

# CLIMATE CHANGE AND THE PEOPLE FACTOR



## Why net zero needs the people factor to succeed



The latest survey report by **Eversheds Sutherland** and **KPMG IMPACT** suggests companies embrace their leadership role in combatting climate change; now they should mobilize the workforce for the challenge.

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# FOREWORD

By **AMI VITALE**

Nikon Ambassador and  
*National Geographic*  
*Magazine* photographer,  
writer and filmmaker

I can recall the exact moment when I truly understood how connected we all are to one another, and to all life on this planet.

On a cold and snowy day in December 2009, in the Dvůr Králové zoo in the Czech Republic, I first met a northern white rhinoceros named Sudan. Many like him had roamed the planet for millions of years. But after decades of unchecked poaching, only eight were left, and they were all living in zoos. Nine years later, I rushed to Ol Pejeta Conservancy, Sudan's final home in Kenya to photograph his final moments. At that time, he was the last male northern white rhino alive on this planet. His death signaled the end of an ancient species.

One of the last photos I took was a heartbreaking moment of Sudan's keeper, Jojo Wachira saying goodbye to the gentle hulking creature he had dedicated his life to protecting. These people spend more time with these rhinos than they do their own families. The bonds are deep and the keepers have a profound understanding of just how precious these last northern white rhinos are. These men have become some of the northern white rhinos' closest friends and greatest advocates.

Sudan's story is not just about wildlife, it's really about all of us, our home, and our future. We must see ourselves as part of the landscape. When we lose a piece of the natural world, we suffer more than the loss of a piece of our ecosystem, we suffer a loss of our imagination, a loss of wonder, a loss of beautiful possibilities. Saving nature is really about saving ourselves.



Climate change is probably the biggest story of our time, and potentially the most significant in our entire existence, with implications for business and global stability. In telling it, what would happen if we chose to illuminate the things that unite us as human beings, rather than only emphasize our differences? To tell the story of how the bond between human beings and nature can be what pulls us out of this existential crisis?

Inspiration often comes from these moments of discomfort and difficulty. We can mourn the losses, but we can also celebrate the goodness. It's worth our time and effort to tell those stories, too. Working to minimize climate change and mitigate the impacts to save ourselves and nature seems like an impossible task. But in my experience, to do the impossible you have to have hope. Stories that remind us of what we can achieve, give us hope and a way forward.

The storyteller — the messenger — matters as much as the message. It's important that every one of us be that messenger, and this is where the leaders of the business world come in. They have so much power to galvanize the millions of human beings who make up the global workforce, to help employees make the connection between their actions at work and at home and their impact on the environment. To invest in their creativity and brilliance to develop lifesaving innovations. And to recognize and leverage the passion of their people to preserve the planet as they know it and want it to be.

What happens next is in all of our hands. Nature is resilient if we give it a chance and make it a priority. All of us have the ability to ignite action to help shape the world we want to live in. There is a role for each and every one of us.



## AMI VITALE

**Nikon Ambassador and *National Geographic Magazine* photographer, writer and filmmaker**

*In the beginning, photography was my passport to meeting people, learning, and experiencing new cultures. Now it is more than just a passport. It's a tool for creating awareness and understanding across cultures, communities and countries; a tool to make sense of commonalities in the world.*

Nikon Ambassador and *National Geographic Magazine* photographer, writer and filmmaker Ami Vitale has traveled to more than 100 countries, bearing witness not only to violence and conflict, but also to surreal beauty and the enduring power of the human spirit. Throughout the years, Ami has lived in mud huts and war zones, contracted malaria, and donned a panda suit — keeping true to her belief in the importance of “living the story.” In 2009, after shooting a powerful story on the transport and release of one of the world’s last northern white rhinos, Ami shifted her focus to today’s most compelling wildlife and environmental stories.

*InStyle Magazine* named Ami one of fifty Badass Women, a series celebrating women who show up, speak up and get things done. She appeared alongside a group of incredible women including Jane Goodall, Christiane Amanpour and Ruth Bader Ginsburg. She has

been named *Magazine Photographer of the Year* in the International Photographer of the Year prize, received the Daniel Pearl Award for Outstanding Reporting and named *Magazine Photographer of the Year* by the National Press Photographers Association, among others. She is a six-time recipient of World Press Photos, including first prize for her 2018 *National Geographic Magazine* story about a community in Kenya protecting elephants.

Ami recently published a best-selling book, *Panda Love*, on the secret lives of pandas. She was the subject of the Mission Cover Shot series on the National Geographic Channel as well as another documentary series featuring Madagascar (*Over the Islands of Africa*). She lectures for the National Geographic LIVE series, and she frequently gives workshops throughout the Americas, Europe and Asia. She is also the founder of Vital Impacts, a non profit that supports community-oriented organizations dedicated to protecting habitats and wildlife.

Ami’s photographs have been commissioned by nearly every international publication and exhibited around the world in museums and galleries. She is a founding member of Ripple Effect Images, an organization of renowned female scientists, writers, photographers and filmmakers working together to create powerful and persuasive stories that shed light on the hardships women in developing countries face and the programs that can help them. Ami is also the chair of the Photographers Advisory Board for *National Geographic* and is on the Photojournalism Advisory Council for The Alexia Grants.

# ABOUT THE LEAD AUTHORS

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 **DIANE GILHOOLEY**  
Global Co-Head of ESG and Global Head of the  
Employment, Labor and Pensions practice

## Eversheds Sutherland

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Diane and the team of Eversheds Sutherland ESG lawyers work together globally around climate change and related social issues for businesses, helping to ensure clients are up to date with regulatory requirements and advising on effective governance arrangements.

The ESG team has worked on some of the largest and most innovative projects and transactions of their kind in mature and emerging markets. Increasingly, the Eversheds Sutherland ESG team is helping organizations create climate road maps aligned with reporting compliance, and procuring and implementing zero carbon solutions.

Diane has particular expertise in human rights and labor standards, health and safety, organization and culture change.



 **HERBERT SHORT**  
Global Co-Head of ESG, Head of Debt Capital  
Markets and International Partner

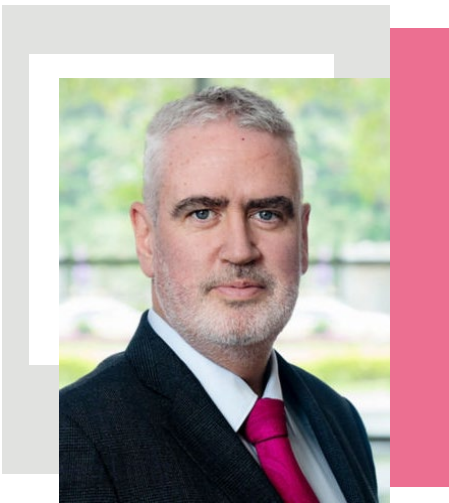
## Eversheds Sutherland

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Herbert co-leads Eversheds Sutherland's global ESG service offerings, working with attorneys worldwide to support clients with their decarbonization strategies, social capital issues, and governance and ethics frameworks.

With more than three decades of experience, Herbert Short has developed a deep and broad practice representing energy and financial services companies in connection with a myriad of capital markets, corporate and transactional matters with an emphasis on sustainable finance.

As an Eversheds Sutherland International Partner, Herbert works with colleagues across the globe to serve the firm's global priority clients. He also has a lead role in implementing and overseeing the firm's initiatives for its global sector groups. Prior to his international role, Herbert served as the Global Co-Head of Energy (2009-2021), successfully leading the group and its clients through significant transitions in the market, growing the group's suite of services, and expanding into new cities.



## MIKE HAYES

Global Head of Climate Change and Decarbonization, KPMG IMPACT and Global Head of Renewables

### KPMG International

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Mike has been involved in the global renewables business at KPMG for 20 years, and over the last eight years he has built a business focused on helping clients address climate change and decarbonization. Mike advises international asset managers, developers, corporates and utilities, and he helps them provision services for climate risk management, net zero pathways, corporate PPAs, carbon accounting and green finance.

As part of his passionate commitment to sustainable energy and climate innovation, Mike also leads a KPMG team collaborating with the World Economic Forum on this agenda. The combined effort produced several unique propositions to support sustainable innovation financing.



## SOPHIE HEADING

Global Geopolitics Lead, Global Clients and Markets

### KPMG International

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Sophie leads KPMG's efforts globally to help companies and governments deal with today's geopolitical challenges, including the politics of climate change. By joining the dots between the macro political trends and pressing challenges in different sectors, she helps identify the "now what" of geopolitics for global businesses through strategic scenario planning, due diligence and geopolitical risk management.

Sophie has an academic background in law and economics and is trained in behavioral science, specializing in organizational trust. She previously worked in KPMG Australia's management consulting practice, advising on public sector policy and administration at a local, state and national level of government.

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# INTRODUCTION

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“Climate change and corporate value,” the first C-suite survey and report published in 2020, discussed a changing landscape within the world’s leading companies. With external and internal stakeholders steadily increasing the pressure on corporate leaders to implement decarbonization or specific net zero strategies, climate change had finally become an important boardroom topic, with most companies treating climate risk as a serious business and financial issue. Last year’s report also indicated organizations were focusing more on social issues associated with climate risk.

**However, it also showed that the involvement of the people factor was an underreported dimension to the global climate challenge.**

Of the four key pillars of action in the fight against climate change, three of them — *mobilization of capital, innovation and technology, and policy and regulation* — are well understood and form the core of the global climate narrative. In fact, all three are featured prominently at COP26 in Glasgow.

Equal attention should also be given to the fourth pillar, *people and human capital*. The reality is that having sufficient capital, the right policy environment and the right technology solutions are not enough. For all of the various climate commitments corporations have made, they will likely find it challenging — if not impossible — to reach their goals without taking human action properly into account.

**Therefore, the people factor is the focus of this report.**

The focus of the survey and this report is on people in corporate organizations as the great majority of carbon emissions come from such organizations<sup>1</sup>. It includes a survey of more than 1,000 C-suite and board-level executives at global corporations across multiple geographies and industries and interviews with a number of leading voices in this area to gain deeper insights. The focus is on the people working in those organizations across the world and how employees are factored into decarbonization plans.

This report splits the findings into four sections. First, it examines climate change in the boardroom, including key issues for directors and senior management. It then looks at the potential impact of the climate agenda on employees, from reskilling and retraining to potential displacement. The third section uncovers sector-specific findings. And lastly, the report examines employee engagement as a key to delivering on corporate decarbonization objectives.

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<sup>1</sup> Who’s Really Responsible for Climate Change? (January 2, 2020) Harvard Political Review.





**A number of important themes emerged from the survey and interviews.**



**About half of the individuals surveyed said their companies have a clearly defined decarbonization plan in place.** This suggests that the importance of the issue is recognized, while at the same time indicating a substantial gap between ambition and the actions necessary to deliver on those ambitions.



