Collaborating with Public & Private Partners to Address Environmental Challenges

Despite progress in integrating environmental considerations into business strategies, the private sector continues to face rising regulatory and stakeholder demands to do even more. Drawing from discussions with senior sustainability executives, this report provides insights on how companies can enhance their environmental efforts, both independently and through partnerships, with a focus on decarbonization and biodiversity protection.

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- **There is a powerful incentive for companies to view biodiversity as a key business issue.** More than half the world's total GDP is highly or moderately dependent on biodiversity: industries from agriculture to travel and tourism depend directly on preserving species, while many more sectors rely on it for their supply chains. Research by The Conference Board shows that protecting biodiversity offers businesses multiple benefits including cost savings, increased operational resilience, and a strengthened reputation. Moreover, for companies that heavily rely on biodiversity, protecting it can mitigate direct risks such as resource scarcity, supply chain disruptions, elevated operational costs, liability issues, and the irreversible loss of resources or services.
- **To gain competitive advantage, enhance their brand, and avoid risk, companies should be proactive in defining their own climate and environmental targets rather than waiting for international agreements and regulations to dictate their approach.** By defining their own goals aligned with their business strategy and societal objectives, companies can meet or exceed stakeholders' expectations, enhancing their reputation and driving financial value. This "inside-out" approach requires companies to understand the environmental issues most material to their business, integrate holistic solutions to address interconnected risks (such as climate change, water, and biodiversity) into their business

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strategies, and innovate to satisfy regulatory, market, and sustainability demands while ensuring a return on investment.

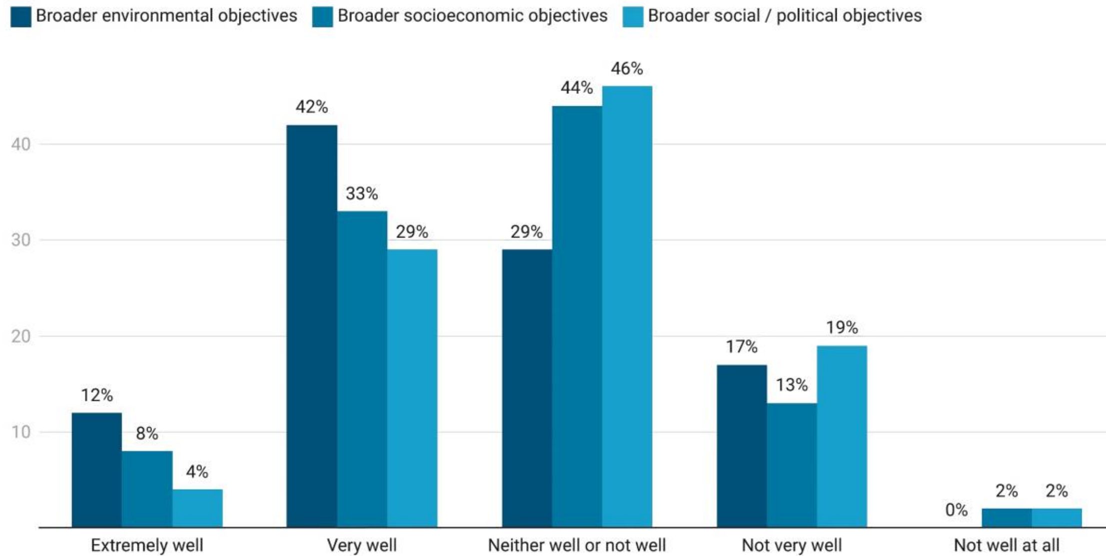
- **Companies should enhance their collaboration with other firms (to the extent permitted by antitrust laws) and with governments to address climate change and biodiversity loss.** Only 8% of polled companies rate collaboration with other firms as excellent or very good in transitioning to a low-carbon economy (Figure 3), while only 5% rate it as very good and none as excellent on protecting biodiversity (Figure 7). Similarly, only 13% rate their collaboration with the public sector as excellent or very good in these areas (Figures 5 and 9). By engaging in policy dialogue, companies can help shape regulations and help design tax incentives, subsidies, or other financial mechanisms that encourage private investment in climate and biodiversity-friendly practices. These partnerships are also essential to reduce scope 3 emissions (the next frontier for decarbonization), accelerate progress toward net-zero emissions, and enhance biodiversity protection through shared objectives, collaborative innovations, and policy alignment.
- **The compelling business argument for prioritizing biodiversity along with the financial risk associated with biodiversity loss can be used to focus the board's attention on climate-related issues.** As of 2023, 47% of S&P 500 companies had disclosed a biodiversity policy (Figure 6), which is lower than disclosure rates for other environmental policies such as those related to climate, waste, and water. Highlighting growing investor concern about the significant financial risks stemming from biodiversity loss and the impact of climate change on biodiversity—such as how extreme weather events can disrupt the supply of raw materials—could capture the board's attention and underscore the urgency of these interconnected environmental issues.

