BRAND WATCH
Oliver Balch looks at the rise in sustainable consumption

ESG WATCH
Mike Scott on the push from investors for transparency and a green transition

POLICY WATCH
Angeli Mehta explains why the world is watching Joe Biden's Build Back Better bill

SOCIETY WATCH
Mark Hillsdon on why indigenous groups hold key to protecting biodiversity

THE SUSTAINABLE BUSINESS
Review

REUTERS EVENTS™

February 2022

This time, it's personal as sustainable consumption debate heats up

NEIL HALL/REUTERS

Last year was a super-year for climate pledges, with a veritable tsunami of net-zero commitments from companies and politicians made in the run-up to the Glasgow climate summit.

This year the focus is on turning those promises into credible action, with another deadline looming at COP27 in Sharm el-Sheikh at the end of the year to show evidence to follow up action.

As Hakan Bulgurlu, CEO of white goods giant Arçelik, says in an interview this month, only 400-odd weeks remain until 2030. Each week counts, so we have to get a move-on.

The amount of momentum that can be mustered, both in the United States and globally, will depend on whether Joe Biden manages to get his Build Back Better legislation past Congress, as Angeli Mehta reports in her Policy Watch column.

But the issue of not only cutting emissions but preventing them from being generated in the first place through more sustainable consumption patterns, will become more central to the climate change battle this year. ›

THE SUSTAINABLE BUSINESS

Review

CARLA CARNIEL/REUTERS

As Oliver Balch says in his Brand Watch column, this could be the year that a more thoughtful model of consumerism – one that's high in experience and quality, and low in waste and negative impacts – catches on. And companies that have signed up to the most ambitious climate commitments had better respond to consumer demands, as it will be key to cutting their scope 3 emissions.

Corporate climate action isn't something that consumers and investors are going to take on trust, reports Mike Scott in his ESG Watch column. The investors that signed up more than $130 trillion of assets to the Glasgow Financial Alliance for Net Zero will step up pressure on the companies they invest in this year to disclose and reduce their emissions, armed with new tools allowing for greater transparency.

We have a new column this year, from Mark Hillsdon, which will keep tabs on developments among civil society organisations. In his opening Society Watch, Hillsdon looks at the critical role of indigenous people in protecting biodiversity, another hot-button topic this year.

And Oliver Balch interviews Kristina Kloberdanz, chief sustainability officer of Mastercard, about how the payment giant initiative is trying to heal the trust deficit with initiatives such as Positive Planet.

I hope you enjoy this month's issue. It promises to be an important year for sustainable business.

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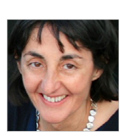
POLICY WATCH

VIEW ONLINE

ELIZABETH FRANTZ/REUTERS

Why global progress on climate may hinge on Biden's Build Back Better bill

In 2022 the focus will shift to implementation, but all eyes will be on the U.S., says Angeli Mehta



Angeli Mehta
Policy correspondent

It's been more than two months since COP26 ended, with 197 nations agreeing to work to close the gap between what's been promised and what is required to limit the average rise in global temperature to 1.5 degrees Celsius (2.7F). But while last year was all about getting commitments, the question this year is: how quickly will nations get on with implementing the changes needed?

Geopolitical tensions, an energy crisis, and COVID-19 distract from the task, even as temperatures on land and in oceans, and greenhouse gas emissions, continue their relentless move in the wrong direction.

With damage in the United States from weather and climate disasters in 2021 put at $145 billion, President Biden still doesn't have all Democrats onside to get his Build Back Better bill through Congress. It contains a raft of measures, ›

POLICY WATCH

LUC GNAGO/REUTERS

Developing nations need structural financial support for their energy transitions.

including key climate legislation that experts say must pass to enable the United States to meet commitments to at least halve its emissions by 2030.

Its passage may also be crucial to maintaining international momentum. The prospect of the United States not being able to meet its 2030 commitment "could have a corrosive effect on the overall process... and it certainly would reduce the ability of John Kerry and others in the Biden administration to push other countries for more ambition," says Alden Meyer, senior associate at climate think-tank E3G.

If bilateral and multilateral public finance could have a role in de-risking some of the private finance "you could shift much larger sums," he adds.

Rachel Kyte, dean of The Fletcher School at Tufts University, says the proposed funding also "represents a down-payment on the kinds of investments that we're going to have to make, to make our society more resilient". The former United Nations envoy adds that in 2022, "we have to be able to walk and chew gum at the same time", by implementing emissions cuts while ratcheting up adaptation measures.

At the same time, poorer nations urgently need structural financial support for their own transitions. In the run-up to COP27 in Egypt this year, more focus will be on loss and damage, the costs of coping with climate change incurred by those nations that didn't cause it. Talks at COP26 in Glasgow failed to put anything concrete on the table, but climate-vulnerable nations have made it clear that the so-called "Glasgow dialogue" on funding for loss and damage should lead to the establishment of a facility at COP27.

There's some optimism that the annual $100 billion climate finance promised to developing nations more than a decade ago could finally be achieved this year. But it's the tip of the iceberg when it comes to helping countries like India, Indonesia and South Africa to decarbonise. Meyer has seen estimates that India alone might require $30 billion a year for a domestic shift from coal, and to meet its 500 GW renewable energy target for 2030, half of which might have to be found externally.

Generating such sums will rely on bilateral aid but questions ›

POLICY WATCH

AMIT DAVE/REUTERS

India could require $30 billion a year for a shift from coal.

remain, he says: "Do the multilateral development banks – the World Bank, and others – really get on side and start dramatically shifting their portfolios; (and) what will it take to shift private-sector finance flows?" He adds that if multilateral and bilateral public finance could de-risk private finance, "much larger sums could be moved".

