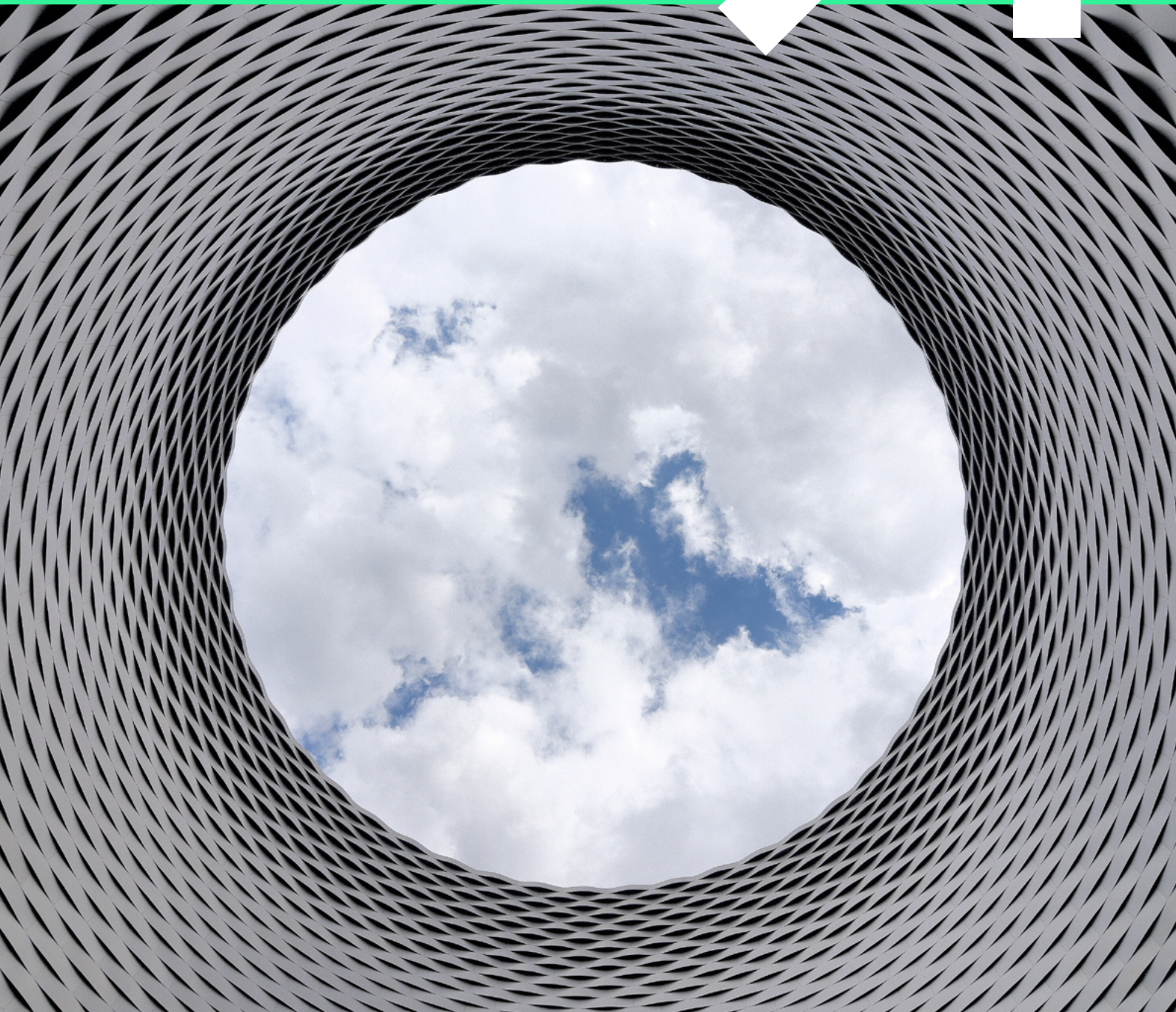
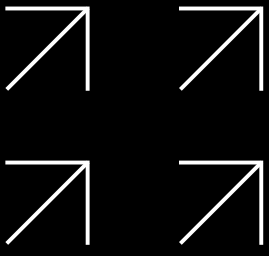


**Take a
Closer Look**



The challenges companies face on the route to net-zero





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Foreword

Businesses cannot ignore the increasing pressure from regulators, shareholders, customers and other stakeholders to respond to the net-zero challenge.

