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THE SUSTAINABLE BUSINESS

Review

REUTERS EVENTS™ April 2022

MAXIM SHEMETOV/REUTERS

Western business faces its greatest threat

The war in Ukraine has been a moment of reckoning for Western business. Key issues of access to energy, human rights and the rule of law, which have taken a back seat to climate and energy issues in recent years, have vaulted up to the top of the agenda for companies and investors, literally overnight.

And it is an uncomfortable place for them to be, as it inevitably forces them out of comfort zones such as managing CO_2 emissions and improving board diversity, to the altogether messier task of engaging in politics, under the spotlight of media attention.

But as Oliver Balch argues in his Brand Watch column, the idea that companies are detached from politics has always been a charade. What is true for their response to the war ›

THE SUSTAINABLE BUSINESS

Review

LINDSEY WASSON/REUTERS

is also true for climate change, human rights and the other "wicked problems" of the twenty-first century: companies need to be prepared to take a stand, and to be transparent about their position.

In his ESG Watch column this month, Mike Scott points out that the war has given the lie to Thomas Friedman's Golden Arches Theory of Conflict Prevention, whereby no two countries with branches of McDonald's will go to war, because they have reached a comfortable level of economic development.

It's an assumption that has underpinned business for decades. When it comes to energy, the war has achieved in a matter of days what decades of pressure has failed to do: pushing European countries, particularly Germany, to commit to weaning themselves off Russia's oil and gas. What that means in the short term, however, is a rush to ramp up Europe's production of fossil fuels – sitting at odds with the EU's sustainable business rules.

Angeli Mehta, meanwhile, explains in her Policy Watch column that while revving up renewables is central to Europe's plans for energy independence from Russia, constraints on energy storage and permitting, in both Europe and the United States, are obstacles that will need to be overcome.

And in his Society Watch column, Mark Hillsdon reports on the rise in employee climate activism, with workers increasingly holding their companies to account for their greenhouse gas emissions.

Oliver Balch ends the issue reporting on a recent study showing that corporate net-zero pledges are falling far short of the mark.

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BRAND WATCH

In the face of war, brands need to both act and advocate

ALEXEY MALGAVKO/REUTERS

The host of 'wicked problems' confronting sustainable business leave no room to sit on the fence

Oliver Balch
Sustainable business correspondent

Brands have always been political actors, even if most historically refuse to admit it. Corporations evidently benefit from political decisions (tax-cuts, infrastructure investment, labour laws and so on), just as they manifestly seek to influence such decisions (through lobbying, political donations, etc).

The Ukraine crisis has thrown this charade of political detachment into sharp relief. When a key market becomes a political pariah, as Russia did the moment President Putin initiated a full-scale invasion of its neighbour (which it describes as a special military operation), international brands have no option but to respond.

During the early days of the conflict, a swathe of well-known Western brands announced their intention to suspend their Russian operations. From luxury brands like Hermes and Cartier, through to oil giants like Shell and BP, the message seemed clear and unambiguous.

Yet subsequent analysis suggests otherwise. All exits, it transpires, are not the same. Some brands chose to take an explicitly political stance, ❯

BRAND WATCH

although fervid denunciations are rare. Typical is U.S. tech giant Apple, which said it had paused all product sales in Russia out of its "deep concern" about the invasion, while announcing humanitarian aid for Ukrainians. Tesla chief executive Elon Musk put it more plainly. In a tweet to his 79 million followers, he declared, "Hold strong Ukraine". His SpaceX space project also responded to requests from the Ukrainian government to send Starlink internet terminals.

Most brands are treading a more careful path, saying they are retreating due to logistical complications or legal barriers as a result of international sanctions. Such actions make sense, suggests Moscow-based labour-market specialist Luc Jones. Foreign brands want to keep the door open should "the situation get back to some sphere of normality".

But it sits ill with many who would like to see Western brands join what the New York Times described as the "surge of moral outrage" towards Russia's actions. Among them is Cvete Koneska, head of advisory at the specialist intelligence firm Dragonfly. With sanctions, she argues, acting from compliance is more clear-cut. With war, on the other hand, the explicit moral connotations demand an explicit moral response.

