

# The Challenge of Our Lifetime

# 1



## 100 s to Global Catastrophe

In June 1947, a group of nuclear scientists from the former Manhattan Project launched the *Bulletin of the Atomic Scientists*, a magazine that monitors new developments in the life sciences and technology that could inflict irrevocable harm to humanity. That first issue had a simple image on its cover, a clock with its hands set at 7 min to midnight, that was the Bulletin's visual metaphor to warn how

close humanity was to annihilation—midnight—due to the danger of nuclear war (BBVA, 2021). Since then, the so-called Doomsday Clock has served as a warning and reminder of the global existential threats created by humanity against itself, which today also includes climate change and global pandemics. Over the years, its hands have been moved forward or backward depending on the intensity of the risk. Since 2020, the clock has been set at only 100 s to midnight, the closest it has ever been to the end in its entire history. The climate crisis was listed as one of the main reasons why we are now closer to the end of the world than ever before (Mecklin, 2021).

However, procurement can play an important role in moving the hands of the Doomsday Clock further back and pulling humanity away from the brink of collapse.

The clock is ticking, so it is time to change the way we treat the planet and all its ecosystems. It is time to change the way some people are abused for the sake of lowering the cost of consumer goods. It is time to change the way we live, time to change the way we do business, and time to put sustainability on top of the agenda when making supply chain and procurement decisions.

Sustainability, once a niche concern and away from the limelight for many people, is now well and truly the focus of mainstream media news headlines. This should add significant weight to the calls for action coming from governments, NGOs, consumers, and investors, who will in turn make sure that these calls are heard loud and clear in boardrooms across the world. There have always been progressive Chief Executive Officers and companies that have seen the opportunities present in sustainability. Now it is time for all companies to pay attention to what is going on around them. There is a seismic shift in favor of “accelerating sustainable solutions to all the world’s biggest challenges—ranging from poverty and gender to climate change, inequality and closing the finance gap.” The decade of action, a United Nations-backed campaign to transform our world within 10 years, appears to be underway (UN SDGs, 2021). There are of course challenges in the way, but the case for business sustainability is strong, and it will not go away. It is a case of ignore it at your peril.

## **Sustainability in Action**

Some KPIs are important: cost per kwh, quality, capacity . . . but so is sustainability. When we first started to talk about this, no one listened. Four years later it has finally become important for companies and also for German customers. In my experience, its best not to start with compromises—if you cannot build a factory under similar CO<sub>2</sub> conditions as in Sweden, do build a second factory in a country with a high CO<sub>2</sub> energy mix. To produce truly green batteries, we need to manufacture them using renewable resources, such as hydropower, combined with a low carbon footprint around.

When we started to look at Europe, we talked with industry professionals, and knowing that they demand just-in-time concepts, there would have to be regionalization. We knew there was a case for building up capacities right here. We made the European Commission aware of the fact that Europe would have its own ecosystem, and that this would have a huge impact on R&D, equipment, component supply development, universities, and that the

impact on the economy would be so much bigger if they were to support this. The European Battery Alliance was created out of this in 2017 and now has 500 member companies.

Now the focus is on the supply chain and how to build the competencies in R&D, manufacturing, and so on in a short period of time. There are some important topics that we're working on together with the EC and its European members. We're looking to find cobalt from non-Congo sources, and this could mean new ways of working with the raw materials and minerals. Again, to reduce the overall carbon footprint, we should build strong supply chains within Europe. Developing European machine builders and equipment manufacturers is also important for strategic competitiveness.

And let's not forget about recycling and the circular economy. These are vital parts of green manufacturing.

**Peter Carlsson, Co-founder and Chief Executive Officer, Northvolt**

Northvolt is striving to produce the greenest battery in the world with a minimal carbon footprint and the highest ambitions for recycling to enable the European transition to renewable energy.

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## 1.1 The Environmental Challenges: Less Hot Air, Fewer Emissions, More Action

It was an event marked by stark contrasts, and perhaps the period from October 31 to November 12, 2021, will be remembered as a defining period in the future of planet Earth. Inside the Cop26 venue, there was an atmosphere of quiet and diplomatic deliberation as environment leaders from countries around the world debated how to progress towards the 1.5 °C target, which was the ultimate aim of the gathering. They seemed to be content with the outcome.

