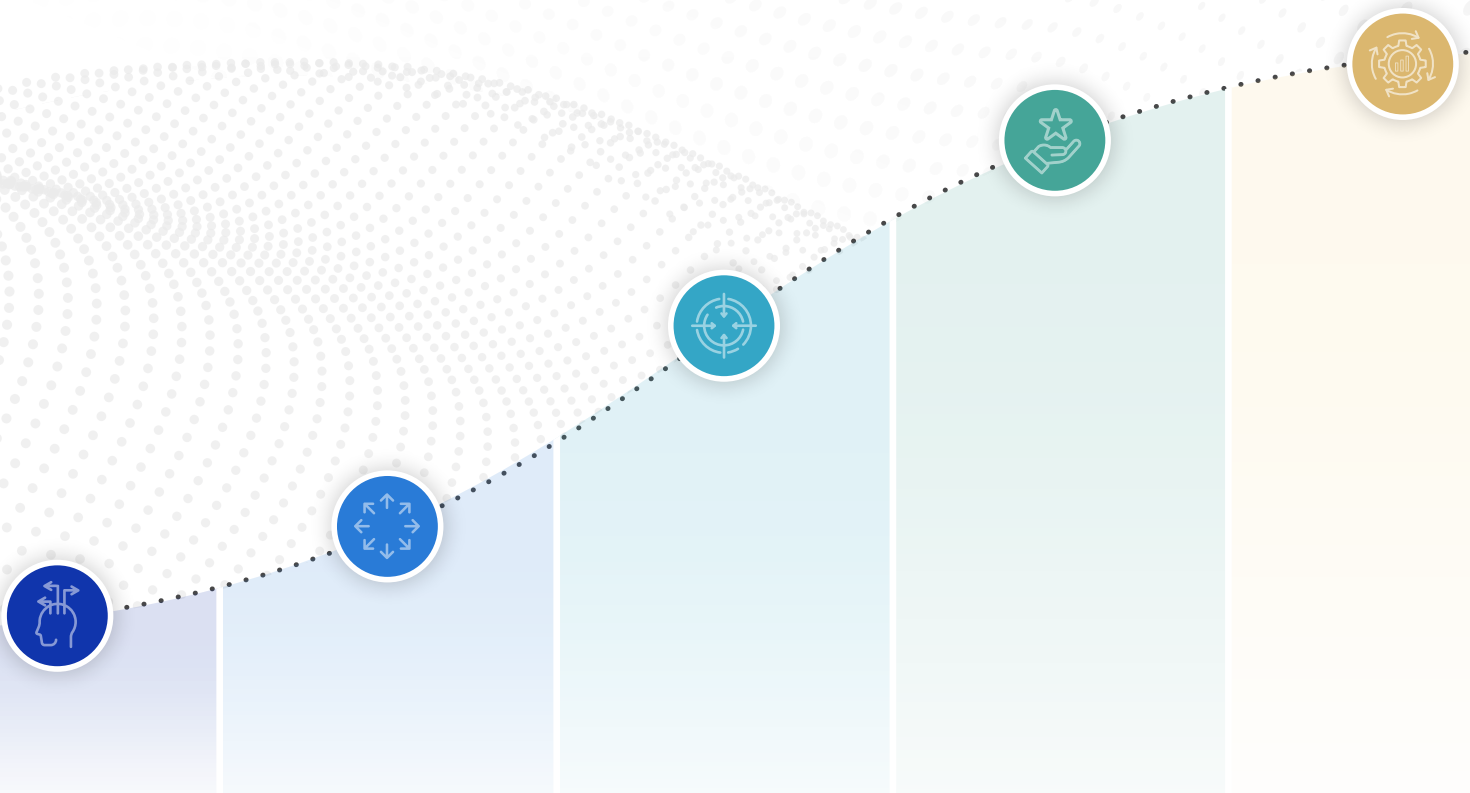


BUILDING A LEGACY OF ENVIRONMENTAL SUSTAINABILITY

How Organizations Can Move Along the Environmental Sustainability Maturity Curve to Keep Pace with Evolving Stakeholder and Supply Chain Expectations





In today's competitive and regulatory landscape, there is increasing pressure for organizations to take concrete steps toward a sustainable future with science-based, practical solutions. With decarbonization and sustainability now corporate imperatives, organizations are committing to the continual improvement required to achieve a stronger, more sustainable low-carbon economy.

But recent research from The Conference Board suggests that less than a third of U.S. companies have fully implemented a corporate sustainability program,¹ and one in five (21%) are in the early stage of their sustainability journey. That suggests that there's a lot of work ahead for most organizations to establish and attain sustainability commitments.