"Whichever way the war (in Ukraine) goes, it shows that companies are increasingly being treated as ethical agents, as they should be. And they'll be judged on their response to these issues, not just on whether they comply with legal norms," Koneska states.

Of course, there is what brands choose to say, and what they actually do. In humanitarian terms, the latter can often bear more fruit. Think of the booking service Airbnb, which is encouraging customers to

MAXIM ZMEYEV/REUTERS

Franchising rules have prevented Burger King from taking action over the Russian invasion of Ukraine.

Futerra's Solitaire Townsend says every brand needs to be prepared to take a stand.

rent rooms in Ukraine as a canny means of financial aid.

Or consider the providers of medicines, foodstuffs and other vital services, which have kept a toe in Russia to avoid unduly harming everyday citizens.

Solitaire Townsend, founder of communications agency Futerra, believes brands should be prepared to both act and advocate. What is true for the Ukraine conflict is also true for climate change, human rights and the gamut of other political issues facing brands, she states. These "wicked problems" of the twenty-first century are layering up, she adds, and "every brand needs to become familiar with taking a stand".

It's still early to draw definitive lessons from the way Russia's attack on its neighbour has confirmed brands' status as political, but at ›

BRAND WATCH


SERGEI KARPUKHIN/REUTERS

The opening of a Hermes store in Moscow – the luxury brand has now suspended operations in the country.

least three initial implications seem indisputable.

Most obviously, brands need to get wiser to the geopolitical environments in which they are embroiled. As Hugo Brennan, head of EMEA research at risk intelligence company Verisk Maplecroft puts it: "No multinational can afford not to constantly monitor and analyse their political risk exposure in this day and age."

What isn't clear, Brennan says, is whether the demand by investors and consumers on brands to act will expand from military conflict to other areas of political activity. Governmental failure to hit carbon targets could be one example, as could domestic human rights abuses by state agents. His advice to brands? "Keep an eye out."

A second takeaway is for brands to explain the "why" as well as the "what" of any political action. Ethical decisions are rarely black and white. Western companies may want to pull their brands, for instance, but they find that their hands are tied by franchising rules, as in the case of Burger King. Other brands, such as Zara have pulled out but continue to support their Russian staff.

As a minimum, full transparency can avoid misinterpretation. A telling example is Facebook's apparent permission (since rescinded by its parent company Meta) for its customers to call for Putin's death. More positively, explanations can offer brands an opportunity to reinforce their values. So notes Giles Gibbons, founder of the sustainability advisory firm Good Business, who states that "businesses should say what they think, and stand up for what they believe".

Finally, brands need to get familiar with their role as political actors. Not in the narrow sense of government relations and responsible lobbying, important as these are. But in the broader sense of "corporate citizens", with all the rights and responsibilities that the term implies.

It is a lesson the UK bank HSBC has learned to its cost, given the wave of negative publicity garnered after revelations in the Financial Times that its analysts had doctored research publications to remove references to a "war" in Ukraine.

In today's age, remaining politically detached is not an option for brands – not least because such denial is in itself a political act.

ESG WATCH

VIEW ONLINE

MAXIM SHEMETOV/REUTERS

Mike Scott
ESG correspondent

War in Ukraine puts sustainable finance to the test

Key issues such as access to energy, human rights and the rule of law are being challenged as never before

The world has changed utterly for business and investors in the last month since Russia invaded Ukraine. Companies from Total Energies and Shell to Renault and McDonald's found their social licence to operate in one of the world's largest countries withdrawn at a stroke, at the cost of billions of dollars, while long-held assumptions over issues ranging from energy to defence have been called into question.

On the one hand, the atrocities of the invasion can make traditional environmental, social and governance (ESG) issues seem trivial and irrelevant as geopolitical imperatives create new realities. On the other, the war is bound up with key ESG issues such as access to energy, human rights and the rule of law.

