Forces for Nature

The business drivers demanding corporate action on climate & biodiversity

September 2020

“As the dependence of our economies and businesses on nature is clear, we must identify and mitigate the risks of nature loss from our business operations.”

Alan Jope

Chief Executive Officer of Unilever

CONTENTS

1. Executive Summary

Executive Summary
Key findings

Embracing a stakeholder-centric governance model provides companies with increasingly greater financial returns and non-financial success.

Companies should actively engage with stakeholders and align with their expectations.

Business is continuing to shift from reactive environmental responses to proactive action to mitigate the nature crisis.

Companies that operate on a “business as usual” basis will not sustain long-term corporate value.

Fostering trust is critical to engaging and meeting stakeholder expectations on the environment and the nature crisis.

Companies should be transparent in their actions and investments with all stakeholders.

Community, investor and customer expectations on climate change are the most mature across all stakeholders, with regulator nascent expectations set to strengthen.

Companies are responding to these expectations by setting net zero emissions targets and ceasing their reliance on fossil fuels.

Expectations for business action on biodiversity is rapidly developing internationally.

Companies can expect that Australian stakeholders will follow and adopt similar expectations over the next decade.

COVID-19 is catalysing action for a nature based recovery and more inclusive perspectives on economic development.

Companies can take this opportunity to embed environmental sustainability as a pillar of their business’ purpose.

Economic and business prosperity is inextricably linked with nature. Yet nearly one million species are at risk of extinction and the global temperature rise is set to exceed 1.5°C due to unsustainable human behaviours. It is clear that current production, manufacturing, and consumption practices are fueling the degradation of nature. Critical shifts and collective action are therefore required to mitigate this nature crisis.

Globally, ambitious action is being accelerated to achieve net zero emissions by 2050 and stem biodiversity decline. Business plays a key role in achieving these goals.

Based on analysis from EY, Forces for Nature addresses the business drivers that demand companies embed nature at the core of their business strategies and take proactive action to mitigate climate change and biodiversity loss.

With stakeholder capitalism becoming a more visible corporate governance model, business action on nature is being driven by a variety of stakeholders including community, suppliers, customers, employees, investors, governments, and regulators. This report highlights tangible examples of these stakeholder expectations and case studies of various companies’ responses.

This reports provides directions for how companies can align their actions with stakeholder expectations. Companies should consider these directions in conjunction with robust climate mitigation & biodiversity protection plans. In doing so, business can lead the collective shift towards achieving net zero emissions by 2050 and stemming biodiversity loss.

Stakeholder expectations in respect of the nature crisis are not isolated.

Companies should consider the interconnectedness and influence of each group on another.

2. Introduction

Introduction
A nature-focused lens for the future

During the Anthropocene we face some of our toughest global challenges

With biodiversity loss reaching unsafe levels and nearly one million plant and animal species now at risk of extinction due to human activity[1], and temperatures exceeding any on record, nature is under threat[2].

Nature is an all-encompassing concept for the natural world which accounts for all living organisms and their biological diversity, climate and weather, as well as natural resources. Today – biodiversity loss and climate change, predominantly due to human activity, are significant risks with critical implications for the natural world and humanity.

The global challenges posed by the loss of biodiversity and the impacts of climate change require systemic change to ensure a sustainable future[3] – and the role of business to take a leadership position has never been more prominent.

The World Economic Forum has identified climate change and biodiversity loss as two of the most pressing and impactful global risks, and positioned them as more likely and impactful than other critical risks such as cyberattacks and infectious diseases[4].

Climate change	Biodiversity loss
2nd highest global risk in terms of *likelihood*	4th highest global risk in terms of *likelihood*
Highest global risk in terms of *impact*	3rd highest global risk in terms of *impact*

Climate change is accelerating at an unprecedented rate, with significant consequences, and while addressing climate change is essential, this alone will not address the crisis facing the natural world. Currently, climate change impacts account for approximately 11-16% of biodiversity loss, and this figure is increasing. However, the remaining loss is caused by other drivers including land, sea and ocean use conversion[5].

In 2020, COVID-19 has emerged and, more acutely than ever, drawn attention to the fragility of all life on earth. Prior to COVID-19, the need to create more healthy, resilient economies and societies which rely on nature to thrive was clear, however, now it is inescapable.

Business has a choice: to be part of the problem, or part of the solution

The window for action is narrowing, the cost of inaction growing, and the expectation from stakeholders increasing.

Addressing the nature crisis requires system thinking, critical shifts through collective action, and a new approach to business leadership, that identifies and meets the expectations of all stakeholders, beyond shareholders.

Beyond shareholder returns, business plays an essential role in the economy through job creation, fostering innovation and delivering essential goods and services. As such, to be part of the solution to solve the nature crisis, stemming biodiversity loss and addressing climate change, business is beginning to recognise that each stakeholder is essential to long term success.

Business For Nature, with 31 not-for-profits and business groups, published a letter on 15 June 2020 calling for CEOs to prioritise nature in the COVID-19 economic recovery, stating that:

> *"We look to you, the leaders of companies, to add your voice to those speaking up for nature and people. Nature is everyone's business."*[6]

Business models that consider nature as purely an externality are damaging the health of the climate and biodiversity and are becoming increasingly bad for business. They need to take a more holistic view of value, consider a wider set of stakeholders, and work within planetary boundaries.

There is no future for business-as-usual, but companies today have the opportunity to act with leadership and scale up action to protect and restore nature that benefits them, and society as a whole.

Introduction

Stakeholder expectations driving action

Business must acknowledge and understand the context underpinning stakeholders expectations, today and in the future, and consider the associated strategic opportunities and risks. As stakeholder primacy overtakes shareholder primacy across boardrooms, stakeholder expectations are becoming increasingly front of mind for how companies protect and create value. Stakeholder capitalism is gaining momentum. The general public has demonstrated that stakeholder views are most important to business success, and modern companies are embracing their obligations to engage with and act based on stakeholders[7]. Not only are these companies who embrace stakeholder expectations gaining non-financial benefits, it has also been demonstrated that stakeholder-centric companies can also generate approximately 6.5% higher returns on equity, compared to their peers[8].

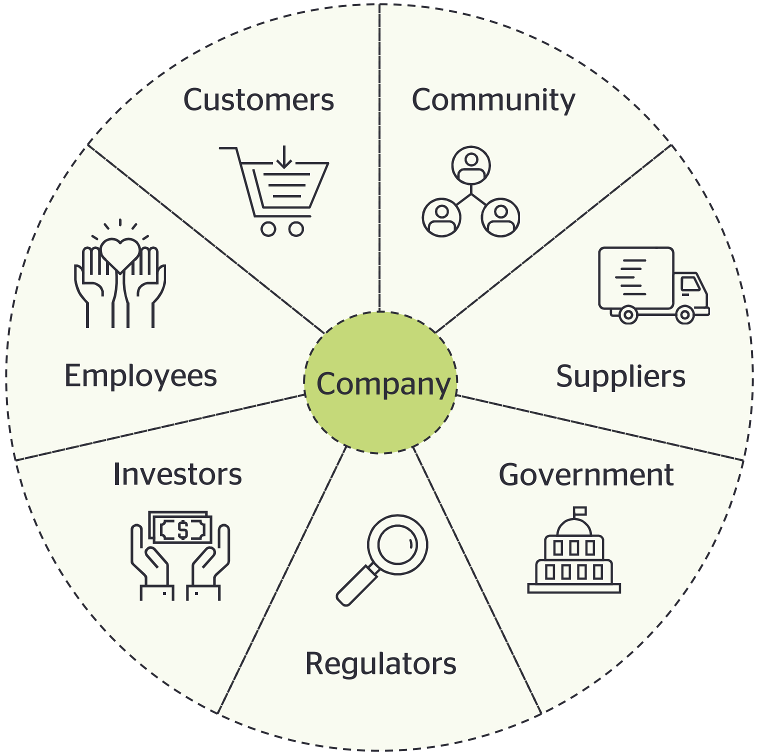
Stakeholder expectations on the environmental impacts of business are driving change within corporate strategy and operations around the world. With climate change and biodiversity loss front of mind for many stakeholders, how Australian companies respond to these expectations and reconsider their impacts is now a key determining factor in their ongoing ability to foster trust, create and sustain value, and maintain the social license to operate.

Within this report, the following key stakeholders will be considered, and their expectations analysed, as well as identifying where stakeholder expectations have changed business models and providing recommendations for companies to follow:

- **Community**: Community nurtures local environment and catalyses environmental action based on impact to local and global ecosystems. Increasingly local communities set the terms on which a company's social licence is defined
- **Suppliers**: Suppliers are seen as core and linked to the value of any business, and expectations for ethical and sustainable practices are therefore seen as a natural and expected extension of the company's own
- **Customers**: Business exists to serve customers, and customer preferences are evolving rapidly to favour sustainable and ethical products and services
- **Employees**: Employees are a critical asset to all companies and they continue to expect more environmental leadership from their employers
- **Investors**: Investors embed ESG in their allocation of debt and equity, and are increasingly redirecting capital based on environmental impact
- **Government**: Government (local, state, national, inter-governmental) sets the rules which govern business, framed by a public good, and their policy decisions set the expectation for action
- **Regulators**: Regulators implement and enforce the corporate legal environment, and advise on proactive action on emerging corporate expectations

Stakeholder capitalism means not only maximising profits for shareholders, but using the resources and skills of companies to address the nature crisis, meet the expectations of stakeholders and ultimately, actively contribute to a sustainable future.

A stakeholder-centric model



3. COVID-19 and the impact on business action

An overview of COVID-19 and business

"If we can defeat this virus, we can also respond to its call to action: that we no longer ignore the inequities laid bare by this pandemic or lose the gains we have made in reducing our carbon emissions during this pause...Our challenge now, even when the virus ebbs, is to continue to improve the human conditions and unleash the potential of everyone. That is truly in our collective best interest."[9] – Heather McGowan, Keynote Speaker and Author on the Future of Work 2020

The novel coronavirus, COVID-19, has shown the connections between animal, human and planetary health.

As a result of the virus, the global and Australian economies have been greatly disrupted and patterns of production, trade and consumption have been heavily strained and reorganised. Within Australia, sectors such as travel, accommodation and hospitality have been subject to the greatest impact whilst household financial health and personal wellbeing have also been greatly affected[10].

A moment of reflection on impact

COVID-19 has demonstrated that change is possible and happens at a faster pace in times of disruption and uncertainty as innovation and new ways of operating are rapidly established, with clear potential to apply this lens to our relationship and impact on nature[12]. Business has the opportunity to view the current crisis as a point in which to reflect, learn and seek to genuinely do differently when it comes to their impact and contribution towards climate change and biodiversity loss and avoid the risks of other potential nature-related crisis.