Despite a Greater Focus on Environmental Issues Within Companies, Continued Progress Is Needed

While companies are continuing to integrate environmental, social & governance (ESG) issues into their strategy and across their organization,[1] a poll of sustainability executives conducted by The Conference Board shows that companies have more effectively aligned their ESG strategies with broader environmental goals than with economic or social/political ones (Figure 1). This likely reflects greater clarity and consensus around environmental issues, including on critical matters such as climate change, implementing regulations, and establishing frameworks and targets.

Figure 1

Most companies have more effectively tied their ESG strategy to broader environmental goals than to economic and social ones



Note: 52 poll respondents
Source: Hitting the Reset Button on ESG, Setting ESG Strategy with the Broader Picture in Mind (Roundtable Series), The Conference Board, August 2023

A recent survey by The Conference Board also reveals that: 1) the environmental aspect of ESG (the "E") garners the most focus within the sustainability function and from chief sustainability officers, and 2) this focus has increased over time, primarily due to increasing regulatory demands and stakeholder influence as well as continued environmental degradation caused by GHG emissions, water use, and biodiversity loss, among other issues.

Transitioning to a Lower-Carbon Economy and Protecting Biodiversity

Where do companies stand today in transitioning to a lower-carbon economy and what they can do differently?

According to a global survey conducted by The Conference Board in 2022, nearly half of global CEOs believe climate change is already affecting or will affect their businesses in the next one to five years.

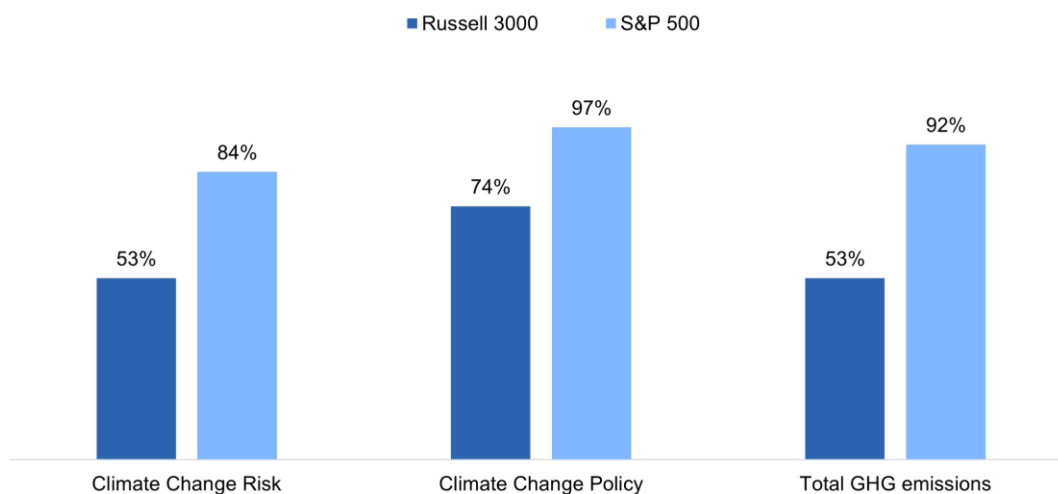
As such, many companies have taken action. Since the adoption of the Paris Agreement in 2015—a legally binding international agreement to combat climate change—approximately 66% of Fortune Global 500 companies have made organizational-level commitments to reduce or

outright curb their greenhouse gas (GHG) emissions in pursuit of net zero—where the amount of GHG emitted is balanced by the amount removed from the atmosphere.

