WE | Brands in *Motion*

Making Net Zero Net Positive for Everyone

Five actions to move from lofty climate commitments to making an **equitable impact**

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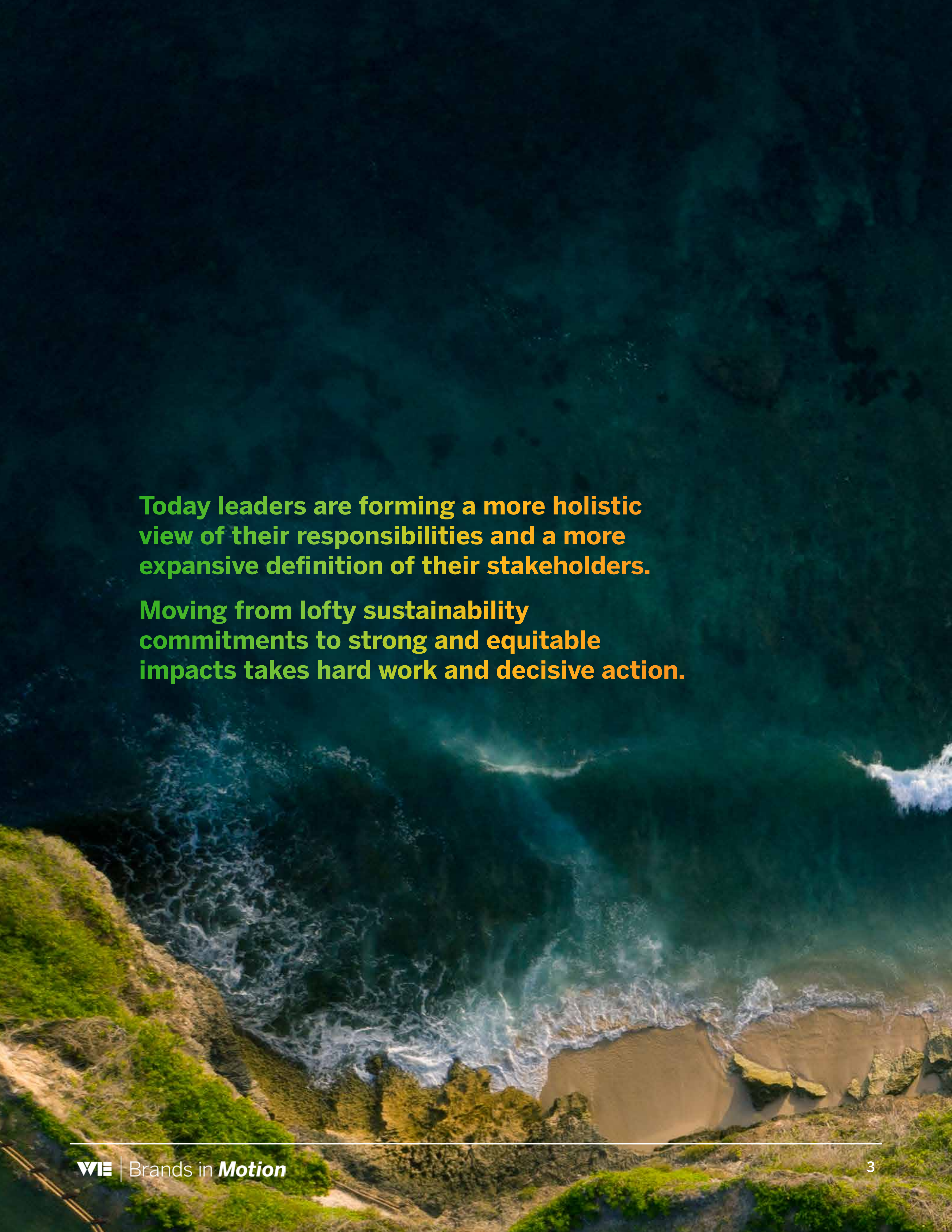


Today leaders are forming a more holistic view of their responsibilities and a more expansive definition of their stakeholders.

Moving from lofty sustainability commitments to strong and equitable impacts takes hard work and decisive action.