There's a crucial role here for the United States, European Union and Britain to coordinate, just as they did to create the $8.5 billion package announced at COP26 to help South Africa transition from coal. However, it's not clear whether the package will provide grants or loans, and that will determine whether it really is the template for action elsewhere, as it was billed at Glasgow.

Indeed, there's substantial dialogue to come on how the United States, EU and China all move ahead with their visions for supporting energy transitions in the developing world.

Furthest ahead with a policy roadmap for climate neutrality, the EU has developed a classification system for what will count as green investment. But debate continues over whether fossil gas and nuclear should be included. This internal row means the EU is "in danger of shooting itself in the foot if it says 'we will not support you, Africa, to develop gas or nuclear power, but reserve the right to do it ourselves at home'," suggests Kyte.

"That would add real tension to the United States-Africa dialogue on climate, on energy and, more broadly, geopolitically." There needs to be detailed discussion on where it makes sense to expand gas infrastructure and where there is potential to leapfrog the fuel, she adds.

The EU has launched a 300 billion euro Global Gateway programme to rival China's massive Belt and Road Initiative, while China is expected to shortly provide more guidance on what greening its BRI investments will mean.

Finance will also be at the forefront of discussions on biodiversity, with China set to host global talks on restoring and protecting the natural world in Kunming in late April.

There are plenty of opportunities for world leaders to meet and talk in the nine months that remain before COP27 in Sharm el-Sheikh, but to make progress there, it will be implementation that counts.

BRAND WATCH

Will 2022 be the year that sustainable consumption finally takes hold?

Oliver Balch expects a greater focus on labelling to meet growing consumers demand for 'greener' products

VIEW ONLINE

JESSICA GIRVAN/SHUTTERSTOCK

A protest in London against deforestation of the Amazon.

Oliver Balch
Sustainable business correspondent

Consumer brands are looking cautiously to the year ahead, with hopes that COVID-19 might be entering endemic status tempered by concerns about rising inflation and a pending cost of living squeeze. Yet 2022 finds sustainability leaders in remarkably good mood.

Why the optimism? In large part because the perennial debate over what is, and what isn't, the role of brands in addressing today's major social and environmental challenges is nearing the end. Consumer demand for more sustainable options has been chipping away at corporate recalcitrance for an age. The dam effectively broke last November, when brand after brand lined up to make ambitious commitments on climate and nature at the United Nations climate summit in Glasgow.

Consumers have heard the promises; now they want delivery. So do investors and regulators. Brands can expect reporting standards on non-financial themes to tighten, says Dr Molly Morgan Jones, director of public policy at The ›

BRAND WATCH

British Academy, who points to the recent creation of an International Sustainability Standards Board as a sign of the times. Pressure on individual directors to demonstrate that they are helping to "profitably solve the problems of people and planet" (as opposed to gaining profit from creating problems), can also be expected to grow, she adds.

A sizeable slice of the accountability agenda rests on improved transparency. Consumers want their favourite brands to tell them what they are doing on the issues they worry about. These include run-away climate change, biodiversity loss, and spiralling debt, among other factors, the World Economic Forum's latest Global Risks Report finds. But they also increasingly want to see and feel this response during their interactions with brands.

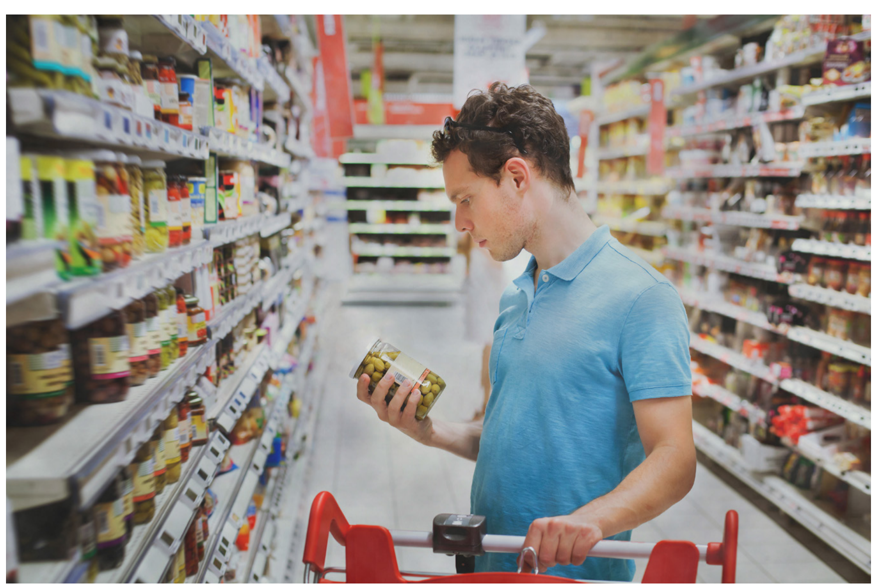
One way to make that happen is through better labelling, says Hannah Cornick, head of sustainability and social innovation at Danone UK and Ireland. By better, she means making labels simpler to understand as well as being strongly backed by science and using commonly agreed measurement methods. One source of confusion is the sheer number of eco labels (the Ecolabel Index counts 455 separate labelling schemes in 199 countries).

"Consumers are increasingly wanting products ... with clearer labelling to help them make informed healthy and sustainable food choices," says Cornick.

Recent moves towards "meta-labelling" appear to be answering that demand, says sustainability consultant Mike Barry, who previously headed up Marks & Spencer's pioneering Plan A initiative. Walmart's Built for Better scheme and Amazon's Climate Pledge Friendly certification are two notable examples of this approach, ›

YVES HERMAN/REUTERS

A delegate walks past a sign at COP26 in Glasgow.



SONG_ABOUT_SUMMER/SHUTTERSTOCK

Consumers want products with clear labelling to help them make sustainable choices.