COVID-19 has shown that prosperity and success is not merely linked to financial performance, where complex environmental and societal challenges are risk factors to ongoing business viability and value creation. The virus has also demonstrated progress is possible when business, government and society at large work together towards a collective objective in responding to the pandemic and its impacts[13]. As a result of the pandemic, there is likely to be ongoing consideration and reorientation between long held trade-offs around financial gain, quality of life and impact on nature.

The COVID-19 recovery path

As the world looks beyond the immediate COVID-19 crisis and towards recovery, the post-pandemic economic rebuild is extremely important. The cause of COVID-19 and nature are linked, and therefore, the recovery should be as well.

Many have identified this as a once-in-a-lifetime opportunity to build back better through a nature based recovery, moving nature from an externality to an internality of economic and business decision-making. In doing so, the nature based recovery must have total commitment and involvement from business, who will need to play a central role in facilitating investment, innovation and employment. More specific than economy-wide recovery, recovery plans for companies will also need to consider responding to current and future challenges, such as climate change and biodiversity loss, which pose an ongoing threat and need for systemic change[14].

Long term value will only be achieved by addressing these issues, and as such, building back through a nature based recovery is equally important from an environmental and economic perspective.

COVID-19 instigating changing stakeholder sentiments

While the COVID-19 crisis continues to cause health, economic and societal impacts around the world, there have been early indicators that the pandemic could be accelerating stakeholder expectations in relation to climate change and biodiversity loss.

Not only has COVID-19 resulted in a disruption to our economic systems, it has also renewed the focus on alignment with planetary boundaries. Therefore, there is an opportunity to see COVID-19 as a catalyst for increased action, especially as the world has seen collective will and commitment to act swiftly and reduce the impacts of COVID-19 on countries around the world. In addition, stakeholders are taking time to pause and reflect, to determine what is most important to them.

The way in which business leaders are responding to the COVID-19 pandemic is a demonstration of the importance of stakeholder capitalism, whereby corporate responsibility and business leadership are moving to consider and advance the interests of all stakeholders including employees, consumers, investors, suppliers, governments, regulators and communities. Stakeholder groups have also warned companies that COVID-19 is not a reason to revoke commitments on climate change and biodiversity, and leadership becomes more apparent in the times of crisis.

Companies embodying stakeholder capitalism in response to COVID-19 are promoting a societal and economic response aimed at mitigating the impact of the pandemic on all stakeholders and supporting those affected whilst also stopping prolonged economic impacts and providing for a more just and equitable future.

Local and global responses to COVID-19, such as mass behaviour change, science-based action, prioritising the greater good, also demonstrates that business and stakeholders are able to implement large-scale changes and action for a common objective. These responses are significant and similar to those required to respond to climate change, demonstrating that business-led and supported climate and biodiversity action is possible on all scales.

Whilst the long-term effects of COVID-19 on economic systems and business models remain unclear, deep and pervasive societal changes driven by changes in the conduct of business are needed in the future to recover from the current crisis and mitigate future consequence of inaction on the nature crisis.

76% of investors believe goals around ESG should be integrated into COVID-19 stimulus packages.[15]

28% of consumers would be willing to pay a premium for more sustainable goods and services, post COVID-19.[16]

The United Nations Chief Economist has urged Australia to make the decision to prioritise a nature based recovery from COVID-19.[17]

Regulators and central banks are continuing oversight on climate risk and disclosure through COVID-19.[18]

4. Stakeholder expectations

The impact of stakeholder expectations

Business is becoming increasingly challenged on their role within society, especially as stakeholders are progressively expecting business to be part of the solution, not the problem. Historically, there has been a disconnect between public expectation and business leadership, however, this is changing – for example, approximately three-quarters of people surveyed in the Edelman Trust Barometer stated that they except CEOs to “take the lead on change,” as opposed to governments[7].

Today, this mindset towards corporate leadership in the form of stakeholder capitalism is growing in prominence, whereby companies serve society as a whole and meet the expectations of their stakeholders, not just shareholders. In 2019, in the United States, the Business Roundtable updated the definition of a company’s purpose from shareholder primacy, to including a commitment to all stakeholders[19], stating that these companies commit to delivering value to customers, investing in employees, dealing fairly and ethically with suppliers, supporting the communities in which they work, and generating long-term value for shareholders. The Roundtable participants recognised that each of their stakeholders are essential and committed to delivering value to all of them, for the future success of the company, communities and the country.

It must be noted that every company is different, and there is not a one-size-fits-all approach to stakeholder capitalism as different sectors of the economy will be expected to contribute differently. However, it is important for every company to consider the stakeholder groups which touch their company to ensure that it is possible to serve their needs and adapt their business model if required.

Now is the moment to move from discussions and commitments towards action to tackle the nature crisis. It is important to recognise that not all stakeholder expectations are at the same level of maturity in relation to their vocalization of demands or the breadth of their focus. Within Australia, stakeholders are following a similar approach to what has been identified globally, which has seen climate change as front of mind for action, in comparison to biodiversity loss. However, as identified within this report, biodiversity loss is a critical component of the nature crisis and is a rapidly emerging issue for business.

Based on EY’s analysis, the table to the right outlines the level of maturity for each key stakeholder in relation to climate change and biodiversity loss in Australia, as either established (the expectation is front of mind for the stakeholder group), emerging (the expectation is growing in momentum from the stakeholder group) or new (the expectation has not previously been identified by the stakeholder group, but is becoming a consideration).

Level of stakeholder expectation maturity in Australia

Stakeholder groups	Climate change	Biodiversity loss
Community	Established	Emerging
Suppliers	Established	Emerging
Customers	Established	Emerging
Employees	Established	Emerging
Investors	Established	Emerging
Government	Established	Emerging
Regulators	Emerging	New

Community
The theory behind the expectations

Community demands of the private and public sector are getting louder as there is a sense of urgency building due to corporate inaction on environmental issues. Nature is an area where companies are increasingly being held accountable and expected to exhibit behaviour congruent with community expectations, or risk damaging trust and their social license to operate. Whilst social license to operate has traditionally been expected of the mining and resources sectors, expectations are becoming a strategic risk across the spectrum of the business community[20].

Business faces challenges to meet and keep up to date with the increasingly changing expectations of the community at large, society, and community groups material to their operations. Community expectations and societal pressures are changing rapidly due to demographic changes, greater availability and access to information, technological shifts and awareness of significant environmental events occurring on a local, national and global scale. Even within the COVID-19 crisis, community activism continues, with an increasing reliance on social and digital media for influence and messaging[21].

Increasing community awareness on the distribution and scale of impacts
The increasingly visible and tangible impacts of climate change and environmental degradation are catalysing community action at all scales. Communities are innovating and seeking action from business to address the issues that impact their lives. Close to home and localised environmental impacts, such as the acute physical effects of a changing climate (e.g. sea level rise) and poor environmental health (e.g. biodiversity loss, habitat destruction, pollution) typically result in localised action at a small scale that is increasingly being amplified and captured in mainstream media and social media. Community has also been catalysed to oppose established business operations due to concerns about environmental pollution, emissions and competition for natural resources through a number of pathways including litigation, protests and organised boycott campaigns.

Understanding expectations for the good of society
Community expectations and perceptions of business and its impact on nature has the potential to cause political, economic and social consequences and should be proactively understood. Engaging with communities and the wider society, and responding to their expectations enables business to proactively inform strategy development and implementation while generating trust. In light of COVID-19, which has exposed and deepened existing inequality in society, there are growing calls for a new social contract with the United Nations Secretary General, António Guterres, recommending that a more equitable, just and sustainable path in accordance with the Sustainable Development Goals should be adopted to tackle historic and current injustices within and amongst communities[11].

300,000

Australians took part in climate strikes around the country in September 2019[22]

1.4 million

People took part the strikes around the world[23]

Climate justice is a concept where community expectations seek society at large to have access to a safe climate and healthy environment, distributing the burdens and benefits of climate change and its impacts equitably and fairly rather than predominantly negatively impacting marginalised communities[4].

Community
Expectations driving decision making

Community expectations are increasingly driving corporate action, as companies makes changes as a result of, or to support aspirations of the community, and secure their social license to operate. Collectively, community has the benefit of multiple voice working together to influence corporate action on issues relating to climate change and biodiversity loss.

Climate change

Global Climate Strike

During September 2019, school students across the world came together and joined the School Strike for Climate (#GlobalClimateStrike), a protest movement demanding climate action.

The 'Not Business as Usual' campaign was established as a coalition of Australian and New Zealand companies who publicly supported, by amplifying the student and wider community voice, the school strike movement and empowered their employees to attend the protest rallies around Australia. The campaign recognised that every company in the country can make a difference by using their voice, as the responsibility to fix climate change should not fall to Australian students alone.

Participation spanned from small companies to ASX-listed and multinational companies, demonstrating that business is able to respond to, and help amplify community expectations on issues such as climate in a coordinated and organised manner[24]. In this circumstance, business highlighted what it looks like to come together with the community in collective corporate activism to influence policy outcomes for all.

Climate change

Fossil Free UNSW

Fossil Free UNSW, led by the UNSW community of university students and staff, campaigned for over six years for the University of New South Wales (UNSW) to divest from fossil fuels. The community campaign drove sustained pressure for UNSW to divest from fossil fuels and take climate action without further delay through on and off campus activities, including the use of social media, petitions, protest rallies, chancellery occupations and sit-ins at the UNSW campus.

UNSW announced in 2020 that it would divest from fossil fuels, through the divestment of direct ownership and any commingled funds that include public equities and corporate bonds of companies whose primary business is the ownership and exploitation of fossil fuels reserves by 2025. The change in UNSW's portfolio was and is gradual with $44 million invested in fossil fuel assets in 2016 compared to $26 million in 2019. Furthermore, UNSW started to disclose it's fossil fuel exposure in its an annual sustainability report – a tangible action for all companies and an example of how community pressure can contribute to real and meaningful change.

The pressure from members of the university community demonstrates that issues related to climate change are creating momentum and space for wholesale change by business[25].

Community
Thoughts for the future

Community expectations are driving business behaviour and shifts in the way in which they operate and act on environmental issues. More and more, business must sincerely engage and seek to, at a minimum, meet community expectations associated with business actions and activities, in efforts to create a more just and equitable society.

Where to start

Understand your impact

Undertake an analysis to understand the aspects where your company has the greatest, positive and negative, impact on nature. Once this analysis has been completed it will ensure your company targets action towards mitigating its most material nature impacts.