Outside, the huge crowds who had gathered in the streets around the SEC Center in Glasgow were less restrained as they loudly protested what they saw as a lack of progress, action, and commitment emerging from the conference to tackle the climate crisis. Greta Thunberg joined hundreds of other protestors who made their feelings quite clear as they chanted, "You can shove your climate crisis up your arse," in response to what they saw as too much "blah, blah, blah" coming from the politicians inside the venue and not enough concrete action (Gomez, 2021).

### Controversial Wordplay: Out Versus Down

Back inside, in what was described as "a dramatic 11th-hour decision, portrayed by green activists as a devastating blow to the success of Cop26," Bhupender Yadav, the Indian environment minister, read out a new version of the Glasgow pact that used the watered-down commitment to "phase down" coal rather than "phase out" (Ellis-Petersen, 2021).

Ironically, as Mr. Yadav read these controversial words, back in India, the country's capital city was suffering from the worst air pollution in more than 6 years, forcing the government to close schools and to warn people to stay indoors (BBC, 2021). Although crop burning and the smoke from the annual Diwali firework

celebrations were initially blamed, a week later, the government ordered the temporary closure of five coal-fired power stations around New Delhi as part of its drive to combat life-threatening air pollution (CNBC, 2021).

## **A Big Step Forward on Fossil Fuels**

Although the precise implications of phase out versus phase down will be a contentious issue, this still represented progress. Since the Kyoto protocol was signed in 1997, there has been no reference to cutting out fossil fuels in a Cop decision, usually due to pressure from the major fossil fuel producers and users, who in the past have had the power to influence the agreements. The inclusion of such a commitment in the Glasgow outcome was thus a major step (Harvey, 2021).

## **The Climate Challenge Is Very Real, and It Is Here**

COP26 came towards the end of a year that brought home the harsh realities of climate change. In August 2021, the Intergovernmental Panel for Climate Change (IPCC) published its sixth report into the state of the climate, and it paints a grim picture (Masson-Delmotte et al., 2021). It effectively announced “a code red” warning for our species, saying there is now unequivocal evidence showing that greenhouse gas emissions and other unsustainable human activities were propelling us towards a calamitous and fiery future triggered by extreme climate change (McKie, 2021).

Examples of those extreme weather were on full display in Europe in 2021. In August, wildfires swept out of control across Greece, Turkey, and Sicily. The latter was also scorched by extreme temperatures, with the mercury hitting a high of 48.8 °C, Europe’s highest ever temperature (Le Page, 2021). In July, flash floods caused huge loss of life and massive destruction in parts of Germany, Belgium, the Netherlands, and Switzerland. In June, Moscow was hit by a heatwave, with the temperature reaching a 120-year record high. In the Czech Republic, five people died and more than a hundred were injured when a tornado and hailstones the size of tennis balls hit the country’s south-east. Earlier in the year in April, Arctic air swept across the continent, bringing record low temperatures and leaving French winemakers counting the cost of “the worst frost in decades.” At the beginning of March, Germany recorded its sharpest temperature change in a week, going from –23.8 to 18 °C (Andrews, 2021). All of this in just a 6-month period and only in Europe. The situation was not much better in other parts of the world.

## **A Sustainable and Green Recovery Is Called for**

While all this was happening, we were still in the grip of the COVID-19 pandemic, which for many people was already a wake-up call for a renewed focus on

sustainable development goals. In an interview with Deutsche Bank, scientist Richard Florizone, President and Chief Executive Officer of the International Institute for Sustainable Development, said he was seeing “growing calls across the world for a green recovery” from the pandemic and that the economic stimulus will have to be sustainable (Florizone, 2021).

That green recovery is something that all companies can be part of. The decision to act now, to re-write business strategy that has climate considerations and emissions reductions as central features, will pay dividends going forward. Thankfully, many progressive companies are already doing exactly this. For those that are prone to procrastination, the increasing number of environmental rules and regulations that are coming into play, as discussed in Sect. 1.3, will leave them with little choice but to toe the line.

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## 1.2 The Social Challenges: Advancing Sustainable Development Through Human Rights

Concerns about climate change have dominated the headlines, but there is more to sustainability than extreme weather events—the social or human rights element is just as important. In fact, the environment and human rights are not distinct from each other, but part and parcel of the same issue, according to the UN Environment Program: “Human rights and the environment are intertwined; human rights cannot be enjoyed without a safe, clean and healthy environment; and sustainable environmental governance cannot exist without the establishment of and respect for human rights. This relationship is increasingly recognized, as the **right to a healthy environment enshrined in over 100 constitutions**” (UNEP, 2021).