BRAND WATCH

EVE EDELHEIT/REUTERS

A Ben & Jerry's billboard featuring Colin Kaepernick ahead of the 2021 Super Bowl.

which seeks to boil down multiple sustainability indicators into one single on-pack letter or number. New app-led initiatives such as the European EcoScore, Foundation Earth's Eco Impact initiative, and Nommm, could see this trend towards amalgamated scores spread quickly across the retail marketplace.

"2022 is the pivot point when we finally begin to embrace ... a very different conversation with citizens about how they consume," says Barry. "Do they need it? Can they keep it longer? Should they repair it, rent, donate it, recycle it when finished with it?"

The idea of services, products or even entire business models promoting more sustainable consumption has been around for a while. But this could be the moment such innovations really begin to catch on. It isn't about horse-hair shirts or denialism, it's about a more thoughtful model of consumerism that's high in experience and quality, and low in waste and negative impacts. Take Usual Wines, for instance, a startup in the United States that sells sustainably produced wine in single-glass (recyclable) bottles. Or the new Merten range of switches and sockets made by Schneider Electric from discarded ocean fishing nets.

Yet, if the shift to sustainable consumption becomes defined by flogging more product (however smart or sustainable), then something will have gone awry. These days, consumers are looking to brands for solidarity and inspiration, not just stuff. They want to feel part of a like-minded community, which is why lifestyle tips and other interactive features are emerging as central features of brand marketing. Illustrative exemplars include sustainability marketplace Sistain in the United States, which offers regular tips and guides on everything from reducing food waste to recognising greenwashing, and plant-based food phenomenon Deliciously Ella, which runs meditation guides and workout videos alongside its recipes. The step from there to public campaigns on justice-related issues is a short one. For a taster, look to Ben & Jerry's work around protecting voting rights in the United States or Budweiser's vocal advocacy of racial inclusion in Canada.

Lastly, sustainability's role as an impetus to innovation is fast gaining ground. Brands can't enhance our way of life, help save us money, and protect the environment without radical changes, argues Marcus Gover, CEO of the UK sustainability charity WRAP. Such changes may involve technological wizardry, but not always. Consider the recent decision by British supermarket Morrisons to swap 'use-by' dates on its own-brand milk packaging for a simple sniff test. Gover echoes the general mood of anticipation: "From common-sense switches to fundamental systems change, we're excited about what's coming."

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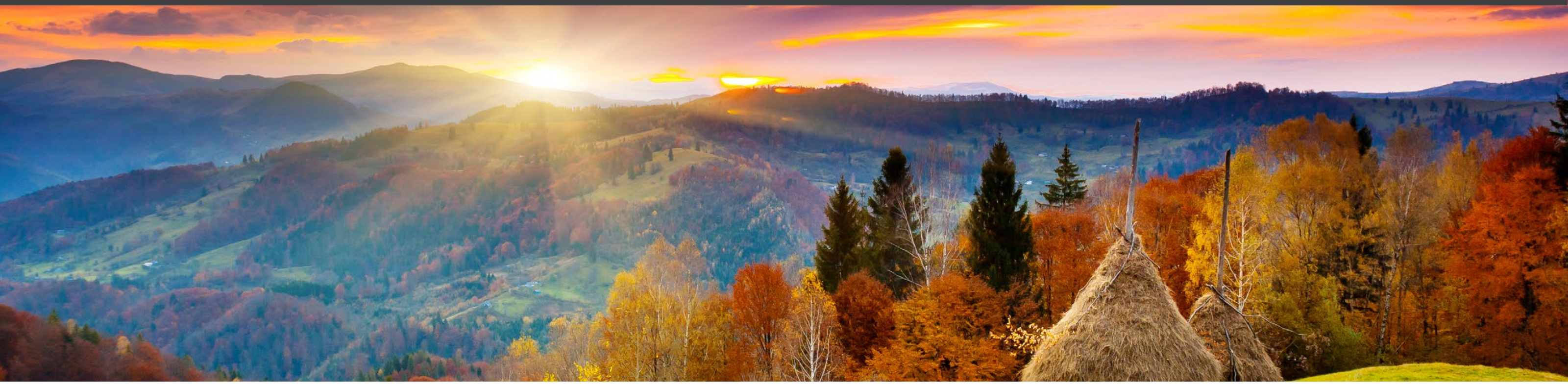

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ESG WATCH

ESG pressures to grow as investors push for transparency and a just transition

Mike Scott scopes out the year ahead for sustainable investment

VIEW ONLINE

SEAN DAVID VAN DE RIET/VIA REUTERS

Houses engulfed in flames as the Marshall fire, fuelled by dry extremes, spreads in Colorado.

Mike Scott
ESG correspondent

If 2021 was a momentous year for environmental, social and governance (ESG) issues, in 2022 they will become even more important as governments, companies and investors digest the implications of their net-zero targets and start acting to make them a reality.

The three biggest risks highlighted by the World Economic Forum's latest Global Risks Report are environmental (climate action failure, extreme weather, and biodiversity loss), and this will be many companies' focus over the coming months.

"A key takeaway from COP26 was that while it's essential to have targets and ambition, now we really need to see those translate into more rapid action," says Paul Simpson, CEO of disclosure group CDP. "This is the case for countries at an NDC (nationally determined contribution) level, but also companies and investors."

The U.S. Securities and Exchange Commission is due to release its delayed climate disclosure rules ›

ESG WATCH

early this year, while the European Union's Corporate Sustainability Reporting Directive will work its way through the Brussels political machine over the course of the year, reinforcing the bloc's green taxonomy in making it easier for investors to know what constitutes a green investment.

This is all in addition to the UK government's announcement at COP26 signalling that it will by 2023 require financial institutions and listed companies to publish net-zero transition plans. "We expect and hope that more nations and regions will follow suit here, as governments, investors and consumers push for more scrutiny over corporate commitments," Simpson says.

The investors that signed up more than $130 trillion of assets to the Glasgow Financial Alliance for Net Zero (GFANZ) have made themselves accountable for the emissions in their portfolios, so they are increasing pressure on the companies they invest in to disclose and reduce their emissions.

