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BOSTON COLLEGE
CENTER FOR CORPORATE CITIZENSHIP
CARROLL SCHOOL OF MANAGEMENT

Professional Services Sustainability Advisory Board

2024 Bulletin

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TABLE OF CONTENTS

1 Letter From the Chair

3 Introduction

4 Meet the Contributors

6 Navigating the Evolving Landscape of ESG Regulations

11 How Do They Compare? Emerging Regulations ...

12 ... and Consolidating Standards

13 The Global Perspective From COP28

16 Engaging Employees in Sustainability Efforts

19 Science-Based Targets Initiative

23 Scope 3 Reductions ... and What Comes Next?

26 The Punch List

27 Sources

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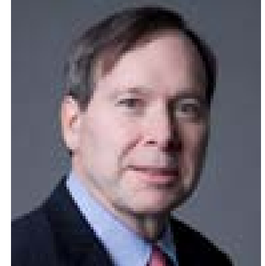
Letter From the Chair

Dear Members of the Corporate Community:



JOHN EDELMAN
Managing Director,
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As the chair of the BCCCC Advisory Board for Professional Services Sustainability, I am pleased to share with you our annual bulletin. This report includes observations about the notable trends in sustainability that are shaping the landscape for professional services firms.

There is a growing recognition among professional services firms that sustainability is no longer a peripheral concern but a central business imperative. Firms are increasingly integrating sustainability into their core strategies, recognizing that it is essential for long-term success and competitiveness. This shift is driven by a combination of factors, including increasing client demands, regulatory pressures, and a growing awareness of the risks and opportunities associated with sustainability. Benjamin Franklin said, "Well done is better than well said." This is the challenge before us now: to work within our firms and with our clients to realize the promise of sustainability.

We are seeing a rise in the adoption of science-based targets and net-zero commitments among professional services firms. Many firms are setting ambitious goals to reduce their greenhouse gas emissions and align their operations with the Paris Agreement's objectives. This is driven not only by a desire to mitigate climate risks but also by a recognition that sustainability can be a source of innovation and competitive advantage.

There is a growing focus on the social aspects of sustainability, particularly in the areas of employee engagement and diversity, equity, and inclusion. Professional services firms are increasingly recognizing the importance of responding to future and current employees who want to work for organizations that share their values and are actively working to reduce their negative impact on the planet. It is becoming an increasingly important factor in attracting and retaining talent. Firms that demonstrate a genuine commit-

ment to sustainability often have a competitive advantage in the labor market.

As the African proverb said, “If you want to go fast, go alone. If you want to go far, go together.” Professional services firms are increasingly working together, both within and across sectors, to share best practices, develop new solutions, and drive systemic change. I am proud of the work that this group continues to do together and hope that this Advisory Bulletin offers useful insight and advice for your own journey. We invite you to join us on our journey.

Sincerely,

JOHN EDELMAN
Chair, Advisory Board for Professional Services Sustainability
Managing Director, Global Engagement and Corporate Responsibility,
Edelman

Introduction

The Boston College Center for Corporate Citizenship formed its Advisory Board for Professional Services Sustainability to identify opportunities for supporting sustainability practices within the industry.

While many may overlook the role that the professional services sector plays in regard to sustainability, the prevalence of professional services firms in corporate value chains requires that companies consider their professional services partners' sustainability practices to manage their own environmental and social impacts. With an increasing regulatory focus on assessing environmental impacts across a company's complete value chain, the sustainability impacts of professional services companies will only grow in importance. For the purposes of this discussion, "professional services" refer to nonmanufacturing firms, such as accounting and law firms, as well as financial services companies.

In this report, we share lessons from the Advisory Board for Professional Services Sustainability, chaired by John Edelman, managing director, global engagement and corporate responsibility at Edelman. This group convenes several times per year to share knowledge and develop insights about effective and innovative practices, explore potential cross-sector collaboration, and accelerate and share learning about how they can most effectively support environmental sustainability initiatives. The purpose of this report is to serve as a resource for other professional services companies and their customers to understand where impacts can be reduced and opportunities maximized. It shares key takeaways, lessons learned, and case studies from Advisory Board conversations over the course of their academic year meetings (Fall 2023 through Summer 2024). Unless otherwise noted, all the information in this report was inspired by Advisory Board discussions run under the Chatham House Rule, meaning that comments may be quoted but will not be attributed without permission.

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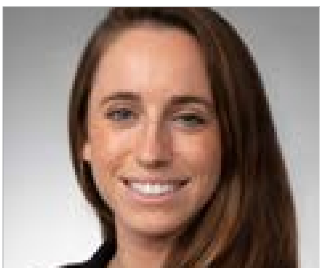

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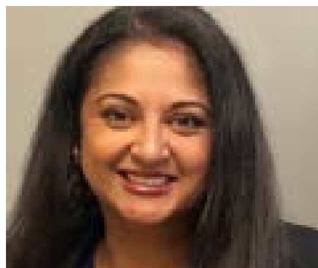

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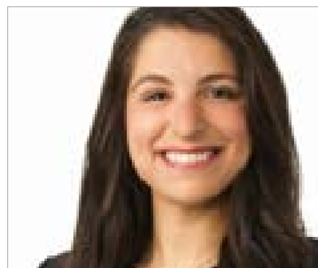

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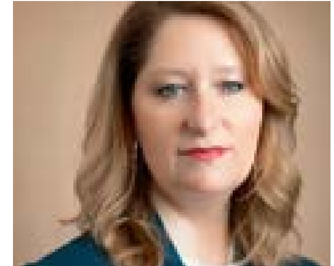

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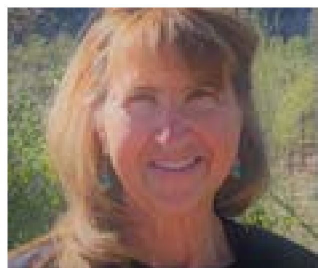

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Navigating the Evolving Landscape of ESG Regulations

As the demand for environmental, social, and governance (ESG) transparency and accountability continues to grow, corporations are facing an increasingly complex regulatory landscape. Sustainability professionals must stay informed about the latest developments in ESG regulations to ensure their organizations remain compliant and proactive in their sustainability efforts. Some key regulations currently in place or on the horizon include:

California Disclosure Package (SB 253 and SB 261)

California has recently enacted the California Climate Accountability Package, consisting of SB253[1] and SB261. SB253, effective from 2026, requires United States businesses with revenues over $1 billion operating in California to report Scope 1, 2, and 3 emissions annually. SB261, implemented leading up to 2026, mandates biannual climate risk reporting aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) for U.S. businesses with over $500 million in revenue operating in California. [2]

