

# CLIMATE STRATEGY *playbook*

How to develop clear and executable  
climate strategies





## Climate strategies: take action and stay prosperous

The question facing businesses is no longer whether or not to take climate action, but how to stay prosperous in a low-carbon economy.

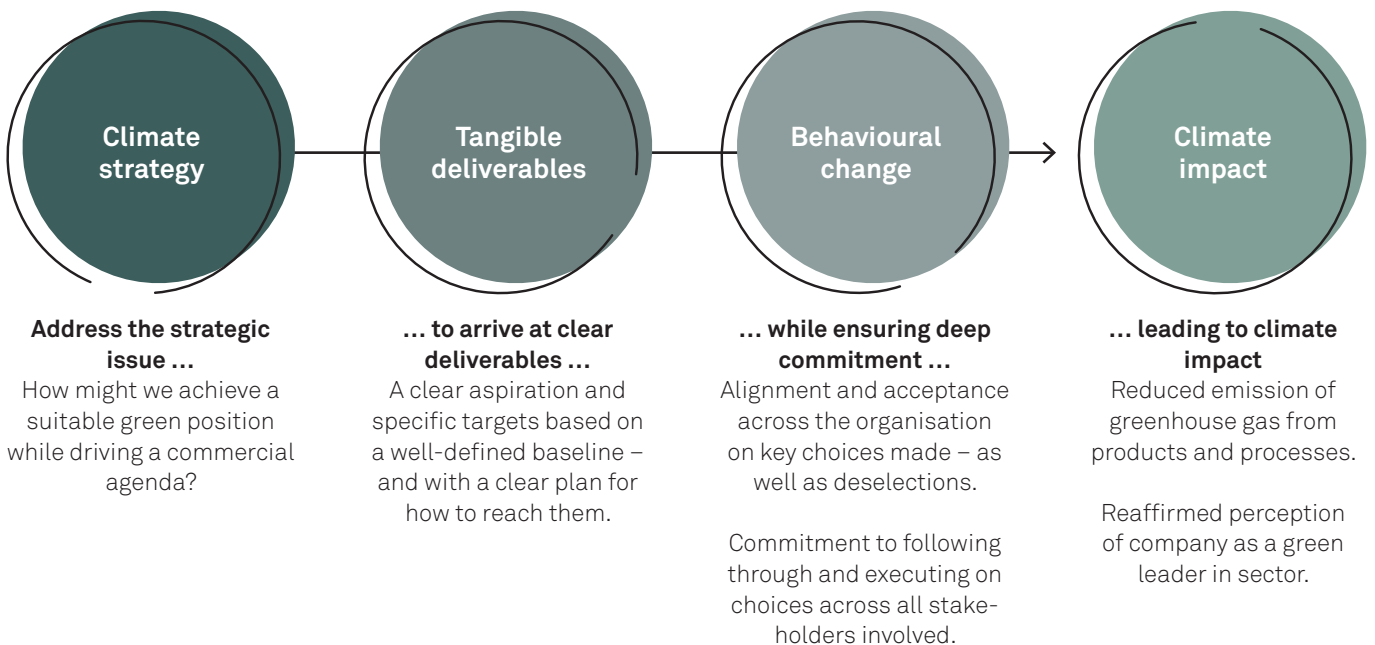
The European Commission's ambition of making Europe the first emission-neutral continent by 2050 – with reduction targets of 55% by 2030 – means that sustainability is not simply an ethical or even a political issue. It is also a legal one. And it has immense implications for business.

81% of organisations have increased their commitment to sustainable procurement. A trend that consumers are also increasingly driving. Efforts to reduce your carbon footprint will not only work well for your brand and

customer retention; they will also make your business more competitive.

And so, as customers, legislators and investors increasingly hold businesses accountable for their climate and environmental impact, the question is no longer why, but how. How can we bridge the sustainability implementation gap? And how can we create clear and executable climate strategies that go beyond compliance and actually create a positive impact for our planet and our businesses?

