

**Adapting for a
Green Economy:**

**COMPANIES,
COMMUNITIES
AND CLIMATE
CHANGE**

A Caring for Climate Report



WORLD
RESOURCES
INSTITUTE

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Foreword

Twenty years ago, world leaders gathered at the Earth Summit in Rio de Janeiro and signed the first global agreement to tackle climate change. At the time, the impacts of climate change on communities and economies were just beginning to be understood, and the role of the private sector in responding to these challenges was only just emerging. But two decades later, climate change is no longer a distant threat looming on the horizon; it has emerged as arguably the greatest global challenge of our time.

And while much of the responsibility to drive climate change solutions that address the needs of the poorest and most vulnerable rests with governments, it has become increasingly clear that business will be an essential partner in preparing for and responding to the impacts of a changing climate and in building a global green economy.

At the end of this year, governments will gather in Durban, South Africa, for the next round of United Nations negotiations to advance global action on climate change. In June 2012, the UN Conference on Sustainable Development (Rio+20) will seek to secure new and comprehensive commitments to sustainable development.

This publication aims to support the efforts leading up to Rio+20, as well as the activities, processes, commitments and partnerships that flow from it. By highlighting the nexus among climate change risks and opportunities, sustainable development and climate change adaptation, *Adapting for a Green Economy* provides useful guidance to business leaders and policymakers alike.

The devastating environmental, social and economic impacts of climate change are already being felt around the world, with the poorest nations and communities disproportionately affected. This report offers insights on important questions surrounding the role of business in adaptation:

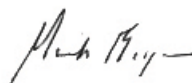
- In practice, how can businesses address risks in their own supply chains and operations while also supporting the adaptation efforts of the communities on which they depend?
- How can the private sector build climate resilience in partnership with communities in ways that are mutually supportive?
- What are the barriers that may prevent effective business engagement in adaptation?
- How can business investment in adaptation complement necessary public policies, and how can public policies create the context for appropriate private sector action?

Developed in collaboration with Oxfam International, the World Resources Institute and the United Nations Environment Programme (UNEP), *Adapting for a Green Economy* is based on the results of a qualitative survey of business leaders who support the Caring for Climate initiative, a joint United Nations Global Compact-UNEP platform involving more than 400 businesses committed to advancing climate action.


There is much that businesses of all sizes and sectors can contribute to effective climate adaptation. This report provides actionable information that can help create effective strategies that benefit business and communities, coupled with common-sense suggestions for supportive government policy.



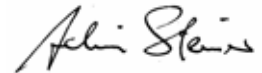
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Executive Summary

Drawing on the results of a 2010 survey of corporate signatories to the United Nations Global Compact and the United Nations Environment Programme Caring for Climate initiative, as well as on existing literature, this report makes the business case for private sector adaptation to climate change in ways that build the resilience of vulnerable communities in developing countries. It then offers actions that companies and policymakers can pursue to catalyze and scale up private sector action on adaptation. It is ultimately the responsibility of the public sector to meet the critical climate change adaptation needs of the poor and vulnerable; thus private sector engagement cannot substitute for critically needed public investment and policies. However, private sector investment can serve as a pivotal part of a comprehensive government-led approach to addressing climate impacts.

This report is a resource for companies with a national, regional or global reach that are interested in increasing their strategic focus on adaptation in developing countries where they have operations, supply chains, employees and current or potential customers. While many companies are focused on climate change mitigation — slowing the rate of climate change through reduction of greenhouse gas emissions and other strategies — most have yet to develop strategies for dealing with the immediate to long-term consequences of climate change. This report is also aimed at national and international policymakers involved in climate change and sustainable development dialogues and decision-making, including those who will participate in the United Nations Conference on Sustainable Development in 2012 (Rio+20). It is hoped that the report's findings will be useful for a much wider range of actors as well, including small, local businesses in developing countries that are on the front line of climate impacts; civil society organizations seeking to strengthen their work around climate change and sustainable development; and subnational policymakers, who are in a key position to shape a productive interface among government, communities and businesses.

Private Sector Adaptation, Sustainable Development and the Green Economy

The challenges that communities in developing countries face as a result of climate change — such as more frequent and intense storms, water scarcity, declining agricultural productivity and poor health — also pose serious challenges for businesses. Community risks are business risks. Both local and global companies depend on community members as suppliers, customers and employees. They also depend on local resources, services and infrastructure to be able to operate. It is difficult to separate community well-being from companies' viability and, in turn, overall economic growth.