The impact corporations have on communities is important — in fact, this was one of the strongest messages that came through in the survey results. **Executives largely recognize that the corporate response to climate change will inevitably impact all stakeholders:** the workforce, investors, shareholders, customers and the communities in which they live.



**Nearly two-thirds of respondents anticipate some adverse impact from corporate decarbonization efforts on employees.** Many of these believe employees can be retrained and upskilled, however there is also a significant minority for whom the reality is that some positions will become redundant in a low-carbon environment.



The survey also highlighted the importance of meaningful engagement between employer and employee. When it comes to achieving net zero, **employees are not fully utilized, incentivized or otherwise motivated at present.**

**The findings demonstrate that human capital plays an important and complex role in the decarbonization story for companies.**

Companies that can figure out how to successfully harness the energy and passion of all stakeholders, particularly the employee base, will likely have the best chance of successfully transitioning to a net zero world. The hope is that sharing not just the survey results but reflections on what they mean for corporations across all sectors, will help bring the people factor to the forefront of the climate agenda.

# C-SUITE CLIMATE COMPREHENSION

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Across many sectors, the transition to a low-carbon economy will likely result in substantial changes to the way companies do business, from the goods and services they offer, to the way in which they interact with their employees, customers, investors and shareholders. The impact of climate change is expected to affect every facet of the economy.



***“Whether you’re an investor or a global corporate, how you change your approach to business, how you manage your supply chain, how you make calls on large investments... all of these things need to have a climate prism,”*** according to Gerald Butts, Vice Chairman of Eurasia Group. ***“And if they don’t, then you are putting your business at risk.”***

Are executives and directors regularly looking at the world through that climate prism? Predominantly, yes.

## Corporate ambition has grown

Thousands of companies, their owners and employees, and certainly their insurers and investors, have been impacted by climate change already and there is not always an easy rebound back to business as usual.

The survey confirms that **the reality of climate change has finally permeated the mainstream business world.** Business leaders increasingly recognize the real and present danger that climate change poses not only to their business models, but also to the communities in which they operate.

Executives have made great strides toward recognizing climate risk and the need for a greener economy. Most business leaders say they now have plans and people in place to respond to the impact of climate change on their organization. All respondents indicated they had a strategy or plan in place to identify, qualify and report climate risk to the business.

The survey also indicates that **over 40 percent have a net zero or carbon-based target in place.** Given that corporations were reticent to take on such targets only a couple of years ago, this marks a significant C-suite embrace of the net zero phenomenon.



## Executives are more focused on climate risk and disclosure.



Does your company have a strategy or plan to identify, qualify and report climate risk to the business?



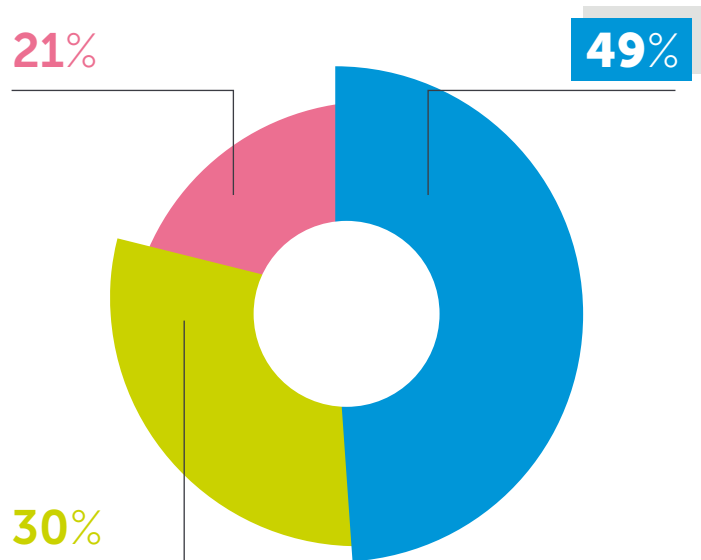
# 10 in 10

respondents have a strategy or plan in place to identify, qualify and report climate risk to the business

## However, only half have established a clearly defined decarbonization plan to date.



Has your business established a clearly defined decarbonization plan involving some form of net zero or carbon-based commitment?



### KEY

- Yes, we have a clearly defined decarbonization plan in place
- Yes, we have a decarbonization plan under active consideration
- Yes, we have a decarbonization plan under early-stage consideration
- No, we do not have a clear plan currently

Source: 2021 Eversheds Sutherland and KPMG Climate Change and The People Factor



***“The momentum around climate change over the past three years has been massive,”*** comments Vicky Bullivant, Group Head of Sustainability at Laing O’Rourke. ***“In the past, it sometimes felt like we were pushing water up a hill, to convince boards and executive leadership that we want to take action. Now, executive teams are hungry for results — it has gone from a role of convincing to one of delivery.”***

Pat Cox, former President of the EU Commission and a former member of the Supervisory Board at Michelin, says. *“Michelin has seen a consecutive run of CEOs who have no shred of climate skepticism, no sense of standing back because it is a nuisance or it’s complicated or it’s expensive,”* he says. *“They decided to go for it — to dive into the deep end of the swimming pool, even if they weren’t quite sure how you get on with swimming at that point.”*

## There is a potential gap between ambition and action

Business leaders increasingly understand that decarbonization demands more than words and a simple tweak to the business model.

Encouragingly, **nearly all respondents (93 percent) recognize that significant changes will be needed to the company’s business model**, all or in part, to deal effectively with climate risk. That’s a bump up from about three-quarters of respondents who indicated the same last year<sup>2</sup>, driven in part by this heightened attention to climate-related disruption and the realization that no organization is safe from the effects.

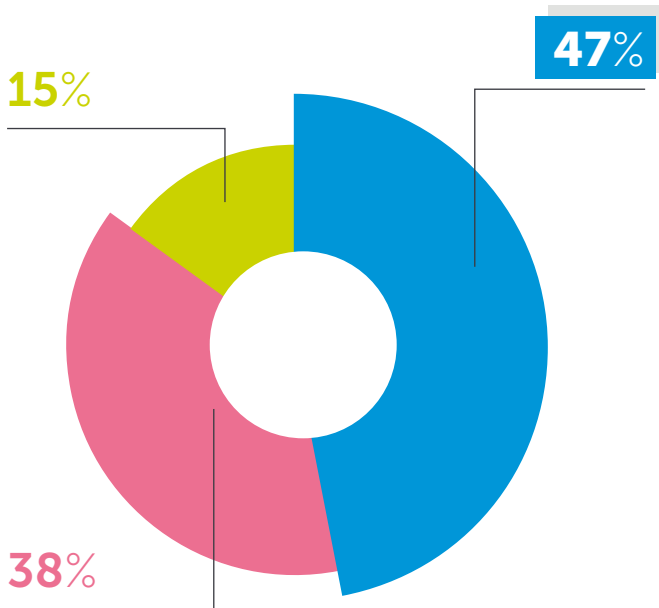
However, there can be a vast gap between corporate ambition and actually achieving it. Less than half of the organizations surveyed have a clearly defined decarbonization plan in place — interestingly, a significant drop from the three-quarters (73 percent) of respondents last year who said they had a strategy and targets in place to decarbonize their businesses. Many seem stuck, realizing that **delivering on net zero targets is perhaps more difficult than expected**, especially given that technology solutions may be less available, developed or cost-effective than anticipated. Convincing shareholders and other stakeholders that investing in climate risk mitigation will enhance long-term value isn’t always easy either.

Directors and executives should lead the way. At the time of the survey, a further one-third of respondents say they have a decarbonization plan “under active consideration.” That’s an encouraging sign, but one that suggests that a number of companies still have work to do. It may be seen that the proportion of companies that have developed and documented solid strategies to decarbonize rise over the short term as the various pressure points continue to impact corporations. Some of the best strategies are likely to be those which not only map out the path to help minimize emissions from within the business, but also look to address external climate risk factors.

<sup>2</sup> Individual respondents to the survey may have differed between years, and 2020 results were indicative of a smaller sample size (509 respondents).



In terms of climate risk expertise at the board level, which of the following statements best describes your company?



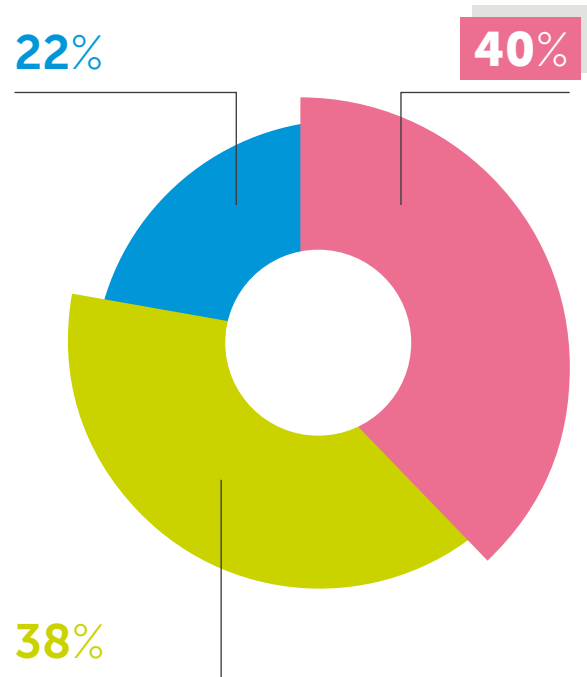
**KEY**

- A climate change expert has been appointed to our board
- An existing board member has been tasked with taking responsibility for climate risk but does not have deep climate risk expertise
- We do not have any climate change experts on our board, but plan to include one or more
- We do not have any climate change experts on our board, nor do we intend to include any

Source: 2021 Eversheds Sutherland and KPMG Climate Change and The People Factor



How well does your board and executive management currently understand the climate-related risks your company faces?



**KEY**

- Does not understand at all
- Does not understand very well
- Average understanding
- Understands reasonably well
- Understands very well

**Less than half of companies surveyed have directors with specific climate risk expertise, while others are looking to add these skills to their boards.**



## Are boardrooms and executives over-confident?

The growing recognition that climate change is a C-suite issue requiring board-level expertise is a welcome development. **All business leaders surveyed recognize the need for enhanced accountability and expertise around climate risk**, and at a minimum, are considering the appointment of directors with responsibility for climate risk to their board.

However, over half of respondents say their companies have not yet appointed a climate change expert to the board. While not defined as such in the survey, this is a professional whose knowledge stretches beyond general risks and possible solutions to including a deeper understanding of specific climate risk and interpretation of relevant data. Another 38 percent have charged existing board members to oversee climate risk — a positive step — but those directors don't have deep prior expertise in the subject.

**This begs the question, could climate risk be a potential boardroom blind spot?** After all, you don't know what you don't know and perceptions of climate readiness could in fact be stemming from a lack of depth in expertise at the board and executive team level.

Only 62 percent of respondents say their board and executive management team understand climate well or very well. That's down by a quarter from last year's survey and is perhaps a reflection that executives better appreciate the sheer size, and complexity, of translating ambition into action than they have in the past.