This is likely to manifest itself in a new wave of climate-related shareholder resolutions, putting even more pressure on high-carbon companies. And companies themselves are looking deep into their value chains, whether that be their supply chains or their customers, to identify the key sources of emissions, and to begin cutting them.

"As the world's biggest companies work to go net zero, downward pressure on greenhouse-gas (GHG) emissions may become as familiar to suppliers as downward pressure on pricing," says the index provider MSCI.

Businesses will need to take more account of these scope 3 emissions this year, particularly those where the majority of emissions lie

PHIL NOBLE/REUTERS

Al Gore speaking at a news conference during COP26 in Glasgow last November.

upstream or downstream of their own operations. A new wave of tools is emerging to help them do this, such as Climate Trace, an Al Gore-backed company that promises to bring "radical transparency" to emissions through the use of satellite and AI technology.

Transparency will also be helped by moves to increase the quality and standardisation of disclosures, most notably the newly formed International Sustainability Standards Board (ISSB), which is set to publish a global climate standard this year, the first of its kind from this newly formed body, with more standards to come.

Two ways that companies are seeking to avoid this new scrutiny are to go private or to sell their fossil fuel assets. But regulators and financiers are starting to turn their attention to private companies, with the U.S. Securities and Exchange Commission (SEC) considering requiring more disclosure from them, and many private equity groups looking for clean assets, not dirty ones.

And while divesting is a good way to clean up a company's own ›

ESG WATCH

balance sheet, it does nothing to improve the climate; indeed it may make it far worse. Pressure will likely grow for companies to manage their closure of "brown assets" in a way that helps workers to retrain and get new jobs rather than just sell them to companies with fewer environmental and social qualms. Or maybe we will see the emergence of special purpose vehicles dedicated to the same task.

Like 2021, when green bond issuance surpassed $1 trillion for the first time and EU carbon prices rose almost 150%, 2022 is likely to see no shortage of climate finance. One area that is likely to benefit hugely from this is voluntary carbon markets.

"Last year was a tipping point for the sector," says Mike Korchinsky, CEO of Wildlife Works, a project developer. "We saw the market move from regular supply and demand in the first part of the year to FOMO (fear of missing out). We have been telling people for a long time that demand has been grossly underestimated.

"There is a realisation that this stuff is not easy and new voluntary projects are not going to come onstream quickly."

While 2022 is unlikely to see another tripling in the price of voluntary carbon credits, as in 2021, the market will still see strong growth, he adds. "There's a lot of new money coming into the market, and that will fund a lot of origination activity in 2022. The challenge will be to demonstrate that supply can grow to meet demand."

At the same time, in the face of the pandemic, rising inflation and employees rethinking their career choices post-pandemic, companies will need to focus more on their human capital, in the form of better conditions and wages, as well as improved diversity.

YVES HERMAN/REUTERS

Companies are seeking to sell their fossil fuel assets amid increasing mandatory disclosures.

SOCIETY WATCH

Including indigenous people 'critical to tackling biodiversity loss' in crucial year

WASHINGTON ALVES/REUTERS

Indigenous groups block a railroad to mark the anniversary of the collapse of the Vale tailings dam in Brazil.

Biodiversity loss has been trying to force its way up the international agenda for several years. Before being overtaken by the pandemic, 2020 was originally dubbed a "super year for nature". And while the much-postponed Conference on Biological Diversity (CBD), also known as COP15, did finally take place last year, it was online and largely over-

Mark Hillsdon
Civil society correspondent

shadowed by the climate COP in Glasgow in November.

But over the next few months, first in Geneva, and then possibly returning to Kunming, China, the CBD will reconvene, this time in person, to look at a draft framework for biodiversity. This will include setting targets for protecting marine and land habitats, reducing pesticides and plastic waste, and increasing investment.

Urgency at the talks will be heightened by the World Economic Forum's annual global risk report, which pushed biodiversity loss up to third place, while a second WEF ›

SOCIETY WATCH

CARLA CARNIEL/REUTERS

A man walks past a poster declaring 'Bolsonaro in prison!'

report, BiodiverCities by 2030, revealed that 44% of urban gross domestic product (GDP) is estimated to be at risk of disruption from nature loss.

But with the majority of future urban expansion forecast to be in the world's biodiversity hotspots, cities need to act to rebalance their relationship with nature.

Linda Krueger, global biodiversity policy lead at the Nature Conservancy, says bringing mainstream attention to the agenda will be key to making COP15 transformational. Agriculture needs to be involved, she says, and infrastructure projects have to have neutral impacts on biodiversity, at the very least. Supply chains need to be cleaned up too, eliminating deforestation and habitat loss. "You need companies to understand what's at stake," she said.

The summit also needs to deliver a clear regulatory framework for business, creating a level playing field that doesn't unfairly penalise those that are already taking a lead. "Business is way behind on biodiversity compared to where they are on climate," Krueger says.

Abigail Entwistle, senior conservation director at Flora & Fauna International, agrees that private and public sector decision makers should be treating the climate crisis and biodiversity loss as two halves of the same problem.

At the moment they are often managed by two different teams, whose decisions can be counterproductive. For instance, while tree planting may seem a simple and cost-effective way to soak up carbon and support a country's national determined contribution (NDC), done badly it can be disastrous for biodiversity. (See interview with Kristina Kloberdanz of Mastercard)

The only signatures missing from the CBD are those of Andorra, Iraq, Somalia and, somewhat surprisingly, the United States, which declined to join in the 1990s. But the Nature Conservancy's Krueger says conservation is now a bipartisan issue on Capitol Hill. A new Great American Outdoors Act was eased through during the dying days of the Trump administration, pledging $900 million a year to protect and expand access to public land.