Human rights create conditions essential for sustainable development, which is why the UN’s 2030 Agenda recognizes “that inclusive and participative economies, and societies in which government is accountable, achieve better outcomes for all people, leaving no one behind” (UNHR, 2021). And yet, behind the scenes, human rights abuses and ill treatment of workers are still major concerns and more needs to be done to tackle this issue.

### Holding Companies to Account

In the past, too many companies from developed nations have turned a blind eye to what goes on in the factories and sweatshops in developing nations that are sub-contracted to supply their customers with cut-price smartphones, sneakers, or luxury handbags.

The infamous collapse in 2013 of the Rana Plaza building in Bangladesh that housed five garment factories making clothes for well-known fashion brands, when over 1100 workers died and a further 2000 were injured, is a tragic example of how competition for low prices and quick turnarounds can take priority over human rights. This was made all the worse for the fact that while some companies that made

their clothes in Rana Plaza stepped in to pay compensation straight away, others only reluctantly paid after a 2-year legal battle. Other clothing companies tried to hide the fact that they had garments made in the building in a cynical bid to avoid compensation payouts and reputational damage to their brands (Hashad, 2015).

## Sustainability in Action

As you know, the responsible sourcing world has evolved from narrowly looking at conflict minerals, which often used to be portrayed as an electronics industry issue, to looking at the risk exposure of a broader set of raw materials underpinning the emerging electric vehicle economy. Human Rights risk management requirements are now complemented by additional risk criteria, for example, environmental transgressions or the specific issue of the exploitation of indigenous peoples' rights. Our aim has always been to create transparency for our customers by enabling them to understand how exactly their supplier ecosystem links them to specific risks in jurisdictions around the world. We provide the insights into the level of risk exposure associated with specific companies in different value chains and different geographies, and we show our customers that these aren't just some far-away issues that they can't do anything about. To the contrary, they are manageable risks with concrete solutions. Engaging the suppliers and supporting the implementation of specific corrective actions is critical to make progress. Measuring this progress and reporting on it is how you demonstrate continuous improvement. It's that demonstration of positive change what instills trust in consumers and stakeholders. That was really the starting point for us to effect change.

What we've seen particularly over the last five years was a surge of interest and acknowledgement by major brands in the auto sector, in the ICT (Information and Communication Technology) space or by retailers in general that there are problems in their raw material supply chains. Prior to that many were resistant to act because either they lacked the insights into how they are linked to a specific high-risk company or issue, or they feared acting would potentially open a can of worms and overwhelm them . . . thinking that by beginning to act they were in some way "admitting" culpability. So, there were really strong forces against action and now this trend is changing.

**Dr Nicholas Garrett, Co-founder and Chief Executive Officer, RCS Global Group**

RCS Global Group is a proven leader in data driven ESG performance, responsible sourcing, and responsible mining assurance.

Apple and its manufacturing partner in China, Foxconn, were accused of a litany of worker violations, including withholding bonus payments, rolling back safety training, and employing more temporary workers than China's laws allow. Although Apple denied most of the allegations, Foxconn acknowledged that a review of its operations "did identify some workforce compliance issues" (Albergotti, 2019).

In the 1990s, Nike shocked its customers around the world when it was revealed that Indonesian and Vietnamese workers in the factories used to manufacture the company's footwear were routinely subjected to abusive labor practices. The allegations of abuse included stories that a Vietnamese sub-contractor ran women outside until they collapsed [for failing to wear regulation shoes](#). Customers staged embarrassing public protests at the Olympics and at Nike stores and many people began boycotting the brand. It took more than 7 years—and hundreds of millions of dollars—to repair the damage to the brand. Ironically, Nike only found favor again with its customers when it became more transparent about the situation with its

suppliers and started to respect the workers' rights in its sub-contracted factories (Lutz, 2015).