This also suggests that there are further opportunities for boards to improve the structure of their climate risk approach.

## Climate risk is expected to hit across the board

Corporate leaders are aware of the new climate-related responsibilities starting to fill their plates. According to the survey, **board members, CEOs and most interestingly, the broader C-suite say they feel accountable for climate-related impacts**. Not only do half of all executives surveyed say they expect to manage the physical impact of climate change on their businesses — including disruptions in the supply chain — but 64 percent believe they will be responsible for managing the impact of their business on the environment and on the communities where they operate.

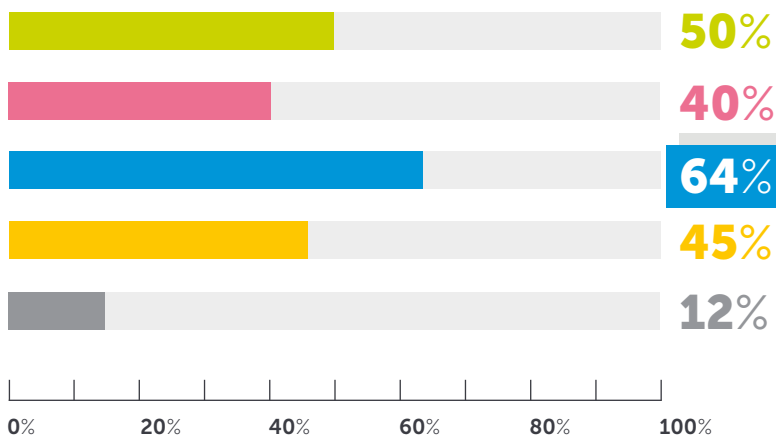
The perceived climate change responsibilities differ somewhat depending on role, survey results suggest. While directors and CEOs feel similar responsibility for managing physical impacts (50 percent) and broader stakeholder impacts (65 percent), a greater proportion of directors expect they will become more accountable for managing transitional risk (43 percent compared to 38 percent of CEOs). In comparison, roughly half of CEOs feel under pressure to successfully adapt their businesses to a low-carbon economy (compared to 43 percent of directors).

With continued demand for climate expertise at the board level and growing executive recognition of the challenges ahead, we believe more companies will be looking to add knowledge they don't currently have, including opportunities to educate themselves and their workforce.

*"We do a lot of work advising boards on how to acquire the skill sets and arrange themselves so that they're executing their fiduciary responsibility,"* comments Butts of Eurasia Group.



Which of the following responsibilities will your role be expected to manage or deliver on over the next three years?

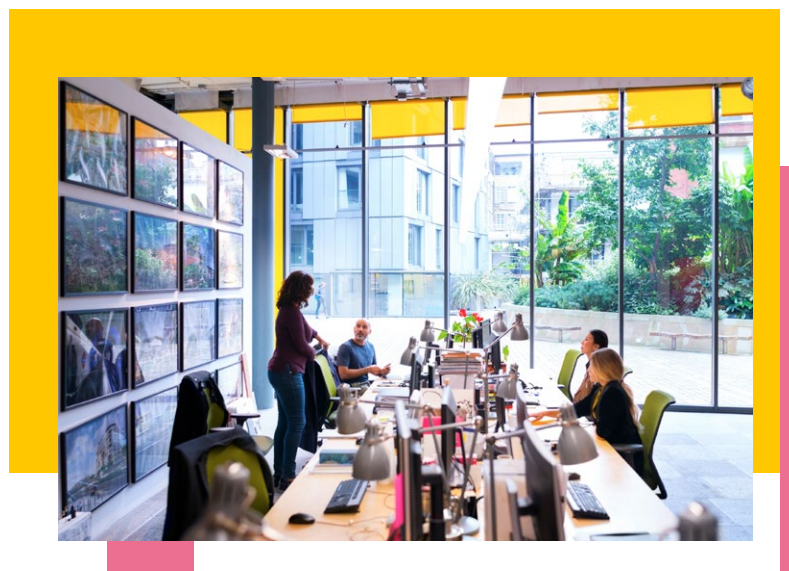


**KEY**

- The physical impacts of climate change on your business including your supply chain and key stakeholders
- The transitional risk of a failure to decarbonize quickly and sufficiently enough for you to retain your key stakeholder engagement such as with investors and customers
- The impact of your business on the environment and communities within which it operates
- Successfully adapt your business to a low-carbon economy
- No changes to my role will be needed over the next three years to adapt to climate change or a decarbonized economy

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

**Executives see their role in managing climate impacts expanding over the next three years.**



## Privately-held companies are not immune

Interestingly, executives at publicly traded companies are slightly more confident about their understanding of climate risk, even though their organizations have similar levels of expertise and planning relative to privately-held companies.

Much of the corporate decarbonization story to date has been focused on large public companies. Greater transparency over climate-related risk is increasingly regulated for these organizations. They've also had to interact with institutional investors, who themselves are challenged on their green investment policies.

However, private company leaders shouldn't have a false sense that they are immune from the same pressure. More governments and regulatory bodies are extending climate and other non-financial reporting requirements, such as the Corporate Sustainability Reporting Directive, and corporate governance principles (which include reference to climate change issues), to large private companies in some jurisdictions.

Moreover, **as public companies strive to meet net zero commitments, they will likely look to reduce emissions along their value chain, which inevitably includes private entities that should also reduce emissions or risk losing customers.** Both consumer-facing and B2B private companies must meet growing customer demands for greener goods and services.



**"Clients and markets are driving this change in privately-held companies,"** says Bullivant of Laing O'Rourke. **"All are calling for zero-carbon goals and as a business, we need to respond."**



### Has your business established a clearly defined decarbonization plan involving some form of net zero or carbon-based commitment?

#### Public



believe they understand climate risk well or very well



have appointed a climate expert to the board



have a clearly defined decarbonization plan in place

#### Private



believe they understand climate risk well or very well



have appointed a climate expert to their boards



have a clearly defined decarbonization plan in place



## The Eversheds Sutherland and KPMG viewpoint

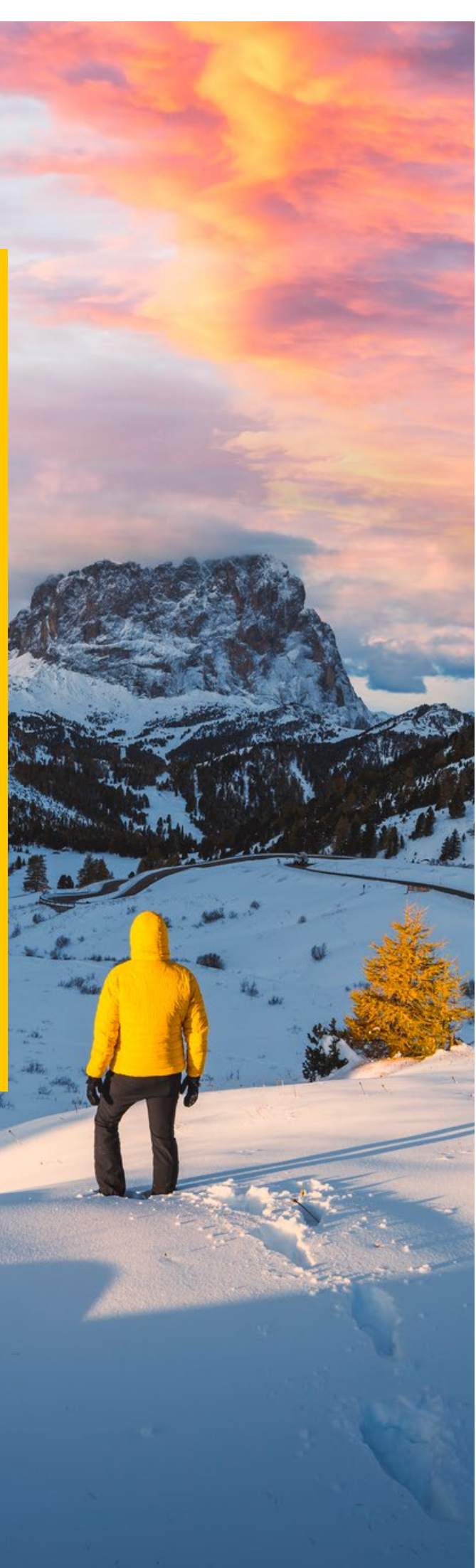


Climate change risk has become a fiduciary oversight responsibility for corporate boards — and directors should consider this risk to serve their stakeholders well.

Not every company has taken that tack, at least not yet, according to the survey results. Many directors charged with overseeing climate risk don't necessarily have the backgrounds necessary to guide management — they're simply taking on another role. Attracting and appointing a serious expert should be the first order of business, understanding that it can take time to find the right fit among an unfortunately small pool of seasoned candidates.

Second, climate risk and strategy should become a regular report to the board of directors. As the entire board becomes familiar with the areas of the company potentially impacted by climate, they will likely be better positioned to evaluate risk and opportunity across the entire enterprise.

Lastly, this is a chance to break down hierarchies between leaders and employees. The climate challenge is so new that tenure and experience in the business world matter comparatively less than bringing together diverse perspectives. There has been a rise in "climate councils" that convene employees of all levels and generations. These forums empower individuals to take on the climate challenge, and by cutting across the superstructure of these organizations, can result in greater levels of innovation.



# THE PEOPLE FACTORS

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The stranded assets of the green transition may not be localized to physical and natural capital — the fossil fuel reserves that are left in the ground, the coal mines and power plants that close, or even the infrastructure and crops that take the full force of the changing climate. It will also impact people.

The survey results confirm executives understand that **climate change and their transition to net zero will affect their human assets — their employees.** But the people impact will vary, and at the current stage of the journey to net zero, the full impact may be difficult to anticipate and quantify.

Much like the “gales of creative destruction” that have come before it, the concern is not whether more jobs will be created than are lost, but rather, the risk that the transition is unequal, and that some people and communities could be left behind. This is clearly a very significant issue for companies, particularly as many respondents confirmed that the impact of their organization’s activities on society and communities is a priority issue. Companies will want to consider how their **decarbonization plans can likely be implemented in a sensitive and equitable manner.**



***“The green transition for the mining sector is a nuanced story. The transition risk is huge for some commodities, but in many cases, the energy transition is providing a strong tailwind for the industry’s products and services,”*** comments Rohitesh Dhawan, CEO of the International Council on Mining and Metals. ***“The coal sector has been a huge source of employment, particularly in emerging markets. There is a real concern that if this transition is too quick or not well thought through, people would really lose out. And if you take away jobs, you are also taking away the main mechanism by which the mining sector communicates its value to the local community. Yet at the same time, for most of the industry, the green transition is a very positive story — it is one of job creation.”***

## Most executives agree that the corporate decarbonization journey will impact employees.

### Decarbonization may come at a social cost

From a climate change perspective, companies should pursue net zero strategies and decarbonize as quickly as possible. For many sectors, those strategies will likely impact a significant number of employees, and not all in a positive way. Those effects could ripple through the communities where they live.

