature of Kurt Bock in black ink.

"Limiting [global] warming to 2C involves substantial technological, economic and institutional challenges".

This quote from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change points out the scale of progress demanded from our society to address climate change. As a business, we will play an important role to find the answers to this challenge and related issues, such as the availability of water and raw materials.

The challenge will be to develop solutions, which enable the growing world population to attain a high standard of living while using resources most efficiently. With an adequate regulatory framework in place, and guided by an agenda for sustainable development as laid out by the UN, the economy will be able to act as a "broker" and facilitate the best possible distribution of limited resources.

At the same time, substantial technological innovations are required to enable every human being to lead a "good life" without overusing the resources. These technological innovations are mainly driven by enterprises: in order to be able to assert themselves in competition, they invest in research and development and introduce new technologies into the market.

Both the incremental further development of existing products as well as game-changer innovations are key contributions to this end. For example, BASF has continuously been improving and developing insulating materials that help in significantly

lowering the energy demand of houses. At the same time, we have been innovating in order to reduce the fossil fuel demand and associated carbon emissions in transportation radically, starting with lighter materials. Realizing that electric cars with an increased battery performance will allow for larger cruising ranges and thus "change the game", we began to work intensively on materials for more efficient batteries.

Just as we drive product innovations, we also further develop our own production processes. Since 1990, we have reduced the greenhouse gas intensity of our production by 74%. In order to continue on this path, we just set ourselves the new corporate target to implement energy efficiency management systems at all our production sites by 2020. However, we have to realize that the technological improvement of existing processes has physical limits. That is why we are also looking for disruptive innovations for our production processes. In this respect, I am convinced that cross-sectoral co-operations play an important role. Together with ThyssenKrupp and Linde, for example, we are working on a new process for the production of hydrogen (a basic material for the chemical industry) that is much more carbon efficient than the conventional process and at the same time delivers metallurgical carbon for use in the steel industry. Similarly, we have teamed up with other chemical companies in a Low Carbon Technology Partnership initiative. Jointly we are analyzing the potential of various game-changing innovations for carbon emission reduction in chemical production.

The potential that enterprises have for driving technological innovations for a low-carbon future can also be seen in our R&D expenditure. BASF spends more than 50% of its annual R&D budget of 1.9 billion euros on solutions in the area of climate protection and energy and resource efficiency.

And this is where we come full circle – back to the regulatory framework mentioned at the beginning. The investments in R&D are always long-term oriented with the ultimate target to improve processes or go for new technologies. At COP-21, politicians have the chance to set up a long-term, reliable emission reduction framework, enabled by low-carbon technologies. The national contributions to this framework need to be globally harmonized. This is key as the economy will only be able to fulfill its role as a "broker" for the best possible global distribution of the limited carbon emission budget, if we have comparable levels of greenhouse gas reduction efficiency globally rather than regionally diverging concepts and measures.

I am convinced that with such an agreement in place, investments into incremental technological improvements as well as into R&D for breakthrough innovations would further increase. Creative minds in business all over the world would have a clear picture of the low-carbon future they are innovating for, finding answers to the substantial challenges we are facing.



## Business leaders are more engaged than ever before on the climate challenge

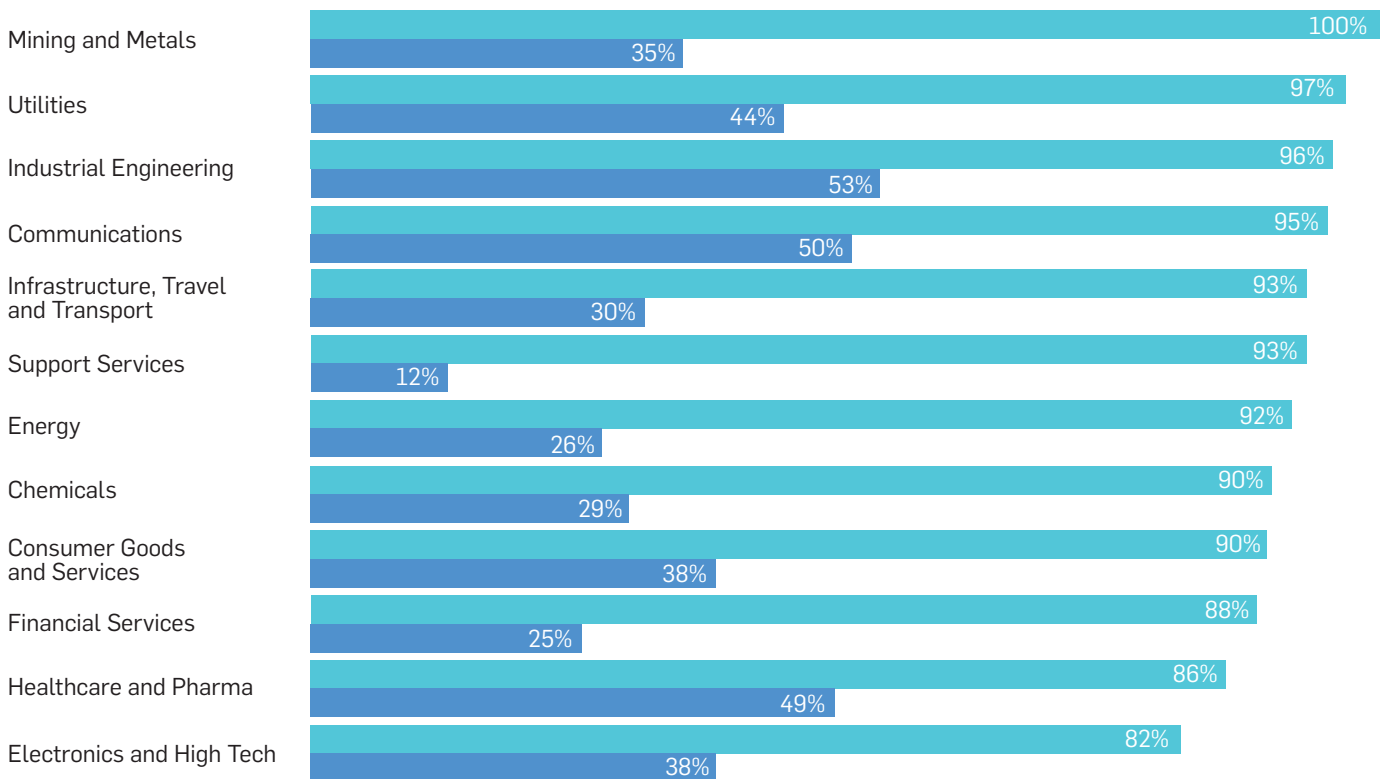
The run-up to the Paris climate conference, COP21, has focused attention on the ability of the global economy to transition toward a low-carbon future. As governments, policymakers, businesses and nongovernmental organizations come together to forge a universal agreement limiting the rise in global average temperature to 2C above preindustrial levels, attention is focused on a settlement that enables continued economic growth and prosperity while reducing the environmental impact of human development.

To many observers, the Business & Climate Summit, held in Paris in May 2015—a symbolic six months before the beginning of COP21—marked a sea change in the public role of the private sector. Previously, many business leaders were perceived to have been publicly content to wait for action from governments; now, against the backdrop of country-by-country national commitments ("intended nationally determined contributions," or INDCs), senior figures across industry sectors began to call for ambitious action to address the climate challenge.

Recognizing the ever-increasing importance of the private sector to the climate debate—not only in

fueling the ambition and determination of negotiators in Paris, but also in innovating the solutions that will enable ambitious commitments to be realized—the United Nations Global Compact, Caring for Climate and Accenture Strategy have partnered this year to conduct a Special Edition of the long-running CEO Study research program. Usually conducted every three years, the CEO Study examines business leaders' attitudes toward sustainability, and since its first publication in 2007 has traced the development of sustainability strategies from philanthropy and corporate social responsibility toward a landscape in which environmental, social and governance issues have become a critical part of business as usual.

Figure 2: Business leaders do not believe their industries are doing enough to address climate change



- Business leaders who believe climate change is significant and an urgent priority
- Business leaders who feel sufficient efforts are being made in their industry to restrict global warming to less than 2 degree Celsius

Note: Percentage represents the proportion of respondents selecting 'Strongly agree' and 'Agree'



## Joe Kaeser President and Chief Executive Officer, Siemens AG

Committing to cutting our global carbon footprint is not only prudent — it's profitable.

A number of major companies — from PepsiCo to Walmart to U.P.S. — have recognized that corporations have a responsibility to address the causes of climate change before it is too late.

We do not have to wait for an international treaty or new regulations to act. At Siemens, the global industrial manufacturing company I lead that makes everything from wind and gas turbines and automation systems to high-speed trains and M.R.I. machines, we understand that taking action is not just prudent — it's profitable.

That's why, today, we are committing to cut our global carbon footprint in half by 2020 and to make our global operations carbon neutral by 2030. We will accomplish this by eliminating a vast majority of our carbon emissions, while also supporting projects that reduce greenhouse gas emissions outside of Siemens, known as carbon offsets. Our net CO<sub>2</sub> emissions will be zero.

Worldwide, Siemens employs more than 340,000 people, does business in over 200 countries, and operates nearly 300 major production sites. Last year, we were responsible for 2.2 million metric tons of carbon emissions. That means our global carbon footprint is about three-quarters that of Washington, D.C., where our United States headquarters is.

So how does a company cut its carbon footprint in half in just five years? We're targeting facilities, vehicles and fuel.

Over the next three years, we plan to invest more than \$110 million to improve

energy efficiency at offices and factories, including sites in the United States, Germany, China, Brazil and Britain. These investments are based on existing strategies and promising results.

At our gas turbine plant in Berlin, we installed automated heating and ventilation systems and moved to more energy-efficient lighting. At our plant in Sacramento, where we build light-rail vehicles and Amtrak locomotives, we installed solar panels that generate about 80% of the plant's energy needs.