## **Doing the Right Thing Is Not as Easy as It Seems**

Another rapidly evolving area of concern over human rights abuses stems from the boom in demand for electric vehicles, particularly in Europe. This is a good thing because it means less air pollution and cleaner (European) cities. However, this has triggered a mad scramble for more cobalt, an essential ingredient of modern batteries. The problem is that more than 70% of the world's cobalt is produced in the Democratic Republic of the Congo (DRC), and 15–30% of the Congolese cobalt is produced by artisanal and small-scale mining. Human rights abuses are rampant in these mining operations and are particularly high in artisanal mines in the DRC, a country weakened by violent ethnic conflict, Ebola, and high levels of corruption. Child labor, fatal accidents, and violent clashes between artisanal miners and security personnel of large mining firms are recurrent. Simply shutting down these mines, or removing them from the cobalt supply chain, is not feasible if for no other reason than they are a lifeline for millions of Congolese who live in extreme poverty. Instead, companies committed to setting up responsible cobalt sourcing practices to take responsibility for addressing these human rights violations (Campbell, 2020).

## **Sustainability in Action**

It's a process that goes beyond just ensuring that there are no kids on the mine. It's a process that takes into consideration that the kids are on the mines for poverty-driven reasons, because their families need all hands-on deck to get food on the table. So, it means that you don't solve the issue necessarily by simply ensuring that there's not a single kid on the mine. That's important, because you don't want them to be working in a hazardous condition, but at the same time you can't just put them outside of the fence without something to eat. This is where UNICEF comes in with their expertise of working in local communities and driving real action within the communities, that basically offers these kids an alternative vision of the future. That shows how our presence in the Democratic Republic of Congo is leveraged by other actors as well. We can be on the mine and show there is a child, we can identify an issue of child labor and together with partners we can start to move them through a process that actually has a more long-term and more sustainable impact.

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## **Workers' Rights: Getting Better but Far from Good**

According to Human Rights Watch (HRW), there have been some improvements to workers' rights, especially in the wake of the Rana Plaza tragedy, but "millions of adults and children around the world suffer abuses as workers obtaining raw materials, toiling on farms, and making products for the global market. They are at

the bottom of global supply chains, for everything from everyday goods like vegetables and seafood to luxury items like jewelry and designer clothing that end up on store shelves worldwide” (Roth, 2020).

This is why, according to HRW, there will be a growing trend of national legislatures requiring companies to live up to their responsibilities to workers, communities, and the environment. In July 2021, the German Supply Chain Act was passed into law, first time that the responsibility of German companies to respect human rights in global supply chains has been given a legal foundation. It follows the Modern Slavery Act in UK, the Child Labor Due Diligence Act in the Netherlands, and the EU Conflict Minerals Regulation. The table below lists human rights regulations from selected countries (Fig. 1.1).

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### 1.3 Governmental Versus Corporate Responsibility: Do the Right Thing

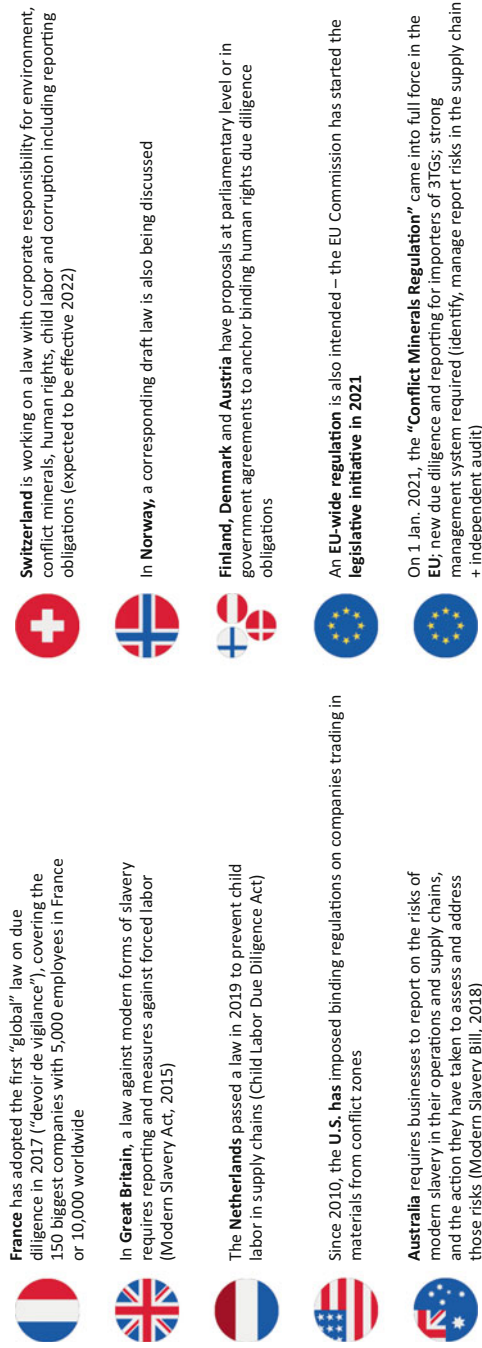
Few businesspeople would disagree that keeping up with regulations is not the most enjoyable part of running a company., “Regulations” is something of a dirty word to many companies that operate in a free market economy because of the restrictions inherent in its definition. But they are a fact of life and compliance with the plethora of regulations that dictate what companies can and cannot do is important to avoid penalties due to malpractice.