SEC Regulations

In March 2024, the U.S. Securities and Exchange Commission (SEC) approved a final rule on corporate climate disclosure. It is currently on hold and under judicial review. Under the rule, public companies will have to report on the following:

- Climate risks that have had (or are likely to have) an impact on business strategy, results of operations, or financial outlook (e.g., costs involved in moving away from fossil fuels).
- Strategy-related activities a company has used to mitigate or adapt to a material climate-related risk
- Costs and losses incurred as a result of climate change or severe weather events (e.g., hurricanes, wildfires, flooding, drought, extreme temperature, rising sea level)

- Oversight by the company's board of directors regarding climate-related risks and management's role in assessing and managing the company's material climate-related risks
- Climate-related targets or goals that have (or are likely to have) an impact on business, results of operations, or financial conditions; costs and losses incurred as a result of carbon offsets and renewable energy credits or certificates [3]

EU Regulations — Corporate Sustainability Reporting Directive

The European Union's Corporate Sustainability Reporting Directive (CSRD) is introducing a phased approach to ESG reporting with large corporations required to comply starting with the 2024 financial year (reporting in 2025). The CSRD adopts a double materiality approach, requiring companies to conduct a materiality assessment and report on material ESG issues. Sustainability professionals with operations in the EU should familiarize themselves with the CSRD's requirements and timelines and ensure their organizations are prepared to meet the reporting obligations in each relevant country. [4]

Emerging Focus Areas — Biodiversity and Inequality

As the ESG landscape continues to evolve, biodiversity and inequality are emerging as areas of increasing focus. The CSRD incorporates biodiversity and ecosystem reporting, whereas the newly passed EU Corporate Sustainability Due Diligence Directive (CSDDD) considers biodiversity, human capital, and human rights. Sustainability professionals should stay attuned to these developments and assess their organization's potential impacts and reporting obligations in these areas.

Special Consideration Should Be Given to the Following:

SCOPE 3 EMISSIONS

- While the inclusion of Scope 3 emissions in the SEC rules remains uncertain, companies should still prepare to measure and report on these emissions because they are required under the California law and CSRD.
- Companies should engage with suppliers and business partners to improve Scope 3 data collection and explore collaborative emissions reduction strategies.

ASSURANCE AND AUDIT READINESS

- Both the SEC rules and CSRD will phase in requirements for the independent assurance of reported ESG data. Start preparing now by strengthening internal controls, data management systems, and documentation.
- Engage early with internal audit teams and external assurance providers to identify gaps and establish improvement plans.

GOVERNANCE AND ACCOUNTABILITY

- Ensure clear board oversight and executive accountability for ESG performance and disclosure. Consider linking executive compensation to sustainability goals.
- Educate board members on evolving ESG regulations and their implications for risk management, strategy, and disclosure.

MATERIALITY AND RISK ASSESSMENT

- Conduct a double materiality assessment, considering both financial materiality and the company's impact on sustainability issues. Use this to prioritize issues for action and disclosure.
- Embed ESG risks into enterprise risk management processes. Monitor emerging issues such as biodiversity loss and inequality.

REPORTING AND DISCLOSURE

- Monitor the evolving reporting requirements and standards closely. Watch for indications of what will be mandatory vs. voluntary.
- Aim for consistent ESG data and narratives across all reporting channels (e.g., annual reports, sustainability reports, financial filings, investor communications).

INDUSTRY AND PEER COLLABORATION

- Participate actively in industry associations and sustainability-focused business groups to share best practices and engage in collective advocacy.
- Benchmark ESG performance and disclosures against industry peers to ensure competitiveness and comparability for stakeholders.

RESOURCING AND UPSKILLING

- Evaluate whether the sustainability team is sufficiently resourced to deliver on expanding disclosure requirements while driving real impact. Consider the need for additional hires or upskilling.

- Foster strong collaboration between sustainability teams and functions such as finance, legal, risk management, and investor relations who will be critical partners.

Navigating the evolving landscape of ESG regulations requires sustainability professionals to remain vigilant and proactive. By staying informed about the latest regulatory developments, assessing their organization's exposure, and preparing for the upcoming reporting requirements, sustainability professionals can position their companies to meet the growing demands for ESG transparency and accountability. Collaborating with industry peers, engaging with stakeholders, and leveraging available resources will be crucial in successfully navigating this dynamic and complex landscape.

ADVICE FROM THE BOARD

In order to be prepared for the ever-changing landscape of disclosure regulations, it's very important to engage your stakeholders early in the process. Engagement needs to go hand-in-hand with educating everyone about the needs and requirements of the disclosure. As a multinational company, we often need to work with our international partners. Engaging and educating the key players early helps the disclosure process go as smoothly as possible. Having a great relationship with legal has also helped keep the flow of information open so that we can stay apprised of the changing landscape.

SAPNA PATEL
Senior ESG Analyst, Gallagher

With so many new disclosure requirements coming out, I advise others to prioritize the various deadlines and determine what needs to be worked on first. In addition, I encourage you to determine if there are others in the organization who can assist with leading the efforts in the location of the disclosure regulation.

POOJA KNIGHT
ESG Controller & Sustainability Strategy VP, Gallagher

ADVICE FROM THE BOARD

My first piece of advice would be to focus on putting in place a process or tool to make sure that you can capture your data because, no matter what regulation you are looking at, they all require data, and even when you think you have a good understanding of your data, you might be surprised to find that there are some data points missing or areas where data are incomplete, and that is going to cause trouble when reporting, particularly for those regulations that are going to require reporting on Scope 3 emissions. Second, I think it's important to identify what is going to be material to your business because there may be some parts of the regulations that are not material and where reporting won't be required. The regulations are overwhelming, so focusing only on what is relevant to your business is essential.