While time consuming and labor intensive, requiring us to go system by system and location by location, the effort is paying off. Between 2010 and 2014, we increased our facilities' carbon efficiency by approximately 20%. We also will require Leadership in Energy and Environmental Design certification for all our new buildings, including our new global headquarters in Munich.

We will also focus on our company fleet of about 45,000 vehicles producing roughly 300,000 metric tons of carbon emissions per year. In Germany and elsewhere, we have already lowered emissions by the purchase of more fuel-efficient cars for our employees and service teams. Now we'll do this on a global scale.

We will increase our use of distributed energy systems at our own sites — by combining solar panels, wind and highly efficient gas turbines with intelligent energy management, smart grids and energy storage solutions.

Finally, we will buy clean power. To make up for the emissions that cannot be avoided in the near term, we will purchase electricity from renewable sources like wind parks and

"carbon credits" from credible organizations working to reduce carbon around the world, ranging from reforestation efforts to updating power plants.

Through these steps, we hope to demonstrate to other companies that cutting your carbon footprint is not only possible, but profitable. With today's software and technology, it's easier than ever before to increase efficiency. And while it requires a substantial investment, it will pay for itself quickly. In fact, we expect our \$110 million investment to pay for itself in just five years and generate \$20 million in annual savings thereafter. In other words, cutting your carbon footprint is not only good corporate citizenship — it's also good business.

I do not want to make this effort sound simple. This requires major support at all levels of the company, particularly at the board level. It requires that we take a longer-term view when it comes to investment decisions. It means accepting a longer payback period for energy-efficiency measures.

But no effort can be spared and all of us must do something. While we remain hopeful that global policymakers will come to an agreement at the United Nations Climate Change Conference in Paris later this year, we also know that the business community does not have to wait to act.

As we approach the COP21 negotiations in Paris, the opportunity is clear: We have the technologies, we have the business cases, and we have the responsibility. Now all we need is the commitment.

*A version of this letter was originally published in The International New York Times on September 22, 2015.*

## The climate challenge is presenting both challenges and opportunities to companies in every sector

This year, our research demonstrates that business leaders are engaging with climate change not only as a global issue that demands urgent action, but also as a powerful disruptive force that is presenting challenges and opportunities for their companies. Where action on climate change may previously have focused on the mitigation of disruptive impacts and the management of future risk, business leaders are beginning to focus on opportunities for growth and innovation. More than half (54%) of company leaders surveyed—and fully 70% from companies with annual revenue in excess of \$1 billion—believe that climate change will create

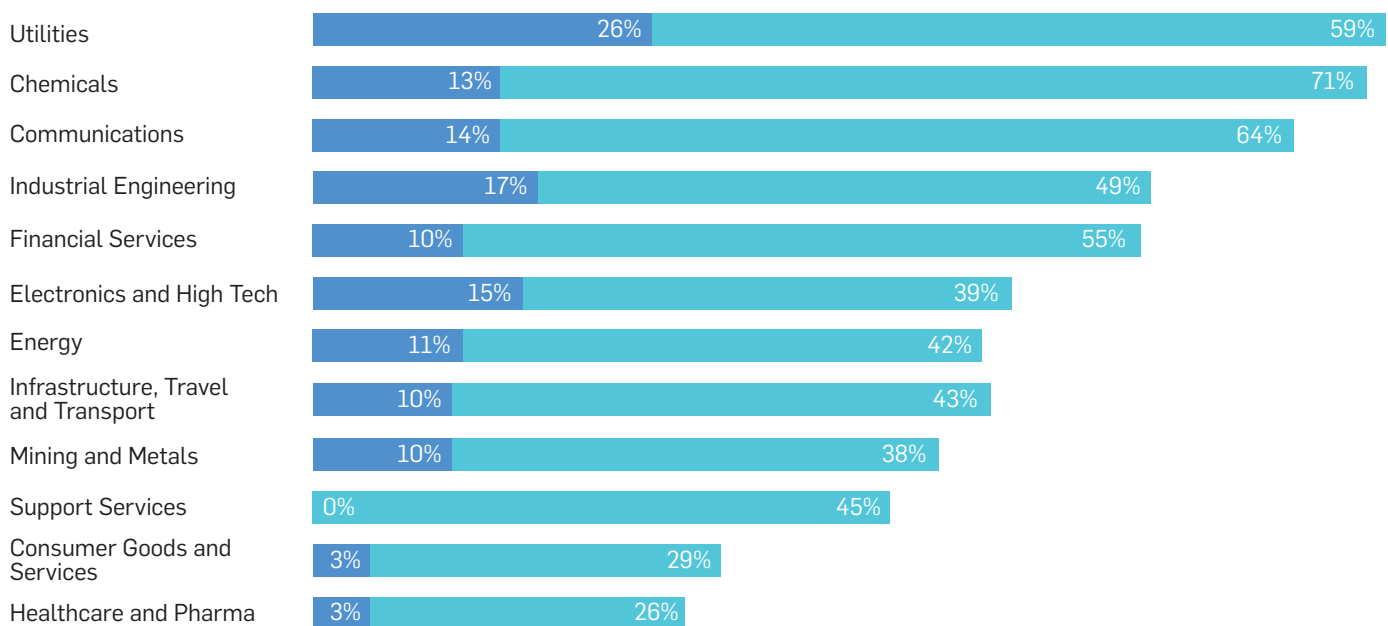
opportunities for growth and innovation for their company in the next five years, and 48% believe that there is already a clear business case in their industry for action on climate change.

As might be expected, views of climate challenges and opportunities vary widely by industry. Leaders of fully 85% of companies in the utilities sector, 84% in chemicals, and 78% in communications see climate change bringing about new opportunities by 2020. Similarly, a majority of business leaders in utilities (77%) and chemicals (65%) already see climate change reshaping industry economics. Most strikingly, business leaders in certain sectors already see climate change having a profound and disruptive impact on their industry, with direct impacts of climate change, the effects of enhanced regulation and government action, and future opportunities to enable new solutions all contributing to shifting

industry environments: more than one-third of companies in the utilities (46%), communications (36%) and infrastructure (33%) sectors believe that climate change will fundamentally disrupt their business within five years.

The disruptive impact of climate change on traditional business models and industry sectors, added to opportunities for growth and innovation in addressing the global challenge, means that climate change now sits at the center of many corporate strategies for growth. More than half (57%) of business leaders we surveyed believe that investment in climate solutions will be critical to achieving competitive advantage in their industry; this trend is particularly pronounced in certain sectors (90% in mining and metals, 83% in utilities), in certain regions (69% in Africa, 65% in Latin America), and among the world's largest companies (69% of companies with annual revenue in excess of \$1 billion).

Figure 3: Business leaders across industry sectors see opportunities for growth and innovation in addressing the climate challenge



■ "Strongly agree": Climate change will create opportunities for growth and innovation for my company in the next 3-5 years

■ "Agree": Climate change will create opportunities for growth and innovation for my company in the next 3-5 years



## Gavin Patterson Chief Executive Officer, BT Group

*Gavin Patterson*

When I became BT CEO two years ago, I knew we could do more not only to help ourselves be a low-carbon company, but also help our customers on this journey too.

Last year we earmarked £440 million to ensure all our energy came from renewable sources. BT is now 100% renewable in the UK and in less than five years' time, 100% of our global operations will be renewably powered where markets allow.

But we want to go even further, because at BT our purpose is to use the power of communications to make a better world.

People around the globe have become savvy downloaders, digital creators and online shoppers. Our customers now want and expect always-on connectivity. Whether they're at home or out and about. Whether they're working, streaming entertainment or relying on ICT to keep their global business connected. An always-on, constant flow of data is becoming the new norm.

ICT enabled solutions also have the potential to remove 9.1 Gt of CO<sub>2</sub> from industrial production per year. According to the IEA's Carbon Tracker Initiatives, that's more than 10% of the amount of CO<sub>2</sub> we can 'safely' manage to prevent dramatic climate change. A Harvard Business School study estimates that across 11 representative economies 4.5 Mt of CO<sub>2,e</sub> could be saved annually from virtualizing services.

Managing a company with these types of tools gives us a huge responsibility and it's one I intend we live up to.

We've set ourselves a simple ambition. To help our customers reduce their carbon emissions by at least three times our own end-to-end carbon impact by 2020.

Our toughest challenge is still on the demand side – inspiring people to take action on climate change. That's why in September we launched 100% Sport. It's a global movement to inspire millions of sports fans worldwide to switch to renewable energy to make a better world. It also aims to encourage the clubs, organizations and players they love to do the same. 100% Sport has the potential to accelerate our journey to the next century.

But of course we're just one company in a globe of many. Failure to tackle that big challenge – climate change – puts us all at risk. So we need certainty. Certainty that our investment in renewable energy and the low-carbon economy will reap rewards for all. Certainty that the actions of companies like ours are adding up to a bigger impact on a global scale.

That's why, with the UN climate negotiations almost upon us, on behalf of my colleagues, our customers and myself, I'm asking for three clear things before the end of the year:

- Firstly, new financial instruments to help stimulate alternative energy and efficiency projects as well as green bonds.

- Secondly, an ambitious fifth carbon budget to help drive further reductions in UK emissions. I know we all work harder when we have clearer goals to work towards.
- And thirdly, a strong global climate deal in Paris in December, which limits temperature rises to 2C. We have a unique chance to make this happen and a unique responsibility.

The economic cost of not meeting this challenge has been well quantified – 4% of our global GDP by 2100 according to the World Resources Institute.

The benefits grow clearer day by day. When we're connected we come together. And when we come together we can achieve great things, not just for us today, but for our children tomorrow.

Let's make Paris not just a footnote in history, but a turning point for us all.



## To unlock the potential of the private sector, business leaders are looking to close the gap between ambition and execution

Central to our research into business leaders' views is an apparent paradox. More than 90% of business leaders we surveyed believe that climate change is an urgent priority for business, and a majority believe that investment in climate solutions will be critical to future competitive advantage in their industry. Yet less than one-third of companies are allocating significant investment to innovate and scale transformative solutions to the climate challenge, and two-thirds report that their industry peers are failing to play their part.