Businesses that make these connections and adapt to climate change with community needs in mind can gain a competitive edge. Businesses that respond to climate change in ways that undermine communities' efforts to adapt may face reputational and brand risks, and they may even lose their ability to operate in certain locations. Through responsible, strategic approaches to addressing climate change risks and opportunities, in consultation with people in affected communities, companies can:

- Avoid costs, manage liabilities and build resilience to climate change impacts by addressing climate risks throughout their operations and value chains, while at the same time increasing community resilience.
- Expand market share and create wealth in communities by developing and deploying new products and services that help people adapt.
- Access new opportunities to collaborate with the public sector, as developing country governments seek corporate partners who can effectively deliver goods and services that support high-priority climate change adaptation efforts.
- Build corporate reputation and exercise good corporate citizenship by showing commitment to decreasing climate vulnerability and promoting long-term resilience in places where it is needed most.

Investment or other private sector actions taken to adapt to climate change can also have the benefit of promoting a transition to a “green economy”, which has been identified by governments as one of the anchoring themes of Rio+20. In its simplest expression, a green economy is one that is low-carbon, resource-efficient and socially inclusive. In a green economy, growth in income and employment can be generated by strategic public and private investments in developed and developing countries that reduce greenhouse gas (GHG) emissions, improve resource efficiency and prevent the loss of biodiversity and ecosystem services (that is, the benefits of nature to people). Businesses can accelerate the transition to a green economy by taking advantage of the natural synergies that exist between green economy initiatives and climate change adaptation opportunities. When businesses work with communities to restore mangrove forests as natural barriers against storms, or develop affordable drip irrigation equipment that can be used by small-scale farmers facing water scarcity, they are also greening the economy.

Business Perspectives and Action on Adaptation

The Caring for Climate survey revealed that 83 percent of 72 responding companies believe that climate change impacts pose a risk to their products or services. A slightly higher percentage of companies (86 percent) think that responding to climate change risks, or investing in adaptation solutions, poses a business opportunity for their company. Many Caring for Climate companies surveyed have employees and operations in developing countries, which are disproportionately vulnerable to climate change and have limited resources with which to adapt. Not only are companies that operate in, have markets in or source in developing countries exposed to risk, but they can also play a critical role in building climate resilience in these countries.

However, beyond planning for the most obvious or immediate threats — increasingly unreliable access to key inputs like water and energy, for example, or damage to assets from flooding — most companies are not yet taking concrete steps to address climate change risks and to respond to new opportunities in a comprehensive, integrated way.

There is not yet widespread understanding among Caring for Climate signatories

of what climate adaptation is and what it means for them or for the markets they serve. Uncertainties about the location, magnitude, potential timing and consequences of climate change impacts make it risky for them to tackle adaptation on their own, and few good tools exist to help businesses assess climate risks and opportunities. The survey revealed that companies find it difficult to incorporate scientific climate change data, which typically cover a large geographic area and span a long-term time frame, into practical business decision-making, which tends to be shorter-term in nature and location-specific. Information about the full range of adaptation costs and benefits is often not available as an input to companies’ investment analyses. Companies may see few economic and policy incentives to make significant up-front investments that bolster long-term climate resilience, for the company and for communities that will be most affected by climate change impacts.

These factors can make it difficult for businesses to make adaptation a strategic priority. Even if key internal stakeholders have prioritized adaptation, it can be hard for them to find the capacity to consult and communicate with a wide range of key external stakeholders, including suppliers and customers. Few Caring for Climate signatories are engaging with suppliers around the issue of climate risk, and few are exploring how their customers’ needs may change as a result of climate change impacts, and what the corresponding business implications — and possible missed opportunities — may be of shifting demands and preferences. Companies also reported challenges in analyzing the connection between their own adaptation needs and community needs; only half of the companies that responded to the Caring for Climate survey said that they have recognized the possible social consequences (positive or negative) of their adaptation strategies. In the end, very few Caring for Climate signatories have been able to design comprehensive adaptation goals with corresponding business indicators to track economic performance and progress towards those goals.

Although business adaptation to climate change is clearly at a nascent stage, approximately one-third of companies surveyed reported having a strong emphasis on addressing climate risks, and about the same percentage reported a strong emphasis on responding to adaptation opportunities.