The global business community's response to climate change is growing in both urgency and sophistication. At convenings like the annual U.N. Climate Change Conference (COP) and the World Economic Forum in Davos, Switzerland, C-suite executives discuss rising expectations for climate action, the expanding scope of corporate responsibility, and the need to ensure that the move to a more climate-friendly economy is fair and equitable to all people and communities—a principle known as "just transition."

Whereas climate-mitigation initiatives were once primarily focused on lowering emissions and restructuring manufacturing processes, today leaders are forming a more holistic view of their responsibilities and a more expansive definition of their stakeholders. In addition to shareholders, employees, consumers and local community members, brand leaders must also consider those disproportionately impacted by climate change: people from developing nations, economically disadvantaged communities and other marginalized groups. In short, they need to develop strategies that share both the costs and the benefits of our transition to a greener world.

Global political leaders and CEOs are fast reaching consensus about the need for swift action. But what happens when the C-suite and executive leaders leave the conferences and summits? How are these intentions and aspirations playing out on the ground? And is there appropriate action to drive impact?

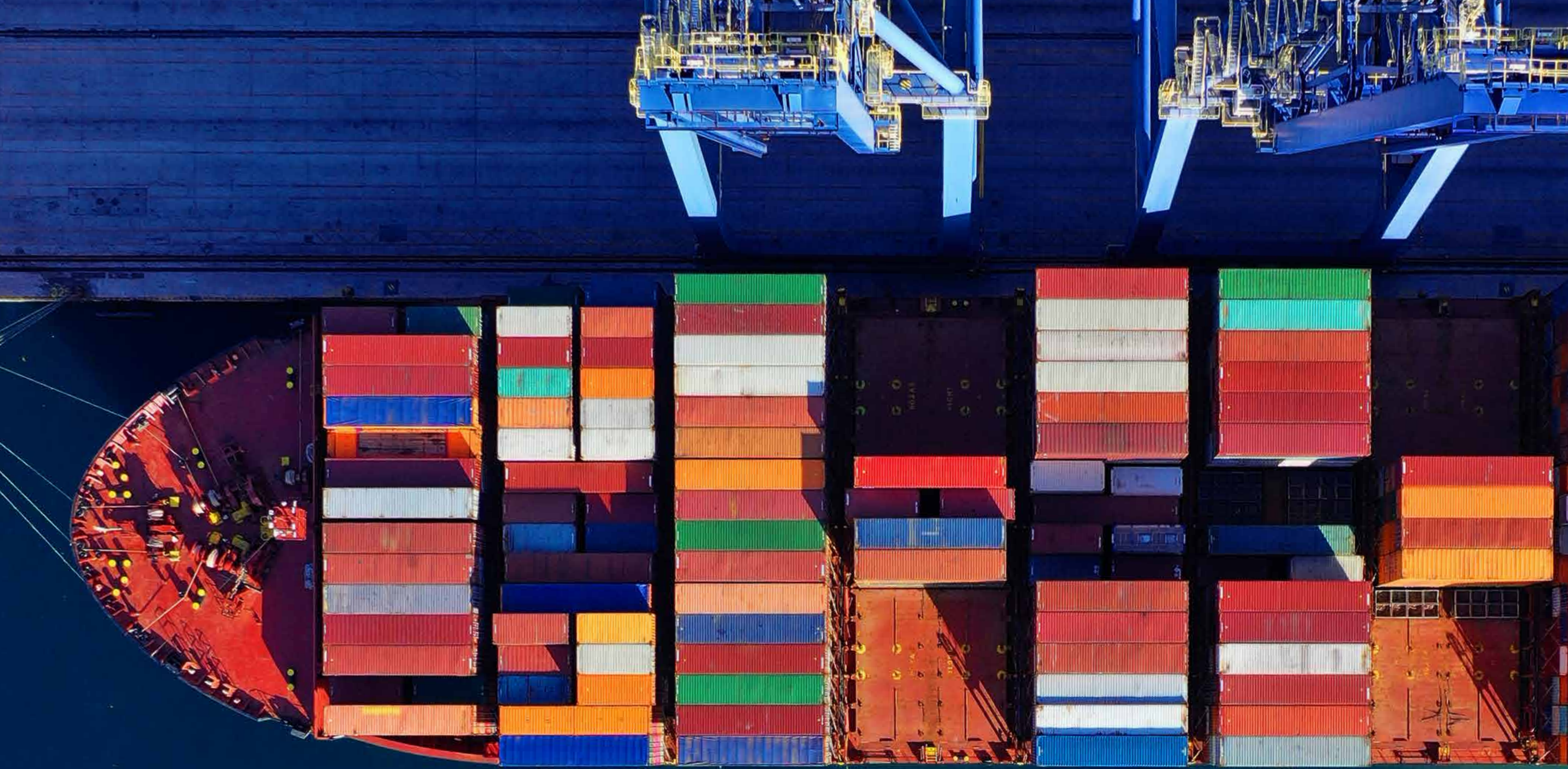
To answer this, **WE Communications** surveyed business leaders from around the globe. Our **2022 Brands in Motion research** finds that although private-sector leaders increasingly see the importance of making a just transition, many are unclear about what this means for their organizations. Where should they prioritize efforts to benefit the planet, profits and people? What are the next, and right, steps? How should brands engage with stakeholders throughout the transition to maintain their social license? Business leaders understand—and WE longitudinal data confirms—that there is growing expectation from the public that brands act. Now companies need to determine what that action looks like, and how they talk about it—both internally and externally.