This gap between ambition and execution is not encouraging for those who believe that the private sector must play a critical role in delivering the transformation required to transition toward a low-

carbon economy. Recognizing this gap, however, many business leaders have begun to engage more actively with governments and policymakers—both publicly and behind closed doors—to shape policy solutions that can unlock further investment from business and begin to provide the means of delivering against an ambitious agreement in Paris.

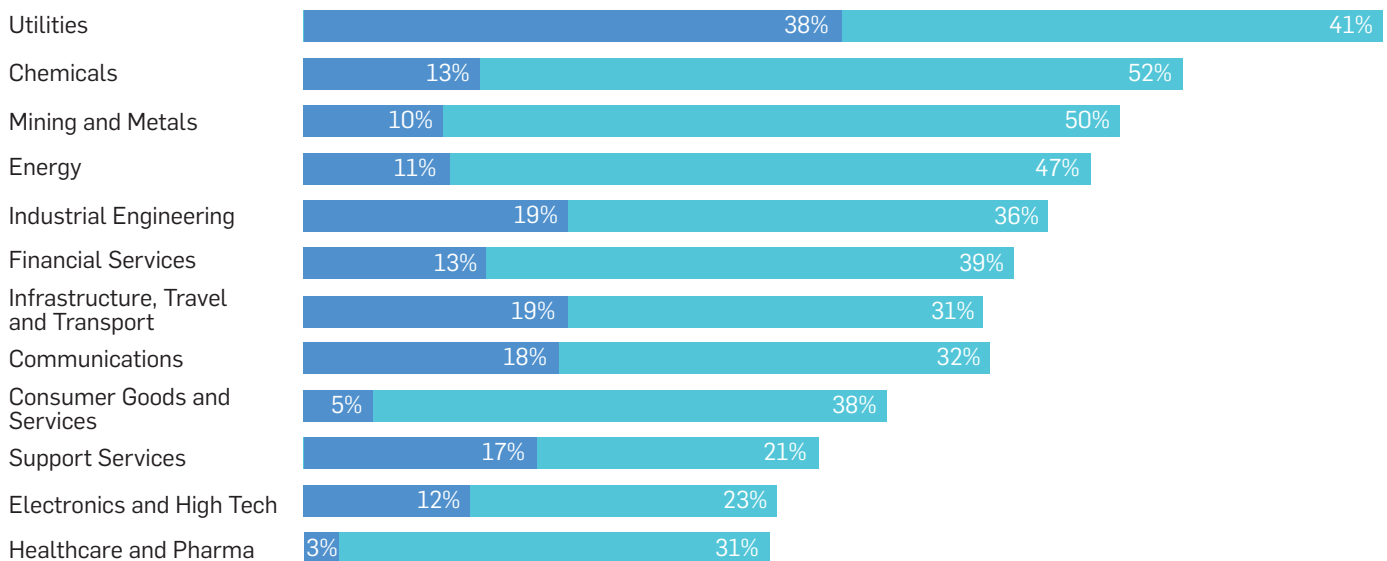
Immediately after the Business & Climate Summit in May, worldwide business networks pledged to lead the global transition to a low-carbon, climate-resilient economy. With widespread recognition at the summit that business could lead the way through scaling-up efforts to build the prosperous, low-carbon economy of the future, business leaders called on policymakers to leverage public funds and private sector finance toward low-carbon assets; to introduce carefully designed, robust and predictable carbon pricing; and to eliminate fossil fuel subsidies.<sup>1</sup>

This coordinated, public engagement was the latest in a reemergence of high-profile business leaders addressing the climate challenge and pledging

to support governments to take bold and ambitious action. In April 2015, a coalition of 43 CEOs facilitated by the World Economic Forum affirmed their collective responsibility to “engage actively in global efforts to reduce global greenhouse gas emissions, and to help the world move toward a low-carbon, climate-resilient economy.” Further, the coalition called upon governments “to take bold action at the Paris climate conference in December 2015 to secure a more prosperous world for all of us,” through “a comprehensive, inclusive and ambitious climate deal in Paris on mitigation, adaptation and finance—in combination with a strong set of clear policy signals from the world’s leaders.”<sup>2</sup>

With a clear, consistent policy landscape, business leaders believe that the private sector can begin to scale up its investment in low-carbon technologies with greater confidence. Closing the gap between ambition and execution—for individual companies, for industry sectors and for the economy as a whole—will depend on unlocking innovation to find solutions that can enable a prosperous future.

Figure 4: Business leaders already see a clear business case for action on climate change



■ "Strongly agree": There is a clear business case for action on climate change in my industry  
 ■ "Agree": There is a clear business case for action on climate change in my industry

Percentage represents the proportion of selecting 'Strongly agree' and 'Agree'; data based on survey responses from 750 Business Leaders.

## Special Focus – Leading the Way: Views of Caring for Climate CEOs

Signatory companies of Caring for Climate, the UN's initiative for business leadership on climate change, are paving the way for transformative action.

Launched by UN Secretary-General Ban Ki-moon in July 2007, Caring for Climate mobilizes business leaders to advance climate solutions and policies. Since the founding of Caring for Climate, participant companies have demonstrated remarkable progress in pursuing comprehensive long-term strategies that seek to align their interests with a concerted and collaborative global effort to tackle the climate challenge. Through investment in energy efficiency and innovative technologies, these companies are beginning to forge a pathway to a low-carbon economy: in the words of José Edison Barros Franco, InterCement Board of Directors' President, "We have the capital and flexibility to implement low-carbon initiatives that both make business sense and can lead the economy to a new model of production-consumption."

### From transformational leaders to climate champions

In the most recent UN Global Compact-Accenture CEO Study, published in 2013, our analysis of the 'Transformational Leaders' showed how companies that combine outstanding business performance with sustainability leadership are more likely to regard sustainability as critical to the success of their business; to approach sustainability as an opportunity for growth and innovation; and to attach greater importance to effective partnerships with investors, governments and civil society.

This year, to understand the views of CEOs leading the way in the private sector's response to the climate challenge, we have conducted a special survey of CEOs of Caring for Climate participant companies. Our analysis reveals instructive lessons on how leading companies are approaching the climate challenge. Fully 80% of CEOs surveyed believe that action on climate change is an urgent priority for their business: not just a top-level agenda item for business generally, but critical to the future prospects of their own company. Murilo Ferreira, CEO of Vale, notes that widespread participation in Caring for Climate initiatives are "essential to the success of our business and the prosperity of host communities" and in the words of Paul Bulcke, Chief Executive Officer of Nestlé, "We are strongly committed to providing climate change leadership in the long-term."

This commitment is rooted in the fundamentals of business success: 77% of Caring for Climate CEOs perceive opportunities for growth and innovation in addressing climate change – significantly higher than the 54% of UN Global Compact participants globally – and 74% report that their companies are already seeing rewards from their investments in low-carbon solutions. The motivations of these business leaders to invest in climate solutions are striking: the potential for revenue growth and cost reduction is identified as the single most important

factor, cited by two-thirds of respondents. Zenji Miura, President and CEO of the Ricoh Group, notes the company is looking for opportunities beyond the boundaries of their conventional businesses, "We seek to become a leader in releasing and spreading new low-carbon technologies, products, and business models around the world, which address the climate challenge while growing our business in new markets."

Brand, trust and reputation remains important, as consumers and citizens look to the private sector for leadership, and companies see an opportunity to steal a march on their competitors: the third-most important motivating factor cited by CEOs is the opportunity for competitive advantage in their industry. As Joe Kaeser, President and Chief Executive Officer of Siemens AG, observes: "We understand that taking action is not just prudent — it's profitable."

These motivations provide an illuminating comparison with the critical factors cited by CEOs in the 2013 CEO Study. Then, a clear majority of respondents (69%) saw brand, trust and reputation as a key motivating factor, with 49% citing the potential for revenue growth and cost reduction. The primacy of revenue- and cost-related motivations with regard to investment in climate solutions is an encouraging sign for those working to align global markets with development objectives – and confirms that many

Figure 5: Caring for Climate CEOs are realizing the business opportunity in investing in climate solutions



Data based on survey of 75 CEOs of Caring for Climate participant companies; data represents proportion of respondents selecting "agree" and "strongly agree".

of the world's leading companies are approaching climate change as a route to innovation and growth.

#### Making progress: CEOs call for ambitious action in Paris

Amid the commitment of CEOs to tackling the global climate challenge is a clear message to governments and policymakers. With one-third reporting that current policy and regulation is hindering their company from investing in low-carbon solutions, fully 87% of CEOs believe that a long-term agreement in Paris is critical to unlock private sector investment in addressing the climate challenge.

Business leaders recognize that the onus is not on the public sector alone. An essential element in the commitment of CEOs to the Caring for Climate platform is to engage actively and responsibly with governments and policymakers; in this context, 93% believe that greater collaboration is needed between business and governments, and 84% assert that companies must step up their role in providing proactive, constructive input for governments to create effective climate policies. Kurt Bock, CEO of BASF, emphasizes the need for disruptive innovations, noting "I am convinced that cross-sectoral co-operations play an

important role"; similarly, Zenji Miura underlines that the Ricoh Group "calls upon our peers to take a leadership position on climate change."

Asked what action by governments would motivate their companies to accelerate action in tackling climate change, CEOs identify an ambitious global agreement in Paris as the single most important factor: as Niels B. Christiansen, President and CEO of Danfoss A/S, notes, "we absolutely need to speed up the implementation of low-carbon solutions, and a strong agreement in Paris could serve as a much welcome accelerator."