For many years, ESG analysis has rested on a set of assumptions that were so taken for granted as to be almost invisible – including the assumption that there would be no conflict between significant market economies. This was neatly summed up by Thomas Friedman's Golden Arches Theory of Conflict Prevention, which asserted that no two countries with branches of McDonald's had ›

ESG WATCH

MICHELE TANTUSSI/REUTERS

Solar panels being fitted on Berlin's Olympic Stadium. Germany has pledged to wean itself off Russian oil and gas.

ever been at war (since the arrival of the company). Putin has blown that doctrine out of the water.

But if ESG is just a fair-weather tool, what is its value? In a powerful piece in the Financial Times, former Ukrainian finance minister Natalie Jaresko asked whether companies enact courageous ESG policies only when it does not hurt their bottom line.

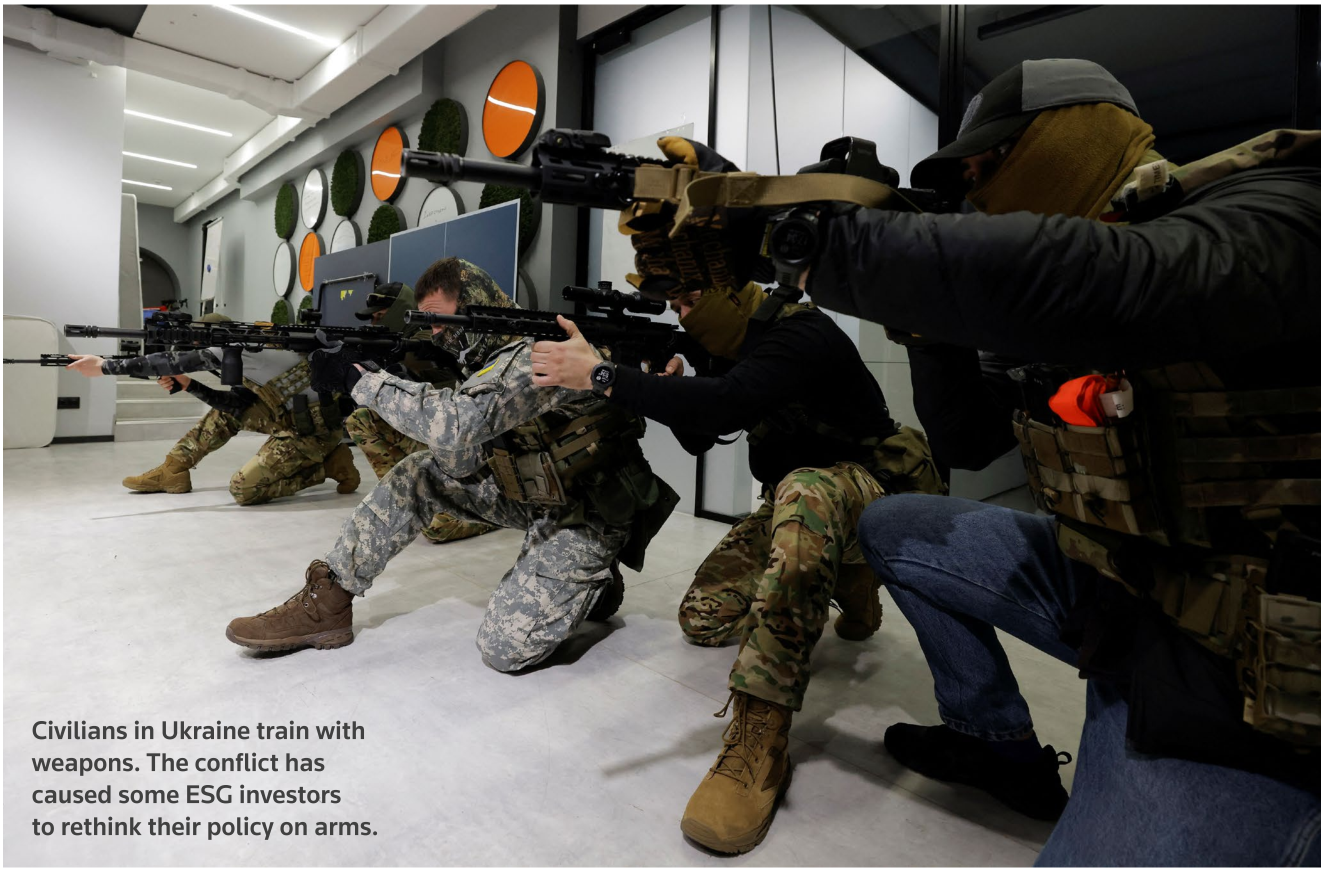
The global business community must understand that nurturing, upholding and protecting freedom and democracy is part of their ESG responsibility, she added. "Business has a critical role to play if it actually believes in key ESG values like rule of law, good governance and human rights. It's time to put all that talk into action," she concluded.