And Joe Biden is backing the 30x30 agenda, dubbed the America the Beautiful initiative, which aims to protect 30% of land and sea by 2030 and which was heavily promoted at the first part of COP15.

But 30x30 risks inadvertently impacting those who depend on the land for their day-to-day subsistence. "The nuance needs to be right," Krueger says, "so we are not creating global inequalities. "What we really want to see are that the rights of ... indigenous people, and the opportunities that they have to lead conservation, are recognised at a global level."

A report last year from Primsa, (Programa Regional de Investigacion sobre Desarrollo y Medio Ambiente) found that deforestation rates in indigenous territories in the Amazon ›

SOCIETY WATCH

PASCAL ROSSIGNOL/REUTERS

The 30x30 initiative extends to marine environments.

are two to three times lower than in similar non-indigenous lands across several South American countries.

Yet indigenous people have secure tenure over only 10% of the lands they occupy under customary ownership, and at least a quarter of their lands are under threat from industrial agriculture and illegal activities such as logging, mining and hunting.

In Ecuador, indigenous groups have in recent years won lawsuits in local courts to suspend mining and oil exploitation in territories where they have land rights. Another lawsuit, currently before Ecuador's Constitutional Court, demands guarantees for their right to prior and informed consent on extractive projects, and could set a global precedent, indigenous rights groups say.

But Christian Poirier, programme director at Amazon Watch, says his hopes for COP15 are dampened by spiralling deforestation rates in Brazil, where President Jair Bolsonaro's "obstructionist government" has never shown any interest in international cooperation around conservation, he says.

"What we need to see is the Bolsonaro government out of power," he says, and with 2022 an election year in Brazil, that remains a possibility.

"Where I think COP can succeed is pushing for a phasing out of agricultural subsidies," Poirier adds. This money, currently worth round $500 billion a year, "could actually resource some of the programmes in developing countries for biodiversity conservation".

One area of biodiversity that can slip off the corporate radar is oceans, often because they're not directly involved with supply chains. But this year several major events, including a United Nations Ocean Conference in Portugal June, are set to champion the health of our seas.

Speaking at a recent event convened by global conservation organisation Campaign for Nature, marine conservationist and explorer-in-residence at the National Geographic Society Enric Sala said that it was crucial to remember the 30x30 goals apply to the seas, too.

At the moment, he stressed, just 3% of the oceans – a far cry from the planned 30% – are highly protected, meaning that activities such as commercial fishing are completely banned. But in those zones that do have this higher level of protection, he said, fish species are bouncing back by as much as 600%, which can help restore fish stocks in surrounding areas and help local indigenous people.

The other benefit of these marine safe havens, he added, is that "restoring marine life and stopping damaging activities like bottom trawling would also help us to avoid carbon emissions and increase the sequestration potential of the oceans."

From polluting fish farms to mining the sea-bed for minerals; companies need to ensure that their activities aren't leading to more irreversible change, he stressed.

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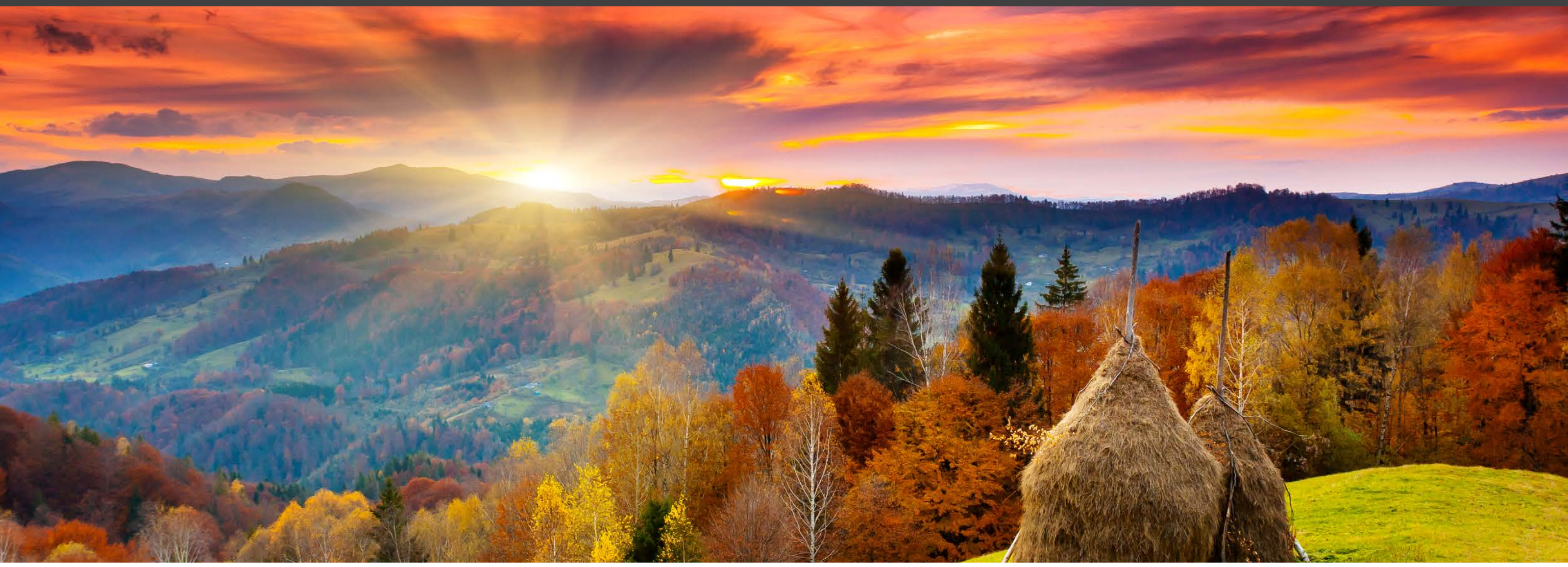

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INTERVIEW

Mastercard's Kloberdanz on why companies have to plug the 'trust gap' on nature

Oliver Balch talks to the payment giant's chief sustainability officer about the need to overcome frustration of young people over corporate inaction on climate change

Oliver Balch
Sustainable business correspondent

REUTERS/ALEXANDRE MENEGHINI

Mastercard's Priceless Planet Coalition initiative aims to restore 100 million trees over five years.