The survey revealed some emerging best practices in how companies are responding to complex climate change challenges and opportunities while contributing to sustainable development. This report provides several case studies that not only serve as models for other companies, but also provide evidence that private sector adaptation at the nexus of company needs and the needs of vulnerable communities in developing countries makes good business sense.

Strategic private sector adaptation to climate change must be a purposeful process: It will not happen by chance. Companies must prioritize adaptation and take action to address risks and pursue opportunities. Governments can assist companies to overcome barriers to investment and harness the resources and innovation of the private sector to contribute to the public good.

Practical Measures for Companies

Companies will find that addressing the impacts of climate change necessitates a departure from business as usual; traditional approaches are insufficient. Adaptation champions within the company will want to focus their colleagues' attention on three key questions: 1) What does climate resilience mean for the company? 2) What will position the company to navigate risks and lead markets in a warming world? and 3) How will the company engage partners to minimize risks and seize opportunities? Effective, comprehensive responses to these questions will require companies to...

- Connect climate “adaptation” and “resilience” to the company and corporate culture, building on existing mitigation initiatives.
- Integrate climate adaptation into core strategic business planning processes.
- Align business objectives with adaptation priorities.
- Build a portfolio of climate-resilient goods and services.
- Build mutually beneficial strategies with stakeholders; build communication channels.
- Partner with internal and external decision-makers.

Practical Measures for Policymakers

Governments have a central role to play in catalyzing private sector provision of goods and services that support climate change adaptation and in encouraging climate-resilient business practices. Some public sector efforts to incentivize business contributions to adaptation must be developed and implemented through agreements at the international level. Policy focus at the national and local level, however, is essential, because adaptation challenges and solutions are specific to each locality, and business barriers and opportunities will be country-specific. To create a facilitating environment for private sector investment in climate change adaptation, policymakers can...

- Demonstrate policy and finance commitment to adaptation.
- Engage businesses as stakeholders in planning and implementation.
- Stimulate the market for adaptation through financial and risk-reduction incentives.
- Develop policy and regulatory frameworks to guide corporate practices.
- Provide businesses with the information and tools they need to make investments that support climate resilience in vulnerable communities.
- Consider new forms of public-private partnerships to tackle the most complex challenges to sustainable development and climate resilience.

Conclusion

Addressing the adaptation needs of vulnerable communities at the scale that is necessary will require unprecedented levels of cooperation, collaboration and resource mobilization among governments, businesses, civil society groups and communities themselves. The private sector has much to contribute to the development and implementation of climate change adaptation solutions, including sector-specific expertise, technology, significant levels of financing, efficiency and an entrepreneurial spirit. The key is to find the nexus of shared interest where business incentives align with communities' adaptation needs. Companies that rigorously assess climate change risks and opportunities and implement creative solutions that build long-term resilience will create business value while making important contributions to sustainable development and equitable green growth.

Conclusion

Designing an effective corporate adaptation response requires innovative, holistic approaches. Business-as-usual approaches are insufficient. Companies typically develop operational and investment strategies that respond to perceived near-term consumer and business needs and that are projected to accrue returns on investment in the short term. Meanwhile, climate change impacts are expected over the long term, and as previously discussed, they can impact every facet of a business and the communities on which they rely.

Companies can develop new approaches to connect today's strategies with tomorrow's

markets. Companies that identify opportunities to enhance resilience in their operations can also develop new strategies for products and services that meet needs in markets adapting to a changing climate. They can engage actors across the company such as executives, product developers, financial decision-makers and business unit managers. Companies that develop strong relationships with customers and the local communities in which they operate can better respond to changing consumer needs and become more effective partners in building resilient communities.

COMPANY CASE STUDY: SEKEM

SEKEM Holdings Group — an Egyptian company offering products such as pharmaceuticals, organic foods and textiles — is incorporating adaptation priorities into a comprehensive sustainability strategy in order to reduce its vulnerability to climate change risks, while also working to provide products and services that increase resilience in local communities.

SEKEM has identified climate change adaptation as a key long-term business strategy, and has developed adaptation-oriented quality standards for products, services and solutions that also meet consumers' current and emerging needs. The company partners with farmers, producers, vendors and consumers to market and distribute products in the context of a changing climate. SEKEM has identified practical methods of incorporating adaptation into its enterprise management model, including employing organic methods of agricultural production and updating its water management practices with more efficient drip irrigation methods. Such methods help integrate climate change mitigation and adaptation priorities into core business practices, with important benefits for enhancing efficiency as well as increasing institutional climate change resilience.