Despite challenges, there is indication of progress in the US among the largest public companies. As such, S&P 500 companies are more advanced in disclosing climate risk, climate change policy, and GHG emissions compared to the broader market (as represented by the Russell 3000) (Figure 2). Moreover, from 2021 to 2022, the S&P 500 companies increased their GHG emissions by only 3% (compared to 32% for Russell 3000 companies, suggesting that larger companies may be more effectively managing their emissions footprint.[2]

Figure 2

Larger companies lead smaller ones in disclosing climate risks, policy, and emissions



Note: Disclosure year 2023
Source: ESGAUGE/The Conference Board, 2024

As noted by The Conference Board, the next frontier for decarbonization will be scope 3 emissions—the GHG emissions that occur indirectly due to a company's activities but are beyond their direct control, such as emissions originating from their supply chain. This is expected since major regulatory disclosure regimes (namely the EU Corporate Sustainability Reporting Directive (CSRD) and the California Climate-related disclosure legislation) include scope 3 emissions.

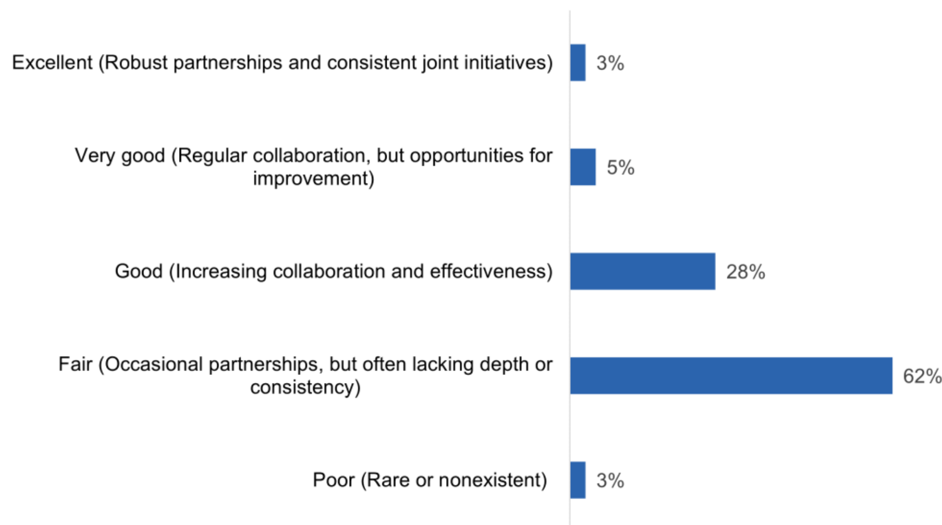
To meet these requirements, companies should collaborate with both upstream suppliers and downstream users to collect data on scope 3 emissions.

However, there is significant room for improvement in strengthening collaboration between companies on decarbonization; 62% of polled executives rate current collaboration as "fair," while only 8% consider it "excellent" or "very good" (Figure 3).

Figure 3

Only 8% of companies see their collaboration with other firms on decarbonization as excellent or very good

Q: How would you rate the effectiveness of collaboration among private sector firms on transitioning to a low-carbon economy?



Note: 39 poll respondents
Source: Hitting the Reset Button on ESG: Setting Strategy with the Broader Picture in Mind: Session 2 - Environmental, The Conference Board, October 2023

Moreover, considering that the traditional “top-down” approach—waiting for international agreements to be adopted, followed by national regulations and then private sector compliance—is likely to be ineffective if not disadvantageous, companies should consider an “inside-out” approach. This involves proactively setting climate and other environmental goals[3] based on their strategic vision and the broader societal objectives they aim to support. By doing so, companies would address stakeholder demands for a comprehensive approach to environmental impact and drive financial value. This would require companies to:

- Have a clear understanding of the environmental issues that are relevant to them;
- Move beyond isolated, climate-focused approaches by embracing more comprehensive solutions that address interconnected environmental risks (such as fresh water, biodiversity) and incorporate them into their business strategy; and
- Think creatively to find ways that meet regulatory, market, and sustainability imperatives while also generating a return on investment.

How the private and public sectors can collaborate to accelerate the transition

In alignment with the Paris Agreement commitment to keep global warming to no more than 1.5°C above preindustrial levels, in December 2021, the Biden Administration signed an executive order directing the federal government to reach net zero by 2050, which is being implemented through measures such as significant reductions in emissions across various sectors and increased investment in clean energy. Governments, including in the US, have further been issuing an increasing number of climate-related disclosure regulations to encourage companies to reduce their GHG emissions and climate-related risks[4] (Figure 4).