ALYSSA AUBERGER
Chief Sustainability Officer, Baker McKenzie

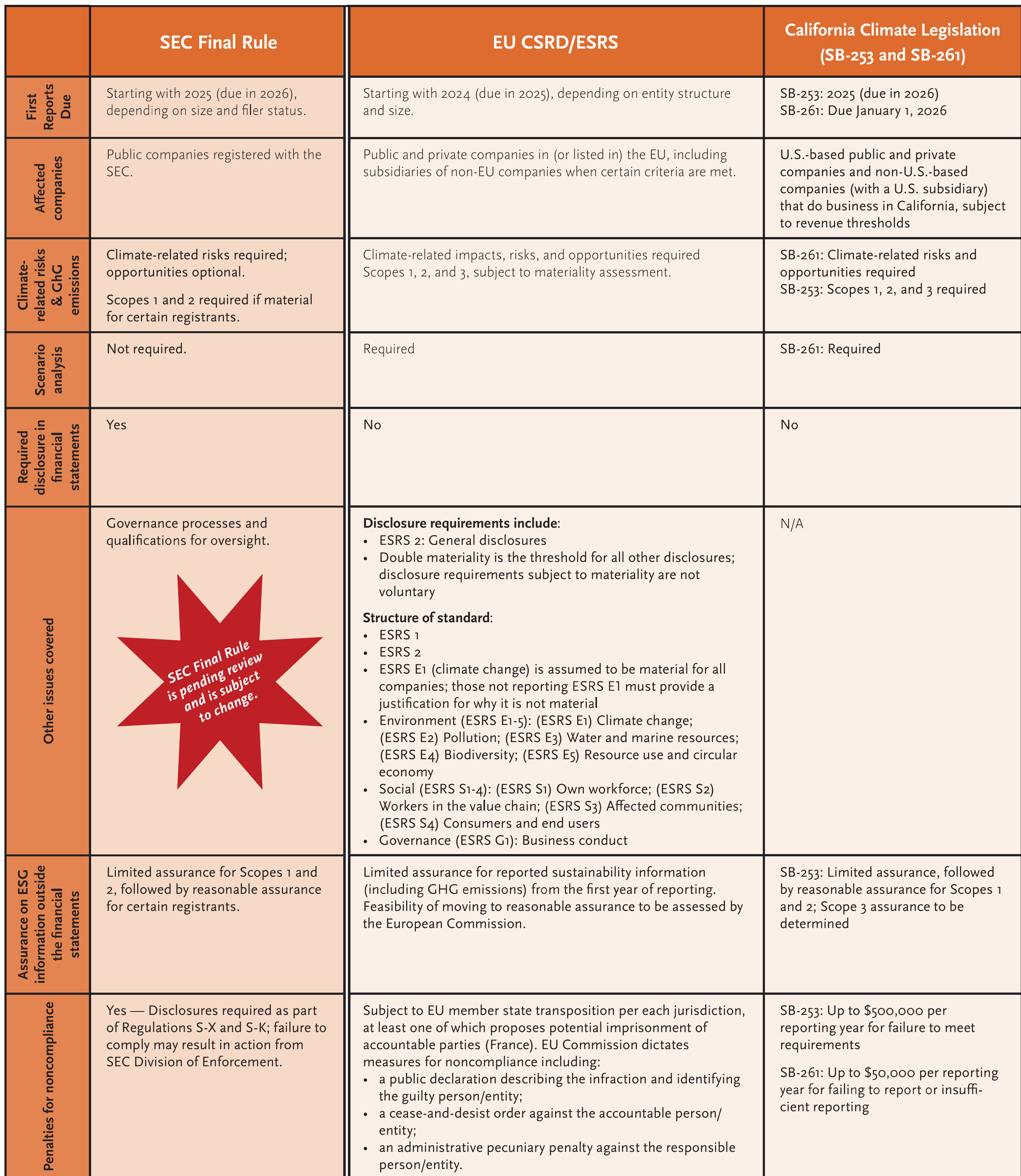
Preparing for new disclosure regulations requires a multifaceted approach. It's imperative that you stay informed. The ESG regulatory space is changing rapidly, and it's important that you're tracking not just the regulations that impact your company but also ones that could potentially impact your company. My tip: I have a Google search for "ESG" that sends me daily updates. This is especially helpful in tracking the non-U.S. regulations.

It's also important that you have good governance structures in place that are flexible enough to respond to existing regulations and respond to new ones. Having existing processes in place for collecting, analyzing, and reporting data will serve you well in the long run.

Lastly, use your network! Collaborating with peers is key, especially if you are in an industry that is new to disclosure regulations impacting your company. Setting up a platform to share best practices will be beneficial as your industry responds to the changing regulatory landscape.

AMI MORGAN
Director, Environmental, Social & Governance (ESG), Goodwin Procter LLP

How Do They Compare? Emerging Regulations…



	SEC Final Rule	EU CSRD/ESRS	California Climate Legislation (SB-253 and SB-261)
First Reports Due	Starting with 2025 (due in 2026), depending on size and filer status.	Starting with 2024 (due in 2025), depending on entity structure and size.	SB-253: 2025 (due in 2026) SB-261: Due January 1, 2026
Affected companies	Public companies registered with the SEC.	Public and private companies in (or listed in) the EU, including subsidiaries of non-EU companies when certain criteria are met.	U.S.-based public and private companies and non-U.S.-based companies (with a U.S. subsidiary) that do business in California, subject to revenue thresholds
Climate-related risks & GhG emissions	Climate-related risks required; opportunities optional. Scopes 1 and 2 required if material for certain registrants.	Climate-related impacts, risks, and opportunities required Scopes 1, 2, and 3, subject to materiality assessment.	SB-261: Climate-related risks and opportunities required SB-253: Scopes 1, 2, and 3 required
Scenario analysis	Not required.	Required	SB-261: Required
Required disclosure in financial statements	Yes	No	No
Other issues covered	Governance processes and qualifications for oversight. 	**Disclosure requirements include**: • ESRS 2: General disclosures • Double materiality is the threshold for all other disclosures; disclosure requirements subject to materiality are not voluntary **Structure of standard**: • ESRS 1 • ESRS 2 • ESRS E1 (climate change) is assumed to be material for all companies; those not reporting ESRS E1 must provide a justification for why it is not material • Environment (ESRS E1-5): (ESRS E1) Climate change; (ESRS E2) Pollution; (ESRS E3) Water and marine resources; (ESRS E4) Biodiversity; (ESRS E5) Resource use and circular economy • Social (ESRS S1-4): (ESRS S1) Own workforce; (ESRS S2) Workers in the value chain; (ESRS S3) Affected communities; (ESRS S4) Consumers and end users • Governance (ESRS G1): Business conduct	N/A
Assurance on ESG information outside the financial statements	Limited assurance for Scopes 1 and 2, followed by reasonable assurance for certain registrants.	Limited assurance for reported sustainability information (including GHG emissions) from the first year of reporting. Feasibility of moving to reasonable assurance to be assessed by the European Commission.	SB-253: Limited assurance, followed by reasonable assurance for Scopes 1 and 2; Scope 3 assurance to be determined
Penalties for noncompliance	Yes — Disclosures required as part of Regulations S-X and S-K; failure to comply may result in action from SEC Division of Enforcement.	Subject to EU member state transposition per each jurisdiction, at least one of which proposes potential imprisonment of accountable parties (France). EU Commission dictates measures for noncompliance including: • a public declaration describing the infraction and identifying the guilty person/entity; • a cease-and-desist order against the accountable person/entity; • an administrative pecuniary penalty against the responsible person/entity.	SB-253: Up to $500,000 per reporting year for failure to meet requirements SB-261: Up to $50,000 per reporting year for failing to report or insufficient reporting