The Paris Agreement has set a target to limit temperature increase to 1.5 degrees Celsius. A growing number of governments are setting targets to end their contribution to global warming. Days of treating sustainability as a generic, tick the box exercise are coming to an end. Corporate response to climate change has crossed the line to become a moral issue.

Integrating Environmental, Social and Governance (ESG) frameworks into the core of how organisations operate is a critical step in dealing with this risk and increase resilience.

The following report has been compiled based on a series of workshops with key players across a wide range of industries. Challenges on the way-to and opportunities to move towards net-zero have been outlined in accordance with the key themes that arose.

In our experience, and with this report as an example, it is only through the collaboration between all relevant parties surrounding a challenge that we can find effective and mutually beneficial solutions.

Executive summary

1

On the journey to a net-zero future, companies face a number of challenges both from their market situation and the stakeholders within their (virtual) walls. From identifying tangible value from the transition, to driving effective culture change, at their core the challenges between organisations are more similar than not. These more intrinsic challenges, decoupled from simply the product or service of an organisation, can be solved through similar principles from organisation to organisation.

2

ESG is an empowering framework to manage transition risk but should be used as a foundation for change across organisations. Checking boxes in accordance with what's deemed to be acceptable will not lead to meaningful change. Often in these businesses there are individuals or teams that take ESG well beyond an exercise, but this mentality isn't widespread.

3

Comprehensive buy-in from leadership that change is necessary and coming at pace is a key enabler for the transformation of organisations. We have also found that balancing opportunity cost, a focus on culture and appropriate use of frameworks or reporting methods are imperative to a successful transition.

Involved Parties

Through the workshops that were completed, we received input from a number of forward-thinking organisations who are tackling net-zero challenges head and are on a pathway to improve. Although insights from conversations with these businesses allowed us to compile this report, the views expressed within are not representative of the wider industry sectors and there are no direct quotes from our interactions.



Technology

Financial Services



Telecommunications

Consumer goods

Accountancy

Media

Engineering / Defence

Construction & Infrastructure

Public Sector

Insurance

Consultancy & Certification

Energy

ESG as a Framework for Change

ESG should not be considered separate from business strategy or value creation for an organisation. It should be fully integrated into both approach and execution to deliver overall value to stakeholders.



ECOSYSTEM

The ecosystem within which companies operate can be a burden and an enabler. Companies that can find appropriate ways to partner with their suppliers or even their competitors will be both more resilient and more prepared to drive new innovations.



BUSINESS MODEL

Resilience can be effectively embedded within an organisation through appropriate structures. Often, agile companies that are set up with better interactions between teams are more prepared for change, poised better to manage different situations that may arise.



PROCESSES & GOVERNANCE

Gearing your organisation to react effectively through the mechanics you purposefully put in place is an obvious, but a key method to manage risks. The key for organisations to thrive in this capacity is through driving the right behaviours from all colleagues in order to fulfil expectations of these processes and governance structures.

Challenges Faced

The tangible steps related to changing the operations of an organisation did not appear to be the main cause for concern across the board. It was the culture change, strategy, decision making process and buy-in from all stakeholders that required the most attention.



Generating understanding across the business of the importance and imminence of action towards net-zero and empowering customers or clients to drive the change.



Shifting towards a more values-driven operating model is no small feat, and organisations will face increasing resistance to change; ironically this will come from those that are more risk averse and likely to be hit hardest by an unexpected transition.



Aside from preparing an organisation for transitioning, knowledge of what should be reported on, how that should be tracked and what a company will be genuinely held accountable varies tremendously between organisations and sectors.



Finding the balance between short term results and long-term gains while integrating effective decision-making strategies for the direction to be taken.

Opportunities for change



Opportunities

The following ideas were generated during interactive sessions and have been synthesised for swift comprehension. They are initial, inspired ideas that can be developed in order to overcome the common challenges that businesses face on their path to net-zero.