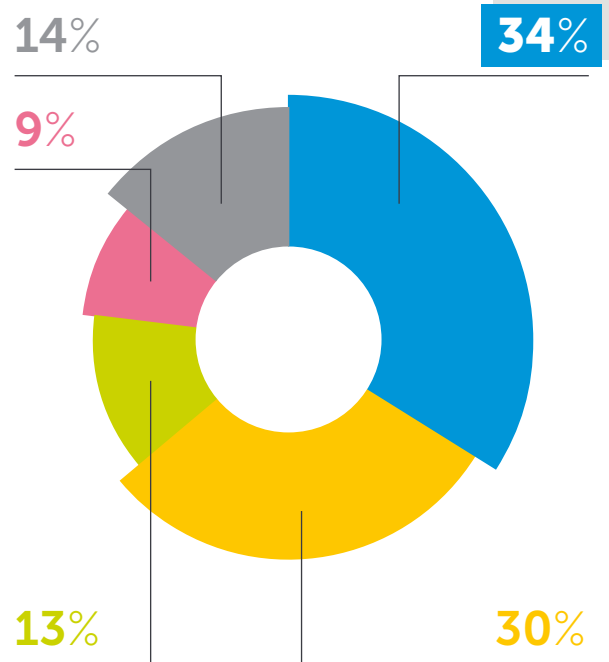
The survey clearly showed that the journey to net zero will disrupt the labor market — **nearly two-thirds of executives surveyed indicated that they expect some adverse impact on the workforce due to decarbonization.** That includes nearly a full third of respondents who anticipated some job redundancies as part of their transition to a low-carbon organization. Only a minority of respondents foresee a positive impact on the workforce.

It is also clear that digitalization will play a much bigger role in this new economy. While in many cases these technologies may be contributing to positive societal outcomes — for example, improved health and safety outcomes in underground mining or on construction sites — it is also contributing to the displacement of the workforce.

Reflective of the transition itself, this impact will vary significantly by sector and geography and is likely to take place gradually over a period of years. Some executives foresee a measured and managed transition, with one-third of executives preparing to retrain and upskill employees for new jobs and responsibilities — a positive outcome for both employer and employee.



How do you believe people in your organization will be impacted by your organization's decarbonization journey?



#### KEY

- There may be some adverse impacts but these employees will be retrained and upskilled
- Inevitably some positions will become redundant in a low-carbon organization resulting in job losses
- Some employees will resist change and will seek new employment
- No material impact on employees is anticipated
- There will be positive impacts for employees

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

Looking a little deeper into global differences, survey respondents from North America are in general more optimistic about the potential impact, with 34 percent expecting positive or no material impact on employees from their organizations moving toward decarbonization, perhaps explaining the relatively low percentage who also are looking to offer reskilling for the transition. Respondents from Asia were quite open to reskilling (39 percent), but two in five see job losses or employee attrition. German respondents stood out among others from Europe, with the greatest percentage expecting job losses (45 percent) but also reskilling (51 percent) among any country or region.

Even in sectors where upheaval appears more likely, the energy transition is viewed as a long-term proposition, with an ongoing need for many of the same workers in their current roles for many years to come. There may also be some expectation that certain populations of the workforce where roles may be displaced will simply retire, rather than transition to new roles.

However, adverse impacts from the radical measures needed to achieve a climate-resilient world are more likely to hit the lower socioeconomic end of the workforce. Even though the consequences of climate change are, of course, more expensive in the longer term, this will be a very real cost for an individual to bear in the short term. And even though the climate agenda is certainly a force for positive change in the world, any resulting negative impacts on workforces could contribute to social discontent, for example, as was seen with the 'gilets jaunes' movement in France.



## Is a climate skills crisis coming?

But with significant upheaval also comes opportunity – namely, the exponential demand anticipated for climate-aligned skills and expertise.

Planning for this evolution of labor is already underway. Last year, corporate leaders identified “internal skills shortage” as one of the most challenging barriers to decarbonization. However, **the most recent survey results would suggest that the skills gap is closing**, indicating that executives think their companies are in pretty good shape to take on climate impacts and action. A large majority, 74 percent, think they have the skills and resources to plan and execute their current decarbonization plans.

This may reflect the transferability and applicability of existing technical skillsets to the climate challenge.



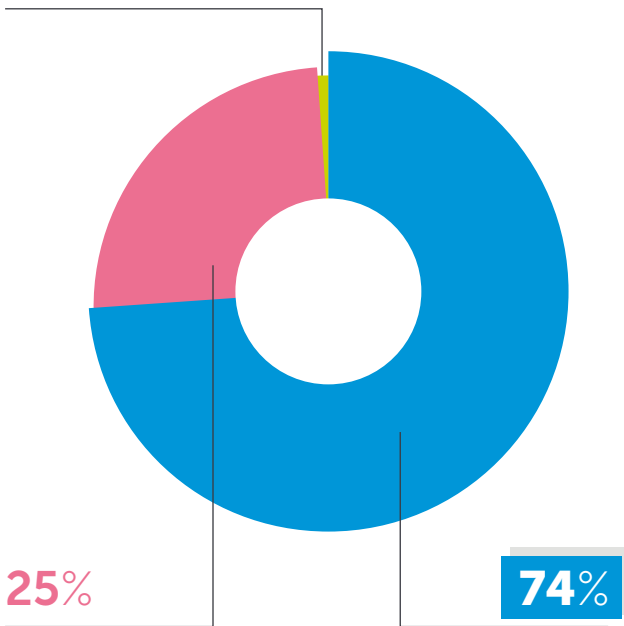
***“The technical skills required to help our industry navigate the transition are not in short supply, because these are similar to those that we’ve always recruited for,”*** says Dhawan of ICMM. ***“Perhaps better trained in climate science than previously, but we have always needed hydrologists and geologists for example.”***

***“There aren’t really ‘green’ skills. New energy infrastructure to enable zero carbon such as nuclear and CCS will still need electricians and mechanical engineers, but these roles will be more digitally enabled,”*** adds Laing O’Rourke’s Bullivant.



To what extent do you agree that your company has the knowledge, resources, skills and expertise to deliver on your current decarbonization plan?

1%



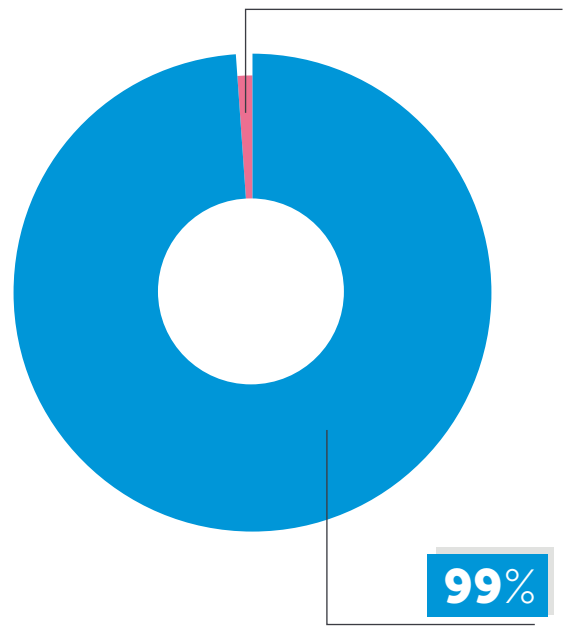
**KEY**

- Agree
- Neutral
- Disagree



To what extent do you agree that your company currently has the knowledge, resources, skills, and expertise in place to develop and deliver on your future decarbonization plan within the next three years?

1%



**KEY**

- Agree
- Neutral
- Disagree

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

**Executives believe they have the internal resources to meet their goals.**

However, as previously mentioned, less than half of companies currently have a clear decarbonization plan in place. As companies become more mature in their thinking around climate change strategy, and move from ambition to action, the process will likely involve more granular identification of the skills that will be required. At that point, the lack of suitably skilled talent in the marketplace to meet corporate needs may become apparent, particularly in the short term, given the timescale needed to hit net zero targets.

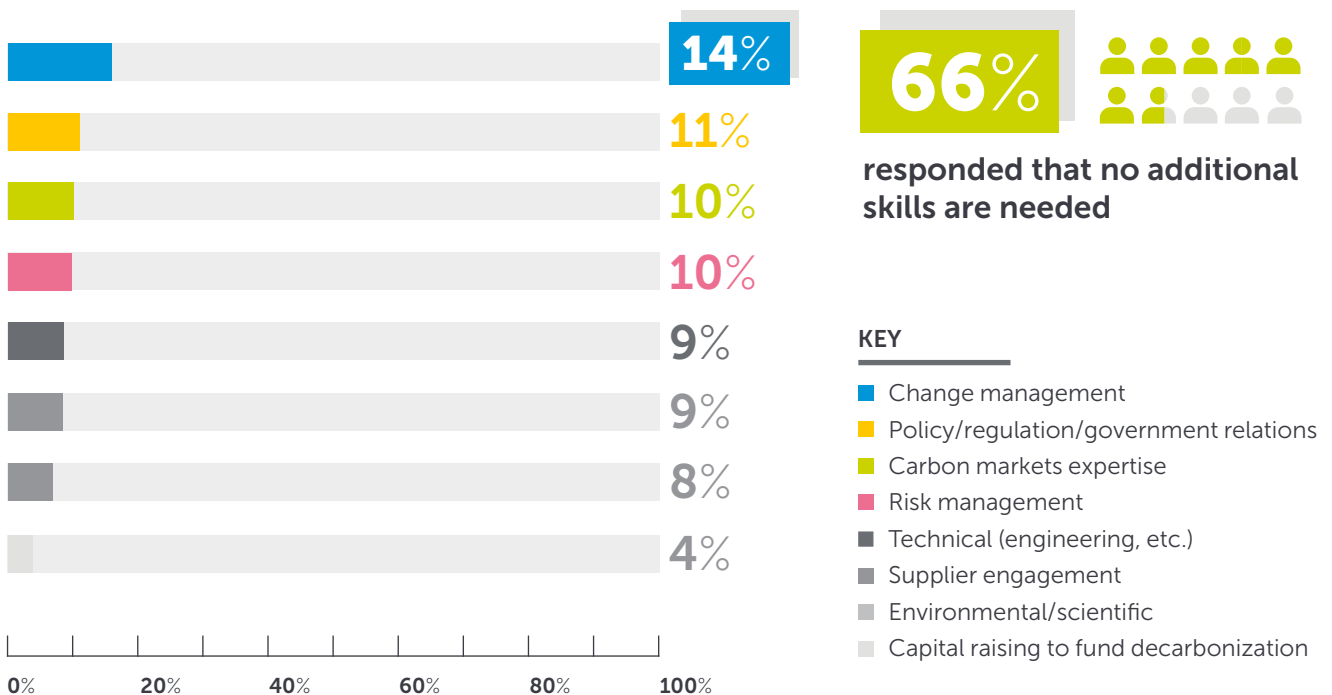
Interestingly, **the survey responses indicate companies recognize they are facing complex business transformations that will require change management expertise** to help employees embrace new business models and responsibilities. Notably, 46 percent of respondents say they anticipate a high level of resistance to the significant business model changes that will be required. When asked which skills their company needs to successfully develop and deliver on its decarbonization strategy, more respondents indicated change management than any other skill.