#### Accelerating action: The need for carbon pricing

Addressing the specific elements of a deal in Paris, business leaders emphasize the urgent need for a robust system of carbon pricing. Fully three-quarters of CEOs surveyed believe that carbon pricing is an essential tool in accelerating action on climate change. Specifically, 84% believe that carbon markets, enabled by a robust carbon price, can drive low-carbon innovation and investments in clean energy and efficiency: as Claudio Descalzi of Eni notes, "We believe that carbon pricing will discourage high emissions options and reduce uncertainty, while stimulating investments in low emissions

technologies and the use of the right resources at the right time." Reflecting on the road ahead, and the ability of their companies to plan effectively for the future, 82% of CEOs believe that business needs a clear roadmap and timeline from governments on policies related to future carbon pricing mechanisms.

Business leaders also see other interventions from governments and policymakers as part of the critical pathway towards unlocking further private sector investment. Nearly half of CEOs surveyed (43%) identify a need for legislative and fiscal mechanisms (e.g. tax incentives, removal of trade barriers, feed-in-tariffs) that can stimulate investment in climate solutions; 38% call for more stringent and consistent performance standards that can reduce emissions and enhance climate resilience; and 31% see the removal or phasing out of fossil fuel subsidies as key to further progress. In the words of Eldar Sætre, President and Chief Executive Officer of Statoil ASA, "The transition to a low-carbon economy is a bigger task than any single company alone can achieve. For us to contribute more and faster, we need urgent action from policymakers to enable clear, stable and long-term regulatory frameworks to channel investments and technological advancement in the right direction."



## José Édison Barros Franco Board of Directors' President, InterCement

Climate change poses a threat to the sustainability of all life on Earth and is the greatest challenge we will face in the 21st century. While the intensive use of carbon-intensive materials has led to the incredible pace of prosperity and social progress seen in the last century, if we continue on this path all progress to-date will be at risk.

Ongoing debate regarding the human origins of global warming and resulting changes in weather patterns are futile. In the world today, we are already experiencing the impacts of climate change, and they threaten business and economic growth. A new, low-carbon economy has become essential.

While we have all contributed to this urgent issue, we must now be a part of the solution, and InterCement believes that the private sector will have a decisive contribution to make in the transition to a low-carbon economy. We believe we have a moral obligation to act on climate change, reduce the negative impacts from our operations, and pursue business opportunities to innovate transformative solutions. We have both the capital and flexibility to implement low-carbon initiatives that both make business sense and can lead the economy to a new model of production-consumption.

Our company works with construction materials, a key sector for providing elements that are essential for human development, including infrastructure, housing, schools, hospitals and sanitation. Concrete is the second most consumed material on the planet and the industry's carbon footprint is responsible

for almost 5% of the world's greenhouse gas emissions. We have both a duty and responsibility to act.

At InterCement, we have incorporated climate change into our strategy. In 2006, we ratified the "Sustainability Letter," which described our ambitions and long-term vision for economic, social and environmental issues. In 2009, we set out our "Climate Agenda," which comprised nine commitments for mitigating and adapting to climate change. Our current long-term strategy, "Vision 2023" further incorporates the carbon variable and defines our commitments to:

- Increase our substitution of fossil fuels for alternative energy sources, from 15% to 43.4% by 2023;
- Increase additives in the cement production process from 28.2% to 40% by 2023, underpinned by hard-won achievements in establishing new technical standards that will substitute the consumption of natural resources and reduce CO<sub>2</sub> emissions; and
- Invest approximately \$80 million in R&D projects by 2023, achieving a low-carbon portfolio that has the potential for reducing carbon emissions by up to 40%.

The cement sector also plays an important role in industrial ecology, when it transforms waste, an environmental liability, into an alternative fuel. Co-processing is, therefore, an important element in our emission reduction strategy.

Because of our leadership in these areas, InterCement is prominently recognized among our peers in the Cement Sustainability Initiative, a voluntary movement that brings together the largest international cement companies. We see a strong role for partnerships in the search for transformational, industry-led solutions: we are proud to engage in the Caring for Climate initiative and other voluntary business forums, with universities and with governments, to share our path and identify new opportunities. We hope the private sector will, through leadership and collaboration, unlock scalable solutions that will address the climate challenge.

In Paris and beyond, governments and policymakers will have the opportunity to finalize the debate on matters that are fundamental to creating business opportunities in the construction sector. COP21 will play a critical role in providing mechanisms for encouraging renewable energy and energy efficiency and a price on carbon that enforces the true value of environmental assets

We have already come a long way, but we have to—and we can—do even more.



# Climate Coalitions: The Road to Paris

## The opportunities presented by the climate challenge will be seized through investment and innovation

Our research demonstrates that companies in every region and in every industry sector are seeking new opportunities for growth and innovation in addressing the climate challenge. For those companies that can take a leading role in innovating the solutions of tomorrow, the opportunities are legion. But striking out ahead of competitors and achieving a new competitive advantage will depend on clear, unambiguous leadership and a commitment to investment in new markets and new technologies.

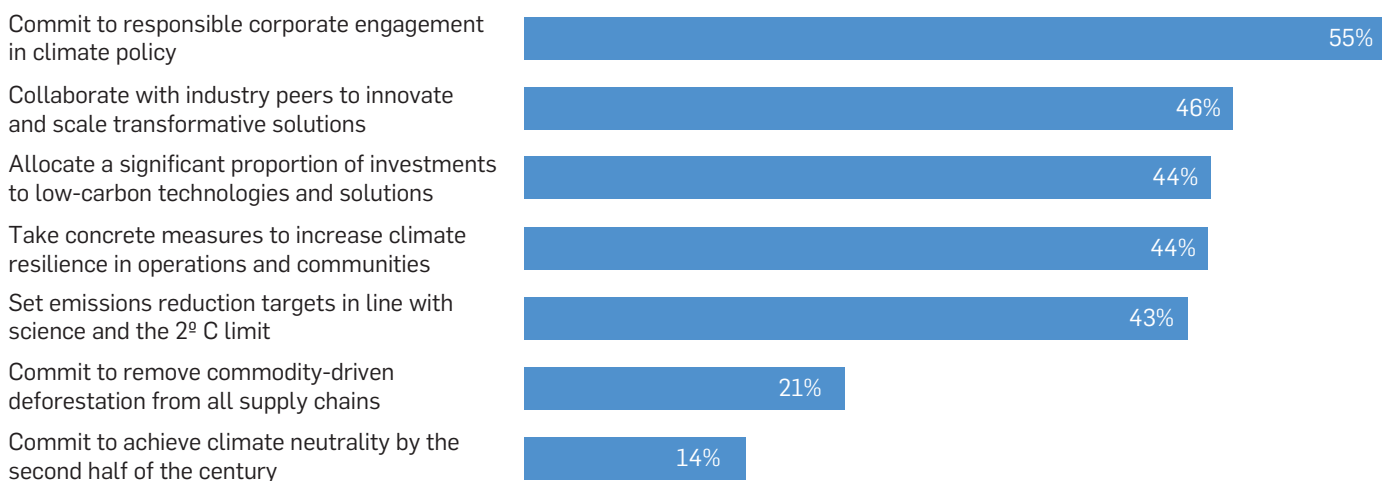
Adopting a leadership role on climate will demand that companies orient their operations to the demands of the climate challenge, seeking efficiencies throughout their supply chain; scale up their investment and innovation targeted at new market opportunities through innovative solutions; and work collaboratively with governments, regulators and industry peers to shape consistent and coherent regulation that ensures a level playing field for climate change action.

To inspire participant companies to adopt an active leadership role in key areas, Caring for Climate has developed a series of business leadership practices. These recommended behaviors for companies committed to demonstrating active leadership in addressing the climate challenge provide practical guidance and blueprints in key areas, including Carbon Pricing; Science-Based Targets; Climate Policy Engagement;

Climate Adaptation and Resilience; and Transparency and Disclosure.

This year's CEO Study Special Edition offers the opportunity to understand the perspectives of business leaders with regard to the leadership behaviors they perceive as important, and those on which their company is currently engaged. Asked about the most important behaviors that characterize leading companies on climate change, business leaders identify responsible engagement (with 55% selecting this behavior among their top three), collaboration with peers to innovate and scale transformative solutions (46%), and investment in low-carbon technologies (44%). Respondents also recognize the importance of business leadership in areas such as climate resilience in operations and communities (44%), and emissions reduction targets in line with science and the 2C limit (43%).

**Figure 6: Business leaders see responsible engagement, collaboration and investment as critical to business leadership on climate change**



Note: data represents the proportion of respondents selecting each factor among their top three choices.



**Paul Bulcke**  
Chief Executive Officer, Nestlé

At Nestlé, we are determined to play a leading role in taking action for Climate Change. As the world's leading Nutrition, Health and Wellness company, we believe that to be successful over the long term we need to create value for our shareholders and for society at the same time. We call this Creating Shared Value (CSV), a way of doing business that has embedded sustainable development in our activities, brands and products.

Ultimately, our goal is for our products to be tastier, healthier and better for the environment. This requires protecting the future by making the right choices in an environment where water scarcity, natural resources constraints and biodiversity decline will be exacerbated by climate change. These resources are vital to feed a growing world population and the development of our company. The ability to source, manufacture and distribute our products may be compromised by extreme weather events, making climate change a material issue for our business. We are thus determined to take holistic actions along our value chain. We focus our actions on water preservation, natural resources efficiency, biodiversity conservation, air emissions reduction, climate change adaptation, and zero waste.

We are strongly committed to providing climate change leadership in the long-term. This goes far beyond reducing greenhouse gas (GHG) emissions, which we have halved per kilo of product in the last ten years and expect to further reduce by 35% in 2015 compared to 2005 levels. We apply a product life cycle approach involving our partners from farm to consumer and beyond.

We have also pledged to reduce food loss and waste, a major emitter of GHG emissions. We are striving for zero waste; using energy and resources efficiently; switching to cleaner fuels such as spent coffee grounds in 22 factories and wood boilers in factories in France, Brazil, and Chile; investing in renewable energy sources, such as in Mexico where wind powers 85% of our operations; optimizing distribution networks that include switching from long-distance road transportation to rail or short-sea shipping in Europe; and helping to adapt agricultural and production systems to the changing climate. In addition, we engage with our suppliers to ensure compliance with our Responsible Sourcing Guidelines and respect for pledges to preserve natural capital, such as the "No Deforestation" commitment.