Figure 4

Disclosure regulations are proliferating

	CSRD	CALIFORNIA CLIMATE-RELATED LAWS	SEC FINAL RULES
WHO	• Companies already subject to the Non-Financial Reporting Directive (NFRD) • The parent or subsidiary with EU-listed securities • Large EU undertakings meeting at least 2 of 3 criteria: balance sheet total of €25 million, net turnover of €50 million, and average number of employees during the year of 250 • Parent company with a) €150 million EU revenue and b) a large EU subsidiary or an EU branch with €40 million net turnover	Private and public US companies, LLCs, partnerships, and other entities that do business in California with revenue exceeding: • $500 million **(Climate-Related Financial Risk Act—*"Risk"*)** • $1 Billion **(Climate Corporate Data Accountability Act—*"Data"*)**	SEC registrants (domestic or foreign)
WHEN	Phased in from FY 2024-28 (first report due the following year) • Companies already subject to the NFRD: FY 2024 • Parent or a subsidiary that has EU-listed securities: FY 2025 • Large EU undertakings: FY 2025 • Parent company with a) €150 million EU revenue and b) a large EU subsidiary or an EU branch with €40 million net turnover: FY 2028	• **Risk:** Publish material climate-related financial risk report to external company website by January 1, 2026, and biennially thereafter. • **Data**: Report on GHG emissions in 2026 for prior fiscal year (scope 1 and 2) and 2027 for prior fiscal year (scope 3).	Compliance dates generally two years later but dates subject to change (rules currently stayed); certain disclosures required for the year beginning in: • Large Accelerated Filers: FY 2025 • Accelerated Filers: FY 2026 • Smaller Reporting Companies, Emerging Growth Companies, and Non-Accelerated Filers: FY 2027
WHAT	Companies must disclose their ESG impacts in a clearly identified single section of the company's management report. 1. 10 ESG topics, if material 2. Double materiality approach 3. Scope 1, 2, and 3 emissions 4. Independent verification of report/limited assurance	• **Risk**: Report on company website disclosing entity's material climate-related financial risk and measures to reduce and adapt to that risk. • **Data:** Report to State government for public disclosure (scope 1 and 2 emissions for the prior fiscal year, starting in 2026), and scope 3 emissions (for the prior fiscal year, starting in 2027); no materiality qualifier. • Scope 1 and scope 2: Limited assurance by an independent third-party assurance provider, moving to reasonable assurance in 2030; Scope 3: Limited assurance by 2030.	**Form 10-K Disclosures:** • Material climate-related risks and their impacts on business • Processes for identifying, assessing, and managing material climate-related risks • Information on climate-related targets or goals, if material • Material scope 1 and/or scope 2 GHG emissions for registrants • Attestation report on scope 1 and scope 2, with limited assurance at first (beginning FY 2029), transitioning to reasonable assurance for Large Accelerated Filers (beginning FY 2033) *Attestation report to be prepared by an independent GHG emissions expert* **Financial Statement Notes Disclosures:** Costs, expenditures, charges, and losses from severe weather and other natural conditions, and those related to certain carbon offsets and renewable energy credits, subject to 1% and de minimis disclosure thresholds

Source: *Collaborating with Public & Private Partners to Address Environmental Challenges*, The Conference Board, July 2024

