

GLOBAL GUIDELINES ON THE CORPORATE GOVERNANCE OF CLIMATE CHANGE AND BIODIVERSITY

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Problem Analysis

01

We agree that we have a global problem with local implications.

Due to human-made climate change, Earth's climate is now changing faster than at any point in the history of modern civilization, primarily as a result of human activities. The assumption that current and future climate conditions will resemble the recent past is no longer valid. If the world attempts and achieves the Paris Agreement's targets, things will be challenging but manageable. But if we don't meet these targets, many lives are at risk every year – and enormous financial resources. Without rapid cuts in CO₂ and other greenhouse gases, climate change will have an increasingly destructive and irreversible impact on life on earth.

Climate change will soon imperil the Western way of life, transforming regions, imposing substantial costs on the economy, and harming the health of citizens and future generations.

The 20 warmest years on record have been in the past 22 years and the top four in the past four years. Climate action must be increased fivefold to limit warming to the 1.5 °C goal scientists advise, according to the UN. There is only 12 years for global warming to be kept at a maximum of 1.5 °C, beyond which even half a degree will significantly worsen the risks of drought, floods, extreme poverty for a tremendous number of people. Urgent and unprecedented changes are needed to reach this target. Meeting the targets is affordable and feasible, but lies at the most ambitious end of the Paris Agreement pledge to keep temperatures between 1.5 °C and 2 °C.

A change of just 0.5 °C more can cause widespread damage and destruction. For example., at 1.5 °C, only half as many people on the planet will be exposed to water stress than at 2 °C.

There is also growing evidence that the loss of permafrost that comes with global warming further accelerates climate change because of the large release of the greenhouse gas from these areas, which would subvert, or entirely negate, any meaningful progress in the fight against climate change. At the current level of commitments, the world is on course for a disastrous 3 °C of warming.

The goal has to be a rapid shift towards a zero-carbon society. As well, we need ecological recovery, like reforestation, to draw carbon dioxide from the atmosphere, a tectonic shift in our transport and power systems to clean, renewable energy, greater adoption of carbon-capture technologies, and changes in the practices of agriculture. Keeping the global average temperature rise below 1.5 °C would bring enormous advantages as compared to a rise of 2 °C, but this commitment needs urgent and unprecedented action. Even pro-Paris Agreement nations are involved in actions that run against the spirit of their commitments, e.g., fossil-fuel extractions.

A related problem is the loss of biodiversity. We have to stop these losses – otherwise we could face our own extinction. A recent meta-study concludes that insect populations are in fast decline and likely on a path to extinction. Given their importance in ecosystems, this could lead to ecosystem collapse. Even if more evidence is needed, given the disastrous consequences of such a massive, systemic decline, the precautionary principle requires to act decisively and quickly to halt and reverse this trend. Like climate change, the loss of biodiversity is a silent killer – by the time we can actually see what is happening, it might be too late. Humanity has wiped out about 60% of animal populations since 1970.

The decline in the number of insects and species deeply affects the functioning of the whole ecosystem. A decline of one species by 30% can eventually lead to the extinction of another species. Most insects are especially vulnerable because they are highly adapted to specific ecological niches. Tropical insects are especially very sensitive to temperature changes. Their disappearance has pivotal consequences for the rainforest ecosystems. Urbanization and agricultural intensification leaves fewer and fewer resources for nonhuman species to live in.

02

We agree the Paris Agreement’s goals can only be achieved through the proactive and committed participation of corporations and Not for Profit Organizations (NPOs) around the globe.

For several reasons, humanity is ill-prepared to cope with climate change and the loss of biodiversity. The scale of the problem coupled with personal, business, political, and societal perceptions and decision-making models delay our ability to save our planet and way of life with effective immediacy. But too much is at stake. In the modern, globalized world, corporations, and NPOs have a responsibility to contribute to the solution to these problems, a responsibility that extends far beyond legal and regulatory compliance. We have to start with global principles followed by regional adaptations.

Responsibility

03

We agree that we will take action.

Even if one narrows the perspective to shareholder value, the scientific consensus makes the following conclusion inescapable: for the sake of long-term profit-maximization, we must change our business models. Climate change will lead to political instability and loss of natural resources – all corporations depend on both. Further, recent studies show that climate change is seen as the most severe and pressing global threat, creating reputational, political, and financial risks for firms – but also opportunities if business model effectively reorient themselves towards sustainability. Therefore, it is in our best economic interest to take immediate and decisive action against climate change. Enacting quick and bold measures to preventing further losses in biodiversity and further temperature increases is economic self-interest with a wise time horizon.

04

We agree that corporations and NPOs have a collective responsibility to guarantee the sustainable survival of the future generations.

But there is more to it than this. We have a collective responsibility to avert climate chaos. The last couple of years have created awareness that the effects of climate change and the loss of biodiversity are here and are here to stay. But even if climate change and biodiversity loss would not affect our generation immediately, then certainly our children's and grandchildren's generations will be affected. Climate action can offer us a compelling path to transform our world for the better. It offers a path and a duty. The reluctance of political actors to take decisive measures makes this duty even more pressing. We are also aware of the fact that our actions have a multiplier effect on society

Action Plan

05

We agree that changes must be fast, radical, and substantial

Climate action must be increased fivefold to limit warming to the 1.5 C goal scientists advise. This said, it is vital to be aware of the dangers but not be paralyzed by inaction. Climate stabilization and biodiversity regeneration is still in our hands, but the window for action is shutting. We are convinced that the disruption that comes with the required changes can be managed in a way that does not impede with the wellbeing of the present generations

06

We agree that we will measure our carbon footprint.

We cannot effectively change what we cannot measure. To maintain credibility, it is also necessary to have an annual independent third-party audit; above all for medium size and big profit and not for profit organizations.

07

We agree that we will develop a climate-action plan.

Key focus areas are:

- Supply chains: Supply chain emissions are often responsible for the biggest share of the corporate carbon footprint. It is essential to control them.
- Energy: Electricity, heating and cooling create emissions. It is vital to focus on facilities in the entire value chain including offices, storefronts, factories and third-party warehouses.
- Transportation: This includes logistics and travelling. It can include product shipments via sea freight instead of air. It also includes incentivizing eco-transport among employees.
- Food: What we eat has a significant impact on greenhouse gas emissions. Agriculture is responsible for roughly one third of global greenhouse gas emissions. Using less invasive technologies and promoting more sustainable eating habits are natural candidates for more sustainability.

08

We agree that we will set emission-reduction targets and monitor our progress

It helps to look at emission reductions like a business plan. To quantify reductions, one can set an internal price on carbon that internalizes global externalities

09

We agree that we will monitor progress.

A third independent party helps in maintaining accountability, but also in offering important insights on continuous and future improvements.

10

We agree that we will support climate-smart policies.

When it comes to climate change, it is essential that corporations and NPOs work hand in hand with politicians and other social groups. While some may be wary of climate-smart positioning and fear incurring costs to their businesses, such policies will actually open up new opportunities. Therefore, it is prudent to use corporate lobbying to encourage progressive climate policies



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