In this respect, sustainability, including its human rights and environmental aspects, is well and truly in the spotlight and will be the subject of an increasing number of regulations enacted by different governments.

#### Legal Versus Moral Imperatives

Leaving legal requirements aside for a moment, there is mounting pressure on companies to consider what is morally right and wrong in the context of sustainability and supply chain decisions. For example, how far should responsibility for sustainable business practices extend along the supply chain? According to the former German Industry and Federal Economics Minister Peter Altmaier, companies should pay attention to their product supply chains, but these due diligence obligations should not extend beyond the first tier (Klawitter, 2020). For leather for car seats, for example, BMW and Jaguar Land Rover would only have to trace their supply chain to the tannery in Veneto, Italy, a company that complied with the strict social and environmental standards of the two manufacturers. However, BMW, Jaguar Land Rover, and other European car manufacturers came under fire in 2020 when London-based NGO Earthsight, which specializes in human rights and environmental crimes, linked the illegal clearance of a South American forest inhabited by one of the world’s last uncontacted tribes with some of these car manufacturers (Earthsight, 2020).





**Fig. 1.1** Human rights in the supply chain

Legally, the car manufacturers had done nothing wrong. But where do they stand morally? Can they simply wash their hands of the responsibility for the actual origin of the leather? Are they morally responsible for wrongdoing at the far reaches of their supply chain? There is a strong and compelling argument to say that even when a company is the last in the chain to receive components or finished materials, the responsibility for any lack of compliance should not be pushed onto lower-tier suppliers. BMW and Jaguar Land Rover are far from being the only two companies that face these questions of right and wrong. Irrespective of what the law says, consumers and investors still want them to do the right thing.

## **Increased Legislation Is on the Horizon**

It is precisely because businesses do not always do the right thing when it comes to sustainability that there is an increasing amount of legislation covering it. In March 2021, Germany's Federal Government launched the new Supply Chain Act, legislation to protect the rights of people who produce goods for the German market. The act was created to ensure that German companies comply with human rights for workers along their entire supply chain and that they set up grievance mechanisms and report on their activities. It comes into effect in 2023 for companies with a workforce of at least 3000 and later for companies with a workforce of at least 1000 (The Federal Government of Germany, 2021). France and The Netherlands have enacted similar laws, and other European countries will undoubtedly do the same.

## **Climate Change Grabs the Headlines, but Human Rights Are Not Forgotten**

In fact, on March 10, 2021, the European Parliament considered and adopted an outline proposal for the "EU Directive on Mandatory Human Rights, Environmental and Good Governance Due Diligence" (the Directive) following concerns that only one business in three is currently conducting appropriate due diligence measures with regards to its value chain. Although the Directive is not expected to come into force until late 2022 or early 2023, companies falling within its scope will need to begin preparations before the new requirements kick in. Any business operating in Europe, irrespective of place of registration, with more than 250 employees or a turnover of 50 million euros, will be affected (Da Costa & Marsh, 2021).

Further legislation followed in June 2021, when all European Union countries, with the exception of Bulgaria, approved a law to make the bloc's greenhouse gas emissions targets legally binding in a landmark bid to tackle climate change. The deal sets targets to reduce net EU emissions by 55% by 2030, from 1990 levels, and eliminate them by 2050. Other policies will stem from this, designed to reshape industry, energy, transport, and housing to emit less CO<sub>2</sub> (Abnett, 2021).

## More Stringent Reporting

There is also the EU Corporate Sustainability Reporting Directive (CSRD) that comes into play 2023, with mandatory reporting from 2026 onwards. It requires businesses with more than 250 employees to disclose information on the way they operate and manage social and environmental challenges and will cover more sustainability-related information than ever before, including sustainability targets and indicators, resilience against sustainability-related risks and climate scenarios, social considerations, as well as governance processes. The law has been put in place to help investors, civil society organizations, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business (European Commission, 2021a).