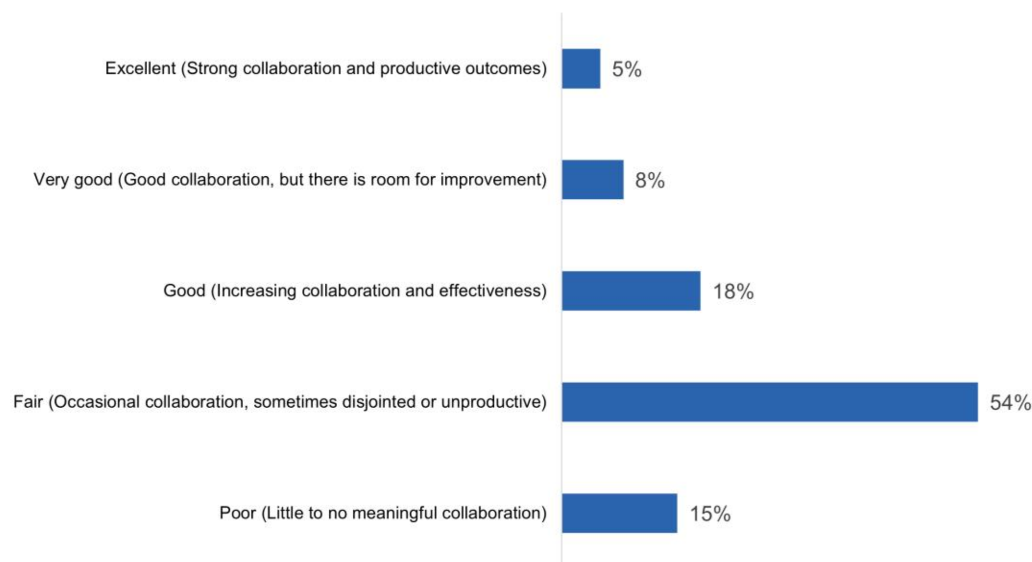
The lack of consistency among these regulatory regimes means companies face multiple layers of overlapping and sometimes inconsistent reporting obligations. Improved collaboration between the public and private sectors in implementing these requirements could facilitate the adoption of best practices across industries. Furthermore, companies should view sustainability reporting regulatory frameworks as a valuable tool for lawful collaboration, not only with governments but also with other companies of their industries, as these can provide a common language for defining climate issues and setting related goals.

However, most polled companies (54%) rate collaboration between the public and private sectors on transitioning to a low-carbon economy as sporadic and sometimes disjointed ("fair"), while 18% view it as "good," and just 13% view it as "excellent" or "very good" (Figure 5).

Figure 5

Most companies tend to view public-private collaboration on low-carbon transition as "fair," indicating room for progress

Q: How would you rate the effectiveness of collaboration between the public and private sectors on transitioning to a low-carbon economy?



Note: 39 poll respondents
Source: Hitting the Reset Button on ESG: Setting Strategy with the Broader Picture in Mind: Session 2 - Environmental, The Conference Board, October 2023

To reach net-zero emissions by 2050, collaboration between the public and private sectors needs to be strengthened. As noted by the Committee for Economic Development (CED), the public policy center of The Conference Board, government policymakers and the business community should work together to ensure the energy transition required to achieve net zero is successful, promoting global and US economic growth while acknowledging the social costs of the transition. This collaboration is also critical to foster public-private innovation: while governments can support investment in research and development and low- or zero-carbon technologies, businesses can use tax credits and incentives to invest in clean energy technology.

Protecting Biodiversity

Where companies stand today in protecting biodiversity and what they can do differently

» *Biodiversity refers to the variety of life on Earth, in all its forms—diversity within species, between species, and of ecosystems—and all its interactions.*

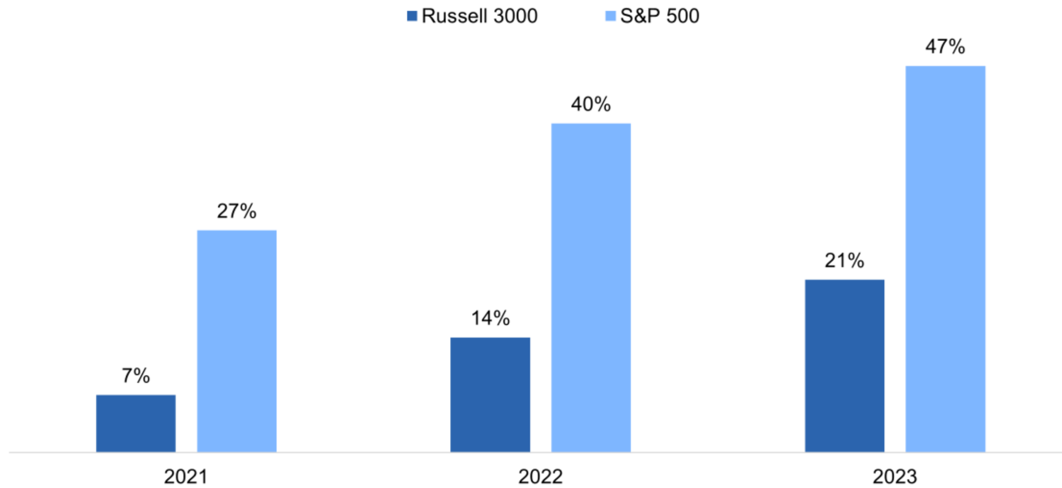
There is a powerful incentive for companies to view biodiversity as a key business issue. Industries from agriculture to travel and tourism depend directly on preserving species, and even more sectors rely on it for their supply chains. More than half the world's total GDP is highly or moderately dependent on it. Research by The Conference Board, shows that protecting biodiversity can lead to business opportunities, including cost savings, enhanced operational resilience, and improved access to more favorable financing terms or capital. A strong commitment to biodiversity can bolster a company's reputation, aligning with the growing environmental expectations of consumers, investors, and other stakeholders. Moreover, for companies that are highly dependent on biodiversity (such as agriculture-related ones), the decrease in biodiversity can expose them to direct risks including resource scarcity, supply chain disruption, increased operational costs, liability risks, or permanent loss of a resource or service.