Moving from lofty sustainability commitments to strong and equitable impacts takes hard work and decisive action. WE Communications 2022 research reveals the five most urgent steps.

What is **“Just Transition”?**

The concept of “just transition” recognizes that the communities most impacted by climate change are often the ones without adequate resources to mitigate and adapt to it. The transition to a more sustainable economy must consider the needs of workers, marginalized communities and emerging economies. As the world moves away from carbon-intense industries to cleaner energy systems, it’s imperative that the benefits and costs of this transition are shared fairly. Wealthier nations and the private sector can help accomplish this by investing in sustainable infrastructure, green technology and reskilling programs that provide citizens with good, stable jobs.

“Just transition” seeks to ensure that the process of creating a more sustainable world benefits the health, happiness and living standards of all.



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5 Key Actions

1

Close the Gap Between C-suite Aspirations and Companywide Action

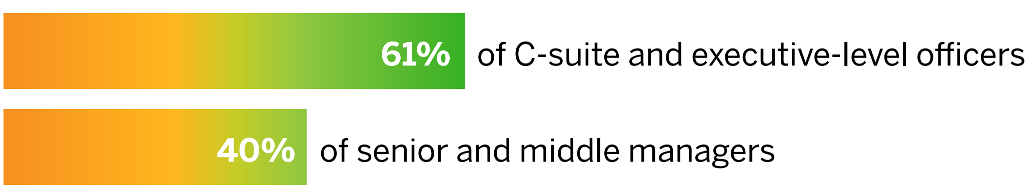
In the C-suite and executive board rooms, leaders are advocating for sustainability strategies that support a just transition, but the middle and lower tiers of their organizations are not always clear on how these aspirations translate to action.

C-suite and executive leadership must lead the internal conversation about their organizations' just transition strategies, bearing in mind that many senior and midlevel managers will be anxious about what these changes will mean for their departments. How will they implement these directives? How will they be evaluated? What if they don't have the right skills or resources to implement their bosses' optimistic plans?

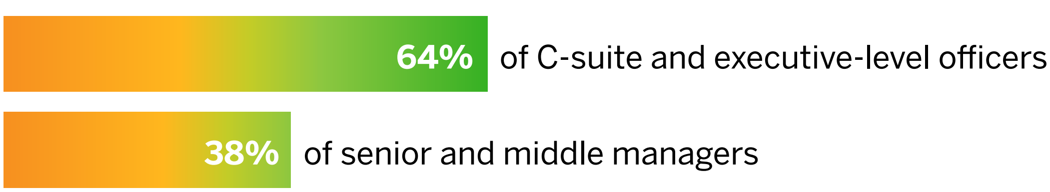
Leaders must answer these questions and be forthright about how the company will navigate the inevitable bumps in the road of change. They must empower the next generation of leaders to engage with their teams, ask questions and breed a culture of innovation. In this process, C-suite and executive leaders should be wary of their own blind spots and listen carefully to the concerns of the people who will be responsible for implementing their plans. If the factory-floor manager has some logistical objections to implementing the exciting pilot program the CEO learned about at COP26, their on-the-ground expertise must be respected. By partnering with employees on reaching sustainability targets, executive leadership can overcome fear and skepticism and harness the strength of their teams' goodwill and expertise.

