



# THE ROLE OF BUSINESSES IN ENSURING CLIMATE ACTION

**C**limate change is caused by human emissions of greenhouse gases associated with electricity and heat production, industry, buildings, transport, and land use. Climate change impacts the planet through higher temperatures, an increase of extreme weather events, changing precipitation patterns, rising sea levels, and ocean acidification. It disrupts ecosystems and human livelihoods, particularly of vulnerable groups such as women, children, and the elderly as resources, food, and water become more scarce.

Business plays a vital role in holding the increase of the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change – the Goal that is at the heart of the 2015 Paris Agreement on Climate Change, an international treaty adopted by the vast majority of countries in the world.

*“As the world looks beyond the COVID-19 pandemic, a consensus is emerging: certain measures to curb the growth of greenhouse-gas emissions will be central to global economic recovery. The recent explosion of net-zero commitments from companies and countries presents an unparalleled opportunity for Malaysian business leaders to drive climate ambition within their organisations, and to ensure the country maintains its competitiveness as a trading partner.”*

**By UN Global Compact Network Malaysia & Brunei**

The Paris Agreement brings all nations together with a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so. Business, together with Governments, must act urgently and decisively to fundamentally

change the greenhouse gas emissions associated with their products and processes in order to achieve global net zero emissions by the second half of the century. Businesses also play a central role in anticipation, building resilience, and adaptation to the current and expected impacts of climate change.

# State of Climate Action in Malaysia

- Global warming is causing long-lasting changes to our climate system, which result in irreversible consequences and billions of losses if we do not act.
- Malaysia's average temperature is reported to have a projected rise of 1.2°C – 1.6°C by 2050, and more extreme weather events are expected to occur within the country, adversely impacting on the economy, businesses, and the population.
- In order to mitigate this issue, Malaysia intends to reduce its greenhouse gas emissions intensity of GDP by 45% by 2030, relative to the levels of 2005.
- As the world looks beyond the COVID-19 pandemic, a consensus is emerging: certain measures to curb the growth of greenhouse-gas emissions will be central to global economic recovery. The recent explosion of net-zero commitments from companies and countries presents an unparalleled opportunity for Malaysian business leaders to drive climate ambition within their organisations, and to ensure the country maintains its competitiveness as a trading partner.

The next section of this article provides a 5-step blueprint for benchmark leadership qualities, as well as a framework for business action which helps corporates advance SDG 13.



## Do your actions satisfy leadership qualities?

### 1. Intentionality

- Is your company committed to supporting the achievement of Goal 13? Have you developed a holistic strategy that reflects this commitment, covering end-to-end operation and the wider community?
- Are you committed to learn from your actions and do you have processes in place to improve them accordingly?
- Is your strategy supported by the highest levels of management, including the Board of Directors?

### 2. Ambition

- Do your actions achieve long-term outcomes that greatly exceed those resulting from current industry practice?
- Are your actions aligned with what is needed to achieve Goal 13?

### 3. Consistency

- Is support for Goal 13 embedded across all organisational functions?
- Are staff and board incentives aligned with achieving Goal 13?

### 4. Collaboration

- Do you proactively look for opportunities to partner with Governments, UN agencies, suppliers, civil society organisations, industry peers and other stakeholders to inform how to advance Goal 13?

### 5. Accountability

- Do you publicly express your commitment to advance Goal 13?
- Do you identify, monitor, and report on impacts, including potentially adverse impacts?
- Do you mitigate risks associated with your action?
- Do you remediate negative impacts associated with this action?
- Do you engage stakeholders in a meaningful way?



## Framework for Business Action

### Business Action 1:

Ensure climate resilience of company and supply chain operations, and the communities surrounding them

Companies control the operation and maintenance of their capital assets, and decide on investments in upgrades, which has ramifications for their resilience to the impacts of climate change such as increased climate variability and environmental hazards. At a minimum, companies can ensure that their own assets are resilient to climate impacts. Leadership requires such action to be replicable and inspire others to bring about a step change in climate resilience. Companies can also lead by building resilience across multiple tiers of the supply chain and the communities surrounding these. Climate change is already affecting the most vulnerable countries and populations, which implies that leading action to increase resilience of and around supply chain operations in least developed countries and the small island developing states is particularly vital.