But often this appears to be easier said than done, not just for companies but governments, too. The impacts of the war sometimes push in two directions at once. When it comes to energy, for example, the disruption to Russian supplies, and the increase in oil and gas prices, is both encouraging a rush to source more fossil fuel energy from elsewhere and improving the business case for renewable energy, energy efficiency, storage and green hydrogen, as well as electric vehicles. Indeed, in just a few days it achieved what decades of pressure had failed to do by pushing Germany to commit to weaning itself off Russian oil and gas, with the European Union following suit. But not yet: governments are reluctant to sanction Russian energy because of the pain it will bring to its own citizens.

A decade ago, renewable energy struggled to overcome the energy "trilemma" of tackling climate change, keeping the cost of energy low and contributing to energy security. Today, with energy prices at record highs, all three of these drivers point towards having more renewable energy, storage, efficiency and electric vehicles, at least in the medium and long term.

Another area that is under reassessment is arms production, which has traditionally been a no-go area for many ESG investors. But given the importance of providing Ukraine with weapons to defend itself against Russia, some are making an exception. Citigroup and Sweden's SEB are among investors that have reversed previous policies, with Citi asserting that "defending the values of liberal democracies and creating a deterrent, which ›

ESG WATCH



ZOHRA BENSEMRA/REUTERS

Civilians in Ukraine train with weapons. The conflict has caused some ESG investors to rethink their policy on arms.

preserves peace and global stability" makes arms producers suitable for ESG funds. Other ESG investors continue to avoid the sector, however.

The ESG sector was already under scrutiny as it moved from being a niche market into the mainstream.

There has been growing criticism of ESG investing in recent months, in part because it was a label that had been so widely applied as to become almost meaningless. ESG had been co-opted from being a way of analysing non-financial risks to becoming commoditised and incorporated into products such as funds and ETFs. While there is definitely a place for ESG-related financial products, there has been a rush to jump on the bandwagon, and few ESG products stand up to scrutiny.

A new study from Clarity AI, a sustainability data technology platform part-owned by BlackRock, shows that European investment funds marketing themselves as sustainable under EU rules have similar levels of "green revenues" as traditional funds. The analysis of 31,000 funds found that just 3.6% of revenues globally are "green", Reuters reports.

Another report, from London-based climate and energy think-tank InfluenceMap, found that 30 of the world's largest financial institutions are undermining commitments to cutting CO_2 emissions by lobbying against key sustainable finance policies in the European Union, Britain and the U.S. The report said the 30 banks had also extended at least $740 billion in primary financing to fossil fuel-related businesses in 2020 and 2021, mostly through corporate lending and bond underwriting.

InfluenceMap quoted Chris Hohn, the billionaire founder of hedge fund TCI, as saying: "Any bank making a net-zero promise whilst actively lobbying against necessary climate regulation – such as mandatory disclosure of borrowers' emissions and climate action plans – is greenwashing."

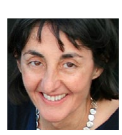
Of course investors want to "buy in" to the power of ESG analysis. But perhaps it is time to bring a new rigour and discipline to the field. Correctly targeted, it can be a powerful tool. By contrast, if it becomes the investment equivalent of "motherhood and apple pie", it is no good to anyone; indeed it may be doing more harm than good by discouraging governments from taking the hard decisions that the climate emergency requires.