### *designing* a clear climate strategy



# DEFINING YOUR AMBITION

The ambition for your climate strategy will guide your choices. Without a clear ambition, climate choices are at risk of being incoherent and inefficient, leaving people in your organisation guessing how much they should do and how they can best contribute.

Your ambition must be clear. Whether it should be high is up to your judgement and strategy.

## ONE OF MANY BEING COMPLIANT (reactive)

- **Customer:** Customer concerns are responded to when these occur.
- **Performance:** Compliant with baseline and regulation.
- **Organisation:** Focus on getting management systems and controls in place to ensure compliance.
- **Business benefits:** Risk mitigation, business continuity.

## AMONG THE BEST TAKING CHARGE (responsive)

- **Customer:** Customer concerns are responded to systematically, and future concerns are anticipated.
- **Performance:** Beyond baseline and regulation. Focus on efficiency and continuous improvements.
- **Organisation:** Mobilising a more responsive organisation to respond to and anticipate new requirements.
- **Business benefits:** Operational efficiency, brand positioning.

## UNDISPUTED LEADER

### LEADING THE WAY (proactive)

- **Customer:** Customer needs are anticipated through demand stimulation and creative business solutions.
- **Performance:** Raising the bar continuously.
- **Organisation:** Focus on enabling the right people to anticipate needs and drive leading performance.
- **Business benefits:** Innovation and growth, brand positioning (environmental ambitions are used as a disruptive driver for creative innovation across the company in general).

**Four steps to ensure capabilities to report, reduce and comply**

- 1 Map requirements on environmental reporting, certifications and accepted environmental footprints, preferably based on global common frameworks like Carbon Disclosure Project (CDP) and Science Based Targets.
- 2 Decide internal ambition levels/client demands and KPIs on environmental footprint and future targets.
- 3 Collect data and choose tool (standard or tailored) for ongoing measurement and reporting on KPIs.
- 4 Map available options and develop a strategy to continue the progress towards the agreed ambition levels on selected KPIs and involve key stakeholders (production, clients, finance, suppliers etc.).

# Establish an emissions baseline

Understanding your carbon footprint is the foundation of formulating your strategy. It will show you where you can make a difference and where you are most at risk as well as providing arguments for not spending time on merely symbolic solutions. A well-defined baseline will enable you to arrive at clear, tangible deliverables in your climate strategy.

Establishing the baseline should not be seen as a one-off exercise. It is an ongoing activity to track progress, measure supplier performance and perhaps report the carbon content of your products to investors, customers or authorities.

**Which carbon tracking do you need?**

## Simple



- Carbon tracking purpose: reporting
- Known low emission activities in scope 1 (on site)
- Environmental maturity is similar across categorised suppliers
- The supply chain is simple and consists of few suppliers

## Complex



- Carbon tracking purpose: active engagement
- High emission activities on site
- Supplier-specific environmental maturity
- Multiple suppliers and supplier categories



**Which tools do you use?**



- Use standard calculators like industry average emission factors (benchmarks)
- Calculation using standard values is automatically retrieved from databases
- Fixed scope
- Easy to comply with standards



- Supplier-specific data collection and calculation of emissions
- Documentation intensive
- Scope can be defined based on strategy, e.g. need for Life Cycle Assessments (LCA)
- A risk of needing framework adaptation to comply with standards