We have continuously intensified our work with farmers and promoted more sustainable agricultural practices to help them manage resources more efficiently and adapt to environmental challenges. Our work to help cocoa and coffee farmers adapt to and mitigate environmental challenges has been recognized as a best practice example by the United Nations' Framework Convention on Climate Change (UNFCCC). We have also committed to designing products that help consumers lower their own greenhouse gas emissions, such as our new Nespresso or Nescafé Dolce Gusto machines.

We strongly believe that business is part of the solution and that industrywide, multi-agency, collaborative efforts are pivotal to scale efforts and make lasting change. This is why, during the

UN Climate Week 2014, we endorsed a series of ambitious initiatives on climate change, including the UN Caring for Climate Initiative. This Business Leadership Platform is fully aligned with our own explicit commitments, which reflect our respect for society in which we operate, respect for the environment, and respect for the future generations. We have also signed up to the Trillion Tonne Communiqué of the Prince of Wales Corporate Leaders Group; the New York Declaration on Forests; and the six climate action initiatives of CDP on science-based greenhouse gas reduction targets, renewable electricity, deforestation, climate change information and engagement, and carbon pricing.

We are convinced that different actors have different responsibilities and roles. We believe that governments have a crucial task in steering climate change action. We thus want to encourage country member states to make ambitious, time-bound commitments and set action-oriented targets during the COP21 meeting in December 2015 in Paris.

As a company, I am determined to accelerate our efforts to ensure the sustainable growth of our company and to contribute to the achievement of the UN Sustainable Development Goals.

## Leadership behaviors: responsible corporate engagement

Business leaders identify the most important business leadership behavior on climate change as committing to responsible engagement in climate policy. Companies play an important role in providing proactive, constructive input for governments to create effective climate policies. Through the core elements of legitimacy, opportunity, consistency, accountability and transparency, businesses can “connect the dots” between their sustainability commitments and their corporate policy positions.

The commitment to this principle of responsible engagement is demonstrated by the group of nearly 400 UN Global Compact signatories who have already made a public commitment to engage more actively and responsibly with policymakers. Through committing to engage responsibly on climate policy, companies agree to:

- **Identify the company's climate change risks, opportunities and policy influences:** To establish legitimacy and understand opportunity, a responsible company will tune into the outside world and be open to understanding the implications of climate change.
- **Align words with actions, ambitions and influences (both direct and indirect):** To ensure consistency and accountability, a responsible company will take steps to review and align its direct and indirect influences on climate policy.
- **Report on policy positions, influences and outcomes:** To ensure transparency, a responsible company will disclose information about how it views climate policy and what it is doing (or has done) to help advance policies that reflect that position.<sup>3</sup>

## Leadership behaviors: collaboration with industry peers to innovate and scale transformative solutions

Through assessing the implications of climate change, creating and aligning policy positions, and seizing these opportunities to provide constructive input, leading companies are charting a pathway for others to follow in their engagement on climate policy, shaping the context for future transformation.

Respondents to our survey also believe strongly in the importance of collaboration with industry peers to foster leadership, innovation and scaling of climate solutions. Collaboration among business, governments, civil society and the UN can fuel innovation and advance solutions to effectively address climate change; effective partnerships can help facilitate the transfer of technologies, especially to developing and middle-income countries.

In our survey, 46% of business leaders identify collaboration with industry peers to innovate and scale transformative solutions as one of the critical leadership behaviors for success. They perceive advantages for their industry, and the beneficiaries of the solutions it can provide, but also for their own company: 48% believe that broad action by business in their industry will accelerate market opportunities for their own companies.

The emphasis on collaboration is particularly strong in asset-intensive industries that need to overcome unique barriers to promote innovation: business leaders in the energy (61%), chemicals (61%) and mining and metals sectors (55%) place particular emphasis on collaboration with peers. To meet this need, the UN Global Compact Business Partnership Hub has been created to facilitate such collaboration. It allows companies to browse existing partnership projects and to showcase those that have potential for scalability and that seek to engage additional partners.

## Leadership behaviors: investment in low-carbon technologies and solutions

Business leaders identify investment in low-carbon technologies and solutions as the third most important leadership behavior on climate change. In our survey, 44% of respondents identified investments in low-carbon technologies and solutions as a critical leadership behavior; the proportion is notably higher in the communications (59%), energy (58%) and utilities (56%) industries, all sectors well positioned to gain from the market opportunities presented by the transition to a low-carbon economy.

A commitment to investing in new technologies and solutions is a critical element in leading companies' ability to shift the response of the private sector to the climate challenge. In moving from an approach of mitigation and adaptation that responds to climate impacts to a proactive, forward-looking mindset focused on opportunity, innovation and growth, the private sector can harness its collective resources to become the engine of transformation. Tackling climate change will be central to the achievement of the Sustainable Development Goals, ensuring livelihoods and prosperity, and the ability of companies to invest in innovation and technology will be critical.

Leading companies are already developing and improving innovative technologies, driving energy efficiency, growing the supply of renewable energy, leveraging low-carbon innovations and building climate resilience. With a number of leading technological and social innovations already in place, there is enormous potential to mitigate and adapt to climate change by bringing these innovations to scale. The Caring for Climate Business Forum provides a venue for business and investors to demonstrate progress and discuss how to bring greater scale to business innovation.



**Murilo Ferreira**  
CEO, Vale



Vale believes that development can only be sustainable when our company and society grow together, sharing the value generated through our success. In setting and achieving ambitious goals on sustainability, we seek to establish strong and open relationships with our host communities, contributing to the development of the regions where we are present. We believe that relationships based on ethics and transparency with communities are essential to the sustainability of our business. In order to operate safely and work well alongside communities, we seek to manage and mitigate risk and social impacts and understand their needs and demands, collectively building sustainable solutions for all involved.

Vale recognizes climate change as a major environmental issue that demands urgent and sustained action. We recognize its criticality to our operations, and we are already monitoring climate phenomena: weather and tide changes, for instance, have a significant effect on our day-to-day operations, and potential shifts in disease vectors could also impact the communities in which we operate. The mining sector by its very nature involves long-term investment projects in locations outside of our direct control, making a global commitment to addressing climate change, and widespread participation in initiatives such as Caring for Climate, essential to the success of our business and the prosperity of host communities.

As we approached COP15 in Copenhagen, Vale was one of the first Brazilian companies to publicly set out commitments to action on climate change,

in an open letter published in 2009 with the Ethos Institute, the Sustainable Amazonia Forum and thirty of our industry peers. The Letter also indicated ways for the country to transition to a low-carbon economy, enabling Brazilian business to take advantage of new opportunities and increase its competitiveness. Vale's Global Climate Change Mitigation and Adaptation Policy incorporates the commitments of the Open Letter, establishes a Carbon Goal to reduce direct greenhouse gas emissions and encourages our value chain to do the same.

In addition to our commitments to manage the climate impact of our operations, we focus on both the risks and opportunities for business, with the goal to minimize our vulnerability while maximizing climate opportunities. In particular, Vale supports the development of innovative technologies to reduce greenhouse gas emissions and increase carbon sequestration, and to develop cost-effective regional climate change mitigation and adaptation solutions.

Both through my position as CEO of the Vale Group, and in a personal capacity, I believe that governments and policymakers must play a critical role in creating competitive conditions for all sectors, while encouraging innovation and making the transition towards a low-carbon and resilient economy more effective. At COP21 in Paris this December, we need business, governments and civil society to come together to set a global framework that enables greater international ambition while securing justice and prosperity for all.



## Leadership behaviors: climate adaptation and resilience

Of the 750 respondents to our survey, 44% underlined the importance of investing in climate adaptation and resilience across their operations and in the communities in which they operate.

Climate change poses risks for human and natural systems and, according to the IPCC, can lead to breakdowns of infrastructure networks and critical services, food and water insecurity, and the loss of ecosystems. The consequences of climate change can have an impact on the utilities and affect operations of businesses, their supply chains, workplace security, consumer needs and market expansion. Anticipating and adapting to climate change impacts therefore bring multiple benefits to companies, such as avoiding costs and better managing liabilities, protecting employees, expanding market shares through new products and services, and accessing new financing streams.

Business leadership in this area can be driven by risk and opportunity, for example, in preempting the potential consequences of climate change that can affect supply chains, or in expanding into new markets through new products and services. Caring for Climate aims to highlight leading corporate adaptation actions to show the benefits of adaptation and community resilience for the private sector, particularly in developing countries, and to inform the preparation of company strategies and activities in this area.

## Leadership behaviors: science-based targets

Leading companies are also taking action to set ambitious climate goals and capture the economic opportunities of a low-carbon transition. Specifically, science-based target setting to reduce greenhouse gas emissions and limit global warming to less than 2C is an

effective mechanism for businesses to address climate change and advance the global development agenda. In our survey, 43% of CEOs see reduction targets in line with science and the 2C limit as one of the most important climate leadership behaviors for companies to adopt.

According to data reported to CDP, more than 80% of the largest 500 companies in the world have already adopted commitments to reduce their greenhouse gas emissions. By aligning corporate voluntary greenhouse gas reduction targets with climate science, companies can contribute to closing the gap to 2C, improve performance through resource efficiency and innovative solutions, and strengthen stakeholder reputation and investor trust.

Caring for Climate, in partnership with CDP, the World Resources Institute (WRI) and WWF, calls on companies to align corporate voluntary greenhouse gas reduction targets with climate science, demonstrating how companies that follow this path can safeguard future profitability through driving innovation, enhancing competitiveness, building their credibility and reputation, and influencing public policy frameworks.<sup>4</sup>

## Companies demonstrate a 'performance gap' between ambition and execution

Our research uncovers a gap between ambition and execution on climate action, with notable "performance gaps" between those leadership behaviors that CEOs believe are most important, and those actions that their own companies have already taken. For example, while 43% of business leaders believe companies should set emissions targets in line with science, just 27% report they have already done so. And while 44% believe companies should scale up their interests in low-carbon solutions, only 29% are already allocating significant investment.