There has been a noticeable increase in the percentage of US companies disclosing a biodiversity policy since 2021 (Figure 6). However, although these disclosure rates nearly doubled from 2021 to 2022, they remain below the rates of disclosure of other environmental policies (such as climate change, waste reduction, and water).

Figure 6

In 2023, nearly half of S&P 500 companies disclosed a biodiversity policy

Biodiversity policy disclosure by S&P 500 and Russell 3000 companies



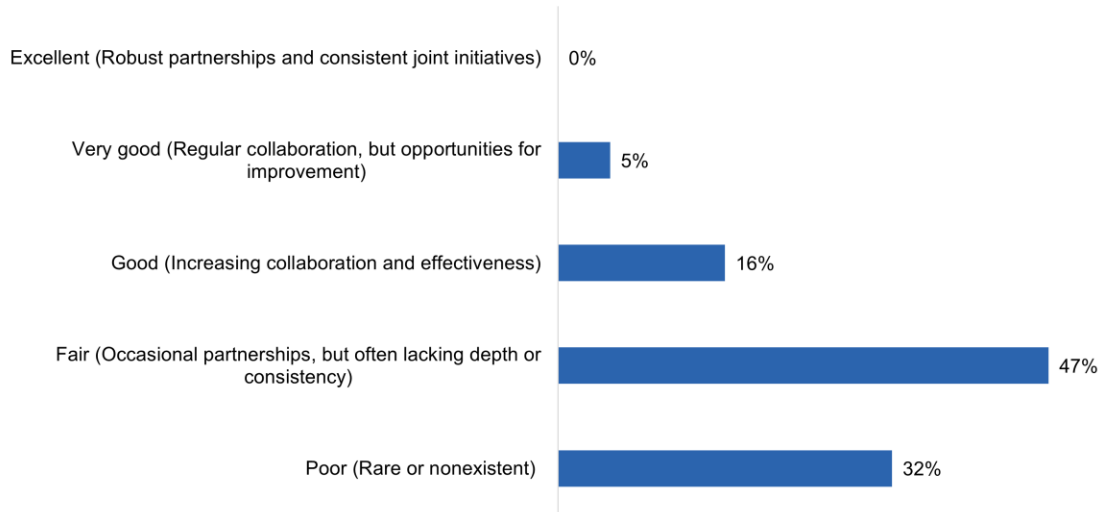
Note: Disclosure year 2023
Source: ESGAUGE/The Conference Board, 2024

Effective collaboration among private companies can significantly increase the scale and effectiveness of preservation efforts. However, 47% of polled companies rate the effectiveness of collaboration among private sector firms on protecting biodiversity as “fair,” while 32% consider it “poor.” Only 5% view it as “very good” and none rate it as “excellent” (Figure 7).

Figure 7

Collaboration between firms on protecting biodiversity falls short

Q: How would you rate the effectiveness of collaboration among private sector firms on protecting biodiversity?



Note: 39 poll respondents
Source: Hitting the Reset Button on ESG: Setting Strategy with the Broader Picture in Mind: Session 2 - Environmental, The Conference Board, October 2023

As with addressing climate-related concerns, companies should adopt an “inside-out” perspective to examine the range of biodiversity issues directly applicable to them and integrate these concerns into their business strategies. Companies should also reach out to peers and those in their upstream and downstream value chains to see what can be done collectively.