Dhawan of ICMM agrees and notes that an important aspect is creating the vision for new, commercially viable, sustainable business models. *“How do you get someone to build the new business model for mining in a circular economy<sup>3</sup>? That is not a skill set that is easily replicable nor available. That is where the shortage will be felt, in people that can navigate the climate change challenge in a commercial and managerial sense.”*



**The decarbonization strategy skills needs identified by executives:**



Source: 2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

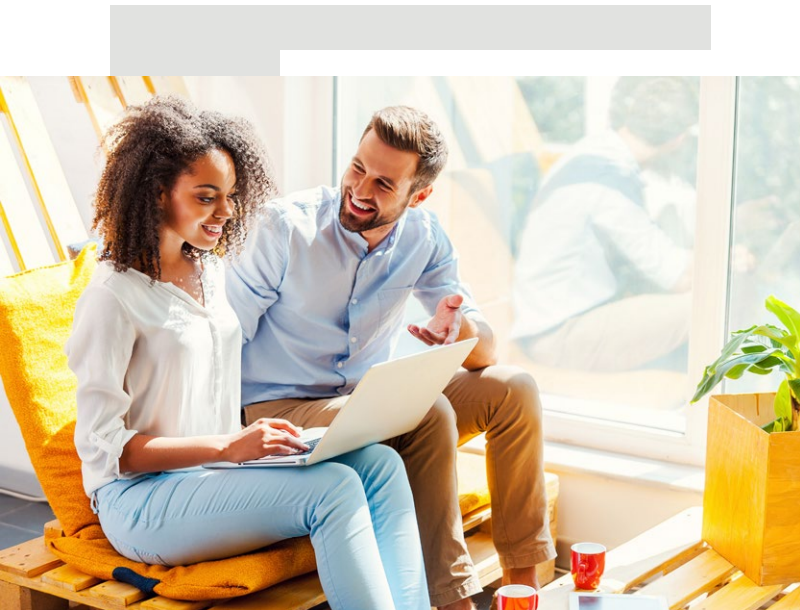
<sup>3</sup> The circular economy is a 'regenerative' model that looks to move from 'linear' input to a 'circular' retention of material through the redesign, reuse, recycling and reprocessing of resources.

## An upskilling agenda is one solution for two challenges

There is one constant in both challenges: learning. The potential scarcity of climate-knowledgeable talent and concerns about the impact of decarbonization on the workforce can both be addressed, at least in part, by retraining and introducing new skills to the current workforce.

Recognizing skills gaps early, engaging with the workforce and collaborating with government bodies, education providers and training establishments to support future needs, is clearly going to be the best strategy in terms of achieving a successful transition.

Among those surveyed who say they are looking to address a skills gap, **the majority would look to upskill or retrain their current workforce**, and nearly one-third would look to recruit. This begs the question, who will educate the workforce?



## Companies are looking inside and outside for talent to address the climate skills gap.

Of those respondents who anticipated a skills shortage:



**More than 9 in 10** plan to upskill or retrain their workforces to meet their needs



**3 in 10** will look to recruit new employees



**Almost 2 in 10** will engage external consultants



**0 in 10** Academic partnerships

Alliances/partnerships/JVs with private or public sector

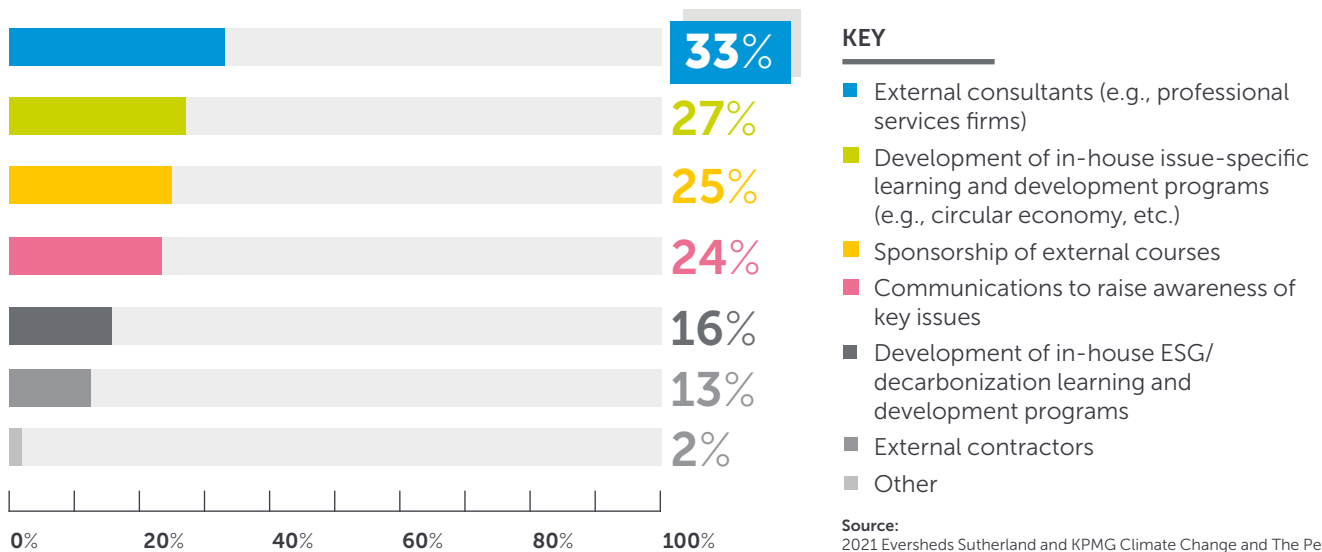
External Contractors

We have no plans to address the skills gap

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor



**Companies are taking multiple paths to upskilling and retraining.  
Of those companies looking to retrain and upskill, it is being done through:**



***“There aren’t enough skills in the market right now, but the focus has to be on training and development in academia, as well as in firms like us training our own people. This is why we’ve partnered with academic organizations on a series of bank-wide training sessions,”*** comments Jason Forrester, Head of Enterprise Risk Management at Standard Chartered. ***“There is a smaller group of people in the organization who are real climate experts, but base understanding has significantly improved across the bank in recent years. Training at all levels is key, right from when people are setting strategy and direction at the top of the organization, and then all the way down through to the people who are doing it on a day to day basis at the local level.”***

Companies are focused on a mix of in-house learning and development programs and external resources, including coursework and contractors. For those organizations looking to upskill and retrain their workforces, the use of consultants, such as professional services firms, was the most popular answer among survey respondents at 33 percent.

One recent development is the emergence of training services specific to climate and decarbonization. The under-reliance on more traditional forms of education is reflective of the radical changes that are taking place more broadly within higher learning<sup>4</sup>. A more flexible approach to training could be of particular benefit for those employees displaced by the upheaval, as well as to underpin climate upskilling on a broad scale and accelerated timeframe, including:

- ✓ **Borderless learning** — more competitive programs offered globally, sharing learnings from multiple jurisdictions;
- ✓ **Shorter courses and degrees** — with micro-credentialing offered in a range of related courses such as circular economy; and
- ✓ **Experiential and lifelong learning** — reliance on work-integrated learning, often with adult learners older than the typical graduate.

Yet at the same time, **climate risk should become business-as-usual for universities.**

*“Probably a half-dozen business schools seem to have really gotten it,”* Butts from Eurasia Group says, *“but it’s still kind of an exotic animal. I don’t think it will be for much longer; it’s taken way too long for climate to become injected into the mainstream of business and finance education.”*

<sup>4</sup> [‘The future of higher education in a disruptive world’ \(2020\) KPMG International.](#)



## The Eversheds Sutherland and KPMG viewpoint



The reality of transitioning to a global, low-carbon economy is becoming very real across the world. This is a once-in-a-lifetime transition, and it may have unwelcome implications for some employees, and their broader communities.

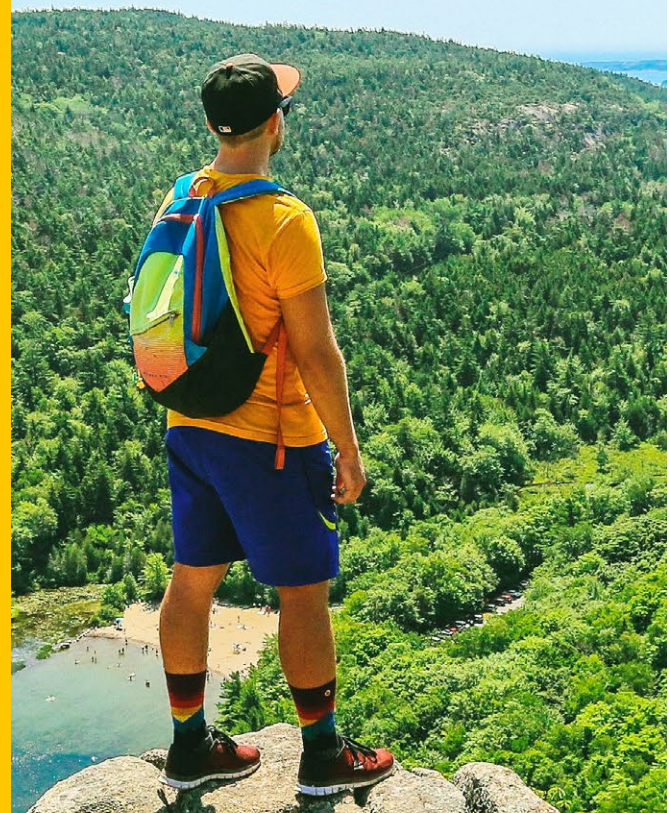
There is already pushback against the green revolution because of high energy prices, which is partially fueled by higher carbon taxes, and the overall cost of decarbonization is a hot topic in the current agenda — and rightly so.

There will likely be a people impact on the climate transition. It may not be easy to retrain and reskill every person to become an integral part of this new low-carbon world. There are many employees working in transitioning industries that do not deny the reality of climate change, but fear for their future in the transition to a net zero world.

It is very clear from the survey results that corporates around the world will make a real effort to upskill and retrain, but there will be limits to this. They should avoid a disconnect between displaced employees and disgruntled communities, at the same time that they may face a potential lack of resources and expertise to help transition to a net zero future.

Corporates may not be the sole solution. Governments and educational institutions should recognize this reality and consider wholesale re-education and retraining of parts of the workforce. Cooperation among businesses, training providers and governments could significantly advance that ambition.

Companies can only truly realize their net zero ambitions if targets are reached in an inclusive manner.



# SECTOR PERSPECTIVES

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Climate change may impact each industry differently, and executives will likely face distinctive hurdles on the road to net zero.