These gaps demonstrate the challenge that many business leaders face in advancing transformative action on climate change. Even for those leaders personally committed to advancing action on climate change, pressure from shareholders and other stakeholders, the lack of a compelling business case, or a lack of clarity in policy and regulation may be holding them back. Indeed, 14% of all respondents acknowledge that they are not currently engaged in any of their identified leadership behaviors.

Even on responsible engagement, a behavior already adopted by 56% of companies in our survey, progress may be slower than a glance at the leaders might suggest: less than half of respondents believe that business as a whole is providing constructive input to create effective climate policies.

Importantly, our survey suggests that the push for more responsible engagement may be hampered by the lobbying activities of some industry and trade associations. While nearly three-quarters of Global 500 respondents to CDP reported that they engaged with policymakers on climate legislation through their trade associations, our respondents highlight inconsistencies with trade associations as one of the greatest challenges to responsible engagement on climate policy: just 45% of respondents (as few as 38% in North America) believe the industry associations reflect their views on climate policy.



## Claudio Descalzi

### Chief Executive Officer, Eni S.p.A.

In the coming decades we expect the demand for energy in the world to grow. Meeting this demand in a sustainable manner, respecting a planet that now is home to seven billion people, is an enormous challenge that requires courageous decisions. But one thing makes all this urgent: we have to limit the rise in temperature to below 2C, otherwise the phenomena linked to climate change will become irreversible. And currently, we are not succeeding.

The scientific data collected by the International Panel on Climate Change (IPCC) leave no room for doubt. We need to reduce CO<sub>2</sub> emissions by 40-70% by 2050 and eliminate them by 2100. Instead, they are still growing: in 2010 emissions of greenhouse gases reached their highest level in history and their growth in the last decade, has been more rapid than in the previous three.

The world's energy companies are ready to do their part and, because of its history and corporate culture, Eni is in the forefront of this debate. For decades, we have been dedicated to find the most suitable methods of extracting the earth's natural resources in a way that makes it possible to support the growth and development of the countries in which we operate. Today, in which the need is more pressing than ever to re-think creatively about how to meet energy needs, we are working to put our experience at the service of the most important challenge facing our generation.

It is for this reason we have launched a series of new initiatives in collaboration with our industry peers. With a number of other large energy companies we have created the Oil & Gas Climate Initiative, an operational coalition that is working to find practical solutions to reduce CO<sub>2</sub> emissions and to lay the foundations for a future in which both natural gas and renewables will play a leading role. We were among the first to sign up to the Global Gas Flaring Reduction project, promoted by the World Bank, which has a very specific goal: zero routine gas flaring by 2030, i.e. to stop the burning of excess gas generated by extraction plants.

Technology can be of great help, if directed towards innovative choices that are able to drive the opportunities that exist in the field of engineering and in digital. For Eni, these opportunities could play a significant role to facilitate the reduction of emissions in our current activities and to innovate new climate solutions. Eni's technological platforms aim to unlock value in sustainable, low-carbon energy development. They include clean mobility solutions and products which have a low environmental impact, smart energy technology for energy efficiency, gas-electricity network integration and smart city solutions, and renewable energy technologies. Eni's R&D program on renewables, for example, launched in 2007, aims to develop breakthrough technologies for the effective and efficient exploitation of renewables, in particular solar energy and biomass.

The challenge of climate change requires all of the creativity of the new Thomas Edisons and Steve Jobs. But also, and above all, it requires the effort of governments, businesses, religious institutions, civil society and all people of good will, to "act together and agree" with the goal of the common good and the dignity of every human being. We need solutions that do not cause disparities and do not penalize countries that are still growing.

Moreover, along with the other five major groups in Europe in the industry (BP, Shell, Total, Statoil and BG), we invite the UN and Government leaders to work with us to define a clear line of global action on carbon pricing and the promotion of natural gas, in view of the Paris Conference on Climate Change. We believe that carbon pricing will discourage high emissions options and reduce uncertainty, while stimulating investments in low emissions technologies and the use of the right resources at the right time. We believe this is not the time for business as usual, but that we now need governments around the world to provide a precise, stable, ambitious regulatory framework.

## Business leaders see a vital role for policy in unlocking the potential of the private sector

The most recent triennial UN Global Compact-Accenture CEO Study, published in September 2013, demonstrated a notable change in attitudes over the role of policy. In a distinct shift away from the widespread faith in market solutions that was shared by the majority of CEOs interviewed for the 2007 and 2010 studies, 83% of CEOs in 2013 highlighted the importance of government policymaking and regulation in achieving further progress on sustainability.

This year, for our Special Edition Study on climate change, we asked business leaders for their views on the policy tools that could enable their companies to go further, faster on climate change. Looking specifically at the climate challenge, CEOs see five critical policy measures that can unlock further private sector investment and address the climate challenge:

### 1. Legislative and fiscal mechanisms to increase investment in climate solutions

In our survey, 70% of business leaders identify legislative and fiscal mechanisms as a critical element in unlocking further private-sector investment in climate solutions. Sector-specific fiscal policies can send price signals to the market, creating incentives for business to invest in low-carbon technologies and accelerate the implementation of existing solutions on a wider scale.

Fiscal incentives and policy mechanisms, such as rebates, tax credits, feed-in tariffs and subsidies, can be used to stimulate new markets for innovative technologies and overcome entry barriers. They can also be used to create demand for low-carbon solutions and to drive adoption of new technologies. Mechanisms also include reducing barriers to trade and investment for

renewable energy and low-carbon technologies, boosting access to innovation and enhancing the resilience of communities.

By setting coherent fiscal mechanisms at the global, regional and local levels, governments and regulators can provide a level playing field that can help to scale up climate-smart innovations, and stimulate investment in low-carbon technologies. New frameworks can stimulate market-based investment, knowledge and technology development, and collaboration.

### 2. Financial instruments to stimulate R&D and innovation in low-carbon solutions

The second highest-priority policy measures, identified by 50% of our respondents, is the creation of innovative climate financing mechanisms that can unlock private-sector investment to address the climate challenge. R&D is needed not only to develop new technologies but also to make existing ones more affordable; government support can help bring forward innovation and technology breakthroughs, reducing the costs and the risks associated with investment.

Mechanisms to support and de-risk long-term investments or early-stage technologies can include direct grant or research funding, subsidy mechanisms, innovation agreements, tax credits or deductions. Government commitments to the Green Climate Fund have the potential to be catalytic, particularly in developing countries, where public finance can support policy improvements, the green bonds market, public-private partnerships, investment screening and innovative financing.

These instruments, business leaders believe, can stimulate and grow new financing for low-carbon and resilient economic growth, as investors are able to take greater account of climate risks and opportunities in their strategies: the UN-supported Principles for Responsible Investment (PRI) and the

United Nations Environment Programme Finance Initiative (UNEP FI) advocate the integration of climate aspects into decision-making processes.

### 3. Performance standards to reduce greenhouse gas emissions and enhance climate resilience

Business leaders believe that the development of harmonized technical standards could significantly enhance climate resilience and reduce greenhouse gas emissions, particularly in carbon-intensive areas such as infrastructure, construction and transport. Regulatory standards provide certainty and consistency on emission levels, and they send a clear signal that discourages business as usual: nearly half of all business leaders (47%) in our survey identify performance standards as critical to private-sector investment.

Government-led emissions standards and regulations can be designed to mandate companies to invest in low-carbon improvements and incentivize demand for low-carbon products while also being simple for companies to understand and respond to. Examples of such policies include imposing greenhouse gas emission limits or performance standards on operations and products, such as efficiency and vehicle emission standards. The need for and adoption of performance standards can be better understood by the private sector with the development of and access to climate-related risk information, including forecasting systems and vulnerability and exposure data.

### 4. Global, robust and predictable carbon pricing mechanisms

Business leaders are standing up in support of a price on carbon as an effective way to incentivize low-carbon growth and lower greenhouse gas emissions. When surveyed, 42% of CEO respondents (and 59% of those from companies with annual revenue in excess of \$1 billion) cited global, robust and predictable carbon pricing mechanism as critical to unlocking investment.



**Zenji Miura**  
President and CEO, Ricoh

With our environment undergoing tremendous change, we are faced with problems on a global level, including an increase in the number of disasters related to climate change, water and food shortages, and decreasing biodiversity. As a society, meanwhile, we are also dealing with expanding economic disparities and poverty, human rights issues, and rising pollution levels, as we struggle to decouple growth from environmental impact.

Given the urgency of the situation, business must take on a greater role and responsibility in providing the solutions to the climate challenge, and seek a greater impact on societal outcomes. Companies with sufficient capital, talented human resources, innovation-producing technologies, and the ability to conduct business on a global scale can bring business-led solutions to accelerate the world's progress toward a low-carbon economy.

The Ricoh Group has been ahead of its peers in prioritizing environmental, climate and social initiatives to contribute to the sustainability of society and the environment, and in 2002, Ricoh joined the United Nations Global Compact. Based on the principles of this international initiative and our CSR Charter and Code of Conduct, we conduct corporate social responsibility activities across our value chain, in line with the themes: Integrity in Corporate Activities, Harmony with the Environment, Respect for People, and Harmony with Society.

In particular, with respect to the theme of Harmony with the Environment, we launched our Sustainable Environmental Management program which aims to achieve environmental and climate goals while also improving profitability. Based on this concept, we have improved our production processes and developed new technologies within our core business domains as a global supplier of office equipment and solutions. As a result of these efforts, the Ricoh Group now provides products with the world's highest-level energy-saving performance while increasing the efficiency of our production processes, and contributing to reducing greenhouse gas emissions throughout the life cycles of our products.