Inform the community and engage in dialogue

Companies should consider bringing the community to the table and engaging in two-way communication to understand their concerns, aspirations and feedback in relation to their expectations on environmental issues, including climate action and biodiversity. This knowledge will allow your company to integrate these expectations within business operations and overall strategic decision-making. In addition, effectively and transparently informing the community, through clear and objective information on issues that impact them, is a critical first step to meeting community expectations.

Foster and maintain social licence to operate

Develop a governance framework that is built upon principles of transparency and accountability to the community enabling the sharing of information, understanding and oversight of performance against community expectations. This framework will allow your company to foster more robust, sustainable, trust-based relationships with the community by providing visibility and transparency which may ultimately enable acceptance and support of your operations.

How to lead

Collaborate with community to amplify their needs and expectations

As a leading company, you must go beyond mitigating your impacts in line with community expectations. This involves using your brand and influence to provide greater visibility and awareness to issues impacting the community with other stakeholders (such as policy makers, peers and competitors and suppliers).

The community's expectations of your company are likely echoed by other stakeholder groups, and through public support for initiatives relating to action on the nature crisis, other stakeholders will also see this as taking a leadership role, broader than your individual company impact.

This leadership role includes using your role as a corporate citizen to agitate for change within wider business and policy-making landscape to generate more just and equitable outcomes.

Empower community members

Consider partnership opportunities with community members to work together on solutions and recommendations to issues such as those concerning the environment, with a view of where possible, basing decision-making primarily on the views of community. This will demonstrate your company is not only willing to engage with the community, but viewing them as an equal participant.

"The response to the pandemic, and to the widespread discontent that preceded it, must be based on a New Social Contract and a New Global Deal that create equal opportunities for all and respect the rights and freedoms of all."[11]

– UN Secretary-General António Guterres

Suppliers
The theory behind the expectations

Companies are increasingly expected to engage with ethical and sustainable suppliers, and as a result, are embedding commitments to sustainability within their supply chains. Building and maintaining resilient supply chains is a key success factor for business, with environmental considerations critical to this, especially relating to deteriorated supply chains due to resource scarcity or more variable production of key natural inputs.

One of the most challenging aspects of supply chain sustainability is gaining visibility and understanding of biodiversity loss, particularly beyond direct suppliers. Without this understanding, companies are unable to make better, more informed decisions on lessening the biodiversity impact of procured raw materials and primary products[26]. As a result, there have been increasing calls for companies to consider biodiversity impacts through more robust due diligence and taking steps to maintain biodiversity, while limiting ecosystem degradation[27]. Emerging technologies, such as blockchain, are creating new opportunities to achieve end-to-end transparency of supply chains and democratising sustainability data[27].

Implications for unsustainable supply chains

Stakeholders are expecting companies to manage the risks and impacts of their sourcing and working with suppliers and their communities to restore and protect the environment from which they procure goods and services[28]. Business expectations on their suppliers are reflections of the wider stakeholder expectations on their operations, with growing awareness of supply chain risks among consumers, investors, employees and local communities.

Companies are increasingly preferring suppliers who can help them achieve their own environmental goals and reduce the impact of their operations and product lifecycle. Failure to address environmental impacts within a supply chain can lead to reputational damage, greater operating costs, reduction or disruption in raw material supply due to loss of ecosystem services, and disruption in production output[28]. Conversely, sustainable supply chains can create a number of benefits for companies including increased product quality, growth in market share and strengthened consumer support whilst also fostering shared value with suppliers through reduced environmental impact and cost savings[29].

Shared commitments

Leading companies are developing shared commitments with their suppliers to work toward the development of sustainable supply chains. Increasingly supplier environmental performance is impacting the procurement and sourcing decision making and determining who companies choose to partner with. As companies continue to invest within their supply chains, those who are not creating shared value with supply chain stakeholders may also find themselves limited in the suppliers willing to work with them and may not be in a position to source quality materials or engage with top performers[28].

5.5x

A company's supply chain contains on average 5.5 times as many greenhouse gas emissions as its direct operations[30]

90%

of environmental impacts occur within the supply chain[31]

Suppliers

Expectations driving decision making

Companies with complex supply chains and reliance on the sourcing of raw materials are being compelled to establish mechanisms to prevent adverse ethical and environmental impacts throughout their supply chains. The following case studies demonstrate how global companies have taken action and continue to advance their investment, commitments and ambition related to the environmental impacts within their supply chain by working with their suppliers on biodiversity and climate-related issues.

Unilever

Biodiversity loss

Climate change

Unilever has publicly committed to a series of supply chain targets relating to limiting the environmental impacts of their supply chain and working with suppliers on programs that protect and restore forests, soil and biodiversity. Protecting biodiversity is embedded within Unilever's Sustainable Agriculture Programme, which was inspired by their ambition to "buy agricultural raw materials from farms applying sustainable agricultural practices – growing crops in ways which sustain the soil, minimise water and fertiliser use, protect biodiversity and enhance farmers' livelihoods"[32]. Reflecting this ambition, Unilever set an initial target in 2010 to source 100% of agricultural raw materials sustainably by 2020.

While Unilever has not met its 100% target as of yet, it has continued reporting transparently on its progress towards the target and is focused on key crops and commodities (by volume) to have the greatest impact. Unilever has also announced new environment and biodiversity targets over time, including recent commitments to a €1 billion Climate & Nature Fund, a deforestation-free supply chain by 2023 and introduction of a Regenerative Agriculture Code for all suppliers and development of water stewardship programs for local communities[33].

Pernod Ricard

Biodiversity loss

Climate change

Pernod Ricard, a global alcohol producer, recognises that sustainability in supply chains is one of the industry's most significant challenges in relation to environmental performance. Pernod Ricard's policy is to work closely with suppliers across the world and foster shared values to improve the company's indirect impact on society and the natural environment. Environmental stewardship commitments are cascaded to suppliers, who commit to adhering with the company's corporate social responsibility objectives within their Supplier Standards[34]. Through a continuous improvement approach, suppliers (and their direct sub-contractors) are required to acknowledge, implement and comply with a series of environmental commitments including risk identification, sustainable agricultural processes and preservation of biodiversity, water consumption, energy and emissions, and lifecycle assessment of products and waste[34].

Pernod Ricard's Vice President of Global Sustainability, Vanessa Wright, has publicly stated that the company is working with a third party consultant to increase the rate of its committed suppliers to 100%, stating, "if they don't, we won't work with them. We're going to have to be very clear on those commitments"[35]. In 2019, Pernod Ricard included Nurturing Terroir (including biodiversity and regenerative agriculture targets) as one of four key areas within its 2030 Sustainability and Responsibility Roadmap, which also includes commitments aligned to the United Nations Sustainable Development Goals. As part of the regenerative agriculture target, Pernod Ricard has committed to partner with 5,000 farmers to share knowledge related to improving top soil, watersheds and ecosystems by 2030[36].

Suppliers
Thoughts for the future

As business is increasingly expected to empower their suppliers to operate sustainably and ethically, limit and remediate their environmental impact and publicly disclose their supply chain information for scrutiny, there are a series of steps that companies can take to build sustainable and resilient supply chains, which proactively manage biodiversity, and minimise climate impacts from the raw material to the finished product.

Where to start

Engage with suppliers and understand the risk

Seek to engage as deep within your supply chain with the intention to build relationships, cooperation and trust with your suppliers and seek to understand the 'on the ground' conditions of the local environment and community in which they operate. This will also allow you to identify biodiversity and climate risks relevant to your supply chain and the natural capital and ecosystem services your supply chain relies on, to drive informed, risk-based decision making.

Develop shared commitments

Work with your suppliers to develop meaningful, realistic and relevant shared commitments that can be effectively measured for everyone to strive to meet and exceed in minimising their negative impact on nature. In doing so, you should consider developing a framework for effective measurement of these commitments.

Enforce commitments

Design and implement systems for the management, monitoring and enforcement of supplier commitments. Work with your suppliers to empower their success whilst setting clear boundaries and consequences in relation to remediation and non-compliance. In addition, consider integration of new and emerging technologies to support increased transparency and enforcement of commitments.

How to lead

Publicly and transparently report progress

Within your reporting, ensure that transparent information and effective measures (such as KPIs and assessment criteria) are used to share your progress and supply chain impacts. As you progress, increase your supply chain targets over time and continue to share your efforts publicly to drive accountability and trust-building.

Calculate the true cost

Consider calculating the "true cost" of materials. This will draw attention to the hidden costs not integrated into the market price of a product. This includes the cost to society and the environment, including biodiversity loss and embodied carbon. Undertaking this calculation provides the opportunity to understand the holistic cost of materials, and in the long term, price this into decision making.

Take a sector-based approach

Reach out and collaborate with sector peers to explore opportunities for a sector-based approach, particular in relation to biodiversity loss risks within the supply chain. Take an approach which enables sharing of information across key suppliers to understand their compliance, maturity, areas of improvement and opportunities for strategic investment.

"A company's entire supply chain can make a significant impact in promoting human rights, fair labour practices, environmental progress and anti-corruption policies."[37]

- United Nations Global Compact

Customers

The theory behind the expectations

Awareness and understanding of the impacts associated with climate change and biodiversity loss continues to grow year on year, around the world. Directly linked to this increased understanding, research is indicating that consumer preferences relating to environmental responsibility of the private sector are increasing to compete with more traditional consumer preferences such as price, quality and convenience[8]. Awareness and coverage of environmental impacts of consumption in Australia is predominantly centred around issues of greenhouse gas (GHG) emissions[38]. Building on this trend, beyond COVID-19, 17% of consumers have indicated they will make their impact on nature the foundation of their lives[16] and consequently, begin to expect more from companies to protect biodiversity, across a wider range of sectors.

Customers are voting with their dollars, everyday

Customer preferences, underpinned by values and beliefs, are evolving rapidly to favour sustainable and ethical products and services. Customers are therefore voting with their dollars by purchasing products and services, and engaging and supporting companies and movements that align with their values. Increasingly, consumers want to feel good about their purchases and are more engaged on social and environmental implications of the products they purchase, with greater preference for more local, authentic, transparent, traceable and ethical products[39]. Platforms such as Ethical Consumer and Good on You are increasingly allowing consumers to make more informed purchasing decisions based on issues such as environmental impact[40, 41].

Different generations, different experiences

Younger generations of consumers, comprising of Millennial's and Gen Z, are directly engaged and have greater knowledge and expectations of brands and their actions. More specifically, awareness and understanding of biodiversity is a growing issue and concern for consumers, and currently, Millennial consumers are the most informed on the impacts of biodiversity loss[42]. Amongst Gen-Z, research has found that 84% say that the way they spend their money is impacted by social and environmental concerns, and 97% of Gen-Z consumers surveyed also said that business should address issues related to their industry, such as climate change[43].