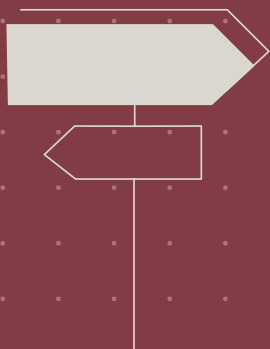
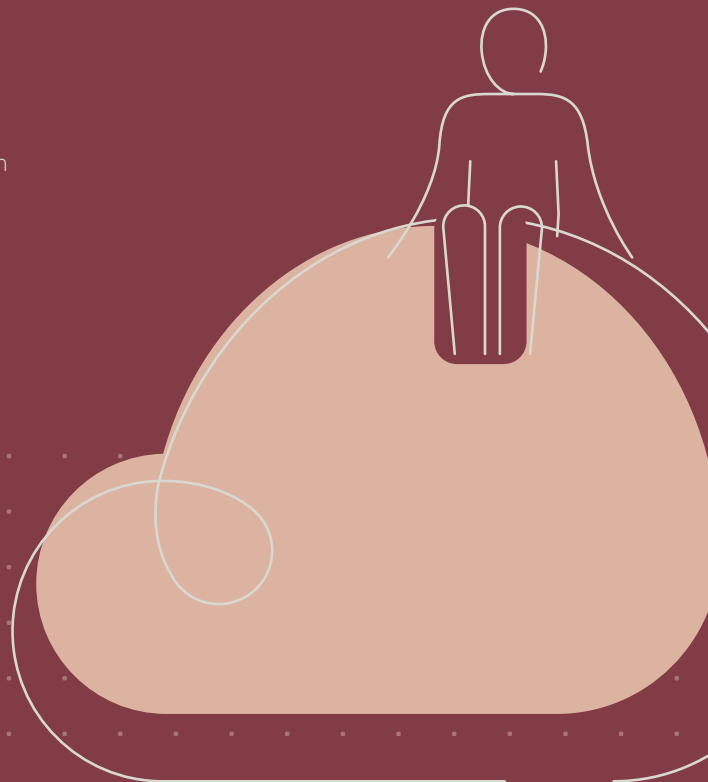
# CHOOSE YOUR SCOPE

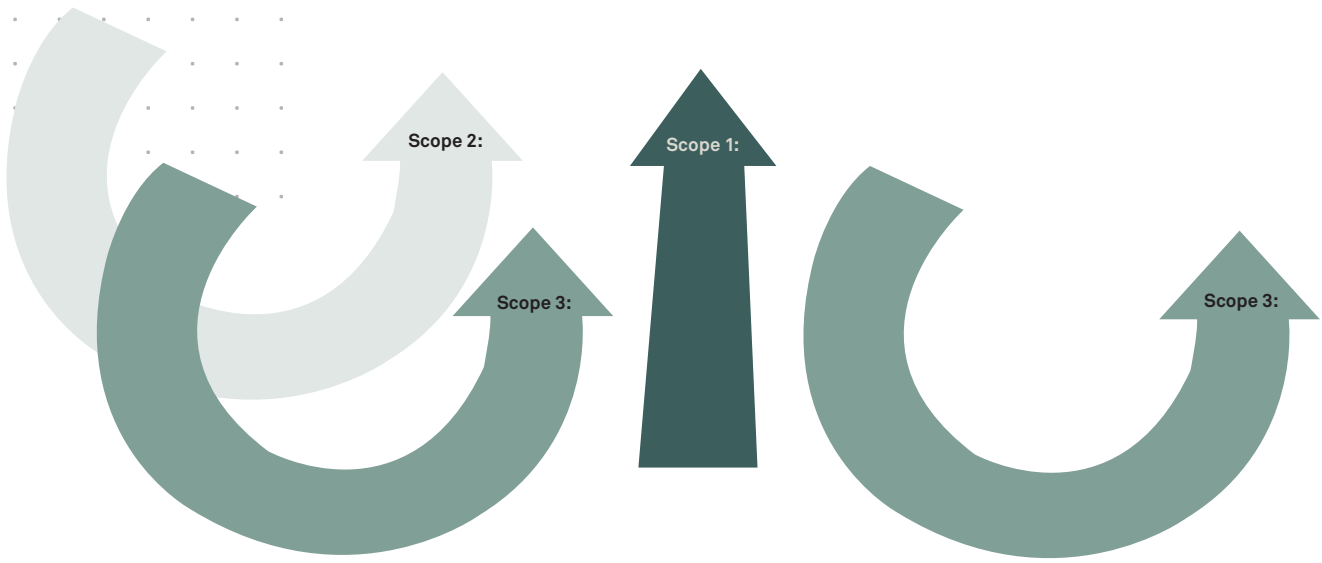
**An integral part of building a climate strategy is choosing your scope.**

Of the full carbon footprint of a modern manufacturing company, as little as 5-10% are usually caused by on-site emissions. The other 90-95% are emissions from supply chain, distribution and from utilities supplying heat, steam and power.