***“We are moving from a world reliant on the carbon molecule to one based on the renewable electron. If you accept that macro conclusion, it becomes a question of how is that transition going to accelerate — for which sectors, in which geographies, over what time period?”*** comments Butts from Eurasia Group. ***“If you believe that transition is happening with a high degree of conviction, then you have to bet on those that are getting with the program sooner.”***

While the following results may not be entirely representative of companies within a sector given comparatively small sample sizes, survey results suggest that some sectors are leading the way.



## Technology, media and telecoms

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As the technology, media and telecoms (TMT)<sup>5</sup> sectors all have a strong focus on consumers, it is not surprising that respondents in those TMT industries are heavily focused on the impact of their businesses on the environment and the communities in which they operate (96 percent). The war for talent in the technology sector and a desire to be the leading brand for customers **has required the industry to be an early adopter on issues of social concern**. We’ve seen this, for example, with employee activism within organizations when their own staff have judged them to be lagging behind or behaving inappropriately, particularly in relation to certain ethical and environmental issues.

*“Technology companies have been listening and adapting to this change in consumer and employee expectation, including how they nuance their positive focus on climate change within their marketing and how they drive this ESG focus down into their supply chain,”* says Charlotte Walker-Osborn, Partner and international Head of Eversheds Sutherland’s Technology Sector and International Head of Artificial intelligence.

A number of the global tech giants are now among the leaders in seeking to set the high bar in what is a continually evolving climate agenda, pushing both for net negative targets and restorative ambitions. Even so, less than half (46 percent) of respondents in these industries indicated that they have a clearly defined decarbonization plan in place.

<sup>5</sup> Of the total TMT respondents, approximately 18% were in technology (n=16), 22% in media (n=20) and 60% in telecommunications (n=53).



*“Delaying action on decarbonization will likely only create headwinds in the cost of capital, war for talent, access to inputs and consumer confidence,”* comments Alex Holt, Global Head of Technology, Media and Telecommunications, KPMG International. *“But measuring and mitigating emissions can be a real challenge given existing business models. Tech companies tend to have complex decentralized footprints and supply chains that can mean their decarbonization strategies are highly reliant on third parties.”*

Walker-Osborn agrees: *“The pivot to remote working, caused by the pandemic, has brought further complexity as to how companies track their internal impact on the climate. In terms of traceability, throughout 2021, there has been a noticeable trend in tech companies substantially increasing their focus on and due diligence of the ESG credentials and track record of their supply chain/subcontractors in order that the TMT companies can drive end-to-end change as far as possible.”*

While a number of these TMT companies continue to take advantage of offsetting to help compensate for greenhouse gas (GHG) emissions, it is an encouraging sign that many are driving forward clean energy projects. This includes a strong focus on data centers, which can consume large amounts of energy — in fact, one of the global tech giants has pioneered research and innovation in this field, through the use of underwater data centers.

*“Of course, technology, in many ways, can also be seen as the ‘savior’ of climate change,”* says Holt. *“The tech industry is primed to reclaim first-mover status by taking advantage of its resources and influence in the global fight against climate change, and can be a positive model for change.”*

The transition to a global green economy is certainly providing significant tailwinds to the digitalization agenda. Walker-Osborn comments, *“Certain technology and telecommunications-based products and services have huge potential benefit in terms of reducing energy and the carbon footprint of workforces, including home-working solutions, superfast broadband and smart technology, artificial intelligence and quantum computing.”*

Providing technology which aids this is now central to many of these companies’ strategies, both to transition towards a low-carbon business model but also to drive future growth. *“ESG considerations have started to impact valuation of TMT (and other) businesses to a much greater degree,”* says Walker-Osborn. *“And this is undoubtedly driving this board-level focus and governance along with legislative change and stakeholder interest within these sectors.”*





## Financial services

The survey showed that financial services (including real estate, insurance, asset management and banking<sup>6</sup>) companies were the most confident that they had the skills and resources in place to deliver on decarbonization agendas. Respondents from the sector indicated that there are opportunities for growth in terms of strengthening board expertise and planning regarding decarbonization: 41 percent say they have a clear decarbonization plan to follow, but only 19 percent have appointed a climate expert to their boards.

*“Financial services finds itself firmly in the crosshairs when it comes to ESG,” says Matthew Allen, Global Head of Financial Services at Eversheds Sutherland. “On the one hand, there are enormous opportunities. The journey to zero carbon requires a huge amount of private sector investment, and banks, asset managers and alternative sources of private capital each have a crucial role to play.”*

*“However, significant risks remain,” he continues. “Financial services firms are under intense pressure to ensure their financial and product disclosures are accurate, and to avoid the specter of litigation or regulatory enforcement for ‘greenwashing.’ The pressure to withdraw from financing economic activity perceived as running counter to the sustainability agenda is also building, with boards making ESG promises to shareholders which the often-opaque supply chains of their customers and clients may not ultimately sustain.”*

Forrester of Standard Chartered agrees, *“I can certainly see as a risk manager that the level and the amount of debate we have around green and brown clients at our reputational risk committees, group risk committees, and even our board risk committees is significantly higher than it was. The bar is higher for clients that two or three years ago we would have accepted.”*

**19%**



**of financial services organizations confirmed that they had appointed a climate change expert to their board**

**41%**



**of financial services respondents confirmed they had a decarbonization plan in place**

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

However, he also raised the **ongoing challenge of data accuracy and transparency**. *“We’ve looked at climate and we’ve been through the Bank of England stress test, and one of the big things we’ve seen is that there isn’t a lot of great data out there across all client types or markets for us to accurately monitor and track climate risks. There’s no clear standard definition, it really is a risk type in its infancy.”*

However, the importance of taking action on both climate and social issues is otherwise well recognized within the sector. The survey shows that only one in 10 respondents from these industries (11 percent) rank profit to be more important than other values and objectives — encouragingly, profit was seen to be as important as purpose by the largest share (46 percent). The survey also suggests that financial services companies are firmly focused on the impact of their businesses on the environment and communities in which they operate (57 percent), compared to transitional risk (17 percent) or physical impacts to their own business (16 percent).

*“The days of evaluating companies simply on their growth and profits are over,” says Judd Caplain, Global Head of Financial Services, KPMG International. “Investors, regulators and customers are becoming more climate-savvy and are evaluating these firms through this climate prism, and that is forcing a massive change in the way that financial services organizations operate and compete.”*

<sup>6</sup> Of the total financial services respondents, approximately 16% were in asset management (n=29), 26% in banking (n=48), 30% in insurance (n=54), and 28% in real estate (n=51).



## Energy and natural resources

On the frontline in the transition to a greener economy, the energy industry is performing in line with the average across all sectors — less than half of energy respondents, 48 percent, have appointed a climate change expert to the board, and around half have a clearly defined decarbonization plan.

*“Energy industry executives are aware of how important their sector is to the global decarbonization agenda and they are taking steps to move their sector more fully into the transition,”* says Dorothy Black Franzoni, Co-Chair of Eversheds Sutherland’s Global Clean Energy Team. *“This is evidenced by the number of green power majors that are coming to the forefront, including a few oil and gas majors that are transitioning their business towards renewables and a low-carbon strategy. Continued investor pressure, regulatory and government oversight, employee and customer demands and advancements in technologies like carbon capture and hydrogen will only continue to drive the momentum for change in the energy sector.”*

When it comes to climate risk, executives from the energy and natural resources sector (ENR<sup>7</sup>) are almost equally focused on the physical impact to their businesses and transitional risks (55 percent respectively) as they are on their company’s environmental and community impact (53 percent). Unsurprisingly, **technical skills to manage climate change and carbon markets expertise are in the most demand**, with more than one in 10 ENR executives (14 percent) indicating that their companies needed to add these skills to successfully deliver on their decarbonization strategies.

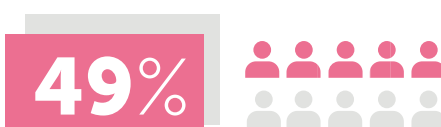
Mirroring the technology sector, the natural resources industry was one of the leaders (63 percent) among the sectors surveyed in appointing climate change expertise to the board.

*“The supply of clean energy relies on mined natural resources, so the transition to a greener economy is as much an opportunity as it is a threat,”* comments Trevor Hart, Global Mining Leader, KPMG International. *“Mined materials enable the production of existing green technologies, as well as the development of new ones to address the urgency of climate change. But the sector remains very competitive for capital, and you can see a distinct bias favoring those with stronger environmental and social governance.”*

For ICMM’s Dhawan, there is a need to attract leaders to the mining sector who can bring outside perspectives in. *“Traditionally, this industry has not been not effective at creating those spaces for outside voices to be heard. The industry could be talking to itself, saying, ‘we’re so critical to the transition, nothing happens without us.’ But you need the appreciation for how the world might see you; you need to get a really good understanding of the issues that society cares about.”*



**of ENR organizations confirmed that they had appointed a climate change expert to their board**



**of ENR respondents confirmed that they had a clearly defined decarbonization plan**

<sup>7</sup> Of the total ENR respondents, approximately 69% were in energy (n=121) and 31% in natural resources (n=54).

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor



## Infrastructure and transport

Respondents within the infrastructure and transport sector<sup>8</sup> are among the most optimistic about the potential disruption that the green transition could have on their workforces. Nearly three-quarters of respondents indicated that no additional skills are needed to deliver on decarbonization strategies, and only one-quarter felt that the transition would result in job losses.

Where additional skills are required, respondents in these industries are seeking a blend of technical and environmental expertise, alongside core business skills such as supplier engagement and government relations. Climate-specific regulatory expertise is prized among executives who are trying to manage macro-challenges associated with multinational exposure to physical and transition risks. For example, although the transport industry tends to be regulated by 'proxy' — via the regulation of upstream and downstream industries and customers — the variety of local regulations and different localized effects for communities, governments and ecosystems can be challenging to navigate.

This is particularly the case for the infrastructure and transport sector, which can be considered integral parts of broader economic ecosystems — including electricity and utilities, thus rendering their climate resilience a determinant of overall system resilience.

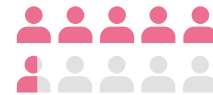
<sup>8</sup> Of the total infrastructure and transport respondents, approximately 51% were in infrastructure (n=87) and 49% in transport and logistics (n=85).

58%



**of Infrastructure and Transport respondents confirmed that they had appointed a climate change expert to their board**

56%



**of Infrastructure and Transport respondents confirmed that they had a clearly defined decarbonization plan in place**

**Source:**  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

*“Transforming our infrastructure and transport assets towards climate resilience is a joint challenge for private companies, consumers and the public sector,” says Steffen Wagner, Global Head of Transport and Logistics, KPMG International. “While behavioral changes by consumers are part of the equation, it is the public sector’s responsibility to establish regulatory and technological frameworks to facilitate change in asset-heavy industries and enable companies with incentives to retrofit and adapt to changing circumstances.”*

The survey suggests that **climate risks tend to weigh more heavily in investment decisions for hard assets**. Unsurprisingly, more than half of respondents within infrastructure and transport, 56 percent, define climate risk as physical impact — more than any other sector excluding industrial manufacturing (64 percent). These executives were also the most likely to include climate risk in their investment decisions, with the majority incorporating it in either due diligence (64 percent) or discounted cash flows (53 percent).