Trust remains low from customers

Trust and transparency concerns – born out of the recent Global Financial Crisis (GFC) and current COVID-19 pandemic which have contributed to weak economic conditions and increasing socio-political extremism (in both directions) – are expected to remain paramount as these conditions continue. Low trust manifests as scepticism for consumers, who are switched on and aware of tokenism, typically when companies engage in 'greenwashing' and devote greater effort towards marketing themselves as environmentally sustainable without implementing systemic change to their business operations and practices. This makes it critical for business to genuinely engage in and positively affect change around environmental concerns to foster trust with consumers.

84%

of Gen Z's say that their social and environmental concerns impact the way they spend money[43]

89%

of Australian's worry about environmental concerns, due to issues like bushfires, the drought and climate change[7]

73%

of consumers would ***definitely*** change consumption habits to reduce their environmental impact[44]

Customers
Expectations driving decision making

Customer expectations have most-directly impacted the consumer goods and retail sectors to date, however environmentally-driven expectations are increasingly influencing other sectors of the economy such as the built environment[45], technology[46] and travel[47], as consumers recognise these sectors significantly contribute to climate change and biodiversity loss. The following case studies highlight how companies have adapted their decision making and business models to reflect existing and emerging customer environmental expectations.

Climate change

Biodiversity loss

Patagonia

As of 2018, Patagonia is predicted to achieve annual revenue of approximately $1 billion[48]. This growth is in contrast to how the brand promotes anti-consumerism, environmental causes and fair trade, factors which may disincentivise consumerism and increased sales for Patagonia, and instead encourage modest consumer practices. However, Patagonia's longevity and success proves that companies can profit by doing good and being good. Patagonia is a certified B Corp and one of the fastest growing brands, becoming a market leader in the outdoor apparel market, with similar companies moving to follow its strategy.[95]

Patagonia has listened and aligned itself with its customers' environmental expectations by embedding sustainable practices in its business model and strategy, and selling products which reflect this. The introduction of initiatives to extend the useful life of products, invest in developing regenerative materials and reselling the products customers no longer want, has still resulted in sales growth and continued success within the market.

Patagonia has demonstrated the business case that its commitment to reducing the environmental impact of its products resonates with consumers and aligns with their values, contributing to the overall success of the company and integrity of the brand. This provides a compelling example of how business can meaningfully embed environmental values at the heart of their strategy, through engagement with, and meeting the expectations of, customers.

Climate change

Stockland

In partnership with the Green Building Council of Australia (GBCA), Stockland, one of Australia's largest residential developers, has developed a new 'Home Strategy,' with three key pillars encompassing 'Net Zero', 'Comfortable' and 'Resilient'. Stockland has described the strategy as catching up on consumer expectations, which are changing and will further accelerate post-COVID-19 to favour low energy, healthy and resilient household environments[49].

Stockland has seen customer expectations relating to energy usage shift to preferencing low energy housing as a result of people staying home and using their home more regularly, especially during the COVID-19 lockdown. The strategy is likely to drive change and action throughout the wider residential development industry which has lagged behind other parts of the sector such as commercial real estate in relation to climate action.

Acknowledging and acting on customer expectations in relation to residential housing demonstrates how companies such as Stockland are being driven by these expectations and responding strategically. It also shows that strategic decisions in response to changing preferences, such as the adoption of a low-energy approach to residential housing design and development, can influence and lead to sustainability-driven changes at an industry-wide level.

Customers
Thoughts for the future

As customer expectations continue to shift and become more centred around the nature crisis, it is imperative that companies connect with and listen to their customers in a credible and engaged manner. Understanding customer expectations in relation to climate change and biodiversity action and using them to inform ongoing strategy and decision-making enables companies to align with their customers, build trust and gain a competitive advantage, all while limiting their impact on the environment and generating change within industry.

Where to start

Understand your customers

Develop an understanding of your customers' needs and expectations, acknowledging these change over time, and these are influenced by sentiments on global issues. In addition, facilitate direct engagement and dialogue with customers about what they see as the most pressing climate and biodiversity issues and seek to understand how your company is perceived to contribute to, and influence these issues.

Respond to how your customers feel

Once there is clear understanding of customer expectations, these must be responded to effectively. This involves demonstrating genuine action – rather than tokenism or greenwashing – to show that your company listens and is committed to climate and biodiversity action. Informed responses are required when customers are voicing their expectations, otherwise there is a risk of alienating or disengaging customers who are voting with their dollars and want to engage with companies who are taking meaningful action.

Use customer expectations as a lens for everything you do

Take the customer-centric lens further to identify what their expectations of your company are in relation to climate change and biodiversity action, and how this can be incorporated within your operational and strategic decisions which have an impact on nature.

How to lead

Be a voice for customer demands

Being a responsible and engaged corporate citizen involves building a strong reputation and presence by using your company as a voice to support customer priorities, in particular climate and biodiversity concerns, to demonstrate that business can be a force for good. This demonstrates your company can adapt and learn, as it aligns to your role as a corporate citizen, and a leader.

Measure and report the right things

Customers want to see business measuring the right metrics and transparently disclosing performance information, particularly around greenhouse gas emissions (scope 1, 2 and 3 emissions), as well as reliance and impact on natural capital and ecosystem services, in order to make purchasing decisions based on this information. Transparently reporting on action and progress while also identifying areas of improvement, is important to validate action on customer expectations and gain further trust.

Govern through a stakeholder lens

Stakeholder capitalism and corporate governance are intrinsically linked. Management and Board Directors should be regularly engaging with the expectations of customers, and use this as a lens to govern, ethically and purposefully. This includes leaders being knowledgeable on climate and biodiversity, setting targets and understanding the expectations of customers and ensuring these inform decision making.

"When we serve all stakeholders, business is the greatest platform for change"[50] Marc Benioff – CEO, Salesforce

Employees
The theory behind the expectations

Employees are integral to enabling business to achieve its purpose and create long-term value. The Australian workforce is personally engaged in social issues, with the environment the most common action area (regardless of generation, gender or location)[51]. A growing sentiment among employees is the belief that business must to have a clear purpose and ambition on contributing positively toward social and environmental concerns[51]. This sentiment is combined with the view expressed by more than half of Gen-Z, that employees should be allowed to voice their opinions on political, societal and environmental issues they care about, within the workplace[51].

Internal stakeholders driving meaningful action

Responding to employee expectations creates opportunity for companies to improve their standing amongst their employees, particularly as generational values are showing greater engagement on social and environmental issues. A recent survey of employees from around the world found that employee discussions and concern on the environment has grown across generations over the past year[52].

- Employee discussions and concern on the environment have grown by 128% among Gen-Z, highlighting the growing awareness of this generation,
- Millennial and Baby Boomer discussion and concern for the environment also increased by 62% and 59% respectively, and
- Environmental discussion increased by more than 200% in Australian workers, with the largest increases in concern within the Manufacturing sector in the past year, followed by the Consumer and Professional Services sectors.

The business case for meeting employee expectations

Companies that align their purpose and values with their employees and act on environmental issues are likely to attract and retain top talent and increase productivity and innovation, which is particularly important as increasingly engaged generations enter the workforce. Research supports the impact employee expectations have on job seeking, with 59% of respondents stating that companies known for expressing their views on important issues are more attractive as a future employer[51].

Awareness of business impacts on nature and climate are increasingly playing a greater role in employee engagement, retention and company culture, primarily due to the growing cohort of Gen-Z within the workforce and increasing voice of Millennials, entering leadership roles within organisations, on environmental issues. Failure to meet employee expectations on issues such as climate action and biodiversity impacts is a risk to business whereby Gen-Z employees displayed the greatest intent to quit their job if their employer actions do not align with their own values[51].

93%

of Gen Z employees believe that it is important for companies to display corporate social responsibility[43]

80%

of Gen Z employees agree that business has the ability to improve the impacts of climate change if they act now[51]

78%

of employees agreed with the statement *"businesses need to take full responsibility for their environmental impact"*[51]

Employees
Expectations driving decision making

Employees are driving action from inside their organisations, and making decisions on where they want to work, based on public commitments and actions companies are taking in relation to the nature crisis. The employee activism movement is growing in momentum as Millennials begin to take on leadership roles, and Gen Z enter the workforce.

Climate change

Biodiversity loss

Microsoft

In 2019, Microsoft introduced an internal carbon fee of $15 per metric tonne on all carbon emissions. This fee has enabled employees to act on their practical ideas around sustainability and has funded over 60 employee-driven projects relating to emissions offsetting and reductions in energy use. In relation to the program, Microsoft Chief Environmental Strategist has publicly stated "we built a program that hopefully every employee will be proud of."[53] Microsoft has publicly acknowledged their employees are passionate about sustainability and highlighted that the carbon fee has increased engagement and enthusiasm.

Towards the end of 2019, Microsoft employees protested the company's inaction on climate change and engagement with certain companies in an open letter. In an interview at the World Economic Forum, the Microsoft President, Brad Smith, welcomed employee feedback and activism as an "opportunity to learn."[54] This opportunity to learn has seen Microsoft take even further action on climate change with an announcement that the company will be carbon negative by 2030. It is arguable that this level of commitment and leadership would not have occurred without employees voicing their expectation of their employer, Microsoft.

Climate change

Biodiversity loss

LUSH

The cosmetics retailer, LUSH, has a history of activism and campaigning on environmental and social issues, as well as collaborating and engaging with its employees on issues of importance to inform campaign activities. LUSH recognises the value of employee insights and is committed to meeting their expectations, and for example, shut down their stores to allow employees to attend Climate Strikes. As such, LUSH employs an in-house campaign professional, also known as the company's 'in-house activist' who has publicly stated that "we routinely pull staff in and ask them what should be the issue to work on."[55] The role involves seeking input from employees regarding their personal experience and issues of concern[55]. In Australia and New Zealand, LUSH has also employed Campaign Specialists with responsibilities including empowerment of LUSH employees as campaigners[56] and runs internal staff surveys to inform the direction of the company[96].

In Australia, and around the world, LUSH campaigns have been informed by the views and expectations of their employees, including campaigns relating to protecting the Great Barrier Reef, and opposition to shark culling[97] and hunting.[98] Through this commitment and action in the form of a full-time role within the company, LUSH has demonstrated how employees are actively engaged and contributing to the direction and values of a company. It is also important to recognise the culture of the company, and note that the ability for employees to speak up, and express their views, is critical in developing and leading the company. Employee views and ideas are recognised as important insights which leadership takes seriously and acts on.

Employees
Thoughts for the future

It is predictable that employee expectations will continue to grow, as the role of business transitions from shareholder primacy towards purposeful leadership across the economy. Engaging with employees, championing their values and being accountable are critical considerations to effectively meet and exceed employee expectations, today and tomorrow.