Service companies, authorities and other organisations may find a very different emission profile with high emissions from on-site activities.

When deciding on your climate aspirations, avoid the trap of focusing on emissions under your direct control, be precise about the scope of your strategy, be open to sourcing and joint innovation with suppliers and be aware that your customers are probably working on the same thing.





**Upstream activities**      **Your company**      **Downstream activities**

**SCOPE 2:  
Purchased energy**

- Electricity
- Heat
- Cooling
- Steam

**SCOPE 3:  
Value chain**

- Purchased goods and services
- Capital goods
- Fuel and energy-related activities (not included in scope 2)
- Transport and distribution
- Waste generated in operations
- Business travel
- Employee commuting
- Leased assets

**SCOPE 1:  
On-site emissions**

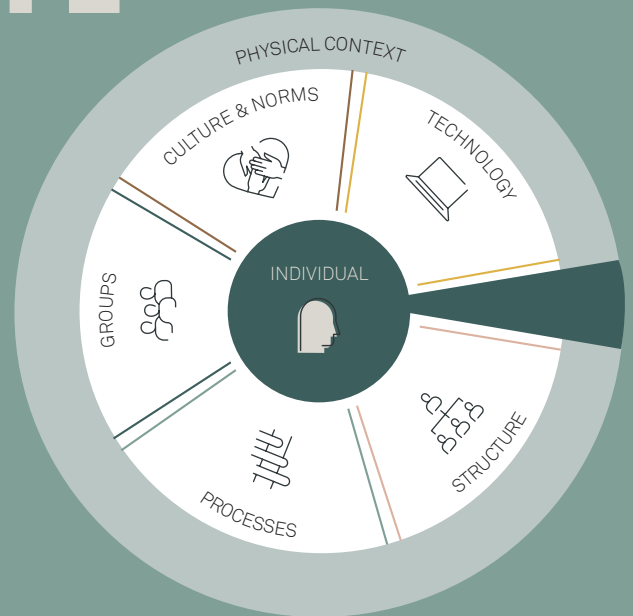
- Company vehicles
- Company facilities
- On-site production

**SCOPE 3:  
Value chain**

- Transport and distribution
- Processing of sold product
- Use of sold product
- End-of-life treatment of sold product
- Leased assets
- Franchises
- Investments

# ANCHORING CHANGE IN EVERYDAY LIFE

Behavioural and neuroscience research show that human minds like predictability and shy away from change. And the climate agenda has all the characteristics that make it hard for our minds to handle: it is intangible, impersonal and difficult to comprehend how our individual action could have any impact on the bigger picture. That is why incorporating change management principles in your climate strategy is essential to getting the entire organisation on board in realising your environmental ambitions.



## *purpose*

To change the behaviour of an entire organisation, we must first acknowledge that humans are the common denominator of our initiatives and that information alone can and will not drive a substantial change.

### **Look to:**

- Make the climate agenda relevant and actionable for the individual in the organisation.
- Create, easier and more intuitive solutions, translating the overall agenda of the organisation into daily behaviour.
- Implement a new way of driving projects in the future, working with humans as the common denominator for all change.

## *approach*

Design the solutions that best fit the people in focus. Try to make the climate agenda relevant and attached to the micro-context of the individual with a strong and reinforcing habit loop in place.

The end outcome is an improved pace in changed behaviours, and implementing relevant incentives makes buying into the agenda more likely.

Build on insights from behavioural and neuroscientific approaches as well as best practice design methods.

## *process elements*

### **Barrier analysis**

What causes friction for the wanted behaviour today, and where can we start change for it to be as attractive as possible and an easy option for the target audience?