POLICY WATCH

PHIL NOBLE/REUTERS

Why more energy storage is key to turning renewables targets into reality

Storage and permitting constraints in both Europe and the U.S. are increasingly important obstacles on the road to net zero


Angeli Mehta
Policy correspondent

Revving up renewables is a major component of Europe's plans to cut its dependency on oil and gas from Russia, in the wake of its war against Ukraine. That's good news for efforts to reach net zero, but crucial issues of permitting and energy storage are also going to have to be addressed if Europe is to make its hoped-for renewables boom a reality.

Permitting renewable developments is an issue across the United States, the UK and EU. Trade groups had already warned the European Commission that if permitting processes are not simplified, the bloc will miss its Green Deal climate and energy targets; while the Brookings Institute said last year that permitting was a serious obstacle to achieving a zero-carbon grid in the United States by 2035. Federal agencies may ›

POLICY WATCH

DARREN STAPLES/REUTERS

An engineer at a battery storage facility at Clayhill solar power farm in Westoning, Britain.

have heeded that warning: in January they agreed to coordinate and streamline decision-making for clean energy projects on federal lands.

As more renewables come onto the grid, we'll also need long-term storage to manage their intermittency and so better match supply and demand.

In the UK, Boris Johnson's government wants rapid deployment of offshore wind and, since the war in Ukraine, more onshore wind and solar. Aurora Energy Research calculates that a decarbonised electricity system would require the UK to have 24 gigawatts (GW) of long-duration storage capacity – that's eight times what is currently installed. Long-duration storage can provide power for more than four hours and is currently met by pumped hydro, a method of storing energy where water is pumped to a higher elevation during off-peak times and released to create energy during demand spikes. However, there are only four facilities in the UK, with the last being in the 1980s.

It's not an issue unique to the UK, says Emma Woodward, senior associate at Aurora. "As you are increasing the amount of renewables, you will need to increase the amount of flexible and dispatchable capacity (power that can be turned on and off to meet sudden surges in demand) in order to manage that intermittency. The countries that may not have the problem are countries like Norway, where you are relying on quite high levels of hydropower, which is both low carbon and can also be dispatched."

Storage requirements are actually higher with greater reliance on renewables. This is because in a cold snap the UK, for example, relies on so-called "peaker" plants, powered by gas, which run only when there is high demand for electricity. To guarantee security of supply without gas, large amounts of energy would have to be stored that might never be used, says Woodward.

The UK has recently announced the first projects to win funding in its 68 million pound scheme to demonstrate new long-duration storage technologies. These include a project to make and store green hydrogen from otherwise curtailed wind power (which costs the UK economy millions each year), and another that uses gravity to store energy, which is then stored and discharged by raising ›

POLICY WATCH

DRAX

The turbine hall at Cruachan hydro pumping station in Scotland – one of the UK's four facilities.

and lowering weights in an underground shaft.

The government has also been consulting on how to incentivise investment in long-duration storage. The strongest contender is a cap and floor mechanism, which would set a minimum and maximum return for developers.

Discussions are understood to be centred on a "soft" cap, whereby operators and government share the revenues.

Last year the U.S. Department of Energy announced long-duration storage would be part of its Earthshots Initiative, aimed at slashing the cost of grid-scale storage by 90% within the decade.

The U.S. Energy Storage Association says the country needs 100 GW of storage by 2030 to meet its climate goals. Last year, it had 4.6GW In February, chief executives of storage technology and utility companies wrote to the president and congressional leaders, urging them to pass the Build Back Better Bill and tax provisions within it to help storage technologies scale. Fresh efforts seem to be under way to revive the bill, which includes critical clean energy provisions, after it was effectively killed off by Democrat senator Joe Manchin's refusal to approve it.