Where to start

Engage with your employees to understand their values and expectations

Develop an understanding of your employees values and expectations through proactive engagement, undertaken in a meaningful and authentic manner. Through this engagement, seek to understand the underlying drivers of their expectations and how they believe your company is contributing to and aligning with these.

Involve employees in decision-making and strategy development

Sharing of ideas and closing the loop on employee feedback used to inform decision-making and strategic development enables your teams to feel engaged and listened to, in relation to issues they care about specifically on climate and biodiversity action. Ask your employees for their ideas on how to lead a more purposeful company, which is positively impacting the environment around which it operate.

Empowering your people to drive positive change

Move to support your employees by making internal changes and supporting employee generated initiatives, driven from the bottom up, on actionable and visible changes within your company to create a positive environmental impacts. Ensure your company is reporting back to your employees on action taken, based on engagement.

How to lead

Champion your employee values through corporate activism

Encourage your employees to challenge business as usual and use this energy and enthusiasm as a means to generate change. Moving beyond your own company, consider using your business profile to champion employee values within industry and across the business community.

Measure employee engagement

Regularly measure employee engagement and response to your actions to identify what actions resonate most with your employees and understand how you can incorporate any lessons learned into future action.

Be accountable to your employees and transparent about progress

Once you have made a commitment to change within your company practices and operations, it is important to stay accountable and transparently keep your employees updated on your progress (positive or negative). This aims to build trust, even in circumstances where you have had challenges in meeting expectations.

“Employees who believe that management is concerned about them as a whole person – not just an employee – are more productive, more satisfied, more fulfilled.”[57]

Anne Mulcahy – Former CEO, XEROX

Investors
The theory behind the expectations

Institutional investors are raising their expectations in relation to assessing potential investments, and recognising there is more to a company than their balance sheet. In fact, only 20% of a company's true value is reflected on the balance sheet[58]. There is growing dissatisfaction amongst the investor community relating to the information and reporting available on environmental risks, which is leading to strong investor appetite for more robust disclosures supported by effective governance structures, reviews and controls.

Climate action is a well-established area of investor interest, with expectations of business now extending beyond risk identification to disclosure of available information on scope 1, 2 and 3 emissions and exposure to fossil fuels in the energy value chain. As biodiversity loss is an emerging risk, investors are increasingly expecting business to identify depletion of natural capital and ecosystem services as a risk alongside other physical and transition risks related to biodiversity loss. In a recent survey, 59% of investors said they were making significant use of United Nations Sustainable Development Goals (SDGs) reporting and information in their decision making[59]. SDGs related disclosures provide investors information in areas such as climate change, economic inclusion and biodiversity. Business impacts on the environment have a genuine impact on progress and areas of investor interest, with the United Nations estimating that loss of biodiversity and ecosystem integrity will undermine efforts on 80% of progress of SDGs targets, impacting areas such as health, water, cities and climate[60].

A redirection of capital

Companies failing to meet investor expectations on environmental, social and governance factors risk losing access to capital markets. An investor's decision in allocating capital is based on optimising their risk-reward profile and currently, environmental risk is a significant and increasing component of this. Failure to account for the environmental expectations of investors may see company risk profiles increase and access to capital decrease. Companies capitalising on the opportunity will see capital from institutional investors is being redirected to companies committed to climate action and respecting natural capital. Investors are increasingly focusing on bonds that have a positive impact, such as green bonds (environmental and climate benefits and ecosystem services) and sustainable bonds (environmental and social benefits). In 2019, global green bond and green loan issuance reached USD257.7 billion, with just under half coming from European markets[61] as well as growth in new forms of investment, such as blue bonds with ocean benefits[62].

Sectors impacted by investor action, today

Investor action is increasingly focused on climate risk and targeting sectors with the greatest impact, such as the consumer goods and industrial sectors[58]. As a result, investors are distancing themselves and demanding that business take action on carbon intensive and environmentally destructive operating models and increasingly reorienting capital to more sustainable and renewable alternatives. For example, within the consumer goods sector investors are increasingly aware of the negative impacts associated with the supply chain and product use, with growing interest on natural resource consumption patterns, energy usage and emissions throughout the product lifecycle. In the industrial sector, there is pressure for business to limit the impacts associated with natural resource use, habitat destruction and emissions as it is a growing risk to business continuity as societal and regulatory expectations continue to grow[58].

98%

of investors evaluate nonfinancial disclosures, either formally or informally[59]

75%

of investors would find value in assurance of the robustness of an organisation's planning for climate risks[59]

Investors are paying increasing attention to climate change as they seek to understand what it means for companies and the potential for a systemic financial shock to the economy[59].

Investors
Expectations driving decision making

Environmental risk, predominantly focused on climate change, is a key issue for investors and growing driver of investment decision-making. The following examples demonstrate the practical integration of climate risk into the investment approaches of large institutional investors, which is shifting decision making priorities from potential investee companies looking to secure investment from these investors.

Climate change

BlackRock

Blackrock CEO Larry Fink has articulated a fundamental shift in BlackRock's investment policy, based on the acknowledgement that climate risk is an investment risk. As one of the world's largest investment management firms, this represents a significant shift in their investment approach in recognition of climate risk and highlights growing investor awareness and concerns around climate change. His 2020 letter to corporate leaders outlined a number of BlackRock's initiatives and changes to their investment approach, including:

- Making sustainability integral to portfolio construction and risk management,
- Exiting investments that present a high sustainability-related risk (for example, divestment from thermal coal),
- Launching new investment products that screen fossil fuels, and
- Strengthening commitments to sustainability and transparency in investment stewardship activities[63].

The letter demonstrates that fiduciaries are considering the financial cost of climate change and that investors are placing increasing pressure on business to reconsider their practices and impacts on climate or face growing threats of investor action or possible divestment.

Climate change

First State Super

One of Australia's largest superannuation funds, First State Super has announced that it will divest from thermal coal mining from October 2020 as part of its Climate Change Portfolio Transition Plan[64]. This divestment commitment shows that investor expectations on business impacts relating to climate change are driving change within the strategic direction and decision making around investment portfolios. More specifically, the Climate Change Portfolio Transition Plan[65] includes:

- Decarbonisation pathways for First State Super's investment portfolio,
- Addressing the climate change risk embedded within First State's investment portfolio, and
- Lowering risk through actively managing and engaging with portfolio investments on their climate change transition pathway.

Action undertaken by First State Super has also led to their investment in more renewable energy and related activities, engagement on climate change with fund managers and investees, and analysis of carbon emissions and physical risk associated with its investment portfolio[65].

In addition, First State Super has recently announced that it will change its name to Aware Super in September 2020. The new name aligns to the company's purpose of investing responsibly by improving communities, building a more sustainable economy and supporting employment both locally and globally[101].

Investors
Thoughts for the future

Investor expectations will continue to grow, with further disclosure and evidence of strengthened internal governance processes and corporate strategies aligned to a net zero future, with limited impact on biodiversity resulting from corporate activities. In addition, while consumer goods and the industrials sectors are currently front of mind for investors, it is predictable that in the future, other investments and sectors will be subject to similar expectations. Therefore, putting in place a plan today to ensure the flow of capital into the future is essential for a sustainable business, both financially and environmentally.

Where to start

Understand investor concerns

Proactively engage with your investors to understand what their long term sustainability concerns are, the type of action and performance information they are seeking from you and the level of disclosures required for their due diligence activities.

Articulate your purpose and long term value strategy

Communicate how long term value considerations are integrated in your business model and articulate how your strategies are designed to create this value and drive positive impacts for all stakeholders and society.

Seek new types of capital allocation

Review your investment strategy to understand how you currently identify and respond to environmental risks such as climate and biodiversity loss. Seek to invest in new and existing projects with environmental benefits through mechanisms including green bonds and blue bonds.

How to lead

Report transparently and seek assurance

Use standard indicators and metrics to clearly report short and long term performance and obtain external assurance for the key measures. Structure your reporting to provide useful information and data for your investors to compare your actions and performance with others.

Divestment / business pivot

Where your investments and business strategy do not align with your purpose or long term value creation strategy, seek to divest and pivot your operations towards more sustainable business opportunities.

Calculate your entire business value

Look beyond tangible assets to calculate the value of your company and include the intangibles that sit beyond your balance sheet, including areas such as environmental inputs, impacts and outcomes.

"The evidence on climate risk is compelling investors to reassess core assumptions about modern finance."[63]

Larry Fink – CEO, BlackRock

Government
The theory behind the expectations

The introduction of nature and climate legislation and regulation shapes how companies operate now and into the future. Governments are committing to, and enacting legislation and regulation to protect and restore biodiversity, address climate change and economic inequality while also driving sustainable economic development. Globally, the United Nations is a key driver of the environmental agenda, coordinating and supporting national governments and intergovernmental organisations to adopt and implement policies that address environmental issues which cascade and influence all levels of government, business and society.

Ambition and environmental policy-making

The adoption of environmental policy is not equal, with some regions, nations and continents having differing political mandates, ambition and desires to take on greater leadership than other areas. Within the international context, Australia is being left behind by global leaders such as the European Union, due to less ambitious climate policy and government driven action at Federal level (including the Australia's Paris Agreement target of a 26-28% reduction in emissions below 2005 levels by 2030) being surpassed by state targets and actions of multi-national business[66]. In contrast to Federal policy, all Australian states and territories have committed to 2050 net zero emissions targets with similar or more ambitious targets set at the local government level around the country[99].

Business needs to meet and exceed requirements

Policy change can result in risks and opportunities for companies, based on how they respond. These policy decisions set the expectation for business action and directly influence strategy, operations and governance[67]. The scope and reach of intergovernmental climate and biodiversity policy requirements are set to expand and drive further action in coming years.

The European Union has proposed the introduction of a carbon import border tax which has the potential to impact trade agreements between Australia and the European Union, one of Australia's largest two-way trading partners. Given the globalised nature of business and trade flows, companies may be impacted by the introduction of this import taxation mechanism and cross border trade prices that reflect the environmental impact of commodities[73].

The Conference of the Parties (COP15) of the UN Convention on Biodiversity (CBD), delayed by COVID-19, is anticipated to continue driving biodiversity policy and action. CBD COP15 was planned to assess the achievement and delivery of the CBD's Strategy Plan for Biodiversity (2011-2020) and develop a post-2020 global biodiversity framework with submissions on the scope and content of the framework considering strategic planning, communication, target setting and stakeholder engagement at all levels of government, society and private sector[100].