It's rare to get to February with New Year's resolutions still intact. All the projections suggest that the healthy diet is already out of the window and the gym kit relegated back to the bottom drawer.

Throwing in the towel is not such an easy option, however, for the hundreds of companies that have recently publicly committed to meeting tough climate targets. Not only are there potential planetary implications, it could leave them open to considerable reputational risk.

Mastercard is among those that have signed up to the most ambitious climate goals, pledging back in November to go to net-zero by 2040.

Though this target is yet to be validated by the Science Based Targets initiative (SBTi) – a partnership between carbon disclosure non-profit organisation CDP, the UN Global Compact, World Resources Institute and the World Wide Fund for Nature – an earlier one putting it on track to achieve net zero by 2050 was validated by SBTi last year.

The person responsible for delivering the payment giant's promises is Kristina Kloberdanz, a 24-year veteran of IBM and, since 2017, Mastercard's chief sustainability officer.

The stakes are high, she says, and closing the "trust gap" between ›

INTERVIEW

MASTERCARD

Kristina Kloberdanz moderating a panel at COP26 in Glasgow, Scotland, last November.

business and the wider public won't be easy. She says attending the recent UN United Nations climate summit in Glasgow left her worried about growing polarisation of opinion.

"You had a lot of feeling of progress, but also a lot of questioning from the thousands that were protesting on the streets."

Like many other companies, Mastercard has a suite of carbon reduction programmes to balance out its carbon footprint. However, CDP recently gave it only a 'B' for its climate change performance, suggesting a creditable effort, but room for improvement.

With around 3 billion cardholders around the world, there is little question that Mastercard's biggest opportunity for large-scale impact lies in the demand side of the carbon equation. So how does a credit card company set about engaging such a wide and diverse audience?

YVES HERMAN/REUTERS

Protesters outside the COP26 climate change conference.

Having spent her early career in marketing, Kloberdanz is a strong believer in prodding softly rather than pointing accusingly.

To that end, Mastercard has introduced a variety of consumer- ›

INTERVIEW

focused initiatives over recent years, ranging from using its sponsorship of the British AIG Women's British Open golf competition to push refillable water bottles, through to issuing credit cards that are made from recyclable, bio-sourced materials.

A step up in sophistication is its new "'carbon calculator" app. Launched last April, the app enables cardholders to track the carbon impacts of their purchases and, if they want to, donate to offset programmes. Mastercard has partnered with the app's developer, Swedish fintech startup, Doconomy, to integrate the feature across its entire global network of partner banks and other card issuers.

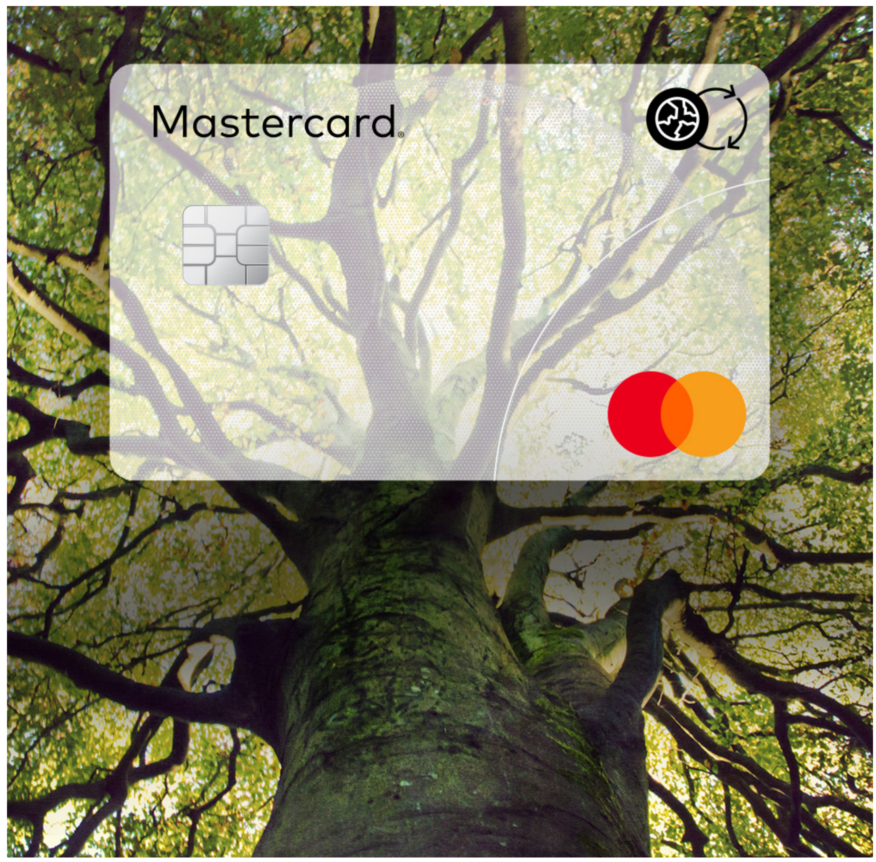
Technically, the actions of consumers fall outside the scope of Mastercard's net-zero pledge, but according to its research, 54% of adults in its key markets say they want to reduce their personal carbon footprint, with 42% identifying their shopping decisions as a key area for taking action.

Mastercard's most ambitious consumer-facing initiative to date is the Priceless Planet Coalition, which has attracted 85 corporate partners, including HSBC, Itaú, Barclays, Santander and Scotiabank.