INTERNAL & EXTERNAL BUY-IN

- Implement better reporting or tracking processes, technology or communication lines for relevant metrics
- Find a balance of cost to customers and profit in order to implement sustainable solutions
- Be prepared to hold true to values when selecting appropriate suppliers in order to be more inclusive
- Use storytelling to achieve an emotional connection - decisions aren't just a cost-benefit analysis
- Educate effectively internally and externally of the value of being a purpose-led business
- Promote effective collaboration across companies and industries

CULTURE TRANSFORMATION

- Accept responsibility as an organisation for your challenges, and reflect this through your leaders to ultimately reach the culture of your colleagues
- Emanate externally with your ambitions for change to inspire internally and show commitment to change
- Create an environment where feedback is embraced across seniorities and teams
- Use models for decision making that are values-based and benchmarked appropriately
- Invest in engaging and preparing your workforce effectively so that they are prepared to react to change and uncertainty
- Uncover a company purpose that is appropriately serious and compelling
- Recognise and reward sustainability-related behaviours within the organisation

FRAMEWORKS & REPORTING

- Proactively seek out the expectations and direction of policy makers ahead of regulatory implementation
- Uncover synergies between the expectations of public and private sector bodies
- Find commonalities between reporting frameworks in order to increase comparability and show harmonisation
- Adopt tools that make a difference and make sense of information across multiple parts of an organisation
- Be part of the right networks to stay ahead of the trends and have the right partners
- Go beyond carbon calculations to seek out other important metrics of ESG success
- Educate appropriate stakeholders on best practices and current terminology so that they are prepared to act and react

OPPORTUNITY COST & DECISION MAKING

- Increase transparency of Executive remuneration and their targets
- Show the value of making decisions based on more than financial reasoning - Return On Sustainability
- Use internal innovation and research teams to inspire change through presenting and/or solve relevant challenges
- Drive ESG related metrics as KPIs for the organisation
- Work with local or broader communities to understand social needs as well as a company's own objectives
- Integrate accurate data to aid in decision making and its impacts



Actions to Take

- 1 Gain comprehensive buy-in from leadership that change is necessary and coming at pace.
- 2 Fully integrate ESG in to approach and execution in order to deliver overall value to stakeholders.
- 3 Shift towards a more values-driven operating and taking those more risk averse along the journey.

If you would like to discuss these actions in detail or explore any other elements of this report, our team of strategists and consultants are available. We'd be excited to support you through your transition.



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➤ Strategic consulting for a digital world

7,000+

employees across
the globe

70

offices worldwide

\$1.48B

in annual revenue (2019)

**Carbon
Neutral**

since 2006

50

years helping clients
make big things possible

Who we are

ICF is a global consulting services company with over 7,000 full- and part-time employees, but we are not your typical consultants. At ICF, business analysts and policy specialists work together with digital strategists, data scientists and creatives. We combine unmatched industry expertise with cutting-edge engagement capabilities to help organizations solve their most complex challenges. Since 1969, public and private sector clients have worked with ICF to navigate change and shape the future. We combine traditional consulting expertise with ICF Next's cutting-edge digital agency services to support our clients in a highly interdisciplinary way. We draw our distinct value from the full-scale of services in our arsenal.

What we do — and how we do it differently

We combine traditional consulting expertise with cutting-edge digital agency services to support our clients in a highly interdisciplinary way. We draw our distinct value from the full-scale of services in our arsenal.

Advisory + Strategy

Strategic approaches
Based on empirical
Evidence

Program management

Implementing programs
from start to finish

Technology

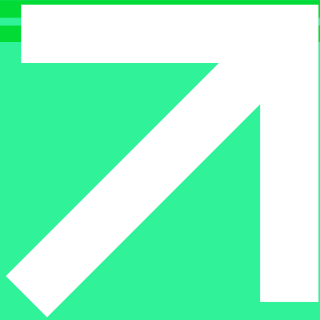
Innovation meets
industry experience

Analytics

Solutions unique to your data

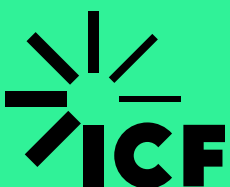
Engagement

Optimizing every channel and
experience to drive behavior
and outcome



Building a more prosperous and resilient world for all

Take a Closer Look



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