The Management Gap

"My company is implementing or planning to implement a just transition strategy."



"It is likely that the private sector will reach Net Zero greenhouse gas emissions by 2050."



2 Expand Your Sustainability Story and Impact Beyond Your Backyard

In the past, many companies focused the bulk of their sustainability initiatives on their own operations. Today corporate leaders understand that the sphere of their organization's impacts must be expanded, as they face intense public scrutiny about their entire supply chain and, in particular, the ripple effects of their operations on the communities most impacted by climate change.

When asked to rank the top three actions that brands should take to address the issues of climate-change mitigation and equitable sustainability, survey respondents strongly favored community-based initiatives:

69% said brands should invest in projects to protect jobs and livelihoods in communities most affected by climate change.

64% said they should address local impact to improve sustainability in the most vulnerable communities.

57% said companies should address root causes and impacts of climate change in communities.

Brands planning to get serious about creating a just transition can't limit their thinking to their own operations. Although their actions should support business objectives—an easy ask since sustainability and profitability work in harmony—leaders must also consider the entire ecosystem and create solutions for implementing structural change in their entire industries. They must ensure that they're investing in actions that also support the people who will be impacted by these radical changes. This won't be easy, but true leaders understand that creating lasting positive change—change that doesn't leave anyone behind—is a challenge worth accepting.

69% of respondents said brands should invest in projects to protect jobs and livelihoods in communities most affected by climate change.

3 Debunk the Myth That Sustainability Is Too Expensive

Brands are facing a double-edged sword. Their sphere of responsibility has expanded, but they still face a contingent of stakeholders skeptical about whether just transition efforts are worth the cost. **The No. 1 misconception respondents face is the notion that climate and sustainability targets and programs are too expensive and not a justifiable expense.**

Although corporate leaders are concerned about misinformation among stakeholders, **they themselves rate climate change as the most pressing societal issue that brands must act on**, according to **WE's 2021 Brands in Motion study, "The Bravery Mandate."**

This gap presents an important thought leadership opportunity, especially since the concept of just transition is still relatively new to the general public, and even to many within the business community. Brands should devote resources to tackling misinformation, convening conversations and educating a broad set of stakeholders—employees, consumers, shareholders, community members—about the clear benefits, both economic and environmental, of a strong just transition strategy. With clear information and solid proof points, brands help motivate the public to participate in this critical work.

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4 Embrace a Global Mindset and Invest in the People and Places That Need It Most

This is a “break glass” moment. As the most recent Intergovernmental Panel on Climate Change (IPCC) report makes painfully clear, the time to address the climate crisis is quickly running out. Respondents to WE’s survey said the top three solutions are:

1. Invest in sustainable and climate-friendly innovation and tech.

2. Proactively work with underdeveloped communities impacted by climate change.

3. Invest in digital infrastructure and reskilling programs to help prepare workers in developing/emerging markets to adapt to changes and facilitate a just transition.

Currently, many of the regions with the highest air pollution rates lack the infrastructure to address the problem. These nations are often the first to experience the impacts of the climate crisis. While developing nations overall have lower carbon dioxide emissions than industrialized nations, many are heavily reliant on legacy fossil fuels. Significant upfront investment that brings clean energy to these regions will be required, likely in public-private partnership, to address emissions globally and impacts locally.

By investing in climate-positive innovation and technology, organizations can help improve the health, happiness and economic opportunities of the people in these communities. Clean energy projects and enhanced digital infrastructure enable community members to develop the skills and careers needed to help sustain them in the future.

Climate-friendly innovation and tech will also enable brands to prepare for coming storms—literally. Making overseas facilities more resilient will enable brands and the communities they operate in to thrive, even as the effects of climate change become more severe.

The time to address the climate crisis is **quickly running out**.