Launched in January 2020, the donation scheme aims to restore 100 million trees over five years by encouraging customers to contribute through a dedicated website. The rate? $2 per tree.

Yet tree-planting has a chequered history. Plant the wrong species in the wrong place and the effects (including biodiversity loss, carbon emissions from fire, and damage to local livelihood) can be questionable at best.

Kloberdanz says there are checks and balances built into the scheme to protect against those risks. The coalition is being advised



Mastercard has produced recyclable credit cards made from bio-sourced materials.

by Conservation International and the World Resources Institute, and uses a "very rigorous process", that seeks to balance climate priorities with positive outcomes for local communities and for nature, she says.

"I can't tell you how many times I get asked the question, 'Can we plant trees in XYZ location or with XYZ partner?' And I'm constantly saying 'no' because we're doing it for the purpose of climate first."

As far as authenticity goes, consumers would be right to also ask what difference the project is making. While Kloberdanz insists that Mastercard is committed to monitoring and reporting on the programme's impacts, current communications centre mostly on blog posts (see examples from Kenya and Brazil), which are strong on process and rich in imagery, but offer little by way of empirical data.

Mastercard's sustainability chief says it's early days, and promises that hard numbers will be published in the near future on the project's website, as well as in the company's annual sustainability report.

Bridging the trust gap will ultimately depend on whether all of Mastercard's efforts lead to a quantifiable drop in emissions. Kloberdanz is convinced they will, although when and by how much remain far from certain. What she can say is that procrastinating, like quitting, is not an option.

"We can't wait till we have all the answers," she says. "Because if we did, we'd never start the process at all."

INTERVIEW

Made in Turkey: Arçelik's CEO tries to flip the switch on CO_2 emissions

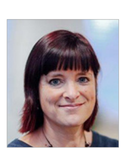
VIEW ONLINE

ARÇELIK

Hakan Bulgurlu, head of one of the world's biggest appliance makers, tells Terry Slavin why it's in the interest of companies to act alone on climate, even if regulators lag

If you want to get a sense of how steep a mountain there is to climb to avoid the worst impacts of climate change, few CEOs have gone to the same lengths as Hakan Bulgurlu to get to grips with the problem.

The chief executive officer of Turkish white goods giant Arçelik, the highest scorer in its sector on the Dow Jones Sustainability Index, joined an expedition to the top of Mount Everest two years ago to raise awareness about of the melting Himalayan glaciers among his staff of 43,000.



Terry Slavin
Editor-in-chief
Reuters Events, Sustainable Business

It was a publicity stunt, but an emotionally and physically gruelling one for the self-proclaimed "climate activist". In a book to be published next month, A Mountain to Climb, Bulgurlu describes the devastation he felt walking past the frozen bodies of climbers who had not survived the ascent, and the challenges of dealing with altitude sickness, dehydration and exhaustion.

"I have always enjoyed physical challenges but, despite the very ›

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best training, nothing could have fully prepared me for the physical and mental adversity of climbing Everest," he writes. "(But) I knew I needed to do something bold to grab the level of attention that this issue deserves."

Whatever attention his book garners, COP26 in Glasgow in November represented a breakthrough for the 49-year-old businessman, who is at the helm of one of the world's biggest appliance companies.

Arçelik, with brands ranging from Grundig air conditioners to Beko fridge freezers and factories in 28 countries, was among 45 companies awarded the prestigious Terra Carta Seal by HRH The Prince of Wales at COP26 for its work on cutting CO2 emissions in its operations and the products it makes.

More recently, Arçelik appears on the latest Corporate Knights Global 100 2022 ranking, for the second consecutive year.

In an interview at COP26, after appearing on a panel with the International Energy Agency's executive director, Fatih Birol, Bulgurlu said he became aware of the urgent need to act on climate change in 2016 when he joined the World Bank's High-Level Commission on Carbon Pricing and Competitiveness, and saw the climate data.

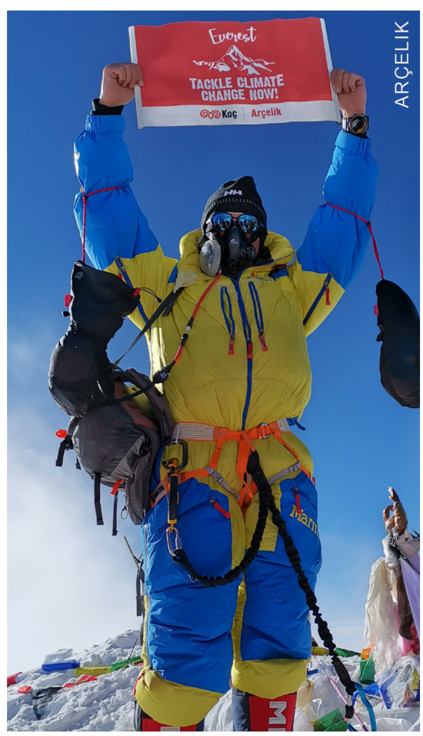
For his three young children, he says, the only thing that matters is the state of the planet they inherit, not what kind of car or house they own.

"For my generation it was a question of ... abundance, whereas their generation may have food security issues. It doesn't matter what kind of material goods you give them. With rising inequality there will be no security."

Living in Turkey, which for the past decade has sheltered millions of refugees fleeing conflict in

KHALIL ASHARWI/REUTERS

Turkey's role in sheltering people fleeing Syria has made Bulgurlu aware of the likely destabilising effects of climate refugees.



ARÇELIK

Hakan Bulgurlu on the summit of Everest.

neighbouring Syria, Bulgurlu is more aware than most of the destabilising impact of climate refugees.

He referred to a speech made by former U.S. vice president Al Gore at COP26, warning of 1 billion climate refugees over the coming decades and the rise of authoritarian populism around the world.