## Carbon Emissions Outside Europe Are Part of the Clean Up

Climate change is a global problem that needs global solutions and as the EU raises its climate ambitions, it is making sure that EU companies are accountable for carbon emissions produced outside the bloc where less stringent environmental and climate policies prevail. EU companies found guilty of so-called “carbon leakage,” where carbon-intensive production is moved abroad to take advantage of lax standards, or EU products are replaced by more carbon-intensive imports, will still have a price to pay. The Carbon Border Adjustment Mechanism (CBAM), introduced in July 2021, will equalize the price of carbon between domestic products and imports and ensure that the EU’s climate objectives are not undermined by production relocating to countries with less ambitious policies (European Commission, July, 2021b)

The message could not be clearer—companies operating in the EU and sourcing from outside the bloc will soon have no choice but to clean up their businesses at home and their supply chains overseas.

## Corporate Sustainability Responsibility: Going Above and Beyond Compliance

These new laws and regulations enacted by governments could be viewed as a necessary evil to ensure that mandatory sustainability targets are met.

Or they could be seen as an opportunity.

Some forward-thinking, progressive companies are looking at the increasing number of sustainability-related legal obligations worldwide not as hindrances, but as a powerful force in driving sustainable business practices. *In the run up to COP26, 778 businesses representing US\$2.7 trillion in annual revenue and employing 10 million people urged G20 leaders to take more action to limit average global temperature rise to 1.5°C* (We Mean Business Coalition, 2021).

In an open letter to the G20, this coalition of progressive companies stated: “There are great opportunities to be harnessed through a carefully managed transition. Our businesses recognize the benefits of climate action. The right policy decisions taken today can drive further investments and spur business decisions in favor of climate solutions across G20 countries. We can build stronger, just, and more resilient economies: bringing prosperity and creating decent jobs while protecting health and the planet” (ibid).

The message coming from this is that regulations are a good starting point, but there needs to be unprecedented cooperation between governments and corporations to jointly embrace responsibility and accelerate the race to zero.

In an interview for this book, Dr. Maria Mendiluce, Chief Executive Officer at the We Mean Business Coalition, said she was fully behind the need for strong legislation, open reporting, and collaboration between countries and the businesses operating within their borders.

### **Sustainability in Action**

One thing is very clear to me: In most cases, when it comes to companies publicizing their commitments and tracking their progress, they tend to outperform their own targets. We need much more of that. Unfortunately, the opposite is true of some countries. But if we could get countries working closely with their domestic companies to achieve their targets, we could move from a system that’s voluntary to one where it’s mandatory for businesses to be net-zero and reduce emissions. We’re not ready yet but in a few years, because things are getting tough with climate change, we’ll get there. This means that it’s better for companies to get ahead of the game now before they’re forced to later.

**Dr Maria Mendiluce, Chief Executive Officer, We Mean Business Coalition**

We Mean Business Coalition is a global non-profit coalition working with the world’s most influential businesses to take action on climate change.

### **Collaboration, Not Competition, Is the Way Forward**

The rules around collaboration, usually prohibited by EU and national laws because it restricts competition, are being relaxed where sustainability is concerned. In January 2021, the UK’s Competition and Markets Authority (CMA) released [guidelines](#) to help businesses understand how to navigate sustainability agreements between businesses (including industry-wide initiatives) and achieve green goals without breaching competition law. This follows a similar initiative by the Dutch Competition Authority, which has provided guidance to help businesses self-assess the compatibility of joint sustainability initiatives with competition law, without the risk of fines for companies applying the guidelines in good faith (Gardner, 2021).

By removing this legal barrier, businesses are able to join forces to pursue environmental objectives together, for example through joint R&D of green technologies, a joint commitment to minimum environmental standards or through coordinating resources or joint purchasing. Together, these measures could help to create a level playing field, achieve economies of scale, and reduce investment costs.

Some major players are taking full advantage of this era of collaboration to find sustainable solutions to industry-specific, climate-related problems. Henrik Larsen from A. P. Møller-Mærsk spoke about the importance of collaboration to tackle sustainability problems.