Source: Boston College Center for Corporate Citizenship. (2024). ***State of Corporate Citizenship 2024.***

… and Consolidating Standards *As of April 4, 2024*

	GRI [Standard]	IFRS/ISSB [Standard]	GHG Protocol]
Overview	Since 1997, GRI has developed standards on ESG matters that need to be tracked to achieve a sus-tainable economy through a global multi-stakeholder consultative process. ESRS standards leverage the GRI Standards and are almost fully aligned with GRI.	Investor-focused baseline sustainability data. Doesn't include sector- and industry-specific requirements, but does include sector- and industry-specific guidance based on previous work of SASB.	Multi-stakeholder partnership of business- es, NGOs, governments, and other entities convened by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) with the mission of developing internationally accepted GHG accounting and reporting standards and tools.
Materiality boundary	GRI Standards use double materiality. • Double materiality looks both at how esg issues affect the ability of the company to meet its goals and also how the company may impact stake-holder wellbeing	Materiality definition focused on financial materiality (e.g., investors, creditors).	Independently determined.
Overlap across jurisdictions and standards	GRI has both required and recommended dis- GRI allows omission of information on recommended disclosures when the information is unavailable or incomplete. • GRI and ESRS require value chain information. • ESRS language on sustainability due diligence and **SEC process documentation and oversight requirements align to GRI Standards**. • GRI 2 General Disclosures, draft **ESRS 2 is designed to align with the GRI Universal Standard and covers the five chapters of GRI 2 General Disclosures**. • GRI reporting will satisfy ESRS S1-S4 as a man- datory disclosure requirement for those under- taking with 250 or more employees. **GRI 300 series reporting substantially aligns with ESRS E1**.	The architecture of ESRS mirrors the IFRS (and TCFD) core areas rubric: Governance; Strategy; Impact/risk/opportunity management; Metrics and Targets. • **IFRS S1: Disclosure requirements that enable companies to communicate sustainability-related risks and opportuni-ties to investors in the short, medium, and long term**. • **IFRS S2: Specific climate-related disclosures designed to be used with IFRS S1**. • IFRS defers to jurisdictional authorities as to whether to mandate use of IFRS S1 and S2. • IFRS supports voluntary adoption of Sustainability Disclosure Standards issued by the ISSB.	Draft ESRS E1 has based calculation guidance of GHG emissions on the GHG Protocol principles, requirements, and guidance provided by the GHG Protocol Corporate Standard (version 2004). • Definitions of Scope 1, 2, and 3 are adapted from the GHG Protocol. • While the GHG Protocol proposes three options for defining the boundaries outside the financially controlled perimeter (equity share, financial control, and operational control), ESRS E1 requires the operational control option in all cases.
Assurance	While the use of external assurance for sustainability reporting is recommended by GRI, it is not required in order to make a claim that a report has been prepared in accordance with the GRI Standards.	Does not address assurance.	External independent assurance recommended..

Below offers additional highlights on alignment between other common frameworks and ESRS.

UN SDGs	OECD Guidelines for Multinational Enterprises	UNPRI	TNFD
Objectives of the Sustainable Development Goals (SDGs) are reflected throughout ESRS and are aligned well with GRI and partially aligned with TCFD and ISSB standards.	OECD Guidelines for Multinational Enterprises ESRS 1 and ESRS 2 are aligned to the greatest extent with the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-national Enterprises, which incorporates the content of the U.N. Guiding Principles on Business and Human Rights (UNGPs). The concept of due diligence outlined in the OECD Guidelines is reflected in ESRS 1, Section 4, Sustainability Due Diligence as well.	U.N. Principles for Responsible Investment (PRI) is an international organization promoting the incorpo-ration of ESG into investment decision-making. There are six principles.	ESRS E4 Biodiversity and ecosystems is structurally compliant with the Taskforce on Nature-related Financial Disclosures (TNFD). ESRS references TNFD extensively. The materiality assessment has been restructured to follow the sequence of the Locate, Evaluate, Assess, and Prepare (LEAP) framework.

The Global Perspective From COP28

What Happened at COP28?

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Dubai, United Arab Emirates at the end of 2023, marked a significant milestone in the global effort to address the climate crisis. With a record-breaking attendance of 85,000 participants, including more than 150 heads of state and government (and a couple member companies of our Advisory Board), COP28 concluded with crucial decisions and agreements aimed at accelerating climate action across all areas.

With rising carbon dioxide emissions, 2023 was officially declared the hottest year on record, and 2024 is expected to be warmer. This unfortunate, historic record called for urgent action during the COP28 conference. The main focus of deliberations was a recognition of the need to transition away from fossil fuels. At our current levels of emissions, the world is going to exceed the 1.5°C target outlined in the Paris Agreement. To aid in reducing emissions, Paragraph 28 of the agreement outlined key elements to achieve this goal, requiring immediate efforts in the following sectors: energy, food, finance, nature, and health.

Key elements of Paragraph 28:

- It provides a road map of seven to eight specific actions needed to transform the energy system, moving beyond the high-level statements typical of previous COP agreements.
- The actions ladder up to a "well below 2°C" pathway, in line with the Paris Agreement but falling short of 1.5°C.
- Nevertheless, if all the elements of Paragraph 28 are fully implemented at scale and across all countries and industries within the next six years, it could get the world much closer to the 1.5°C goal.
- The first and most important action item is a massive scaling up of renewable energy and energy efficiency improvements because this underpins the ability to electrify end-use sectors such as transportation and industry.
- However, even full implementation of Paragraph 28 would only address about 70% of emissions, with the remaining 30% coming from food and agriculture (the subject of a separate food declaration at COP28).

So, while Paragraph 28 represents an unprecedented level of specificity and ambition compared to previous COP energy agreements, it still highlights the immense challenge of rapidly transforming the global energy system in a very short time frame. Implementing it will require overcoming significant political, economic, and technical hurdles in every country.