"We saw with the Syrian conflict 6 million refugees, only 1 million in Europe, and look what happened in Europe," says Bulgurlu. "We had regime change, people like (Hungarian prime minister Viktor) Orbán in power because of the fear of refugees. I can't even begin to imagine what will happen to the billion people (who become climate refugees). They aren't moving for a better life. They are moving because they are hungry, and we won't be able to stop them."

While the Intergovernmental Panel on Climate Change (IPCC) has said global emissions must fall by 45% by 2030 to keep global warming to safe levels of 1.5 degrees Celsius, last month at the World Economic Forum's virtual Davos summit, United Nations Secretary-General Antonio Guterres warned that emissions are instead on track to increase by 14% by 2030.

"Time is short. Everyone is taking about 2030, but it's too abstract" Bulgurlu said during the COP26 panel.

To concentrate minds Bulgurlu says he keeps a countdown of the ›

INTERVIEW


TARIN CHIARAKUL/SHUTTERSTOCK

Air conditioning is the biggest driver of energy demand in Asia.

time remaining, and asks his teams on a weekly basis what they have done towards helping the company meet its emissions reduction goals.

The goals, which have been validated by the Science Based Targets initiative, call for a 30% cut in emissions from its operations and supply chain by 2030 (from a 2018 base year), with emissions from the use of its products cut by 15% by the same year.

In its net zero roadmap for 2050, published last year, the IEA said to keep on track, energy efficiency globally has to improve three times as fast as now, so that by 2030 demand is 7% below 2020 levels.

"But energy efficiency doesn't get the attention from policy makers that it deserves," Birol said during the panel discussion, adding that countries like India, Indonesia, Thailand, Vietnam and China, together home to 3.5 billion people, should be prioritising the introduction of energy efficiency standards for air conditioners.

He pointed out that the average air conditioner in Asia is two-thirds less efficient than in western markets and Japan. But with only 10% of households owning one, compared with 95% in the United States and Japan, the scope for demand to soar as incomes and temperatures rise risks undermining global efforts to cut emissions.

"It's such a serious issue, it can't be left to CEOs," Birol said. "We need (both) regulatory and fiscal measures to ensure the cost of meeting efficiency standards is not passed on to consumers."

Bulgurlu agreed on the need for countries to follow the example of Europe, which last year introduced stringent new energy labelling for consumer products.

"But Europe only represents 8% of global emissions. We manufacture in places like Pakistan, Bangladesh, India and Vietnam, where the growth in emissions is going to come from.

"Companies need to take the lead, in the absence of regulation, and clean up their act. They will be rewarded by consumers."

He gives the example of South Africa, which at COP26 was promised $8.5 billion by wealthy nations to help end its reliance on coal.

When Arçelik bought the country's leading appliance brand, Defy, in 2011, "Almost all cooling products in South Africa were rated 'E', the worst offender," Bulgurlu said. "Yet this is a country with rolling (power) blackouts" because, even though 80% of its power comes from coal, there isn't enough electricity to meet demand.

"We decided when we bought ›

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the business to only sell A-rated appliances. Everyone said we'd lose market share ... But our market share grew by 35% to 45% in five years."

And competitors were forced to follow suit, Hakan said, calculating that the energy savings were enough to prevent two 500 megawatt coal power plants from being built.

In a warming world, making its products the highest level of water-efficiency is equally important, Bulgurlu says. And this was the more salient issue he was trying to highlight with climbing Mount Everest.

A World Bank study last year found that black carbon deposits from pollution are adding to the impact of climate change and speeding up the melting of the Himalayan glaciers, which feed river systems that provide water for more than 750 million people.

Bulgurlu admits that this wasn't uppermost in his mind in 2019, when Arçelik acquired home appliance brand Singer Bangladesh.

"When we were buying it, we didn't think about water risk at all," Bulgurlu says. "But then you realise that 30% of the glaciers ... are (already) gone, and in the next 10 to 15 years the rest are going to disappear", leaving hundreds of millions without water.

Singer doesn't sell dishwashers – yet. As in neighbouring India, people tend to wash their dishes by hand. But Bulgurlu says handwashing can use 150 litres of water, while the most efficient dishwashers he sells can do the same job using as little as 6 litres.

So, great for water security, and a big business opportunity for Arçelik, but can our over-taxed planet afford the vast volumes of plastic, steel, rare earth metals and polluting chemicals necessary to flood Asia with hundreds of millions

AFRICA924/SHUTTERSTOCK

Bulgurlu says people in developing countries should be able to enjoy western conveniences, such as dishwashers.

of dishwashers, as well as air conditioners and washing machines? And that's even before you consider pollution from all the accompanying packaging.

Bulgurlu argues that it isn't fair for consumers in developing countries to be denied comforts and convenience that westerners have enjoyed for decades. "You can't tell people not to own a refrigerator when we in the west own two or three," he says.

And in a city like Mumbai, where temperatures can top 50C, access to air conditioning is a matter of human rights, not just fairness, he says. But those appliances need to be the most water- and energy-efficient in use, and resource-efficient in how they are produced, and disposed of, he adds.

He says Arçelik has built recycling infrastructure in Turkey, and managed to take back 1.3 million appliances between 2014 and 2020, recovering and reusing materials.

This is, of course, a tiny percentage to the 50 million appliances the firm put out into the world last year, but Bulgurlu maintains that the circularity agenda is a top priority. Significant sums of research and development are being spent on designing products to be more recyclable, and into reducing the environmental impact of its packaging, he said.

During the panel discussion at COP26, Bulgurlu said the company had stopped using expanded polystyrene, plastic and toxic inks in all its small domestic appliances, substituting them with recycled materials that can be recycled again, mainly cardboard.

The company has set a goal to remove polystyrene, a leading cause of marine pollution, from all its products within the next three years, though it's proving difficult to find suppliers for the volumes required.

"You need determination, absent of a return calculation," Bulgurlu said. "But there's another metric there: value for nature, and when you put that into the equation, it should have been done yesterday."

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