*"We can predict, to an extent, the physical manifestations of climate change," adds Butts from Eurasia Group. "But the unknown variable is time — what will the world look like over the next two business cycles, let alone five or six, and even more uncertain, what is the rate at which public policy around the world is going to respond to these challenges. How soon will the low-carbon economy be regulated, rather than invested, into existence?"*



# THE POWER OF THE INDIVIDUAL

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The wholesale transformation of business models in the timescales companies are facing will likely require much more than just the right skills and expertise. Every employee has a role to play in the transition towards net zero.

The prevailing view from the survey was that **workforces may be resistant to the necessary change**, with 46 percent indicating they expect a high level of resistance, and most expecting at least some opposition. Respondents from European companies are most likely to believe their companies have the right climate change knowledge and skills to deliver on their decarbonization plan (77 percent), however they still believe their efforts will be met with strong resistance from their employees (51 percent). These results underscore the human capital challenges of implementing decarbonization plans.

However, employee action is also driving the required change, with the war on talent meaning that organizations are frequently being asked about their decarbonization plans before a prospective employee decides if they are an organization they want to work with.

This shows the wider opportunity that exists for employees to help to enact change and reveals the positive impact that could come if organizations are able to further engage employees in driving decarbonization plans going forward. In fact, companies have a range of tools — beyond upskilling — to unlock the people power necessary for such a radical transformation, ramp up quickly and ultimately transition to what should become net zero business as usual.

## Has climate action been appropriately incentivized across the business?


Employees should be appropriately incentivized to support the transformation of a company to a low-carbon business model — particularly given perceived levels of resistance and the potential impacts to the workforce.



***“Today’s business leaders need to think about how the climate is going to change over the next 25 to 30 years,”*** explains Butts from Eurasia Group. ***“Early in my career, the main explanation for inaction was ‘why should I care about something that is going to happen 20 years from now?’ Here we are now, and we are badly prepared for it. I am a big believer in the efficiency of market forces to deliver change, but only if the incentive structures are right. I don’t think we are there yet, and it is about more than just the C-Suite level.”***





  
**3 in 10**

individual KPIs (e.g. updated performance management framework, accountability included in position descriptions, etc.)

  
**0 in 10**

have implemented individual remuneration incentives, team remuneration incentives, and team KPIs

**Source:**  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

Decarbonization incentive structures would likely benefit from a longer time horizon and a deeper reach, from the top of the organization to individual employees. ICMM's Dhawan agrees: *"It would be crazy not to use such a proven method on an issue this important. Almost every mining professional's compensation is tied to their performance on production safety, and it has shown that if these KPIs are designed appropriately, they can be really effective."*

However, tying longer-term climate ambition to the KPIs of the broader workforce is reliant on clear, credible and measurable interim targets. The **concept of setting interim targets has gained popularity**, particularly since a recent Intergovernmental Panel on Climate Change (IPCC) report warned that global warming would likely increase to 1.5 degrees Celsius by (or soon after) 2030.

Encouragingly, a sizeable percentage of respondents (46 percent) indicated they have created a timetable of interim targets that need to be met prior to reaching their ultimate decarbonization goal. Dhawan adds, *"It is a way to hold ourselves and our current leaders to account, rather than kicking the can down the road to future leaders that would have to make those hard decisions."*

Leading by example, including linking director remuneration to performance in decarbonization efforts, can be a compelling message for the workforce. The survey shows that 82 percent of respondents report that there are remuneration incentives in place for board directors to achieve decarbonization targets. *"We have introduced a variable pay element in the bonus structure related to our environmental footprint,"* Pat Cox says. *"Plantwide was not enough — it had to be applied right across the group. It is about the cultural shift needed to adopt this, rather than being some externally imposed requirement."*

However, links to remuneration for the rest of the workforce are not being utilized and **less than one-third have established individual KPIs tied to decarbonization**. This in part could reflect another finding in the survey that indicates that a large majority (83 percent) of these incentives are linked to the implementation of specific solutions, rather than to GHG reductions or specific net zero targets and timelines. Such a link may be hard to translate to individual and even team KPIs, particularly if solutions are not directly relevant to those employees.

*"Through enterprise risk management and our wider sustainability agenda, we aim to develop actionable plans as part of the overarching strategy, and that certainly involves some target objectives, KPIs, which then are owned by certain divisions, individuals or indeed the organization as a whole,"* says Jim Seward, Senior Vice President of Research & Development, Technology & Sustainability for LyondellBasell. *"There is a direct link between performance and the objectives you're trying to achieve, and those objectives now include sustainability and climate matters."*

## Upskilling and KPIs are only part of the answer

Human decision-making is not always rational. Even when they have the right ambitions in mind, they can easily be influenced by the latent biases that decision-making is subject to. **They may want to take action against climate change, but the determination to do so may be lacking**, or they may intend to include climate impacts in their decision-making, but make a less-rational choice due to the way the information is framed or due to a lack of information and certainty.

There are numerous practical tools that employers can adopt to encourage the further behavioral change needed to address climate change. This is not about forcing individuals to take a specific action — these approaches look to ‘debias’ situations to allow individuals to rationally achieve their preferred outcome, whatever that may be. For example, something as simple as the use of green sticker footprints to highlight the location of bins has been shown to lead to a stunning 46 percent drop in street litter<sup>9</sup>.



## Employees are encouraged to contribute to their company’s decarbonization agenda through various initiatives.

### Signals to encourage climate-aligned behavior

**10 in 10** 

sponsorship of at-home activities (e.g., composting, provision of non-disposable coffee/water bottles, at-home renewable energy etc.)

eco-friendly transportation initiatives (e.g., cycle to work)

social norm campaigns (e.g., communications on climate-friendly behavior exhibited by colleagues/public)

corporate responsibility activities

‘green’ office environment (e.g., removal of plastic cups, recycling, compostable cutlery, renewable energy etc.)

**8 in 10** 

behavioral/cultural activities; updated organizational values to include ESG behaviors; internal carbon market/carbon footprint tracker (e.g., mechanisms that make the carbon impacts of individual activities visible)

**0 in 10** 

hackathon-type events; salary for climate equity swaps; team KPIs

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

<sup>9</sup> Toolkit & Ethical Guidelines for Applying Behavioral Insights to Public Policy (2018) OECD.



## Friction or constraints to deter climate-negative behavior

**9 in 10** 

removal of automobile benefits and/or replacement with EV benefits

**8 in 10** 

defaults in the office environment (e.g., light, heating, printing set to environmentally friendly practices etc.)

**6 in 10** 

use of certain foods in company eating spaces (e.g., Meat-free Monday)

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

**0 in 10\*** 

Default ESG-aligned pension (e.g., 'opt-out' rather than 'opt-in' to ESG-aligned pension scheme)

### Debiasing decision-making

The survey suggests that comparatively few executives include climate risk in a quantitative manner in investment decisions — around a quarter of respondents consider climate risk as part of the due diligence process or reflect it in the discounted cash flows for valuation purposes. If sub-optimal investment decisions are being made, it can increase the risk of stranded assets, leading to enforced divestments in the future. A well-known but comparatively under-utilized mechanism to make climate risk more salient to decision-makers is internal carbon pricing, that can be incorporated into business and investment decisions.

The survey showed that many of the actions being adopted by companies serve to 'signal' or encourage more climate-friendly behavior. These approaches largely focus on bringing climate change ambitions and impacts to the attention of the employee. For example, nearly all respondents (98 percent) relied on social norm campaigns that communicate expectations to act green via email, intranet, signage and other communications. Four in five respondents have updated organizational values, and a similar number have implemented some form of a carbon footprint tracker or internal carbon market to make the carbon impact of workplace activities more salient.

**Transparent corporate targets, reporting and assurance are similarly important as signals to motivate an internal audience**, as they are for meeting external stakeholder expectations. The ability to credibly and meaningfully convey these messages to employees relies on the verification and reporting on both interim and principal targets. Of those companies that have a decarbonization plan in place, only half indicated there was a process in place to report progress to internal audiences compared to even less, one third, reporting to external stakeholders.

## Among companies with decarbonization plans...

### Long-term and interim targets

**42%** established a future net zero or carbon-based target and **46%** have set a timetable of interim targets

### Measurable achievements

**43%** make specific references to the MSCI Climate Paris-aligned indexes and **42%** offer details for how the achievement of each interim target will be verified

### Reporting requirements

**50%** have a process for regular internal reports and **33%** have a process for regular external reports on progress made against each interim and principal target

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor



***"Transparency in reporting and having it thoroughly evaluated by an external independent third party is important to ensure you are not falsely projecting some kind of greenwashing image just for your brand," adds Pat Cox. "Doing something verbally is not enough. Developing the KPIs and measurement systems, reporting it back to your employees, the market, to stakeholders, to the people in your supply chain, should all be part of the fabric of your response."***



## Introducing or removing friction can prompt employees to embrace decarbonization

Most organizations that responded to the survey confirmed that they have updated corporate policies and default settings in the office environment, such as two-sided print settings. The survey also revealed that more efficient light settings, were in widespread usage among respondents. However, **almost no companies have included default ESG-aligned funds** — for which employees would need to opt-out rather than in — as part of their pension schemes.

Many companies have made it easier for employees to embrace climate-friendly practices in their professional lives. Nearly all (98 percent) have adjusted their office environments to remove plastics and encourage recycling and composting. More than half (57 percent) also have promoted more earth-friendly foods in corporate cafeterias, such as through “Meatless Mondays.”



## Beyond the factory gates

The “employer” remains the most trusted institution in society<sup>10</sup>. As a result, business leaders find themselves in a unique position to not only lead their employees in the transition towards a greener economy but to also influence the climate actions they are taking in their personal lives. For example, the large majority of respondents (88 percent) have removed car benefits or replaced them with electric vehicles.

It also doesn’t stop at employees. With the broadening environmental, social and governance (ESG) agenda over recent years, more corporations recognize and acknowledge their larger role in people’s lives. Nearly two-thirds of respondents define climate risk as the impact their businesses have on the environment and on the people who live and work nearby. Additionally, 85 percent recognize that their strategy for decarbonization will impact the communities in which they operate. Nearly all surveyed also confirm that these impacts are a priority issue for them, and 84 percent say that their impact on equality and justice is an important topic in the boardroom. Few corporates make major decisions anymore without considering the wider societal or community impact.

Reflective of this, **investors, employees, community activists and other stakeholders are more involved in corporate decarbonization than ever**. Companies are increasingly exploring a collaborative approach to climate change issues, through the use of partnerships and alliances beyond their direct business model to enact change.