Another major focus of discussions at COP28 was the global stocktake. The Paris Agreement

established a five-year cycle of global stocktakes, with the first one to be completed at COP28. Subsequent stocktakes will take place in 2028, 2033, and so on. The purpose is to assess the collective progress of all countries toward achieving the Paris Agreement's goals of limiting global warming to well below 2°C (and pursuing efforts to limit it to 1.5°C), increasing adaptation to climate impacts, and aligning financial flows with low-emission and climate-resilient development. The stocktake is meant to be comprehensive, considering mitigation (emissions reduction), adaptation, finance, technology development and transfer, capacity-building, and transparency. It also includes consideration of equity and the best available science. At COP28, there was a focus on making the global stocktake more forward-looking and actionable, rather than just a backward-looking assessment. This means identifying concrete steps countries can take to ramp up ambition and implementation in the near term (by 2030).

During COP28, the International Accounting Standards Board released an interpretation of International Accounting Standards 37 (IAS 37) as it relates to climate-related liabilities and assets. IAS 37 is an international accounting standard that deals with provisions, contingent liabilities, and contingent assets. The interpretation suggests that, depending on the specific wording used, a company's net-zero targets or other climate commitments could create a contingent liability or a contingent asset that would need to be disclosed in its financial statements. As companies start to grapple with this interpretation, it could lead to more scrutiny of the costs and financial risks associated with meeting their climate targets. It could also drive greater engagement from accounting and finance functions in the setting of those targets. More broadly, the IAS 37 interpretation is part of a wider trend toward the integration of climate and sustainability factors into financial reporting standards and practices. This is being driven by investor demand for better disclosure of climate-related financial risks and opportunities.

Now What? What Does This Mean for Professional Services?

One of the major outcomes of COP28 was the agreement among over 100 countries to triple renewable energy capacity by 2030. This key transition away from fossil fuels in power systems (e.g., coal, oil, gas) and doubling the global rate of energy efficiency are massive steps toward creating a more sustainable future. By investing more in renewable energy sources and transitioning away from a reliance on fossil fuels in supply chains, corporations will be vital in reaching this goal. As we are entering what is expected to be the hottest year on record, corporations need to continue reducing their greenhouse gas emissions. The world is still behind on the 1.5°C warming limit, and companies have a responsibility to act toward that goal. This can be done by setting carbon budgets and prioritizing factors that are specific to your company and industry.

COP28 also resulted in unprecedented recognition and momentum for linking efforts to address the climate and biodiversity crises. Governments were called on to consider ecosystems, biodiversity, and carbon stores such as forests when developing their stronger national climate action plans. The

decision emphasized the importance of conserving, protecting, and restoring nature and ecosystems to achieve the Paris Agreement temperature goal, including a pledge to halt and reverse deforestation and forest degradation by 2030. This is the first time such a pledge has garnered formal recognition under the UNFCCC.

Engaging employees is another key piece to this process because they can have a huge impact on corporate sustainability goals. As we continue to work from home or in a hybrid model, informing employees of how they can be sustainable at the office is equally as important as working from home. Companies can engage through employee resource groups or through climate training and small-group learning opportunities, empowering employees to connect with one another and offer new ideas.

Looking Ahead — COP29 and COP30

Looking ahead, there is hope for our future, especially with what was achieved and agreed upon at the COP28 conference. Moving forward, the focus will shift to climate financing for COP29, and COP30 will be integral to setting the plan for 2030-2035. There is a possibility that professional services firms may in the future be held accountable for their clients’ emissions. Firms would be wise to proactively engage with this issue sooner rather than later. There is a lot of work to be done, but as long as we stay accountable, regulated, and resilient, we will have a productive and positive path forward.[4]

Engaging Employees in Sustainability Efforts

As mentioned in the discussion on COP28, engaging employees in sustainability efforts at home and work is a key piece to meeting your corporate sustainability goals.

1

Gamification

A small professional services company had its employees play Climate Fresk. This is a program started by a Paris-based company where employees play a card game based on IPCC reports to learn about climate change and its effects and discuss solutions they can implement in their own lives and jobs. It aims to build champions within the company. https://climatefresk.org/world

2

Mandatory climate training

One large company implemented mandatory climate training for all 450,000 employees and for new hires. It partnered with WWF to create the one-hour training.

3

Small-group learning

The same large company launched boxed-up small-group learning sessions on topics such as plant-based eating, which employees enjoyed as a way to connect, though competing work priorities sometimes limited uptake.

4

Speaker events

Bringing in high-profile speakers such as Jane Goodall to engage with the CEO helps set the tone from the top.

5

Volunteering days

Another company has continued offering volunteering days focused on the environment. This company has a Business Resource Group (BRG) focused on the environment and another focused on volunteering. The sustainability team helps connect these groups as well as make connections to other BRGs. They

aim to frame it around "climate justice" and connect it to human stories. The intent is to move employees beyond action to advocacy around the climate. For example, when Black History Month comes, they talk about environmental racism. When Women's History Month comes, they talk about gender justice and how gender justice and climate justice are interconnected. In this way the hope is that employees will become aware and intentional about their actions that impact the environment.

6 Earth Month activities

One company's green team organized a five-week plan with different sustainability themes each week in April, including a photo contest, book club, education, habit change, and advocacy. Employees could win prizes via a bingo card.

7 Wellness benefits

Some companies offer wellness benefits that employees can use for sustainability purchases such as solar generators. Discount marketplaces also incentivize greener purchases.

8 EV incentives

Some companies are considering offering credits or discounts to employees for purchasing electric vehicles. In the Benelux countries, "greenlease" programs give money back for choosing green company cars.

ADVICE FROM THE BOARD

I found it was important to partner with HR to review engagement surveys to get a sense of employee feedback on ESG at our company. In addition, speaking with our executive management team and PR/communications team gave us a good sense of how our internal stakeholders were viewing our sustainability goals and programs. We found that they had a lot of data already for us to start to parse through.

POOJA KNIGHT
ESG Controller & Sustainability Strategy VP, Gallagher

ADVICE FROM THE BOARD

Keeping lines of communication open with other functions is essential. For example, in addition to the members of our Executive Committee who act as the liaison between the global sustainability team and the broader Executive Committee, we work with a core group of leaders across the functions we engage most regularly with (ID&E, Procurement, People, Travel, Office of the General Counsel, Risk & Compliance, Ethics and Finance). This core group is involved in our reporting process, and we work with them to obtain the data we need for reporting purposes and to help develop processes and policies that will help advance our sustainability objectives in a way that is realistic and achievable for their function. For example, we have worked with our procurement team to develop specific contractual terms and a sustainability annex for them to include in our Master Services Agreement for global suppliers. We have worked with our people team to identify best practices for data collection across a variety of metrics that are managed locally to better drive policy implementation and measurement of policy effectiveness. We also work with our finance team to quantify climate risk as part of our annual reporting process. These are just a few examples of some specific work we've done with some of the functions across the firm.