But Uday Varadarajan, carbon-free electricity principal at the Rocky Mountain Institute, contends that the United States also needs to remove obscure legal restriction on investment tax credits, which are available for storage and solar. These mean that investor-owned utilities are prevented from passing on the full benefit of the tax savings to their customers.

"I would argue that this has been one of the largest constraints that has kept storage from scaling the way it ought to," he said, during a recent webinar.

The effect of the tax change could be "enormous in terms of actually practically making storage available and attractive for utilities across the country".

In the meantime, cutting some reliance on Russian oil and gas can be met by energy efficiencies – another neglected area in the race to net zero.

Analysis by Germany's climate policy think-tank Agora Energiewende suggests energy efficiency measures, together with a rapid ramp of renewables, could cut Russian gas imports by 80% by 2027. The buildings sector alone could contribute 40% of that effort through energy efficiency, district heating and rapid roll-out of heat pumps.

SOCIETY WATCH

From green teams to strike action: the rise of employee climate activism

Workers are increasingly holding their companies to account. If firms are serious about reaching net zero, they should listen to them

VIEW ONLINE

LINDSEY WASSON/REUTERS

Tech workers are reflected in a sign in an Amazon Go store during a climate strike in Seattle.

Employee activism is moving from the shadows into the mainstream. A new wave of consciousness, covering issues such as climate change and social inequality, is flowing through staff meetings and forums. And whether employers are looking to bring in new investment, recruit new

Mark Hillsdon
Civil society correspondent

talents or just do the right thing, they know it's a movement they can't ignore.

Much of this new corporate empathy stems from events at Amazon's Seattle headquarters in April 2020, when the company fired two workers, Emily Cunningham and Maren Costa. The company cited persistent violations of internal policies as the reason for the sackings, while supporters claimed it was a knee-jerk reaction ›

SOCIETY WATCH

PAUL ELLIS/REUTERS

Amazon CEO Jeff Bezos delivers a speech during the COP26 climate conference in Glasgow, Scotland, last November.

to the pair's vocal efforts in calling the company to task over its lack of action on global warming.

Cunningham and Costa had argued that Amazon had no real system in place to deal with its climate impacts, yet many of the world's other corporate behemoths had committed to radical plans to cut their carbon emissions. The pair began to speak to colleagues and organise, eventually forming Amazon Employees for Climate Justice (AECJ) and putting a resolution to shareholders to make changes.

Although their resolution was rejected, it garnered support from 30% of shareholders, although chief executive Jeff Bezos was not among them. The pressure continued, with the AECJ organising a walkout at the Seattle plant, along with workers from other tech companies such as Google, in support of 2019's global climate strikes. Coincidentally, the

Jamie Beck Alexander is a director at Project Drawdown.

day before the walkout, Amazon committed to becoming net zero by 2040, a plan management said had been in place for a while and hadn't been influenced by the AECJ.

It was this collective action, says Eliza Pan, another former Amazon worker who is still active in AECJ, that is the key. "Companies will respond when lots of employees come together to demand change," she explains. "What we have learned through our work at Amazon is that we do have power to influence what Amazon does but only if we all work together. If companies like Amazon are forced by its own employees to go further faster, that also sets the stage for other companies to follow."

Climate consultancy Project Drawdown last year published a guide to how employees can apply their skills to the climate crisis while holding their companies to account.

Jamie Beck Alexander, a director at Project Drawdown who heads up the programme at Drawdown Labs, worked with the fledgling AECJ in her spare time. "I saw how powerful employees organising is," she explains. "The Amazon employees really did break the mould."

She also worked with Uber, ›

SOCIETY WATCH

helping employees to hijack a company meeting and bombard the leadership with questions about why it was moving so slowly on its climate initiatives. A month later, Uber announced its new climate targets, she says.

Alexander says the role of Drawdown Labs is to bridge the gap between corporations and their employees. "We walk the fine line of working with corporate sustainability leaders and employee organisers, as both are critical to pushing forward, getting work done and holding the company to account," she explains.

Until the Amazon case, says Alexander: "Workers felt they had to check their climate alarm at the door... their involvement was pretty much limited to helping recycle more."