2x

Government is trusted twice as much as business to protect the environment[7]

30

jurisdictions around the world have implemented or are scheduled to implement a carbon tax instrument[68]

Government
Expectations driving decision-making

The European Union (EU) environmental policy context demonstrates ambitious and leading policy direction and initiatives undertaken by the EU in response to climate and biodiversity challenges. The two case studies below highlight the level of EU ambition, which is likely to set a course of wholesale change and new benchmark for business as usual operations within the region whilst also influencing similar action in the private and public sector globally for concern of being left behind and losing competitiveness to EU counterparts.

Climate change

EU Emissions Regulations

The European Commission's actions to reduce emissions from vehicles continue to expand. In April 2019, Regulation (EU) 2019/631 was adopted, setting emission performance standards for new passenger cars and vans in the EU. The Regulation came into force on 1 January 2020, and maintains the targets for 2020, which were set out in the former Regulations. It also adds new, more ambitious targets that apply from 2025 and 2030. The Regulation also includes considerations to drive the uptake of zero- and low-emission vehicles, in a technology agnostic way[69].

In response to European climate policy regulating vehicle emissions, car manufacturer Daimler AG has made strategic changes and investments in their electric vehicle portfolio[70]. In doing so, Daimler CEO, Ola Källenius stated "it will be a challenge" meeting 2020 and 2021 stricter emission targets in Europe[71], highlighting the risks and challenges for companies in meeting increasingly stringent government expectations to reduce their impacts on climate. As a result of the emissions targets, Daimler production and investment in electric vehicles continues to increase, demonstrating public policy influencing business decisions.

Biodiversity loss

Climate change

EU Green Deal

The EU Green Deal is a growth strategy that outlines a roadmap with actions to boost the efficient use of resources within the region by transitioning to a clean, circular economy, restoring biodiversity, and reducing pollution. The components of the EU Green Deal cover all sectors of the economy and demonstrate the growing expectations on companies to operate sustainably with respect to their impact on the environment and climate, now and in the future.

The EU is aiming to be climate neutral in 2050, proposing to integrate the commitment in European Climate Law as a legal obligation and a trigger for investment[72]. As part of the Green Deal, the EU is proposing the implementation of a carbon import border tax. The tax would reflect the amount of emissions attributed to goods imported into EU, and would impact carbon intensive sectors outside the region and EU companies requiring import of carbon intensive inputs[73].

IKEA is an example of a large EU company that supports the Green Deal and publicly recognises how goals such as carbon neutrality by 2050 pushes companies to act, publicly stating that the EU Green Deal Initiatives "empowers businesses, like IKEA, to grow and lead the way toward reduction of greenhouse gas emissions with innovative circular business development, while at the same time maintain a competitive industrial environment"[74].

Government
Thoughts for the future

The Australian Government's climate change expectations are expressed through its commitment to the Paris Agreement while its Strategy for Nature 2019-2030 articulates its biodiversity action plan. Australian companies committed to leading a sustainable future in the face of increasing evidence around climate change[75] and biodiversity loss[76] impacts in Australia, will be required to engage with regional, national and inter-governmental institutions and draw on international best practice such as in the EU commitments.[77]

The COVID-19 pandemic has triggered greater inter-stakeholder collaboration and adoption of scientific, evidenced-based policy – whether this approach is emulated in climate action and biodiversity loss is a key question moving forward. The ideal response to this is a nature based recovery supported by business action and targeted government fiscal stimulus similar to key elements of a Green New Deal[78] which could result in an inflection point for environmental action.

Where to start

Achieve compliance and alignment

Although a lower bar has been set at a Federal level, compliance with legislation and meeting this level of expectation is still essential for your company. Furthermore, more progressive State-based leadership such as various renewable energy and net zero emissions targets requires companies to align their operations to these more ambitious targets.

Establish communication channels

Engaging in two way communication channels to understand Local, State and Federal government expectations as well as a mechanism to provide feedback are key to understanding government expectations and expressing your own.

Assess your industry partnerships

Assess your membership of industry associations and lobby groups to ensure that you are not a member of organisations that are delaying environmental legislation or undermining existing legislation.

How to lead

Lobby for greater environmental policy and regulation

Environmental expectations of business flow both ways – just as government has environmental expectations of business, business has expectations of government and these should be aligned to the critical nature of climate and biodiversity risks. Contribution through stakeholder submissions, working group involvement, media campaigns and encouraged employee activism presents an opportunity for business to achieve a differentiated position which accelerates competitive advantage, brand awareness and ethical integrity.

Support multi-stakeholder and intergovernmental initiatives

Facilitating collaboration between institutional and individual stakeholders and adopting intergovernmental commitments on an individual company level is key to establishing market leading best practice. Adopting relevant Science Based Targets for climate change[79] to align with Paris targets is a specific example of how this can work in practice.

"Environmental law is a foundation for environmental sustainability and the full realisation of its objectives is ever more urgent vis-à-vis growing environmental pressures."[80]
- United Nations

Regulators
The theory behind the expectations

Regulators are critical to well-functioning and efficient economies and play key roles in addressing financial crises, social change and environmental challenges. Regulators are a growing driver of change within regulated entities as they begin to identify and highlight risks associated with inaction on issues including climate change and biodiversity loss[81].

Ensuring effective compliance with, and implementation of, rules and regulations is an important factor in creating a cohesive society, fostering trust and ensuring that financial systems are resilient in response to nature based risks[82]. Implementation of effective environmental regulatory policies and frameworks is an important element of markets and societies that protect the environment and promote sustainable economic growth.

Regulatory frameworks are reprioritising climate change
The frameworks under which regulators operate are subject to change in response to evolving public policy challenges and priorities, with climate change and biodiversity key areas where regulators are increasing their scrutiny and expectations.

As awareness of physical and transition risks grow, regulators are building and strengthening their capacity and expectations of business in relation to climate and biodiversity related risk. In doing so, regulatory bodies are increasingly acting, taking steps such as:

- Developing regulatory frameworks and supervisory practices for climate and environmental risk management,
- Adopting policy instruments designed to generate capital for green and low-carbon investments,
- Engaging and commissioning research and analysis on climate and environmental risks, and
- Actively participating in regional or international forums and informing discourse on green and sustainable finance[83].

Changing markets, technologies and uncertainties are driving change
Greater regulatory focus on environment and climate change reflects that regulatory functions increasingly face rapidly evolving and changing markets, new technologies and uncertainty, which directly and significantly impact their objectives, functions, powers and capacities to ensure market confidence and financial stability[82].

In response to regulators, financial institutions and business-at-large are now being required to identify the physical, transition and reputational risks resulting from climate change, the loss of biodiversity and other emerging environmental issues and identify the exposure of their portfolios to these risks in a timely manner in order to inform a proactive risk management approach[84, 85].

69

central banks and supervisory authorities are Members of the Network for Greening the Financial System (NGFS) including the RBA, while another 13 are Observers.

The NGSF aims to enhance environment and climate risk management in the financial sector and strengthen the efforts of the sector in achieving the Paris climate agreement[86]

"Companies that generate significant pollution might face reputational damage or legal liability from their activities, and changes to regulation could cause previously valuable assets to become uneconomic."

– Guy Debelle, RBA Deputy Governor[87]

Regulators
Expectations driving decision making

Environmental challenges, such as climate change and biodiversity loss, have formed part of the mandate for central banks and supervisory authorities due to the potential of these issues to result in structural change in the economy and financial system. This will only continue to increase with widespread awareness and tangible examples of how climate change and biodiversity loss puts economies at risk and threatens ways of life.

Biodiversity loss

De Nederlandsche Bank

De Nederlandsche Bank (DNB) and PBL Netherlands Environmental Assessment Agency (PBL) published the report titled 'Indebted to Nature' which explored biodiversity risks for the Dutch financial sector. The report represents a significant moment whereby an independent central bank and financial authority is publicly recognising biodiversity loss as a driver of financial risks and articulating risk management recommendations and considerations for financial institutions.

Connecting the relationship between the financial sector, economy, biodiversity and ecosystem services, the report outlines and seeks to quantify the consequences associated with the loss of ecosystem services and biodiversity for the economy. The report found that financial institutions are exposed to physical, transition and reputational risks when they finance economic activities that depend on ecosystem services, have a negative impact on biodiversity and ecosystem services or activities that cause harm to the environment. This shows growing momentum and expectations for business to assess and manage the risks associated with biodiversity loss and understand their exposure to the issue[88].

Climate change

Australian Prudential and Regulatory Authority (APRA)

Between 2017 and 2020, APRA has actively engaged with regulated entities on climate change and prudential risk (informed by the Paris Climate Agreement, Taskforce on Climate-related Financial Disclosures (TCFD) and Noel Hutley's directors duties advice)[89, 90], with increasing emphasis and scrutiny over a relatively short period of time highlighting growing regulator expectation on climate risk[91, 92]. In this period of time, APRA has moved beyond acknowledging the material financial impacts of climate change and towards voicing expectations of business to be demonstrating genuine action of climate risk through risk identification, measurement and mitigation strategies[93].

The escalation on climate risk by APRA has resulted in plans for the development and consultation on a climate change financial risk prudential practice guide, aligned with the recommendations of the TCFD. In addition, APRA has also announced that it will conduct a climate change vulnerability assessment to estimate the financial impact from climate change on the country's largest financial institutions[91]. APRA's action in relation to climate change highlights the increasing requirements of financial institutions to effectively identify, mitigate and review their management of climate risk, even through the COVID-19 pandemic.

Regulators
Thoughts for the future

Regulators enforce the rules that dictate minimum compliance for business. There is evidence to suggest growing rigour of environmental legislation which will continue at an increasing rate as the expectations of other stakeholders which legislation aims to represent also grows. Additionally to this, there could be an explicit rise in regulators identifying climate change and biodiversity risk mitigation as a focus in the near future.

Where to start

Coordinate with regulators

Actively engage with regulators through published materials, direct dialogue and any other relevant channels on climate and biodiversity issues. This ensures awareness of relevant and current regulations as well as the specific guidance and examples provided.

Engage with sector peers

Through a sector-based lens, peers could provide examples of best practice environmental risk management and reporting. Working collectively could support your company to take more informed action and disclosure in relation to climate change and biodiversity loss.

Understand the legislation

Ensuring that your company understands the relevant and current legislation which regulators enforce is essential to adhere and comply to regulator action.

How to lead

Publicly support regulatory frameworks

Championing regulatory frameworks that mitigate climate change and stem biodiversity loss and drawing attention to them within public reporting for other stakeholders will support to position your company as an industry leader and while also ensuring your company is aligned with regulations and emerging trends.

Engage in the development of regulatory frameworks

Consider engaging in the development of regulations that protect nature by incorporating your unique operational and sector specific insight. This will position you as a market leader in interacting with regulations and adds to the practicality of specific regulations.