ALYSSA AUBERGER
Chief Sustainability Officer, Baker McKenzie

As you set out on this exciting journey of establishing sustainability goals and building a team that moves forward with purpose together, here are some quick thoughts to consider:

1. Start with the "why"; don't assume everyone knows the role sustainability plays in the business, client/investor relations, employee retention, etc.
2. Identify your stakeholders, and learn of their concerns, wins, and goals so you can create a vision that is integrated, instead of added-on.
3. Be an enabler who involves business leaders in decision-making and goal setting, which builds a sense of ownership and pride for the stakeholders involved, encouraging them to take things forward.
4. Ensure the goals and the roles and responsibilities of all involved are set up front to mitigate gaps and confusion in the long run.
5. Communicate. Communicate. Communicate simply, transparently, and consistently to build trust.
6. Recognize, acknowledge, and reward the contributions of all involved. Do not overlook those who are not the face of the team but keep the wheels turning at the back. Make sure they know the business case, goals, challenges, achievements, and all the impact their efforts have contributed to! It will keep the cycle moving.

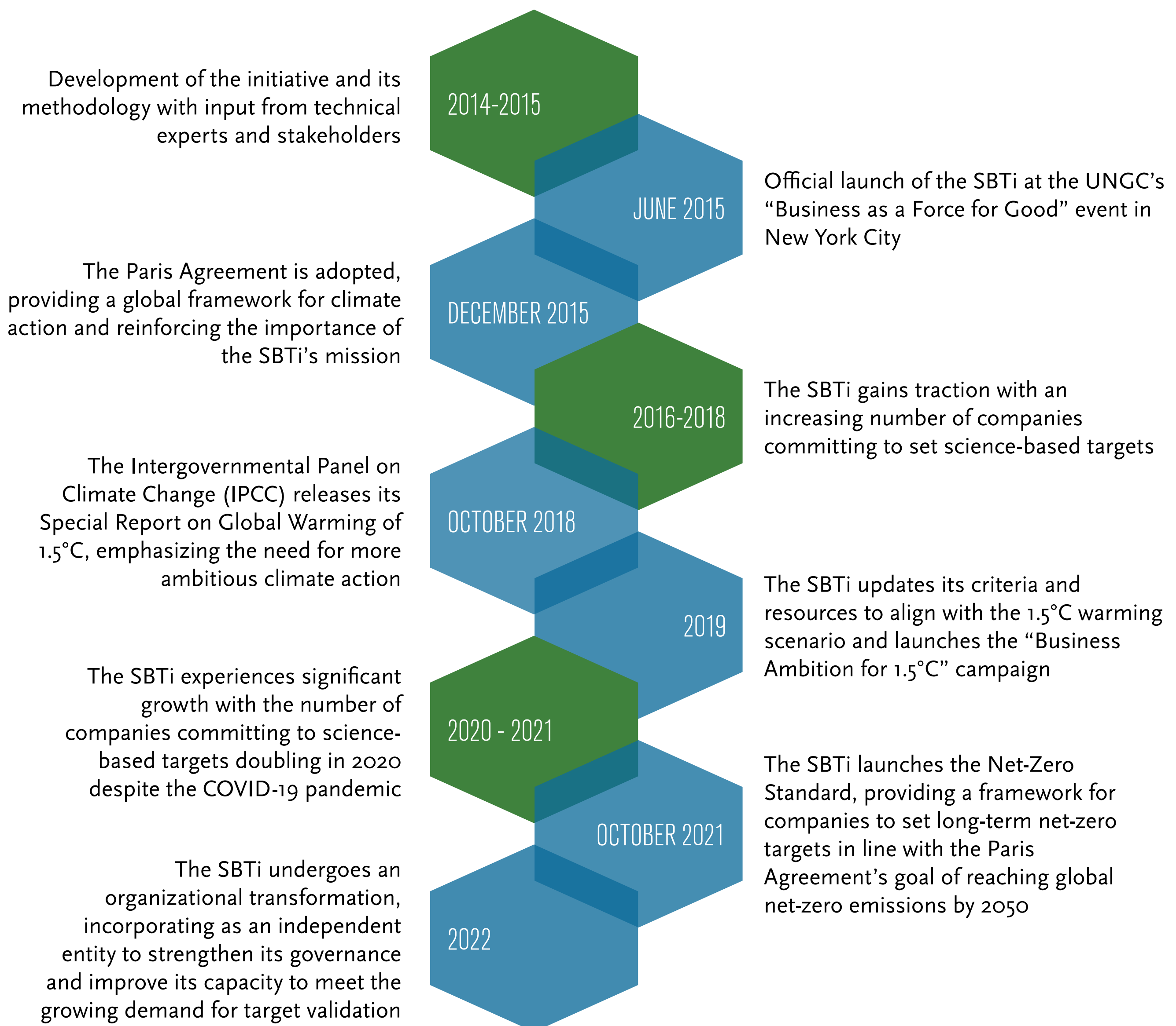
YAMINI DIXIT
Senior Director, Corporate Citizenship, Nielsen

Science-Based Targets Initiative

What Is the Science-Based Targets Initiative?

The Science-Based Targets initiative (SBTi) was founded in 2015 as a collaborative effort by CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature. The initiative was launched in the lead-up to the Paris Agreement to provide companies with a clear, robust framework for setting emission reduction targets aligned with climate science.

KEY MILESTONES IN THE HISTORY OF THE SBTi



Source: Science Based Targets

Throughout its history, the SBTi has continuously evolved and adapted its guidance and criteria based on the latest climate science and stakeholder input. As of 2023, the initiative has grown to become a widely recognized and adopted standard for corporate climate action, with over 4,000 companies worldwide having committed to or set science-based targets.

But What Is a Science-Based Target?

A science-based target (SBT) is a greenhouse gas emission reduction target set by a company that is in line with the level of decarbonization required to meet the goals of the Paris Agreement to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C. These targets are based on IPCC reports and other studies. They cover a company's direct emissions from owned or controlled sources (Scope 1), indirect emissions from the generation of purchased energy (Scope 2), and all other indirect emissions that occur in a company's value chain (Scope 3). Targets are typically set for a 5-15-year time horizon, reflecting the urgent need for climate action and the feasibility of implementing emission reduction strategies.