### **Behavioural script**

Break down the behavioural chain for the change in focus and find ways to make each step more attractive and easier to engage with. Releasing cognitive bandwidth where it is due allows for more energy to handle difficult tasks.

### **Project method**

Work with the behaviour of stakeholders as well, presenting a vetted framework that takes the biases and knowledge of our decision process into account when working towards a good change programme.

# SCENARIO BUILDING

The future state of a low-carbon economy creates a high degree of uncertainty for businesses. The transition will require the application of both known and unknown technologies, methods and approaches, as well as both short-term and long-term implementation.

Scenario building is an effective tool for thinking about radical change and addressing the uncertainties that will have the most significant impact on your business. It is a way to bypass our own biases and envision radical change.

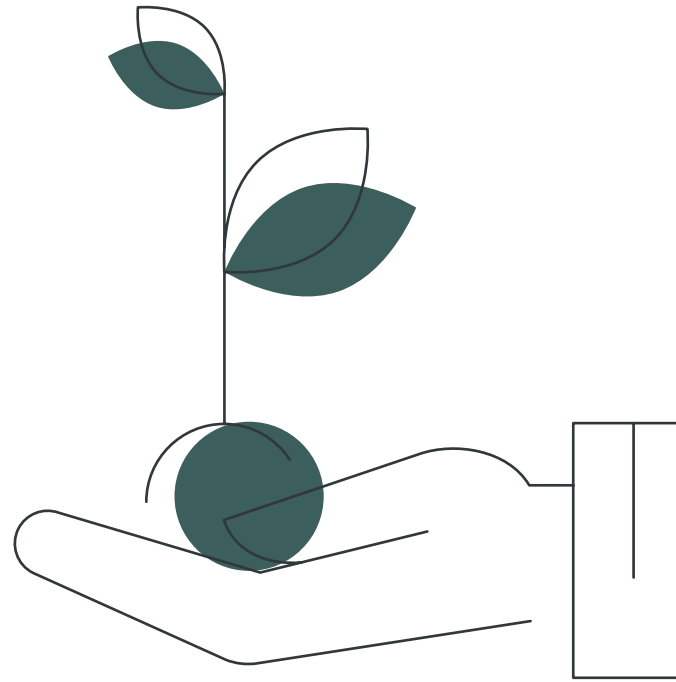
You could start thinking about scenarios by asking yourself the following questions:

- Which of our assets would be obsolete?
- What would our product or service cost if CO2 emissions were taxed at EUR 150 or 300/tonne to reflect socio-economic costs? How would we stand against competitors?
- If CO2 emissions were taxed at EUR 150/tonne, what would happen to the price of the products and services we buy from our suppliers?
- What kind of reporting would investors and lenders require from us to reassure that their investment is financially viable while society moves towards zero emissions?
- What data would we be tracking, and what systems would be in place to track and report sustainability parameters?
- How do we co-operate with our suppliers and customers to drive CO2 emissions out of our value chain?
- Who would be new competitors – and low-emission disruptors?
- Which emerging technologies will become game changers? What is the “autonomous electric car” of our industry?
- Which significant innovation will we be working on to extricate our business from the fossil economy?
- How will customers value the carbon footprint of our products or services, and how willing are they to pay for this?



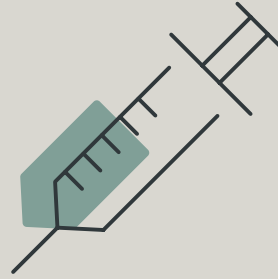
*realise*

# YOUR GREEN AMBITIONS



Before embarking on your climate transformation journey, we recommend asking three key questions:

- 1 Are you ready to take our climate efforts from a peripheral to a core activity?
- 2 Do you have a solid understanding of the risks and opportunities of transitioning to a low-carbon economy for your business and industry?
- 3 Are you ready to build and rally behind a sustainability movement as a fully engaged and mobilised organisation?