Align risk management frameworks with regulator advice

Regulators typically provide best practice advice on how to address legislation, and therefore aligning with their advice is considered leading practice in many cases. Australian examples of this include utilising the regulatory advice from APRA and ASIC in relation to climate risk.

"Climate change represents a material financial risk to regulated firms (firms) and the financial system. Whilst the COVID-19 pandemic is a present risk and an understandable priority for firms, minimising the future risks from climate change also requires action now"[94]

- Sam Woods, CEO of the Prudential Regulation Authority (Bank of England)

"As we enter a historic decade of action to halt and reverse biodiversity loss by 2030 and address climate change, businesses have a critical role to play. They have the technology, innovation and resources to make the needed shifts towards increased investment in nature and nature-based solutions."

Inger Anderson

Under Secretary General of the UN and Executive Director
of the UN Environmental Programme

5. Bringing it all together

Bringing it all together

Taking into account each of the stakeholders analysed within this report and the 'thoughts for the future' specific to each, there are three key themes which bring together the expectations of the stakeholders. These three themes apply to business, at every stage of climate and biodiversity action, and with different levels of engagement on stakeholder expectations.

1 Stakeholder capitalism is changing the business landscape

Stakeholder capitalism is becoming an increasingly popular model to govern business strategy & conduct, effectively changing the lens through which decisions are made and the priorities of the corporate sector. This approach to corporate governance is predicted to continue in a post COVID-19 world as companies are driven to think beyond shareholder primacy.

Companies who take the opportunity to engage with stakeholders and lead their business with a purpose aligned with stakeholder expectations, will thrive in this new business landscape. With climate change established as a key concern to stakeholders and biodiversity loss similarly emerging, companies are encouraged to embed nature at the centre of their business strategies.

2 Nature is all encompassing

The connection between business and nature is intertwined, with companies dependent on a healthy environment and current corporate behaviours contributing to the nature crisis. The nature crisis encompasses both the effects of climate change and biodiversity loss. While to date there has been a strong focus on climate action from a range of stakeholders, halting and reversing biodiversity loss is equally important to solving the nature crisis.

When engaging with stakeholders it is important to understand their expectations today, and the prevalence of climate action demands. However, considering and predicting what their expectations will be in the future is also a necessary consideration. It is also imperative for business to understand the risk that the nature crisis has to overarching economic conditions and individual companies, respectively.

3 Business leadership and investment is critical to solving the nature crisis

Greater investment from each sector of the economy, through effective engagement and alignment with stakeholders, is critical to solving the nature crisis. Companies that recognise the opportunities of stakeholder capitalism and their responsibility to invest and act in mitigating and responding to the nature crisis have the opportunity to lead through a nature based recovery from COVID-19 and beyond.

References

1 World Economic Forum, A blueprint for business to transition to a nature-positive future, (2020), https://www.weforum.org/agenda/2020/07/future-nature-business-action-agenda-blueprint-climate-change-biodiversity-loss/
2 National Oceanic and Atmospheric Administration, Climate change: global temperature, (2020), https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature
3 United Nations, Our solutions are in nature – ambitions for our planet, (2020), https://www.un.org/pga/74/2020/05/22/our-solutions-are-in-nature-ambitions-for-our-planet
4 World Economic Forum, The global risks report, (2020), https://www.weforum.org/reports/the-global-risks-report-2020
5 The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, Global assessment report on biodiversity and ecosystems services, (2020), https://ipbes.net/global-assessment
6 Letter to CEOs everywhere, Business for Nature, (2020), https://www.businessfornature.org/open-letter
7 Edelman, The Edelman Trust barometer, (2020), https://www.edelman.com/trustbarometer
8 Martin Whittaker (Forbes), 5 reasons to give stakeholder capitalism a chance, (2020) https://www.forbes.com/sites/martinwhittaker/2019/09/12/five-reasons-to-give-stakeholder-capitalism-a-chance/#2ebdcef04626
9 Heather McGowan, The Coronavirus Is Creating An Inflection Point In The Future Of Work, (2020), https://www.forbes.com/sites/heathermcgowan/2020/04/16/the-coronavirus-is-creating-an-inflection-point-in-the-future-of-work/#eb996773b2d1
10 Australian Bureau of Statistics, Measuring the impacts of COVID-19, Mar-May 2020 (2020), https://www.abs.gov.au/ausstats/abs@.nsf/mf/1394.0
11 United Nations, A new social contract for a new era, (2020), https://www.un.org/sustainabledevelopment/a-new-social-contract-for-a-new-era
12 World Economic Forum, COVID-19 and nature are linked. So should be the recovery, (2020), https://www.weforum.org/agenda/2020/04/covid-19-nature-deforestation-recovery
13 World Economic Forum, Covid action platform, (2020), https://www.weforum.org/platforms/covid-action-platform/
14 The Lowy Institute, Can Covid-19 response be a model for climate action?, (2020), https://www.lowyinstitute.org/the-interpreter/prospects-climate-change-action-post-covid-19-world
15 EY, Three ways ESG factors can make portfolios more resilient post COVID-19, (2020), https://www.ey.com/en_gl/financial-services-emeia/three-ways-esg-factors-can-make-portfolios-more-resilient-post-covid-19
16 EY, Future Consumer Now survey, (2020), https://www.ey.com/en_au/future-consumer-now
17 SBS, Australia must place climate action at centre of coronavirus recovery, chief UN economist says, (2020), https://www.sbs.com.au/news/australia-must-place-climate-action-at-centre-of-coronavirus-recovery-chief-un-economist-says
18 ASIC, 20-093MR ASIC reports on corporate finance regulation – July to December 2019, (2020), https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-093mr-asic-reports-on-corporate-finance-regulation-july-to-december-2019
19 Business Roundtable, Statement on purpose of a corporation, (2020), https://opportunity.businessroundtable.org/wp-content/uploads/2019/08/BRT-Statement-on-the-Purpose-of-a-Corporation-with-Signatures.pdf
20 Terence Jeyaretnam (EY), The evolving nature of social licence to operate, (2018), https://www.ausimmbulletin.com/feature/evolving-nature-social-licence-operate/
21 William Finnegan (University of Oxford), Environmental activism goes digital in lockdown – but could it change the movement for good?, (2020) https://theconversation.com/environmental-activism-goes-digital-in-lockdown-but-could-it-change-the-movement-for-good-137203
22 Luke Henriques-Gomes (The Guardian), Hundreds of thousands attend school climate strike rallies across Australia, (2019), https://www.theguardian.com/environment/2019/sep/20/hundreds-of-thousands-attend-school-climate-strike-rallies-across-australia
23 Damien Carrington (The Guardian), School climate strikes: 1.4 million people took part, say campaigners, (2019), https://www.theguardian.com/environment/2019/mar/19/school-climate-strikes-more-than-1-million-took-part-say-campaigners-greta-thunberg
24 Not Business as Usual, This is not business as usual, (2020), https://www.notbusinessasusual.co/
25 Sophie Vorrath (Renew Economy),UNSW pledges to divest from fossil fuels by 2025, (2020), https://reneweconomy.com.au/unsw-pledges-to-divest-from-fossil-fuels-by-2025-2025/
26 Biodiversity in good company, Biodiversity in the value and supply chains Overview of the Challenges, (2020), https://www.business-and-biodiversity.de/fileadmin/user_upload/documents/Aktivit%C3%A4ten/Infomodule_Einstiegswissen/Infomodul_3_eng.pdf
27 OECD, Biodiversity: Finance and the Economic and Business Case for Action (2019), https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf
28 Carbon Disclosure Project, CASCADING COMMITMENTS: Driving ambitious action through supply chain engagement, (2019), https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/004/072/original/CDP_Supply_Chain_Report_2019.pdf?1550490556
29 EY, Building responsible and resilient supply chains, (2016) https://www.ey.com/Publication/vwLUAssets/EY-building-responsible-and-resilient-supply-chains/$FILE/EY-building-responsible-and-resilient-supply-chains.pdf
30 Mike Scott (Forbes), Companies Look To Supply Chains For Sustainability Gains, (2019), https://www.forbes.com/sites/mikescott/2019/02/11/companies-look-to-supply-chains-for-sustainability-gains/#1dc4a72e1c55

References

31 Andrew Goncalves (You Matter), Supply Chains Cause 90% Of Companies' Environmental Impacts. How Can They Be Improved?, (2019) https://youmatter.world/en/sustainability-supply-chain-27935/

32 Unilever, Why businesses are getting behind the biodiversity agenda, (2019), https://www.unilever.com/news/news-and-features/Feature-article/2019/why-businesses-are-getting-behind-the-biodiversity-agenda.html

33 Unilever, Sustainable sourcing, (2020), https://www.unilever.com/sustainable-living/reducing-environmental-impact/sustainable-sourcing/

34 Pernod Ricard Winemakers, Supplier standards, (2020), https://www.pernod-ricard-winemakers.com/en/supplier-standards

35 Daniel Weatherley (Medium), How Pernod Ricard is driving sustainability in the drinks industry, (2020), https://medium.com/energy-digital/how-pernod-ricard-is-driving-sustainability-in-the-drinks-industry-c966ad2fcd3a

36 "Good Times from a Good Place" Pernod Ricard launches its 2030 Sustainability & Responsibility Roadmap, Pernod Ricard Winemakers, Supplier standards, (2019), https://pernod-ricard.com/en/media/press-releases/good-times-good-place-pernod-ricard-launches-its-2030-sustainability

37 United Nations Global Compact, Supply chain sustainability, (2020), https://www.unglobalcompact.org/what-is-gc/our-work/supply-chain

38 Craig Mathieson (SMH), Can Tv Affect our attitudes to climate change and carbon emissions?,(2020), https://www.smh.com.au/culture/tv-and-radio/can-tv-affect-our-attitudes-to-climate-change-and-carbon-emissions-20200803-p55hyv.html

39 Australian Food News, The Ethically Driven Consumer: What Does Food Traceability Mean?, https://www.ausfoodnews.com.au/2019/06/24/the-ethically-driven-consumer-what-does-food-traceability-mean.html

40 Good on You, Good on You, (n.d.) https://goodonyou.eco/

41 Ethical Consumer, Ethical Consumer, (n.d.), https://www.ethicalconsumer.org/

42 Union for Ethical Biotrade, Biodiversity Barometer 2019, (2019), http://www.biodiversitybarometer.org/s/UEBT-Biodiversity-Barometer-2019.pdf

43 Year 13, Gen Z & Corporate Activism, (2020) https://youthsense.com.au/research/gen-z-corporate-activism/

44 Neilsen, Unpacking the Sustainability Landscape, (2018), https://www.nielsen.com/us/en/insights/report/2018/unpacking-the-sustainability-landscape/