While Ricoh is seizing the business opportunities, I believe international and domestic collaboration will be critical to more broadly commit the private sector to climate solutions. Ricoh proactively engages in collaborative networks and calls upon our peers to take a leadership position on climate change. For example, as a member company of the Japan Climate Leaders' Partnership (Japan-CLP), we seek to drive private sector activity for the creation of a low-carbon society and we participate in forums to foster dialogue among policymakers, the private sector, and the citizenry. Through this network, we also urge other Japanese companies to get more involved in the issues of climate change.

To help promote a low-carbon economy, we advocate a carbon price in the United Nations global climate agreement. We endorse the World Bank's initiative to support carbon pricing and we are a signatory to the Trillion Tonne Communiqué. We also agree with the coalitions advocating the importance of strengthening anti-climate change measures and limiting the rise in global temperatures to below 2C. We have joined We Mean Business ahead of the upcoming COP21 in Paris to amplify our support of ambitious action by governments.

In our long-term vision for 2020 and beyond, I set sustainable environmental management as a key priority for our company, with a focus on creating new businesses that will help solve climate change beyond the boundaries of our conventional businesses. In 2015, we opened the Ricoh Eco Business Development Center, in which we have made strategic investments for the development of new environment-related businesses. We seek to become a leader in releasing and spreading new low-carbon technologies, products, and business models around the world, which address the climate challenge while growing our business in new markets.

Establishing a price for carbon could send a clear and predictable signal to business, which commits governments to penalizing greenhouse gas emissions and rewarding deployment of low-carbon solutions. A meaningful price on carbon can bring about the investment needed to realize complex and long-term solutions, such as carbon capture and storage, offshore wind and smart cities.

Carbon pricing mechanisms, such as emission trading schemes and carbon taxes, can be complemented by long-term national or regional energy plans. These plans could include targets for renewable energy use and energy efficiency, and they could support the deployment of renewables through policies such as feed-in tariffs, fiscal incentives and grid integration measures.

## 5. Removal or phasing out of fossil fuel subsidies

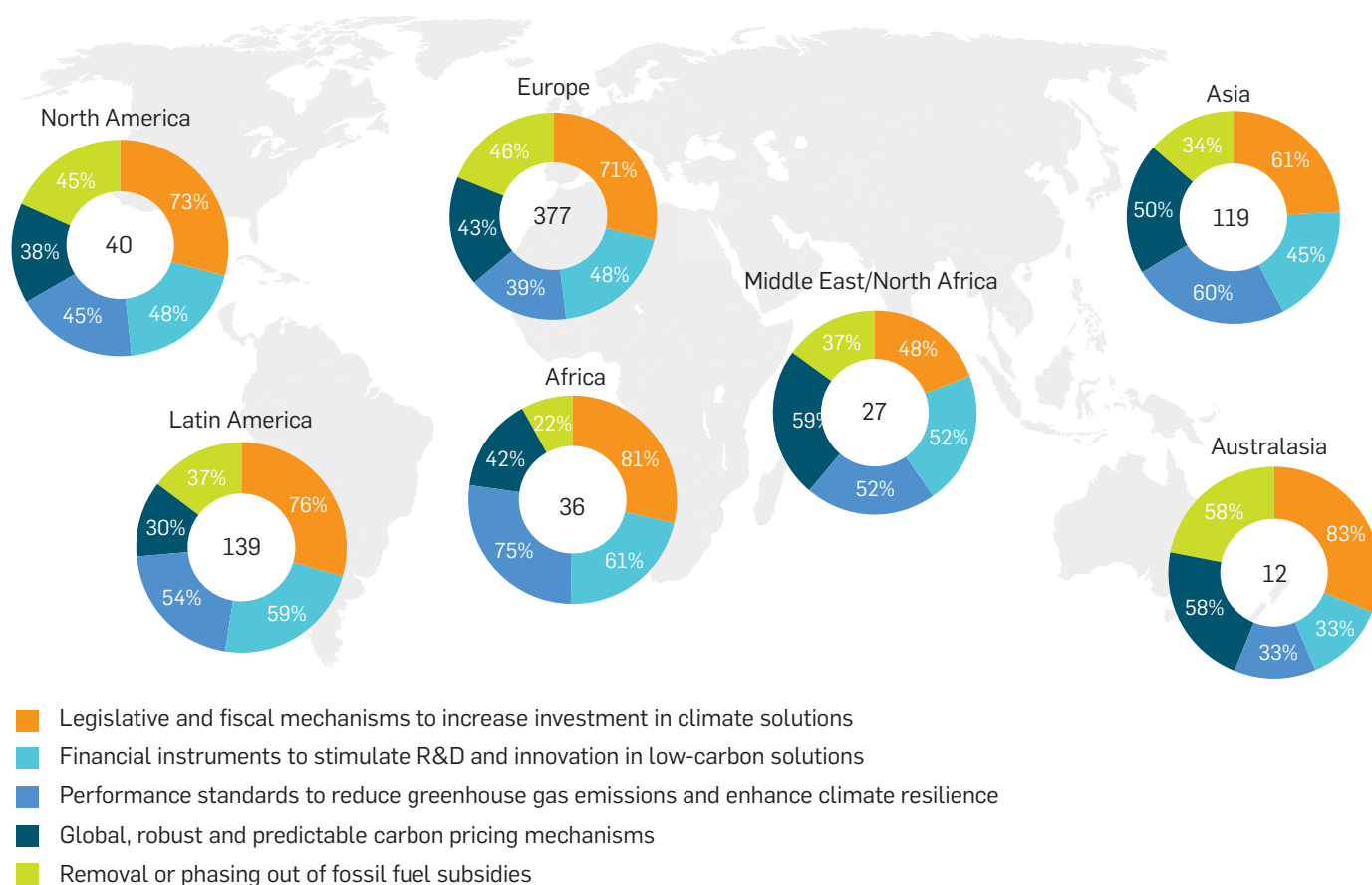
Many business leaders believe that the removal or phasing out of fossil fuel subsidies can support the transition to a low-carbon economy and establish a level playing field in critical industry sectors. Of the 750 companies represented in our survey, 41% cited fossil fuel subsidy reform as critical to furthering investment in climate solutions.

The IEA's latest estimates indicate that subsidies for fossil fuel consumption worldwide amounted to \$548 billion in 2013, more than four times the value of subsidies to renewable energy and more than four times the amount invested globally in improving energy efficiency.<sup>5</sup> Consumer and producer subsidies toward

fossil fuels keep prices to consumers and costs to producers artificially low, disadvantage clean energy sources and divert public resources.

While subsidy phase-out demands careful design and implementation, they can offer significant benefits to transformative businesses and can redirect consumption and investment to clean energy sources. The IEA forecasts that accelerated action toward a partial phase-out of fossil fuel subsidies would create fiscal space for investment in efficiency and clean energy, and reduce CO<sub>2</sub> emissions by 360 megatons by 2020.

Figure 7: Business leaders across geographies see five critical policy measures to unlock private-sector investment climate solutions



Note: data represents the proportion of respondents selecting each factor among their top three choices.





## Eldar Sætre

### President and Chief Executive Officer, Statoil ASA

Before government officials and business leaders gather in Paris to negotiate an ambitious agreement, I would like to take this opportunity to articulate Statoil's positions on the climate challenge.

The starting point for Statoil is that we unequivocally accept the findings of the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report on human-induced climate change. Climate change is serious and is to a large extent being caused by human-induced greenhouse gas emissions. We embrace the need to limit the global temperature increase to 2C and we support the efforts of the United Nations to agree on necessary actions to achieve this goal.

Statoil is already taking a number of actions to limit emissions: prioritizing energy efficiency improvements in our own operations, such as flaring and methane reduction; growing the share of gas in our production and investing in renewable energy and other low-carbon solutions, especially offshore wind and carbon capture and storage.

However, we realize that making the transition to a low-carbon economy is a bigger task than any single company alone can achieve. For us to contribute more and faster, we need urgent action from policymakers to enable clear, stable and long-term regulatory frameworks to channel investments and technological advancement in the right direction.

Statoil, together with many of our peers in the oil and gas industry, believes that putting a price on carbon is a fair, effective and cost-efficient way to reduce emissions widely. Carbon pricing reduces demand for the most carbon-intensive fossil fuels, and promotes greater energy efficiency, use of natural gas to replace coal and increased investment in low-carbon technologies.

On 29 May, Statoil, together with five other leading oil and gas companies, BG Group, BP, Eni, Shell and Total, announced our call to governments around the world and to the United Nations Framework Convention on Climate Change (UNFCCC) to introduce carbon pricing systems where they do not yet exist at the national or regional levels. The call was largely welcomed by the UN and civil society. In her reply to the six CEOs, Christiana Figueres, the Executive Secretary of the UNFCCC, wrote "... I am confident that your assertion that you want to be part of the solution to climate change is genuine."

However, some questioned whether it was a tactic for oil companies to delay action, suggesting that we are counting on the world not being able to agree on a global price on carbon. A single global price on carbon is not what we seek. Rather, we are calling for national governments to introduce carbon pricing and for the UNFCCC to provide a framework that allows the use and linking of various carbon pricing schemes.

It is achievable to start working on common monitoring, reporting and verification procedures that enable carbon pricing schemes to be linked as they emerge across the globe.

Statoil believes in a price on carbon because we know it can work. In Norway, we have had a high CO<sub>2</sub> tax for more than 20 years. Currently, it is about \$65 per metric ton. It has helped reduce emissions to less than half of the global average while the Norwegian Continental Shelf remains an attractive oil and gas basin financially. According to the World Bank, over 40 national and 20 subnational jurisdictions, representing half of global greenhouse gas emissions, have either implemented or are in preparation for carbon pricing.

Statoil wants to be a constructive partner in addressing the climate challenge. With COP21 scheduled for Paris in December, now is the time for us to engage with policymakers to enable the right kind of regulation and with civil society to create trust and support for our contributions. We look forward to working together with you.

## COP21 in Paris will be a critical juncture in international efforts to combat climate change

While companies are beginning to seize low-carbon opportunities and are already reaping the reward, the majority of business leaders in our survey agree that a long-term agreement in Paris will be critical to unlocking further private sector investment in climate solutions.