Now, she believes, this sort of heightened employee contribution "is the future of corporate responsibility... (and) a barometer of the authenticity of a company's climate pledges. Are they welcoming more employees in? Are they accepting the pressure and saying: 'you're right, we do need to move faster?'"

Alexander also holds workshops covering ideas such as decarbonising corporate cash by scrutinising where companies are investing and talking to powerful human resource departments about offering more climate-friendly pension plans.

Policy is a big area too, she says, especially in the United States, where individual companies may make specific climate pledges, but their own trade associations are actively obstructing climate policy. This is something employee groups should call out, she says.

"If our current economic system is going to be able to survive in the era of climate change, it will be because employees have pushed it and made it so, and held companies

WIKIMEDIA COMMONS

Workers' activism ambitions have expanded from helping to recycle more.

accountable," adds Alexander.

In Germany, not-for-profit Planetgroups works with companies to launch and support green teams so employees can be part of the solution, explains founder Tim Riedel.

"We usually see a very big alignment between the interests of management and the interests of the employees," he explains. "It's about making management think about things, rather than forcing them into action."

In some businesses, he says, sustainability teams have felt threatened by new green groups and employee action, when in fact they should see them as important allies. Sustainability teams are often under-resourced, he says, and "so having an employee green team has actually added a lot of outreach and power to their work.

"They don't have to do all of it themselves, they don't have to trigger the resistance of line managers with their suggestions. Let the green team do it and then they can mediate."

But dig a bit deeper, and despite the progress that has been made, there is still a secretive, underground element to the movement, amid employees' basic fear that if they go too far in the eyes of management, their jobs are on the line.

"I know that there is organising (of employees) happening right now but nothing that is publicly sharable," Alexander says.

Members of the AECJ, for instance, continue to work with groups in other tech companies who are looking to bring about change, but Pan is reticent about what this involves. "The reality is that Amazon does not want us to exist," she says.

IN FOCUS

'Credibility gap' over climate commitments widens

AGUSTIN MARCARIAN/REUTERS

Oliver Balch talks to CDP and the Science Based Targets initiative about a recent study showing that corporate net-zero pledges are falling far short of the mark

Antonio Guterres could not have been clearer. The inability of the world order to curb the planet's trajectory towards irreversible climate change represents a "damning indictment of failed leadership".

The United Nations Secretary-General's comments came in response to the latest update from the Intergovernmental Panel on Climate Change, released at the end of February, which urgently warns of a "narrowing window for action".

For brands that have so far failed to wake up to the challenge of climate change, the time is now. So warns Nicolette Bartlett, chief impact officer at the corporate transparency specialist, CDP.

Swiss Re published a widely cited study last year suggesting that up to 18% of global gross domestic product could be wiped off the balance sheet by 2050 if climate threats are ignored.

Aside from the material risks to physical assets, compliance costs and brand reputation, Bartlett warns that laggards face an increasing probability of climate-related litigation, which has "soared in recent years".

"Inaction is a foolish business risk no company can afford," she adds. "The reality remains that companies need to halve emissions by 2030 if we are to have any chance of limiting global warming."

Given the level of consumer attention now centred on the climate crisis, fewer and fewer brands remain resistant to calls for climate action. Around three-fifths of FTSE100 companies have now put their name to the U.N.'s Race to Zero campaign, for instance, up from just ›

IN FOCUS

JAMES AKENA/REUTERS

Emissions in supply chains are estimated to be 11 times higher on average than a firms' direct operations.

one-third this time last year.

The problem that brands encounter, instead, is one of credibility. The recent Corporate Climate Responsibility Monitor 2022, by the NewClimate Institute and Carbon Market Watch, of the climate strategies of 25 global companies concluded that many policies are "ambiguous" while others "fall well short" of the required ambition.

"Corporates are under intense pressure to demonstrate their climate ambition (yet) companies' net-zero pledges are not what they may seem," said one of the study's co-authors, Thomas Day.

More specifically, the study maintains that the projected emission reductions by the companies under analysis amount to more like 40%, a far cry from the 100% implied by claims of "net zero" or "carbon neutral".