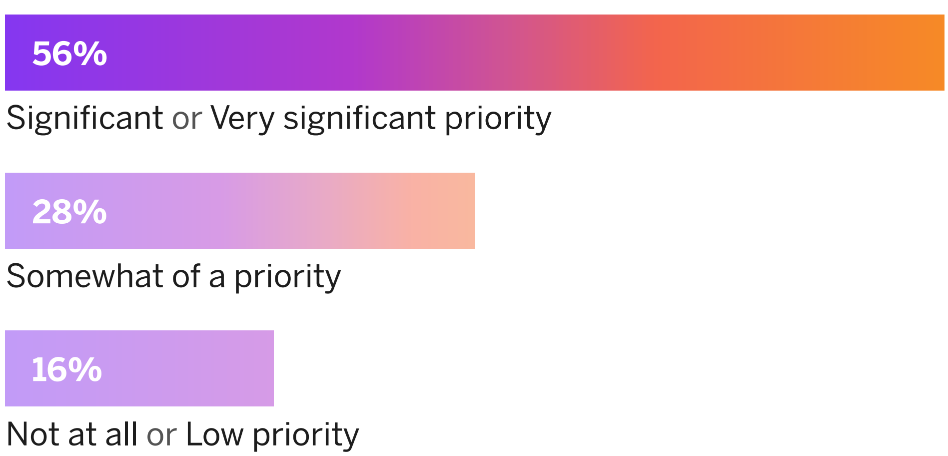
5 Harness Stakeholders' Willingness to Play the "Long Game"

There is a growing understanding among stakeholders that investing in sustainability and climate-change mitigation efforts now will yield broader returns later. **Nearly half of corporate leaders think shareholders would be willing to accept decreased returns to accelerate sustainability, and this can be mapped directly to shareholders' view of sustainability as a priority.**

These leaders understand that creating a more sustainable world requires deep structural change and long-term investment. The payoff is a more resilient economy—and a livable planet.

Forward-looking investors understand that organizations with stronger environmental, social and governance (ESG) profiles consistently outperform the broader market. That's why smart investors are seeking more concrete performance metrics related to ESG goals, and why more brands are tying executive compensation to sustainability outcomes, rather than targets. They know that as the price of energy rises, so does the ROI on sustainability. Leaders need to reinforce this message and assure skeptics within their organizations that a strong just transition strategy is the way forward—that the price of not acting is significantly higher than investing in a more sustainable future.

To what extent do your investors, shareholders or external stakeholders view sustainability as a priority to your business's future?



Conclusion

Many major brands have set targets they need to hit in eight or 10 years. Even 2050 is no longer the distant future. The time for goals and pledges without clear action plans is over. Reaching Net Zero requires radical action today. It means that companies must stop talking about their plans and do the hard work of implementing them.

As earlier **WE Brands in Motion** studies have showed, brands need to target their organizations' just transition strategies on the actions most relevant to their organizations, the ones that will best serve many distinct and disparate groups—from corporate shareholders to factory-floor workers to citizens of island nations. Brands must examine their just transition strategies with increased scrutiny. They must be transparent about the work they're doing to create a sustainable and equitable world and develop strong internal and external communications channels to share that progress and engage multiple stakeholders in it.

This path will not always be easy, and staying the course will require bold, brave leadership and authentic and effective communications. It requires having the honesty to acknowledge where you stand now, the tenacity to rigorously monitor progress, and the courage to listen to many different voices so we can work together and create a better future for all.

Is Your Brand on Track to Support a Just Transition?

Five Essential Questions:

1. Are C-suite and executive-level leaders leading discussions and listening to concerns about the company's sustainability strategy and support for a just transition?

2. Does your organization's sustainability strategy account for the impact it will have on a multiplicity of stakeholders—from your own employees to people and communities across your value chain?

3. How are you addressing misinformation about the costs and benefits of a holistic sustainability strategy, including support for a just transition?

4. What investments are you making in green infrastructure, climate-friendly technology, reskilling programs and other measures that will bring more resilience and security to your organization and the larger ecosystem?

5. Do your internal and external stakeholders understand the long-term ROI on investing in sustainability and climate-change mitigation efforts?

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Methodology

In February 2022, WE and YouGov surveyed 310 full-time employees in the United States, United Kingdom and Singapore. The individuals' positions range from C-suite to middle-management, and they have knowledge or influence of corporate sustainability/responsibility within their organization. Their global organizations have at least one office located in a different region than their companies' headquarters.

Your Brand in Motion

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Publication Date: 04.20.22