Whatever the starting point, we are committed to helping clients define, prioritize, and reach their sustainability potential. We envision a future in which sustainability goals are achievable for every company and industry. But it's not always clear to organizations how they can move forward.

We've developed a maturity model to determine where and how to engage with clients. This five-phase maturity model is the culmination of decades of experience working with companies to navigate the complexities of environmental compliance and applying those learnings to sustainability. It provides a structured framework to help organizations assess their current practices, identify areas for improvement, efficiently allocate resources, and implement strategies that lead to a more sustainable future.

Fully integrating sustainability into business is a journey. By understanding your organization's current environmental sustainability maturity, you can chart a path forward focused on the short-term improvements and long-term sustainability gains needed to achieve your maturity target, whether you are looking for incremental improvement or a comprehensive transformation.

¹ [conference-board.org/press/corporate-sustainability-press-release-2024](https://www.conference-board.org/press/corporate-sustainability-press-release-2024)



Best Practices for Environmental Sustainability Maturity

The organizations moving industry forward increasingly have sustainability programs with the following characteristics:

- ▶ They optimize for now and future-proof for tomorrow, breaking ambitious goals into manageable steps—both short-term and long-term
- ▶ They establish robust plans and procedures and work with their value chain to collect accurate and relevant sustainability-related data
- ▶ They digitize their processes and data collection efforts to deliver timely reports on the progress and performance of sustainability metrics their board of directors and executives expect
- ▶ They approach the steps needed to ensure sustainable business practices, not as a check-the-box activity, but rather as a way to create new value
- ▶ They ensure that sustainability data is accurate, investor-grade, timely, and auditable, so they can substantiate their environmental claims and lend credibility to their disclosures

The Environmental Sustainability Maturity Curve

Here's what you need to know—and the pivots you need to make—to move along the value path.



Maturity Level: Awareness

If your level of environmental sustainability maturity is “Awareness,” your organization may have a basic understanding of the evolving regulatory landscape and stakeholder expectations related to sustainability issues. Your actions regarding sustainability, however, are more likely coincidental (e.g., developed for environmental reporting) rather than intentional. To move to the next level of maturity, you will need to take steps to build a technically sound foundation, potentially including building a business case for environmental sustainability.

Key Identifiers

- ▶ Basic metrics (e.g., Scope 1 and Scope 2) have been quantified
- ▶ The need to assess climate risks and strategies has been acknowledged
- ▶ Management responsibility has been identified
- ▶ Some operational sustainability or climate initiatives are in place
- ▶ External reporting can be incomplete or inaccurate

Steps to Get to the Next Level

- ▶ Assess the environmental aspects and impacts of their operations to identify material risks and opportunities
- ▶ Establish tracking of material environmental KPIs, which may include Greenhouse Gas (GHG) Emissions, Non-GHG Air Emissions, Energy, Water/Wastewater, Waste/Hazardous Materials, and Biodiversity metrics to establish base year metrics for future target-setting

- ▶ Develop comprehensive annual corporate GHG inventories—Scope 1 and Scope 2—conforming to global standards (e.g., GHG Protocol, ISO standards)
- ▶ Perform a Scope 3 Relevance/Materiality Assessment and develop an initial Scope 3 inventory for relevant categories based on the best available data
- ▶ Evaluate the data (and related data systems) you are already tracking (e.g., procurement and sales records), and establish activity data tracking to fill the gaps
- ▶ Begin exploring possible digitalization opportunities to improve the accuracy and overall efficiency of the data management processes

Level of effort: Medium ■■

Who's Involved

Relevant departments (e.g., environmental, operations, procurement, HR) that own and drive the initiatives.



Maturity Level: Reactive

If your level of environmental sustainability maturity is “Reactive,” you are becoming more sophisticated in how you collect metrics, but your organization’s sustainability activities are driven primarily by external pressures. You may strive to meet the minimum requirements or take action to improve your practices when prompted by stakeholders—including requests from the supply chain or investors. To move to the next level of maturity, you will need to strengthen your environmental sustainability foundation.