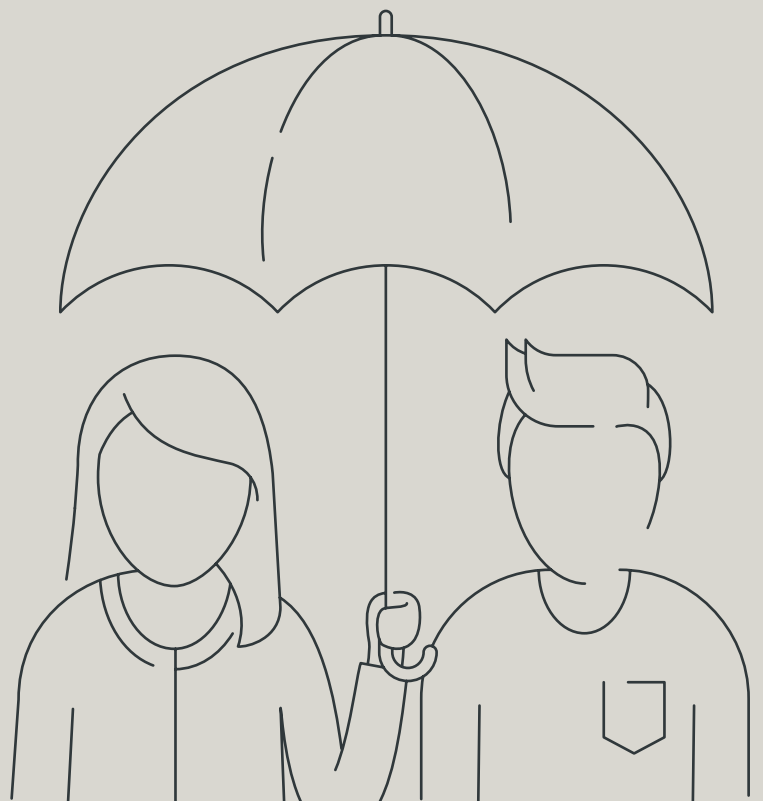


# *climate* strategy health check

A good starting point for creating a clear climate strategy is to assess how your current climate efforts hold up. This is vital so that you and your organisation understand what may change, and how fast, as well as the potential impact of the change. A grounded understanding of the journey ahead will help you plan and implement solutions, regardless of whether that means mitigating adverse effects or taking advantage of new opportunities.

Here is a simple questionnaire designed to kick start your initial discussions, highlight gaps and focus your efforts.

A grid of 20 columns and 20 rows of small dots, intended for a questionnaire or notes.



		To the full extent	To some extent	To a limited extent	Hardly
<b>Our ambition</b>	Our strategic position on climate change is clear and communicated.				
	Our positioning and goals are sufficiently ambitious to drive change.				
	Our positioning will create new opportunities (as opposed to only avoiding risks).				
	We have set clear reduction targets.				
<b>Our focus</b>	Our strategy is guided by insights on our emissions baseline, including “carbon content” in our spend.				
	We have identified areas where we are particularly well-positioned to make a difference.				
	We understand our upstream impact (our suppliers) and have explored opportunities for reducing impact.				
	We understand our downstream impact (our customers/ users/citizens) and have explored opportunities for reducing impact.				
	We understand how our customer/user segments work with their carbon footprint and how we can help in our focus segments.				
<b>Our initiatives</b>	We have defined measures in the areas where we pollute the most and where we are well-positioned to have an impact.				
	Our initiatives are aligned with the ambition and are sufficient for achieving the ambition.				
	We have allocated sufficient resources, including leadership and quality people, for successful implementation.				
	Our initiatives will give us an advantage over our competitors/peers in our focus areas or are at least on par.				
<b>Our capabilities</b>	We have sufficient in-house capabilities to navigate the climate question.				
	We have identified and are building the necessary partnerships.				
	We have identified and are building the necessary technology/products/processes.				
<b>Our management and measurement systems</b>	Our measurement, certification and reporting reflect what we believe that customers, investors and regulators will require.				
	We can track our progress against our emissions targets.				
	We have defined leading indicators which will help us navigate towards the target.				
	Governance provides clear ownership of the climate ambition and target				

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