Moreover, given the strong business case for addressing biodiversity in some industries, biodiversity may be used as a gateway to encourage boards to focus on climate.

How the private and public sectors can collaborate to strengthen biodiversity protection

Recognizing the importance of biodiversity, governments from 196 countries adopted the Kunming-Montreal Global Biodiversity Framework (GBF) in December 2022[5]—the first multilateral agreement explicitly requiring all large and multinational companies and financial institutions to assess and disclose their biodiversity-related risks, impacts, and dependencies (target 15). Although not legally binding, the GBF provides a global road map for the conservation, protection, restoration, and sustainable management of biodiversity and ecosystems, urging businesses to disclose biodiversity-related risks and impacts (Figure 8).

Figure 8

The GBF mandates that large companies and financial institutions disclose biodiversity-related considerations

Four Goals	Standout Target for Business: Target 15
1 Protect and restore: Preserve and maintain ecosystems, reduce extinction rates of threatened species by 2050, and safeguard the genetic diversity of wild and domesticated species. **2 Prosper with nature:** Sustainably use and manage biodiversity by 2050, for the benefit of present and future generations. **3 Share benefits fairly:** Equitably share benefits from genetic resources and traditional knowledge, including with Indigenous peoples and local communities. **4 Invest and collaborate:** Secure resources (e.g., financial, technological, and technical) for implementing the GBF.	Calls on governments to encourage and enable businesses (especially large, transnational companies and financial institutions) to: (a) Regularly monitor, assess, and transparently disclose their risks, dependencies, and impacts on biodiversity. (b) Provide information needed to consumers to promote sustainable consumption patterns. (c) Report on compliance with access and benefit-sharing regulations and measures, as applicable.

Source: Modified from UN Environment Programme, *Kunming-Montreal Global Biodiversity Framework,* 2022.

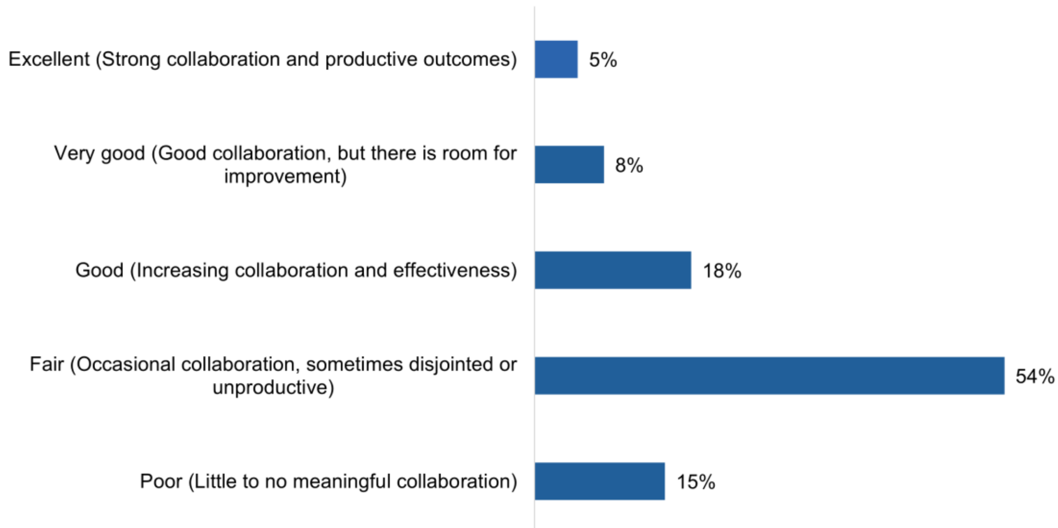
To encourage action on biodiversity in the private sector, governments have implemented regulations mandating biodiversity disclosures. For example, the European Sustainability Reporting Standards (a standardized framework for corporate sustainability reporting related to the CSRD) includes a topical standard focusing on biodiversity and ecosystems, and the EU Corporate Sustainability Due Diligence Directive (CSDDD) mandates that large companies assess, prevent, and address their impacts on human rights and the environment—including biodiversity—within their operations and the operations of business partners in their chains of activities.[6]

These regulations could foster greater public-private collaboration by creating a common platform for dialogue and alignment on biodiversity goals.