This approach is encouraging; it aligns with the 17th UN Sustainable Development Goal<sup>11</sup> and is likely to be key to driving success.



**“We’ve always strived to be a good neighbor, so we’ve always been quite plugged into our communities,”** says Seward from LyondellBasell. **“I think that has always been and will continue to be a key part of who we are. But whether it’s climate change, whether it’s plastic circularity, these issues don’t get solved by one company or one part of the industry alone. We’re collaborating up and down the value chain trying to bring solutions.”**

## Executives recognize their company’s potential to impact people, both inside and outside their organizations.

65%



say they are expected to manage the impact of their businesses on the environment and surrounding communities as part of their leadership role over the next three years

99%



say their business strategies prioritize the impact of their organizations on society and communities

85%



say their strategy for decarbonization will impact communities where they operate

84%



say their boards look at company impact on equality and justice, internally and externally, as a priority issue or frequent consideration

Source:  
2021 Eversheds Sutherland and KPMG Climate Change and The People Factor

<sup>10</sup> Edelman Trust Barometer 2021

<sup>11</sup> Strengthen the means of implementation and revitalize the global partnership for sustainable development

## The Eversheds Sutherland and KPMG viewpoint

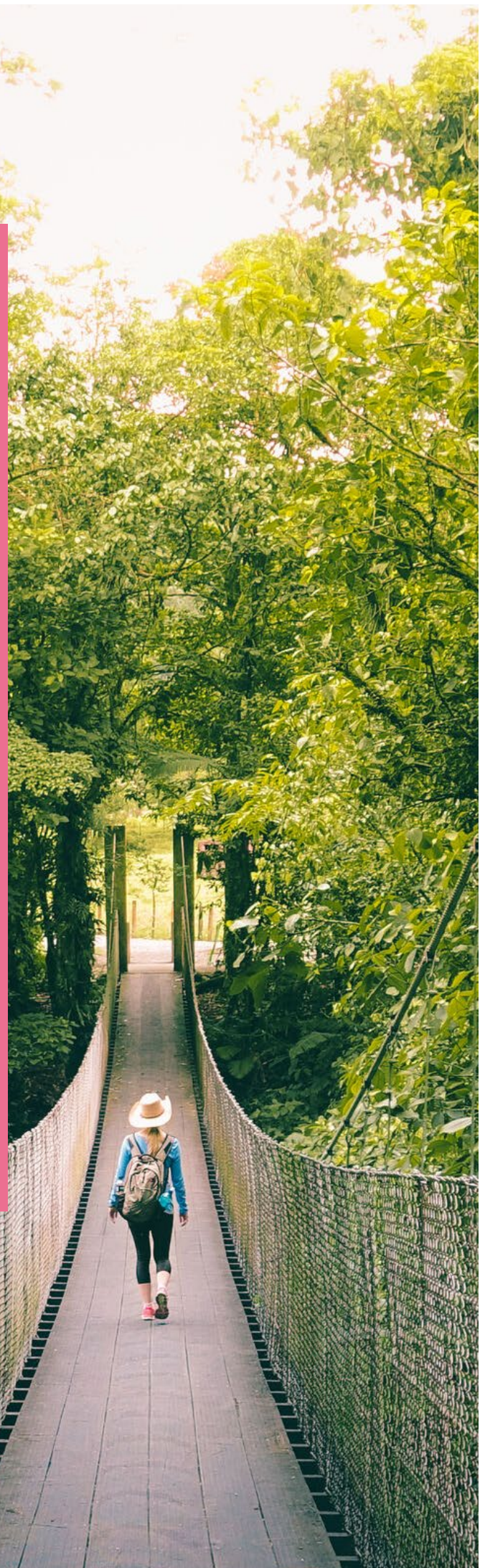


Although the ambition is clear, there are still many steps to go as a global business community in the transition toward a greener economy. Business leaders will likely need to become more comfortable with making decisions in an environment of ongoing uncertainty. There are practical tools that can be employed that can make that decision-making better, but the shifting of norms and biases will take time and require a cultural shift.

The most successful businesses will likely be those that embrace innovation. Striving to maximize innovation will also require harnessing the diverse insights of workforces, as well as joining forces with other players to share knowledge, skills and expertise. Employees will likely want to be heard where they have concerns about the changes or ideas as to how the organization can mitigate the climate-related risks affecting it. Organizations should access the 'wisdom of the crowds' and promote crowdsourcing of ideas from all parts of the workforce through tools that enable enterprise-wide conversations.

Truly engaged employees are arguably more likely to drive change than those who feel disengaged. Clearly, that does not mean all employees will be involved in all decisions relating to the decarbonization of an organization, but making a concerted effort to bring along the workforce can certainly help the success of the changes required and is likely to lead to less resistance from the employees to significant business model changes.

The importance of communication to and engagement with employees cannot be underestimated. Whether employees are required to upskill or retrain, or to get on board with environmental initiatives, aiming to ensure that employees are aware of any changes, and the impact those changes will have and what is expected of them as a result, will be increasingly important.



# ABOUT THE SURVEY



The research in this report was carried out on behalf of **Eversheds Sutherland** and **KPMG IMPACT** by independent research agency **Explain the Market Ltd.**

Board members, directors and C-suite executives from 1095 of the world's leading companies were interviewed via a telephone survey during August 2021. The survey included leaders from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, United Kingdom and the United States) and 16 key industry sectors (asset management, automotive, banking, consumer, chemical, energy, infrastructure, manufacturing, insurance, life sciences, media, mining, real estate, technology, telecommunications and transport).

All research has been carried out in accordance with MRS and ESOMAR codes of conduct. In addition to the survey, individual in-depth interviews were carried out with six of the most well-respected thought leaders in business in the areas of climate risk and sustainability.

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# ACKNOWLEDGMENTS

## Vicky Bullivant

Group Head of Sustainability,  
Laing O'Rourke



Vicky joined international engineering and construction company Laing O'Rourke as its first-ever group head of sustainability in June 2021. She leads a newly created, dedicated sustainability function and is responsible for the implementation of detailed road maps to deliver Laing O'Rourke's ambitious sustainability targets in the company's operating hubs in Europe and Australia. Previously, Vicky was head of sustainable business at Drax Group where she was responsible for developing its climate ambition, social strategy, and community and charity policies. She also has held senior sustainability roles across the UK, Europe, United States and Asia at Tate & Lyle and Rolls-Royce.

## Gerald Butts

Vice Chairman and Senior Advisor,  
Eurasia Group



With experience in public policy and geopolitics, Gerald has deep expertise on climate change, trade, energy, sustainable finance and artificial intelligence. He has successfully led Canadian and global organizations in the public and private sectors for 20 years, including as the principal secretary to Canadian Prime Minister Justin Trudeau from 2015–2019 during which the country negotiated the Paris climate accord and created its first national climate change plan. Gerald also leads New Climate Group, a private consultancy advising global financial firms, educational institutions and philanthropists on strategic investments in climate mitigation and resilience, and artificial intelligence.

## Pat Cox

Former President of the European Parliament  
and a former member of the Supervisory  
Board of Michelin



Pat served as President of the European Parliament from January 2002 until July 2004 and was known for his efforts to expand the European Union, for which he was awarded the Aachen International Charlemagne Prize. Before completing his tenure, he represented the European Parliament at the Intergovernmental Conference leading to the adoption of the proposed new Constitutional Treaty of the European Union. Pat is the President of the Jean Monnet Foundation for Europe and currently Chairman of the Board, Gore Street Energy Storage Fund Plc, London amongst other roles.

## Rohitesh Dhawan

CEO of the International Council on  
Mining and Metals



Rohitesh, appointed CEO of ICMM in April 2021, is experienced in sustainability, resources and geopolitics. Prior roles include managing director for energy, climate and resources at Eurasia Group, and global head of sustainability for the mining sector at KPMG. He also advises the UK government's Partnering for Accelerated Climate Transitions (PACT) program and was named one of South Africa's climate change leaders for his work with the country's mining industry. Rohitesh is a fellow at the Africa Leadership Initiative and the Asian Forum on Global Governance, and a member of the Advisory Board of Concordia.

## Jason Forrester

Head of Enterprise Risk Management  
and Deputy CRO, Standard Chartered Bank



Jason has spent his entire career in risk and finance. Prior to becoming head of enterprise risk management at Standard Chartered, he spent 21 years at Credit Suisse, most recently as head of enterprise, operational and liquidity risk management. Jason had served as Europe CFO, head of group capital management, and head of risk analytics and reporting, among other responsibilities. Previously, he spent a decade at PricewaterhouseCoopers in financial services audit and business advisory.

## Jim Seward

SVP, Research & Development, Technology  
& Sustainability, LyondellBasell



Jim, a 30-year veteran of LyondellBasell, leads R&D, technology and sustainability for the plastics, chemicals and refining company. Previously, he held a variety of positions including leading the technology and international O&P business. Jim is the chairman of the executive committee of the World Plastics Council, an organization representing the global plastics industry focused on international issues such as resource management, sustainability and marine litter.

# ABOUT

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As a global top 10 law practice, Eversheds Sutherland provides legal services to global clients acting for 39 of the Fortune 50, 70 of the Fortune 100, 61 of the FTSE 100 and 128 of the Fortune 200.

With more than 3,000 lawyers, Eversheds Sutherland operates in 74 offices in 35 countries across Africa, Asia, Europe, the Middle East and the United States. In addition, a network of more than 200 related law firms, including formalized alliances in Latin America, Asia Pacific and Africa, provide support around the globe.

Eversheds Sutherland has advised on climate change for more than 20 years and has a team of more than 200 lawyers globally dedicated to advising clients navigate the energy transition and minimize climate risk. Eversheds Sutherland advises innovators and providers of decarbonization solutions, companies transitioning to net zero and the banks and funds financing and funding climate solutions as well as on policy and regulation. The team is also helping clients meet their climate reporting obligations and develop the strategies which underpin their transition to net zero including stakeholder due diligence and revised legal models of stakeholder engagement.

As part of Eversheds Sutherland's own commitment to net zero we are proud to be the first global law firm to be accredited by the Good Business Charter as well as being a participant in the UN Global Compact and supporters of Business Ambition for 1.5°C through the Science Based Targets initiative, as well as a founding member of the Net Zero Lawyers Alliance.



KPMG

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**About KPMG IMPACT:** Launched in June 2020, KPMG IMPACT is the accelerator for KPMG's global ESG strategy. It is the platform which supports and empowers KPMG professionals as they assist clients in fulfilling their purpose, achieving their ESG goals, and supporting the world's attainment of the UN Sustainable Development Goals. It helps clients across ESG and sustainability, economic and social development, sustainable finance, climate change and decarbonization, and measurement, assurance and reporting.

KPMG hopes to achieve net zero carbon emissions by 2030. As part of this net zero plan, KPMG firms around the world are building staff champion networks, to encourage sustainable lives at work and at home.

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# CLIMATE CHANGE AND THE PEOPLE FACTOR



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