So what is causing the credibility gap? Greenwashing cannot be ruled out, but brands that make public commitments with no intention of following through, or that dress up weak actions as feats of ambition, are playing a risky game.

Nicolette Bartlett is chief impact officer at CDP.

Far more common is for brands to set themselves underwhelming targets. These have the advantage of providing the appearance of action, while ensuring targets can be achieved without a major alteration to business as usual.

To distance themselves from such a position, ambitious brands have taken to linking their sustainability commitments to the latest science. The independent Science Based Targets initiative (SBTi), which currently counts 1,211 certified companies among its network, exists precisely to facilitate such an assurance.

Aligning individual company targets with global sustainability issues is an evolving field, however. The NewClimate Institute's Corporate Climate Responsibility Monitor study included 18 brands that were SBTi-compliant, and for all the protocols SBTi puts in place, said a majority had targets it deemed "either contentious or inaccurate".

In response to the study, SBTi said it, too, was concerned about gaps in transparency and integrity in net-zero target setting by companies, and had developed a Net-Zero ❯

IN FOCUS

ANCA MILUSHEV/SHUTTERSTOCK

Nestle's plan to eradicate child labour includes offering cash incentives for school enrolment.

Standard, which launched in October, to address this discrepancy. To meet the standard, companies must prioritise making rapid, deep cuts to emissions across their value chains, and have a plan to cut emissions by 90%-95% by 2050.

Of the 25 companies in the Corporate Climate Responsibility Monitor study, it said, only one, CVS Health, had had its target validated against the new net-zero standard.

Alberto Carrillo Pineda, SBTi's managing director, says he advises brands to spell out in clear language what it is that they are committing to and, equally importantly, how they intend to deliver it.

No single organisation has the answer to complex systemic issues such as climate change, economic inequality and biodiversity loss; to be effective, brands' delivery strategies must inevitably involve measures designed to positively influence other relevant institutions.

"It is important for companies to be clear about the barriers they face and what type of transformations are needed in the wider ecosystem."

One obvious area where brands influence the systems in which they operate is through government relations. Nothing creates greater dissonance, Pineda notes, than a company that publicly commits to a progressive sustainability goal and is then found to be lobbying policymakers for the precise opposite.

Another area of influence is procurement. A recent study by CDP found that fewer than two-fifths (38%) of brands that report to the transparency organisation encourage their suppliers to take action on climate change. Even fewer (16%) seek to mobilise their supply chains around water security.

This supply-side inaction is even more concerning given that carbon emissions in companies' supply chains are estimated to be 11 times higher on average than those from firms' direct operations.

Partly this is due to the daunting nature of the challenge, says Sonya Bhonsle, global head of value chains at CDP. Yet, CDP's analysis also identifies a small number of brand "trailblazers" that "are building this (climate action) into the way their procurement staff work and the way that processes work", she says.

Mike Barry, a specialist sustainability consultant and former head of Marks & Spencer's Plan A programme, cites the example of Nestle's recently unveiled plan to eradicate child labour as a proactive, well-resourced, and clearly articulated delivery plan.

Among other measures, the recently launched strategy involves a 1.3 billion Swiss franc ($1.4 billion) investment over the next eight years in regenerative agriculture schemes, gender-equality programmes, and cash incentives for child school enrolment and other welfare activities.

"A credible commitment today is one that explains in depth how a company will deploy its resources across its value chain to deliver the desired outcome, rather than wishfully hoping for change to 'just' happen," says Barry.

Rory Sullivan, a responsible investment expert and co-founder of advisory firm Chronos Sustainability, says it is not surprising that brands are daunted or confused (or both), given the complexity of achieving sustainability goals, and the fact there are few successful precedents to follow.

If brands are frank and up-front about the complexity, external stakeholders should begin to accept this as "the state of play", argues Sullivan. It won't excuse inaction. But it might just lead to a more supportive, less critical attitude to brands that are genuinely intent on addressing some of the toughest challenges of our times.