Public-private collaboration on biodiversity also has the potential to drive investments in conservation initiatives that protect species and could create economic opportunities that benefit both the environment and local communities (e.g., creation of green jobs). Given that climate change and biodiversity are connected (e.g., rising temperatures have an impact on habitats and species), public-private partnerships aimed at net zero will also help protect biodiversity.

However, more than half of polled companies find collaboration between public and private sectors on protecting biodiversity occasional and sometimes disjointed (“fair”), while 18% view it as “good,” and just 13% view it as “excellent” or “very good” (Figure 9).

Figure 9



Note: 39 poll respondents
Source: Hitting the Reset Button on ESG: Setting Strategy with the Broader Picture in Mind: Session 2 - Environmental, The Conference Board, October 2023

To strengthen public-private collaboration, companies should further:

- Engage in policy dialogue with governments to help shape biodiversity policies and regulations;
- Work with governments to design tax incentives, subsidies, or other financial mechanisms that encourage private investment in biodiversity-friendly practices; and
- Engage in public-private partnerships to fund and implement biodiversity conservation projects that have a positive impact on their business and their community.

Conclusion

Companies are facing the multiple challenges of adhering to an increasing number of inconsistent environmental regulations and satisfying the expectations of investors, customers, and other stakeholders to mitigate environmental risks and impacts. To overcome these challenges, companies should assess where they stand to proactively integrate environmental considerations into their business strategies. They should also strengthen collaboration, as achieving net zero and global biodiversity targets cannot be done in isolation. It requires a robust public-private partnership, along with active cooperation among companies and their

value chains to address environmental challenges (e.g., biodiversity, climate, water, and waste) in a comprehensive and effective manner.

About This Report

This report outlines key insights from a roundtable on "Hitting the Reset Button on ESG: Setting Strategy with the Broader Picture in Mind: Environment." This was the second in a series of four roundtables convened by The Conference Board between August 2023 and February 2024, each sponsored by Weil, Gotshal & Manges and accompanied by a corresponding report. This publication, which is the second in a series of four reports, focuses on how companies can better collaborate with public and private partners to make progress on environmental goals, especially in two key priority environmental areas: decarbonization and biodiversity. The insights gained through these areas are relevant to a broader range of sustainability challenges.

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About the Knowledge Partner

Founded in 1931, Weil, Gotshal & Manges LLP has provided legal services to the largest public companies, private equity firms, and financial institutions for more than 90 years. Widely recognized by those covering the legal profession, Weil's lawyers regularly advise clients globally on their most complex Litigation, Corporate, Restructuring, and Tax and Benefits matters. With approximately 1,100 lawyers in offices around the globe, Weil has been a pioneer in establishing a geographic footprint that has allowed the Firm to partner with clients wherever they do business.

Acknowledgments

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Endnotes

[1] A survey by The Conference Board involving 104 sustainability executives revealed that 79% of companies are at the mid to advanced stage of maturity of their sustainability programs, meaning that they have developed a sustainability strategy and are in the process of or have already integrated sustainability throughout their organization.

[2] For more details on these percentages, see Nathalie Risse, *Biggest Companies Increased GHG Emissions by Just 3% from 2021 to 2022,* The Conference Board, November 2023. The calculations are based on disclosures available through TCB Benchmarking, powered by ESGAUGE.

[3] For more information on how companies can map their environmental dependence and potential impact on diverse and interrelated areas, see Ioannis Siskos et al., *A Thin Green Line: Raising Awareness of Planetary Boundaries*, The Conference Board, April 2024.

[4] Key climate-related disclosure regulations include: the EU CSRD; the California climate-related legislation, namely the Climate Corporate Data Accountability Act and Greenhouse Gases - Climate-Related Financial Risk; and the US Securities and Exchange Commission (SEC) Rules to Enhance and Standardize Climate-Related Disclosures for Investors. See The Conference Board ESG Regulatory Agenda for additional information.

[5] For more information, see Manali Paranjpe et al., *The Global Biodiversity Framework: A Primer for Business*, The Conference Board, September 2023.

[6] In addition to regulations, voluntary frameworks and initiatives have emerged to support organizations in comprehending and disclosing information about biodiversity. Those include the Taskforce on Nature-Related Financial Disclosures (TNFD), a global initiative to standardize companies' nature-related financial disclosures, and the Science-Based Targets for Nature (SBTN), a global effort to establish scientifically grounded goals to help companies reduce their impacts on nature.

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