### **Sustainability in Action**

The same reasoning applies to our decision to establish a research center, the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping. This not-for-profit, independent research and development center is using the synergies of cross-sectoral collaboration from the worlds of science, engineering, and business to accelerate the development and implementation of new energy systems and technologies that will decarbonize the global shipping sector.

#### **Henrik Larsen, Chief Procurement Officer at A. P. Møller-Mærsk**

A. P. Møller-Mærsk is an integrated container logistics company and member of the A.P. Møller Group. With a dedicated team of over 80,000 people, they enable global trade for a growing world.

Collaboration is the way forward.

### **Sustainability in Action**

At this point we see a collaborative approach as the best way to motivate our suppliers to join the same decarbonization journey as us. We're currently focusing on our strategic suppliers for the decarbonization initiative. Through these strategic suppliers we also work with our second-tier suppliers for key materials such as steel. Decarbonizing the supply chain of renewable energy is complex and requires a significant amount of innovation and collaboration within the industry and across sectors as it's also tied to the decarbonization of other key sectors, including heavy manufacturing and heavy transportation. As such, the core of Ørsted's decarbonization program since its launch in 2020 is to promote collaboration towards our common goal across our base of strategic suppliers in the most CO<sub>2</sub> intensive categories. To succeed in this goal, all key actors in the industry must play their part.

#### **Simon Juul Toft, Lead Specialist—Green Procurement, Ørsted**

Ørsted, the world's most sustainable energy company, is recognized as a global leader on climate action and takes tangible action to create a world that runs entirely on green energy.

## **Sustainable Business Practices Are Finally Gathering Momentum**

Legislation is necessary, but businesses should not wait for this to get started on their sustainability transformations. They should take the initiative and go beyond the baseline of compliance. By improving existing standards and practices, and by being accountable for their actions, businesses can get closer to achieving a more sustainable future, which is what customers, investors, and the world in general needs. Beyond this, the early movers will begin to reap the benefits of a sustainable approach to business: improved operations, enriched risk management, strengthened stakeholder relationships, costs savings, value creation, and improved market positioning.

## Sustainability in Action

I think procurement has an enormous responsibility to explore innovative ideas that will bring benefits to the company. Right now, the benefit is not very clear because there's no carbon pricing included. Ultimately, consumers are asking for reduced CO<sub>2</sub> footprints on products, so you'll have to trickle this down to the supply chain and make it happen. That is the future.

I also think that companies, boards, and CEOs and management teams will have CO<sub>2</sub> targets as part of their incentive and compensation schemes. This will be cascaded down through the organization so that procurement will have both an environmental cost and a financial incentive and they will optimize both. Once carbon pricing becomes part of the objectives of companies, they will have to include it as part of their procurement strategy.

**Dr Maria Mendiluce, Chief Executive Officer, We Mean Business Coalition**

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## Consumers Want to Save the World

The environmental and social arguments of sustainability are compelling reasons for change in themselves, but they are not the only ones pushing companies to clean up their acts. There are compelling dollar-related reasons as well.

Consumers are driving the sustainability agenda through their buying behavior and are increasingly looking for brands “that operate according to their values, and prioritize employee wellbeing, sustainability, and helping the most vulnerable,” according to a 2020 report published by Brandwatch (Brandwatch, 2020). The report looked at how consumers view the role and responsibilities of businesses and concluded that “people no longer feel it's acceptable for brands to be purely profit driven,” and instead want to see the companies they buy from “taking action to improve the world we live in.”

## Investors Demand Sustainable Returns

These high-level sustainability actions suggested by leading international intergovernmental organizations and NGOs, renewed governmental legislation, as well as changing consumer behavior have got the attention of investors who are increasingly conscious of where and how their money is invested. In a well-publicized letter, BlackRock, one of the world's biggest investment houses with more than US\$8.7 trillion assets under management, told its clients that “because sustainable investment options have the potential to offer clients better outcomes, we are making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. We believe that sustainability should be our new standard for investing” (Fink, 2020).

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## It Is Time to Act Now!

The scene has been set. Climate change is a real and ever-present danger to the world we know. It is an imperfect world, where profits and quick turnarounds have been favored above basic human rights, and where exploitation of natural resources takes place on a massive scale with too little regard for the long-term consequences. It could be argued that these consequences are beginning to bite now, as we see with the increasing frequency and severity of human-induced natural disasters. The Doomsday Clock is ticking, but we have a clear role in determining whether its hands move us closer to or further away from catastrophe.

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