#### Example Practice:

An agricultural equipment company works with an NGO to use modified trucks for screening videos and host workshops, coupled with hands-on instruction at demonstration plots, to train maize and dairy farmers in Kenya on improved agricultural practices that lead to greater climate resilience.

### Business Action 2:

Substantially reduce emissions associated with own and supply chain operations, in alignment with climate science

The urgency of climate action, driven by the necessity to achieve net zero emissions by the middle of the century, calls for significant mitigation efforts by all businesses. Leading companies inspire such efforts at scale. They recognise and disclose emissions from all sources throughout the life cycle of products and services, including direct emissions of own operations (Scope 1), indirect emissions from power and heat consumption (Scope 2), and emissions associated with the supply chain (Scope 3). Leading companies set time-bound, absolute reduction targets in line with the latest available scientific evidence. They act on these targets by committing to urgent and decisive action across end-to-end operations. This may include developing replicable low-carbon technologies and business models, identifying and resolving deforestation problems in the supply chain, and powering own and supply chain operations from renewable sources.

#### Example Practice:

A food manufacturer commits to reduce absolute GHG emissions across its full value chain by 41-72% (compared to 2010) to achieve sustainable levels in line with scientific consensus by 2050. More than two-thirds of GHG emissions fall outside its own operations, primarily in agriculture, and it takes action to reduce those through sustainable sourcing initiatives.

### Business Action 3:

Shift to a portfolio of goods and services that have, and promote, negligible emissions from use

Companies have, within their Scope 3 emissions, a critical role to play in reducing emissions from use and consumption by supplying low-carbon products and services. All companies should aim for products and services that have the least possible emissions from use. Leading action would imply development and deployment of novel technologies, business models, and solutions that radically reduce or promote the reduction of emissions from use. These should be designed in a way that can fully replace carbon intensive alternatives in existing portfolios. They could be technologies impacting the emissions intensity of activities in major energy end-use sectors including manufacturing, transport, buildings and appliances, and land use; or innovative solutions such as financial service offerings that are tailored to spur low-carbon.

#### Example Practice:

An insurance company creates products to incentivise customers to make environmentally responsible choices, provides energy efficient replacements to customers, works with specialists to restore more of their customers' items, and engages with the companies it invests in on climate change to deliver renewable energy products and other activities to mitigate greenhouse gases.

#### **Business Action 4:**

Promote climate-conscious behaviour and build capacity for climate action

Companies have an important role in shaping public debate on climate change and building stakeholder capacity for climate action. As Governments are vitally important for climate action in their role as designers and implementers of ambitious climate policy, all companies should publicly support their actions and practise responsible public policy engagement. Leading companies actively promote climate-conscious behaviour through building climate change awareness and education programmes. To this end, they can implement a climate change-specific communications, education and awareness-raising strategy targeting behavioural change in the workplace, marketplace, and community.

#### **Example Practice:**

A major insurance company pledges financial capacity and expertise to support governmental climate action. It commits to having advised 50 sovereigns and sub-sovereigns on climate risk resilience by 2020, and to have offered them protection of US\$10 billion against this risk.

There is a large market for low-carbon and climate change compatible technologies and services, which is set to grow rapidly as the global transition to low-carbon energy gathers momentum. Climate action is strongly interconnected with the other SDGs. In its absence, it is virtually impossible to achieve them. Leading action on Goal 13 has strong benefits for energy security (Goal 7), clean air and water (Goal 6), decent work (Goal 8), livable cities (Goal 11), and improved national security (Goal 16). It also benefits sustainable food production systems through implementation of resilient agricultural practices and strengthening capacity for adaptation to climate change (Goal 2). It protects life on land and below water (Goals 14 and 15). However, climate action, particularly where they concern large infrastructure projects such as hydroelectric dams or land-intensive activities such as the production of biomass, carries risks of negative impacts on human rights, which must be managed carefully.