By setting science-based targets, companies demonstrate their commitment to climate action and align their business strategies with the global effort to mitigate climate change. Science-based targets help companies future-proof their growth, drive innovation, and increase their competitiveness in the transition to a low-carbon economy.

And Why Are Science-Based Targets Important?

The world is very far off-track to achieve the goals of the Paris Agreement. We have seen an average warming of 1.2°C, making it increasingly urgent to drastically reduce emissions in the short term. Climate change poses significant risks to businesses, including physical risks (e.g., extreme weather events, rising sea level) and transition risks (e.g., policy changes, shifts in market preferences). SBTs ensure that companies set emission reduction targets in line with the level of decarbonization required to meet the goals of the Paris Agreement. By setting science-based targets, companies contribute to the global effort to limit warming to well below 2°C, and ideally to 1.5°C, above preindustrial levels.

Investors, customers, employees, and other stakeholders increasingly expect companies to take meaningful action on climate change. As governments implement policies and regulations to meet the goals of the Paris Agreement, companies with SBTs will be better positioned to comply with these requirements and avoid potential penalties or legal risks. By setting SBTs, companies become part of a global movement of businesses taking ambitious climate action. This collaborative effort can help accelerate the transition to a low-carbon economy and create a level playing field for companies across industries and regions.

What's Next?

When founded in 2014, the SBTi had the initial goal of getting 100 companies to commit to setting greenhouse gas emissions reduction targets in line with science. There are currently close to 7,000 companies taking action, with 4,023 of them having validated their science-based targets. In 2022, the SBTi validated 87% more companies than the year before, more than the entire seven years prior combined. To meet this unprecedented demand, the SBTi has launched a major scale-up operation.

Overall, the main goal for SBTi is to work with companies to align their emission reduction efforts with the level of decarbonization required to meet the Paris Agreement's target of limiting global warming to well below 2°C, and ideally to 1.5°C, above preindustrial levels. This involves setting ambitious, science-based targets across all emission scopes and working toward long-term net-zero emissions. [5]

Company Examples

Example 1: They have committed to setting SBTs and plan to submit their targets for validation by the end of June 2023. They are currently conducting a deep dive into their greenhouse gas (GHG) inventory and gathering data to ensure they have accurate Scope 1, 2, and 3 emissions data. They are focusing on near-term targets aligned with the 1.5°C warming scenario and have already set a Scope 1 and 2 reduction target of 92% by 2030 against a 2018 baseline.

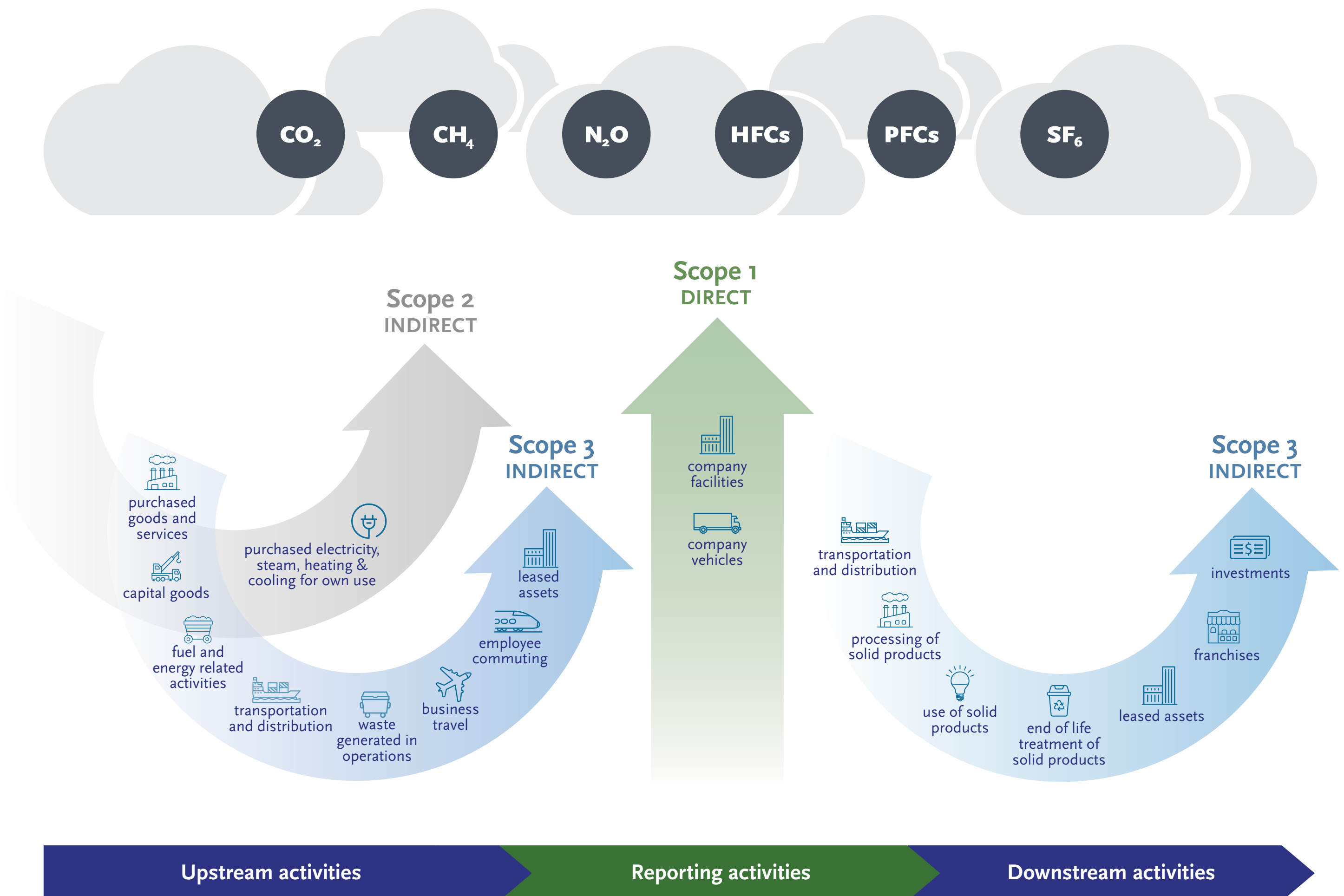
Example 2: They have been on the SBT journey for 2-3 years. Their near-term targets were validated in October 2022, which include an 80% reduction in Scope 1 and 2 emissions and a 55% reduction in Scope 3 emissions by 2030. They have submitted their net-zero target, aiming to achieve a 90% reduction in emissions by 2040, with the remaining 10% being neutralized through removals.

