

Station Note

World Café at TD 1.3

Station 5: Chair of the board of a multinational industrial corporation

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As chair of the Board of a multinational company, you have received a proposal from the CEO for the board to approve an ambitious climate change commitment centred around a proposed target via the Science-Based Targets Initiative (SBTI¹). You are aware of the importance of this step both in terms of fulfilling the responsibility of the company to play its part in tackling climate change, but also because of the opportunities it presents for resilient, future-oriented business growth. You are also aware that demonstrable actions by the private sector can send a strong signal from business to government in support of ambitious climate policy, which governments can use as a vote of confidence to further advance ambitious policies, thereby driving companies to further investments in climate solutions. This is the “ambition loop”—a positive feedback loop in which bold government policies and private sector leadership reinforce each other, and together take climate action to the next level.²

However, it has been brought to your attention that there are mixed opinions among board members about whether this is the right approach for the company: some question whether it is too narrow and not ambitious enough; others consider that taking any kind of ambitious climate action, beyond what is demanded by regulation in each operating jurisdiction, is an unnecessary business risk for the company to take in diverging from its previously successful business-as-usual practices. Also, there has been shareholder activism, with resolutions put to the last three Annual General Meetings (AGMs) for the company to set ambitious targets.

You are seeking advice on how to advise the board on adopting an appropriately ambitious, well-scoped climate change commitment, in particular looking for guidance on three questions:

1. Taking on Scope 3 Emissions. The target is already intended to cover emissions within the company's direct responsibility, including emissions from its own fuel use and from electricity purchased (emissions scopes 1 and 2)³. However, the company is

¹ The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. Science-based targets show companies and financial institutions how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change. See <https://sciencebasedtargets.org/>

² The Ambition Loop is at the heart of the We Mean Business Coalition's 4As approach to corporate climate leadership: Ambition, Action, Advocacy and Accountability. See <https://www.wemeanbusinesscoalition.org/business/>

³ The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream Emissions. See <https://ghgprotocol.org/corporate-standard>

under pressure to include a strong target for scope 3 emissions i.e upstream (supply chain emissions) and downstream (emissions related to transport, processing use and disposal of company products). The board is cautious about taking on a strong commitment on scope 3, given the lack of direct control the company has over either suppliers or customers.

- a. In what ways can the company seek to exert influence on upstream suppliers, to improve their emissions performance and traceability, in order to more confidently commit to a target that includes scope 3 emissions?
 - b. What are the implications of committing to phase out down-stream (product emissions), and what are the options for making this more feasible?
2. A broader commitment: Is a focus on a science-based emissions reductions target too narrow an approach? Should the commitment be broadened to more fully incorporate a company commitment to just transition principles (e.g. through stronger support of transitioning and reskilling the company's workforce and contractors), nature protection, and/or a commitment to funding adaptation both to improve resilience of company operations and also more widely?
 3. Driving better accountability: what can be done to make the company's commitment more transparent and credible, across different emissions scopes, given its reliance on data from operations in many different countries, with different reporting requirements, and with many different suppliers? How can the company use its commitment to more strongly advocate for governments to instigate better regulation for corporate accountability?

The context for these questions will vary significantly depending on the type of company involved. Four different cases will therefore be discussed by different participants at the world café station.

CASE 1: Integrated energy company with strong legacy in oil and gas

A well-known international brand, this company was built as an integrated oil and gas company (covering exploration and production of crude oil and natural gas, as well as refining, processing and retail of related products). The company has for several years been promoting diversification through investments in low-carbon business arms, including non-fossil liquid fuels and branching out into renewable electricity generation. However, scope 3 emissions make up a high proportion (>80%) of the company's total emissions footprint – mostly through use of the products by end consumers – and the company is struggling to match its renewables investments with an ambitious commitment to rapidly reduce its scope 3 emissions (with clear implications for its legacy oil and gas business). The international context since 2022 – with very high oil and gas prices, and a strong political emphasis on energy security following events of recent years – have only strengthened resistance on the board to make strong commitments to rapidly phase out the oil and gas parts of the business, arguing that revenue is required to drive the need investments to transition towards a low-carbon business model.

CASE 2: Multinational cement company

Originally founded in the Global South, this company has developed a truly global footprint producing a significant proportion of the world's clinker and cement. Clinker is the principal component of cement and is the most emissions-intensive part of the production process. The company has production sites in dozens of countries around the world, covering many different income levels and many different regulatory jurisdictions. With a highly greenhouse-gas intensive production process (including process emissions from the chemical production of clinker), and with limited international transport due to the sheer density of the product, scope 3 emissions represent less than 20% of total emissions. However, technological options for rapidly reducing scope 1 production emissions (around 75% of the total footprint) are limited, thereby reducing immediate investment options (notably for production sites in the global south).

CASE 3: Information technology company

A household name in computing and mobile telephones, this company enjoys strong brand recognition and relies on maintaining a positive reputation among consumers internationally. With a strong dependence on upstream component suppliers, many of them in Asia, scope 3 emissions make up the vast majority of the company's GHG emissions, with much of the remainder made up through electricity for powering manufacturing and data centres (scopes 1 and 2). The company has already made strong commitments to purchasing renewably generated electricity, but is struggling to derive the necessary accountability from suppliers to commit to rapid reductions in scope 3 emissions. The company is also aware of the power it has to influence its vast international customer base, not just in how they use the product but also to influence their wider purchasing and behavioural decisions.

CASE 4: Heavy machinery manufacturing company

This company is a well-known international brand supplying industrial heavy machinery for construction, mining and other uses. The company is experiencing a spike in demand for its products, partly driven by growth in mining for critical minerals required by several clean-energy technologies. With manufacturing bases in several countries, and a high number of suppliers of component parts, the company has a complex supply chain with intermediate products crossing multiple international borders. The company has substantial emissions across all three scopes, and faces notable challenges in data quality, even for scope 1 emissions, given its complex physical footprint spanning multiple jurisdictions.