45 Jennifer Duke (Domain), Sydney buyers showing their appetite for environmentally-friendly apartments, (2017) https://www.domain.com.au/news/sydney-buyers-showing-their-appetite-for-environmentallyfriendly-apartments-20170917-gyh5a7/

46 BBC, Ethical, legal and environmental impacts of digital technology, (n.d.) https://www.bbc.co.uk/bitesize/guides/zbgg4qt/revision/2

47 Emily Folk (The Ecologist), The impacts of 'eco-tourism' , (2019) https://theecologist.org/2019/jan/18/impacts-eco-tourism

48 Inc, https://www.inc.com/lindsay-blakely/patagonia-2018-company-of-the-year-nominee.html, 2018, https://www.inc.com/lindsay-blakely/patagonia-2018-company-of-the-year-nominee.html

49 Green Building Council of Australia, Davina interviews Andrew Whitson on Green Star Homes, https://www.youtube.com/watch?v=GIPgIC7qRTU

50 Pippa Stevens (CNBC), Stakeholder capitalism has reached a 'tipping point,' says Salesforce CEO Benioff, (2020), https://www.cnbc.com/2020/01/21/stakeholder-capitalism-has-reached-a-tipping-point-says-salesforce-ceo-benioff.html

51 Atlassian, Return on Action Report, (2020), https://www.atlassian.com/dam/jcr:f6042f00-801c-40c7-9873-8646165402ad/Return%20on%20Action_AUS.pdf

52 Peakon, The Employee Expectations Report, (2020), https://www.bing.com/search?q=peakon+employee+expectations+report&src=IE-SearchBox&FORM=IESR4A

53 Microsoft, 3 years in, Microsoft's carbon fee is improving environments, creating healthier lives, (2015), https://news.microsoft.com/features/3-years-in-microsofts-carbon-fee-is-improving-environments-creating-healthier-lives/

54 Nicholas Carlson, Allana Akhtar (Business Insider), Microsoft's president says the company welcomes employee dissent, and says other tech companies 'don't listen to their employees enough', (2020), https://www.businessinsider.com.au/microsoft-president-brad-smith-encourages-employee-activism-2020-1?r=US&IR=T

55 Tina Casey (Triple Pundit), Lush: A Business Model Built on Campaigns (2019), https://www.triplepundit.com/story/2019/lush-business-model-built-campaigns/85021

56 Ethical Jobs, Campaign Specialist, (2018), https://www.ethicaljobs.com.au/Members/LUSH/campaign-specialist

57 Sean Wingard (Forbes), 3 unconventional leadership strategies for boosting workplace productivity, (2020), https://www.forbes.com/sites/jasonwingard/2020/02/28/3-unconventional-leadership-strategies-for-boosting-workplace-productivity/#5766cbc87c67

58 Embankment Project for Inclusive Capitalism, Embankment Project for Inclusive Capitalism, (2018), https://www.epic-value.com/static/epic-report-web-df894ad112b70406d9896c39f853deec.pdf

59 EY, How will ESG performance shape your future?, (2020), https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/assurance/assurance-pdfs/ey-global-institutional-investor-survey-2020.pdf

60 United Nations Environment Program, From promise to action: Sustainability at the heart of COVID-19 recovery, (2020), https://www.unenvironment.org/news-and-stories/speech/promise-action-sustainability-heart-covid-19-recovery

61 Climate Bonds Initiative, 2019 Green Bond Market Summary, (2020) https://www.climatebonds.net/system/tdf/reports/2019_annual_highlights-final.pdf?file=1&type=node&id=46731&force=0

References

62 The World Bank, Sovereign Blue Bond Issuance: Frequently Asked Questions , (2018), https://www.worldbank.org/en/news/feature/2018/10/29/sovereign-blue-bond-issuance-frequently-asked-questions
63 BlackRock, A Fundamental Shaping of Finance, (2020), https://www.blackrock.com/au/intermediaries/larry-fink-ceo-letter
64 First State Super, Bold action on climate change, (2020), https://firststatesuper.com.au/blog/divesting-from-thermal-coal
65 First State Super, Climate Change Portfolio Transition Plan – Member Summary, (2020), https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/member/investments/CCPTP_Member_summary
66 Climate Action Tracker, Australia, (2019), https://climateactiontracker.org/countries/australia/
67 https://www.sciencedirect.com/science/article/pii/B9780128112991000095
68 The World Bank, Carbon Pricing Dashboard, (2020), https://carbonpricingdashboard.worldbank.org/map_data
69 European Commission, CO2 emission performance standards for cars and vans (2020 onwards), (n.d.), https://ec.europa.eu/clima/policies/transport/vehicles/regulation_en
71 Reuters, Daimler CEO says meeting CO2 targets in 2020, 2021 a challenge, (2020), https://www.reuters.com/article/us-daimler-results-carbon/daimler-ceo-says-meeting-co2-targets-in-2020-2021-a-challenge-idUSKBN2051KG
70 Reuters, Daimler to build 50,000 Mercedes EQC models this year, (2020), https://www.reuters.com/article/us-daimler-electric-eqc/daimler-to-build-50000-mercedes-eqc-models-this-year-idUSKBN1ZM1SA
72 European Commission, European Green Deal, (2019), https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
73 Francesco Guarascio, Jonas Ekblom (Reuters), Explainer: What an EU carbon border tax might look like and who would be hit, (2019), https://www.reuters.com/article/us-climate-change-eu-carbontax-explainer/explainer-what-an-eu-carbon-border-tax-might-look-like-and-who-would-be-hit-idUSKBN1YE1C4
74 IKEA, COP25: IKEA Applauds Green Deal Movement toward a Climate Neutral Europe, (2019), https://newsroom.inter.ikea.com/news/cop25--ikea-applauds-green-deal-movement-toward-a-climate-neutral-europe/s/04b9074b-515e-46b3-99b6-69c80e0ff779
75 Intergovernmental Panel on Climate Change, AR5 Synthesis Report: Climate Change 2014, (2014) https://www.ipcc.ch/report/ar5/syr/
76 United Nations, UN Report: Nature's Dangerous Decline 'Unprecedented'; Species Extinction Rates 'Accelerating', (2019) https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/
77 European Commission, European Green Deal, (2019), https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
78 Lisa Friedman (NY Times), What Is the Green New Deal? A Climate Proposal, Explained, (2019) https://www.nytimes.com/2019/02/21/climate/green-new-deal-questions-answers.html
79 Science Based Targets, Science Based Targets, (2020). https://sciencebasedtargets.org
80 United Nations, Environmental Law, (n.d.), https://www.un.org/ruleoflaw/thematic-areas/land-property-environment/environmental-law
81 OECD, Recommendation of the Council on Regulatory Policy and Governance, (2012), http://www.oecd.org/gov/regulatory-policy/49990817.pdf
82 OECD, OECD Regulatory Policy Outlook 2018, (2018), https://www.oecd-ilibrary.org/sites/9789264303072-8-en/index.html?itemId=/content/component/9789264303072-8-en
83 Network for Greening the Financial System, Charter of the Central Banks and Supervisors Network for Greening System (NGFS), (2018) https://www.ngfs.net/sites/default/files/media/2019/09/13/ngfs_charter_20180424.pdf
84 Financial Stability Board, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, (2017) https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Annex-062817.pdf
85 De Nederlandsche Bank, Indebted to nature, (2020), https://www.dnb.nl/en/binaries/Indebted to nature _tcm47-389172.pdf
86 Network for Greening the Financial System, Origin and Purpose, (2019), https://www.ngfs.net/en/about-us/governance/origin-and-purpose
87 Reserve Bank of Australia, Climate Change and the Economy, (2019), https://www.rba.gov.au/speeches/2019/sp-dg-2019-03-12.html
88 De Nederlandsche Bank, Indebted to nature, (2020), https://www.dnb.nl/en/binaries/Indebted to nature _tcm47-389172.pdf
89 APRA, Australia's new horizon: Climate change challenges and prudential risk, (2017), https://www.apra.gov.au/news-and-publications/australias-new-horizon-climate-change-challenges-and-prudential-risk
90 Governance Institute of Australia, Climate change risk disclosure, (2020) https://www.asx.com.au/documents/asx-compliance/gia-climate-change-guide.pdf
91 APRA. Understanding and managing the risks of climate change, (2020), https://www.apra.gov.au/understanding-and-managing-financial-risks-of-climate-change
92 APRA, Climate Change: Awareness to Action, (2020), https://www.apra.gov.au/sites/default/files/climate_change_awareness_to_action_march_2019.pdf
93 APRA, APRA Executive Board Member Geoff Summerhayes - Speech to the International Insurance Society Global Insurance Forum, (2019), https://www.apra.gov.au/news-and-publications/apra-executive-board-member-geoff-summerhayes-speech-to-international
94 Bank of England, Managing the financial risks from climate change, (2020), https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2020/managing-the-financial-risks-from-climate-change.pdf?la=en&hash=A6B4DD1BE45B2762900F54B2F5BF2F99FA448424

References

95 Maggie Overfelt (CNBC), As The North Face battles Patagonia in outdoors market, it bets tackling climate change will pay off, (2020), https://www.cnbc.com/2020/08/14/as-north-face-battles-patagonia-it-bets-climate-change-will-pay-off.html

96 Dinushi Dias (Smart Company), Why transparency and sustainability make good business sense for award-winning retailer, Lush Cosmetics, (2016), https://www.smartcompany.com.au/industries/retail/why-transparency-and-sustainability-make-good-business-sense-for-award-winning-retailer-lush-cosmetics/

97 Australian Business Awards, Lush Cosmetics, (2015), https://employerofchoiceawards.com.au/2015-winners/lush-cosmetics-2015-eoc/

98 Tom Levitt (The Guardian), How badger bombs and politics brought Lush sales of £500m, (2016), https://www.theguardian.com/sustainable-business/2016/may/10/badger-bombs-politics-lush-sales-500m

99 Michael Mazengarb (Renew Economy), Australia already has a net zero emissions target, only the Morrison government denies it, (2020), https://reneweconomy.com.au/australia-already-has-a-net-zero-emissions-target-only-the-morrison-government-denies-it-36365/

100 Convention on Biodiversity, POST-2020 GLOBAL BIODIVERSITY FRAMEWORK: DISCUSSION PAPER, (2019), https://www.cbd.int/doc/c/d431/b38f/3d580bb73e7c2b5aaa286310/post2020-prep-01-01-en.pdf

101 First State Super, We're changing our name to Aware Super, (2020), https://firststatesuper.com.au/blog/first-state-super-is-changing-its-name-to-aware-super