Example 3: They are nearing the end of their first set of SBTs, which were aligned with the well-below 2°C scenario and had a target year of 2025. They are now working on their next set of targets, which will be aligned with the 1.5°C warming scenario. They have been carbon neutral since 2006 but have achieved this through offsetting. They expressed concerns about the feasibility of meeting the SBTi's net-zero criteria, which require a 90% reduction in emissions across all scopes by 2050.

Example 4: They are in the early stages of their SBT journey, focusing on measuring their carbon footprint and evaluating the feasibility of setting targets. They cited challenges related to Scope 3 emissions, particularly in the context of investment portfolios and supply chain data collection.

Scope 3 Reductions … and What Comes Next?

As companies set targets to reduce emissions and prepare for upcoming regulations on disclosure, many find Scope 3 emissions more challenging to measure and reduce. According to the EPA, "Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain."[6]



Source: Greenhouse Gas Protocol. Corporate Value Chain (Scope3)

Though it's challenging, several members of the Advisory Board for Professional Services Sustainability are working to reduce emissions, particularly for Scope 3, in the following ways:

- Focusing on reducing emissions from purchased goods and services by engaging top suppliers, educating them, and encouraging them to set science-based targets
- Promoting waste reduction and increased recycling/composting in offices through initiatives such as waste audits, removing desk-side bins, employee challenges, and improved signage and communication
- Reducing business travel emissions through travel reduction policies, internal carbon pricing, increased use of virtual meetings, promoting train travel over flights where feasible, and communicating lower-carbon travel options to employees when booking
- Encouraging hybrid/remote work to reduce employee commuting emissions; some are gathering more data on employee commuting to inform reduction strategies
- Switching to recycled paper and double-sided printing defaults to cut paper waste; some offices have eliminated printing entirely
- Engaging clients to mutually agreed-upon reduced travel and increased remote work
- Replacing disposables with reusable items in offices
- Exploring energy efficiency upgrades in offices such as waterless urinals and low-flush toilets
- Generally pulling multiple levers, educating and building awareness among employees, and making emissions data transparent to motivate reductions

The core focus areas are purchased goods and services, waste reduction, business travel, and employee commuting within the Scope 3 categories. Getting better data is also a key priority to inform reduction strategies. While several of the members are already engaging top suppliers around emissions reductions, there was discussion of expanding this engagement over time to a wider set of suppliers to drive further Scope 3 reductions, including how to better integrate sustainability criteria when selecting new suppliers going forward. There is also a growing awareness that professional services firms may face pressure in the future to account for and reduce the emissions associated with the work they do for clients, sometimes referred to as "Scope 4" emissions.[7]

COMPANY EXAMPLES

Gallagher

Every month, we run an internal campaign that focuses on a different topic such as waste or water. We ask employees to showcase and share ideas on how they are reducing their environmental footprint. Additionally, we have made efforts to reduce non-client travel when possible. Our local offices are running campaigns such as removing desk side trash cans. This encouraged employees to either bring their lunch from home or walk to the central trash cans where signs and recycling cans were put to help employees be mindful of their waste.

Baker McKenzie

We have a proprietary global environmental management system (EMS) called "bGreen" in place across all locations that is intended to drive more responsible consumption across our Firm. bGreen includes a carbon footprint reporting module and six separate topical modules (covering energy, real estate, waste, travel, meetings, and paper) that provide our locations with measurable targets and specific actions they can take to better their environmental performance. For example, the bGreen module on waste management requires our locations to minimize waste and to implement recycling and appropriate e-waste disposal procedures and contains 79 other activities related to waste management that locations can implement; the bGreen module on real estate provides detailed checklists to assist when looking for new premises or refitting existing premises. As leases come up for renewal, locations must either move to new green premises or undertake green refits of existing premises.

To drive more sustainable travel we have recently implemented a new global travel policy that provides guidance on how to make responsible travel decisions and are in the process of rolling out a new global travel platform that will embed sustainability metrics into travel options, allowing travelers to compare the carbon footprint of different travel options before making a choice.

The Punch List

Whether you have a little time in your schedule and a little money in your budget for sustainability or a lot of each, there is something you can do today to make progress toward your sustainability goals. Here are recommendations from Advisory Board members about things you can get started on today. Bolder and larger font indicates those actions prioritized by greater numbers of advisory board members.

EXPENSE

- Be prepared to report in RFP responses; align info gathering with upcoming regulations and expectations.
- Be as specific as possible for external reporting.
- Measure/establish a baseline carbon footprint and commit to annual re-evaluation/measurement.
- Determine which ESG and sustainability metric system is best or most useful.
- Decide how we focus on where the most emissions are by country (e.g., China, U.S., India), industry (e.g., steel, cement), and type (e.g., methane).

- **Engage suppliers in an efficient, effective way to set SBTs and decarbonize.**
- **Know your suppliers and whose supply chains you are a part of; create a code of conduct and standardized questionnaires, and improve data collection.**
- **Identify high-quality offsets/investments**
- Enhance and communicate value proposition for stronger worker protections, following uptick in unionization recently in parts of the U.S.; connect this human element to overall sustainability.
- Set impactful targets for reduction.
- Establish emission reduction target for efficient resource allocation.
- Ensure SBTi doesn't lose credibility with executives given flip-flop and changing reporting methodologies.
- Review data quality / assurance
- Hire a consultant to implement CSRD -compliant double materiality assessment

- **Prioritize ESG regulations; determine resources needed; assign project lead to each; understand gaps; do you need to hire external help?**
- **Continue education around ESG and progress made (employees and senior leaders).**
- Engage your controller team and financial assurance provider to understand specifics of regulation for your company and applicability.
- Align on consistent methodology to report client-level emissions (e.g., revenue basis).
- Identify/hold internal campaigns to increase employee awareness and engagement.

- Establish an internal steering committee program governance and stakeholder commitment.
- Host community/stakeholder listening sessions and an advisory council with foremost ESG experts to collaboratively identify shared success opportunities, solutions, and challenges.
- Hire a consultant for CA-mandated carbon audit.
- Find your internal stakeholders at all levels; who is going to help secure a "yes"?
- Ensure that your emissions inventory management plan is complete and documented.

EFFORT

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