The extent to which the agreement enables companies to scale innovative climate solutions will hinge on its ability to effect predictable, robust policy at both the national and international levels and send a clear and credible signal to business that low-carbon policies will endure. To truly create value for business, the agreement should reduce uncertainty, ensure competitiveness and build confidence in comparable implementation at the national level. In responding to our survey, business leaders identify four key elements in an agreement:

### 1. Ambitious national targets by all countries in line with climate goals

Nearly three-quarters (73%) of business leaders surveyed believe that ambitious national targets in line with climate goals will be an essential factor influencing their company's strategy and investments in addressing the climate challenge. Companies that have seized low-carbon opportunities are increasingly seeing rewards, but to go further, business leaders need an ambitious agreement that sends a clear and credible signal to business that climate policy will drive the world toward a low-carbon future.

Current national pledges are falling short of the action required to stay within the 2C limit, and coalitions of business leaders are calling for greater ambition from national governments, declaring they will actively support leadership from policymakers who set clear frameworks to accelerate investment and deployment of climate solutions.<sup>6</sup>

Business leaders are looking for governments attending the Paris conference to stimulate private sector investment by demonstrating ambition in national commitments, setting long-term goals, and establishing regular review periods to increase ambition over time. The level of ambition will reflect the impact it can have on the long-term plans and investments for business.

### 2. Transparency and accountability of national obligations

Some 70% of business leaders see the transparency and accountability of national obligations as an essential part of a climate agreement in Paris. Leaders of companies headquartered in Africa (83%) and Asia (83%) place particular emphasis on national obligations; those in Europe (67%) are less likely to prioritize this element of an agreement.

Business leaders are seeking transparency and rules related to how the national commitments will be enforced. A clear and standardized systems for measuring, reporting and verification (MRV) of national emissions would build confidence in business that progress will be tracked and contributions fulfilled. A clear work plan would further enable companies to adjust their strategies and investments to align with international and national policy measures.

In particular, business is seeking clarity from governments on what to expect in the implementation of carbon markets: 82% of Caring for Climate CEOs believe that business needs a clear roadmap and timeline from governments on policies related to future carbon pricing mechanisms.

### 3. Equitable global participation to create a level playing field

Business leaders perceive equitable global participation to be central in encouraging competitiveness and creating a level playing field for their industries: 66% of business leaders believe this component will be very important to their strategies and investments.

To reduce disparities in the impact COP21 will have on business globally, the agreement should involve all major global competitors, comparable national commitments, and common rules for measurement and verification. An agreement that drives governments to introduce policy and frameworks equitably will reduce uncertainty for business: enabling global linkages among carbon pricing systems, for example, could avoid carbon leakage and ensure competitiveness across industries and regions.

Notably, companies in the utilities (82%), mining and metals (80%) and chemicals (77%) sectors, industries that rely on global commodity markets, felt most strongly about this aspect of the agreement.

### 4. Support for the creation of effective carbon pricing systems and policies

The majority of CEOs (61%) believe carbon pricing systems and policies will be very important to driving their strategies and investments. Asset-intensive industries are striking in their belief that carbon pricing outcomes will be particularly important to their strategies: respondents from the chemicals (81%), mining and metals (79%) and energy (70%) industries identify carbon pricing as a core element in any agreement.

This past year, in the lead-up to COP21, business leaders across industries have stepped up in support of effective carbon pricing systems: at the Business & Climate Summit in May, an unprecedented 25 worldwide business networks representing companies across 130 countries were mobilized. The group pledged to lead the global transition to a low-carbon, climate-resilient economy, outlining three central proposals from the private sector, asking governments to: introduce a fair and reliable carbon pricing system; create an alliance with businesses to support the private sector's efforts against climate change; and establish a public fund to support the financial sector's investment in a decarbonized economy.



Niels B. Christiansen  
President and CEO, Danfoss A/S

N.B.C.

As world leaders prepare for the final negotiations of the global climate agreement at COP21 in Paris this December, we must remind ourselves of the prerequisite for a low-carbon economy: the implementation and adaptation of the best available technology.

We know we need to look at four main sectors: buildings, transport, industry and power. In the power sector, for example, we need to implement more renewable energy and ensure a more intelligent grid; in transport we have to continue to improve mileage, optimize collective transportation, and in the long run ensure a cost efficient fuel switch. But what is often overlooked is the need for energy efficiency, in buildings and in industry. The International Energy Agency (IEA) estimates that compared to renewables, fuels switching, and CCS, energy efficiency is the largest contributor to global greenhouse gas (GHG) reductions.<sup>7</sup>

From a financial point of view, increasing energy efficiency is an obvious choice. Not only is energy efficiency the most cost-efficient means to decarbonizing the global economy, but investments in energy efficiency also pay themselves back within a relatively short time.

Socially, energy efficiency also provides benefits, such as reduced energy demand and lower energy bills for consumers, increasing disposable income and leading to higher consumer spending. In developing countries, improved energy efficiency for utilities makes more energy available for distribution to a greater number of households. In this way, energy

efficiency policy measures provide affordable energy and access, and are an important tool to alleviating poverty while also improving productivity and competitiveness. In addition to these social and economic benefits, more efficient energy use can also significantly reduce greenhouse gas emissions.

Energy efficiency is not just a question of technology. It is a question of mindset, smart thinking, governance and cost-effective solutions. These solutions exist and can be adopted immediately.

One example is in the building sector. The building sector accounts for approximately one-third of global energy use<sup>8</sup> and is expected to account for 26% of all future energy efficiency savings,<sup>9</sup> primarily related to space heating and cooling, lighting and appliances. In new skyscrapers such as the Lotte World Tower in South Korea and in older hallmark buildings such as the Empire State Building, significant reductions in energy consumption and CO<sub>2</sub> emissions have already been achieved with the implementation of energy efficient solutions.

In industry, the energy efficiency potential is significant. In China, the industrial sector is today the largest electricity consuming sector in the entire economy, equivalent to more than two-thirds of total electricity demand. Electric motors account for 60-70% of the industrial electricity demand, which creates a strong case for optimizing electric motor systems—for instance, through variable speed drives which the IEA suggest are made mandatory. The situation is very

similar when looking at India, where the industrial sector accounts for more than 40% of the total electricity demand.<sup>10</sup>

We have the products and technologies necessary to make significant changes in energy efficiency. Yet despite the strong business case and the ability to fast-track CO<sub>2</sub> reductions, the potential of energy efficiency initiatives is far from being met. A key question today and in the post-COP21 world remains: How do we accelerate the adaptation of the best available technology?

The potential climate impact from using less energy is significant and the world has an obligation to seize this opportunity. We need to create frameworks that make it easier to overcome barriers such as funding, policy incentives, knowledge sharing, and education. In short; we must make it easy to become energy efficient.

In Paris in December, world leaders should ensure that the new global agreement enables greater uptake of energy efficient solutions. According to the IEA, energy efficiency should deliver nearly 40% of the required transformation within a 2C scenario, bringing CO<sub>2</sub> reductions and significant financial savings.

Energy efficiency is an obvious solution to combating climate change, and we are on track when it comes to technology. But we absolutely need to speed up the implementation of low-carbon solutions, and a strong agreement in Paris could serve as a much welcome accelerator.

# Toward Transformation: Closing the Gap

Business leaders believe climate change is an urgent priority for their companies, but they are not doing enough to scale the solutions needed for a prosperous future. Our research shows that climate change is presenting both challenges and opportunities for business, as leaders recognize an epochal shift toward a low-carbon economy.

Business leaders are moving to innovate climate solutions and adopt low-carbon business models, and companies in every region and in every industry sector are already realizing opportunities for growth and innovation in addressing the climate challenge. However, even as leading companies seek competitive advantage in their industries, there remains a gap between ambition and execution.

Closing the gap will depend on unlocking further investment, and business leaders see a vital role for policy in enabling the innovative potential of the private sector. In the run-up to the Paris climate conference, leaders are calling for a clear, consistent policy landscape to overcome barriers and enable the scale up of investment in low-carbon technologies with greater confidence. Business leaders are looking to governments and policymakers to support their industries in their efforts to seize low-carbon opportunities, creating business value and laying the foundations of a low-carbon economy. Broad, transformative action will require greater collaboration, reduced uncertainty, and a level playing field – areas where business sees government playing a critical role.

This year, with the launch of Agenda 2030 and the global Sustainable Development Goals (SDGs), the United Nations has laid out a pathway over the next fifteen years to end extreme poverty, fight inequality and injustice, and protect our planet. Action by business will be essential to the success of the global goals, and the successful implementation of the SDGs will strengthen the enabling environment for doing business and building markets around the world.

For all companies, the SDGs provide a global aspiration and common direction that can stimulate innovation, investments and positive engagement. As companies look to grow and innovate low-carbon solutions to the climate challenge, they can lay the foundations of achievement across the individual SDGs. Climate solutions contribute to the global goal toward combating climate change, but they also offer opportunities for business to have a meaningful impact on the wider set of goals across sectors: new energy technologies are creating opportunities for companies to ensure access to affordable, reliable, sustainable energy for all; climate-smart agriculture solutions help to achieve food security and promote sustainable farming; and new low-carbon technologies for cities will build resilient infrastructure and promote inclusive and sustainable industrialization.

In the context of Agenda 2030, this year's CEO Study shows a striking shift in business leaders' attitudes and commitment, with a majority of companies now looking beyond an incremental approach rooted in corporate social responsibility to one motivated by the opportunities to scale innovative solutions. Many challenges lie ahead: in the assessment of business leaders themselves, companies are not doing enough to invest in the solutions of the future, and are not yet living up to their own expectations of corporate leadership on climate change.

To advance the role of the private sector in tackling the greatest challenges we face, we must forge a new compact between business, governments and civil society, to work together to unlock the potential of the private sector in delivering our shared vision for a prosperous future. This is a critical moment to work together and embrace business as a transformative force: together, we can build a better future for all.



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