SEKEM is integrating climate change risks and opportunities into each of its business units and key decision-making processes, with particular emphasis on addressing energy, food and water security issues. Its Sustainability Unit makes recommendations to key decision-makers across all business units and levels of management. In order to track the progress of climate-related strategies, SEKEM devised a set of indicators related to adaptation priorities and communicates those indicators through its Sustainability Balanced Scorecard system. The Scorecard tracks adaptation-focused

performance indicators, and is an effective way of tracking progress through comparisons to previous assessments and communicating progress (as well as areas for improvement) to internal and external stakeholders.

For its internal stakeholders, SEKEM discusses adaptation goals and progress indicators with groups of employees (most notably its Sustainability Units) in each SEKEM subsidiary. In addition, SEKEM's management team discusses and evaluates its annual sustainability report and invites the company's shareholders to quarterly board meetings to discuss issues relevant to sustainability, climate change and adaptation.

For its external stakeholders, SEKEM engages in strategic cooperation with key partners and consumers, and regularly discusses climate change goals and metrics with various media platforms. The company has established an extensive network of communications nationally and internationally — through proactive engagements on conferences, workshops, trade shows and other events — in order to ensure that climate change issues are highlighted on the national policy agenda.

SEKEM has also recognized that engaging with local communities is a central adaptation priority, and in conjunction with the SEKEM Development Foundation (which maintains a variety of programmes in social development, research, health care, education and vocational training) has developed various methods of communication and consultation with local stakeholders. For SEKEM, participation in these events and having consistent interactions with external partners are crucial to developing new ideas and methods for innovation.



United Nations Global Compact

About the United Nations Global Compact

Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and to catalyze actions in support of broader UN goals. With more than 8,000 participants in over 135 countries, it is the world's largest voluntary corporate responsibility initiative. <http://www.unglobalcompact.org>



About the United Nations Environment Programme

The United Nations Environment Programme (UNEP), established in 1972, is the voice for the environment within the United Nations system. UNEP acts as a catalyst, advocate, educator and facilitator to promote the wise use and sustainable development of the global environment. To accomplish this, UNEP works with a wide range of partners, including United Nations entities, international organizations, national governments, non-governmental organizations, the private sector and civil society. <http://www.unep.org>



About Oxfam

Oxfam is an international confederation of fifteen organizations working together to find lasting solutions to poverty and injustice. Together with individuals and local groups in more than 90 countries, Oxfam saves lives, helps people overcome poverty, and fights for social justice. <http://www.oxfam.org/>



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About the World Resources Institute

The World Resources Institute (WRI) is an environmental think tank that goes beyond research to create practical ways to protect the Earth and improve people's lives. <http://www.wri.org/>



Caring for Climate

About Caring for Climate

Launched by the UN Secretary-General Ban Ki-moon in 2007, "Caring for Climate" is the UN Global Compact and UN Environment Programme's initiative aimed at advancing the role of business in addressing climate change. It provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes. Chief executive officers who support the statement are prepared to set goals, develop and expand strategies and practices, and to publicly disclose emissions as part of their existing disclosure commitment within the UN Global Compact framework, that is, the Communication on Progress. Caring for Climate is endorsed by nearly 400 companies from 65 countries. http://www.unglobalcompact.org/Issues/Environment/Climate_Change/

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Companies

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Allergan	Endesa	Nokia
Anglo American	ENI	Novartis
Aramex	Eskom	Novo Nordisk
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ARM	Gamesa	Pfizer
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Aviva	GDF Suez	Pulmuone Holdings
AXA	Hewlett Packard Company	Rathbone Greenbank Investments
Banco do Brasil	Hilti	Repsol YPF
Bayer	Hitachi	RICOH
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Cadbury	Infosys Technologies	Sasol
Cargemini	Johnson Controls	SEKEM
CEMEX	Kikkoman	SOMPO Japan Insurance
China Minmetals Corporation	Lafarge	Swiss Re
China National Offshore Oil Corporation (CNOOC)	LG Electronics	Tata
Cisco	Li & Fung Group	Telvent
Coca-Cola Company	Macondo Media Group	TIMA
Coca-Cola Hellenic	Mansour	Unilever
	Martha Tilaar Group	Vattenfall
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The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labour;
- Principle 5 the effective abolition of child labour; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