Key Identifiers

- ▶ You are collecting metrics data of varying quality, transparency, and accuracy – Scopes 1, 2, and 3 (if material)
- ▶ There is limited strategy and public disclosure
- ▶ Uninformed goals may be set based on external pressures
- ▶ Inquisitive start to supply chain engagement
- ▶ The focus is on compliance with regulatory frameworks and supply chain or investor requests
- ▶ External reporting is reactive, with limited scope and transparency
- ▶ Data management processes and systems are highly manual

Steps to Get to the Next Level

- ▶ Develop a plan to improve your Scope 3 inventory, focusing on emission sources/categories with the largest footprints
- ▶ Identify primary or secondary industry average data sources for emission factors
- ▶ Perform product-level environmental evaluations via life cycle assessment (LCA). Information may be used internally to inform sustainable manufacturing strategies and externally to respond to inquiries for product-specific data (e.g., Product Carbon Footprint (PCFs))

- ▶ Update calculations with more accurate activity data and emission factors
- ▶ Develop a plan to implement a sustainability data management system that aligns with emerging needs and organizational drivers for sustainability disclosure as well as future performance tracking

Level of effort: Medium ■■■

Who's Involved

A small dedicated sustainability team or employees for whom sustainability comprises a portion of their responsibilities.

Fewer than half of G250 companies have leadership-level representation for sustainability.

Source: KPMG Survey of Sustainability Reporting 2022



Maturity Level: Purpose-Driven

If your level of environmental sustainability maturity is “Purpose-Driven,” your organization has moved beyond mere compliance and is proactively identifying and reporting on sustainability initiatives and climate-related risks and opportunities. You are forging increasingly strong relationships across the supply chain to leverage data to make decisions. This level of maturity demonstrates a deep alignment with environmental stewardship and positions the organization as an emerging leader in sustainable business practices. To move to the next level of maturity, you will need to develop strategies that align your goals and operations.

Key Identifiers

- ▶ Climate-related risks are identified, and opportunities start to emerge
- ▶ Public disclosures are standard practice
- ▶ The focus is shifting to the value chain – product lifecycle analyses and external data
- ▶ There are executive management and/or board-level governance responsibilities
- ▶ There is a centralized data management system that manages and protects the organization's sustainability data

Steps to Get to the Next Level

- ▶ Benchmark against industry peers/leaders to assess gaps in your organization's sustainability program elements
- ▶ Improve sustainability metrics assessment and tracking through strategic engagement with the value chain (e.g., procurement policies for Tier 1 suppliers)
- ▶ Use primary data provided directly by suppliers and customers
- ▶ Continue to hone calculations using product- and/or facility-specific data
- ▶ Perform a climate risk/opportunity analysis in alignment with predominant frameworks (TCFD/IFRS-S2)
- ▶ Establish a robust decarbonization strategy and set science-based GHG targets by establishing a base year, assessing carbon mitigation strategies, and modeling a viable decarbonization pathway

- ▶ Establish sustainability initiatives around other material environmental impacts that could be severely impacted by climate change (e.g., water availability, nature degradation)
- ▶ Undertake biodiversity planning, develop biodiversity management plans, and assess alignment with emerging standards and frameworks
- ▶ Evaluate and implement data management software that facilitates ongoing, timely assessment of environmental performance
- ▶ Identify and implement digital enhancements to expand and refine the data management capabilities in alignment with the organization's sustainability program evolution

Level of effort: High ■■■

Who's Involved

A team that has been established to manage sustainability metrics, disclosures, and initiatives; a limited selection of customers or suppliers; board members and executives.



Maturity Level: Value Creation and Risk Mitigation

If your level of environmental sustainability maturity is “Value Creation and Risk Mitigation,” your organization has integrated sustainability into many aspects of business strategy. You prioritize sustainable practices that drive value, perhaps by building customer loyalty or gaining access to environmentally conscious markets, meeting your stakeholders’ expectations for sustainability, and mitigating risk by future-proofing your operations and business model and complying with emerging governmental and market rules. In viewing sustainability as a key function, your organization differentiates itself by embracing sustainable practices and may realize financial benefits from cost savings. To move to the next level of maturity, you will need to implement a robust sustainability program across your organization.

Key Indicators

- ▶ Mature data management processes and analytics to inform strategic planning and prepare comprehensive disclosures
- ▶ Integration of climate/sustainability risks and opportunities into enterprise management
- ▶ Science-based target setting

Steps to Get to the Next Level

- ▶ Engage personnel and secure buy-in across the organization
- ▶ Develop/enhance sustainability policy, strategy, programs, and implementation plans
- ▶ Establish/refine key performance indicators, targets, and goals
- ▶ Evaluate requirements and ensure voluntary disclosure through corporate sustainability reports and/or under various sustainability frameworks
- ▶ Align public sustainability disclosures with predominant standards and frameworks (e.g., SDGs, GRI, CDP)

- ▶ Identify and implement advanced data analytics tools to enable more robust sustainability activities and data automation that produce more real-time data management processes

Level of effort: High ■■■

Who's Involved

Customers, suppliers, employees, investors, shareholders, community, and regulators/policymakers.



Maturity Level: Business Integration

If your level of environmental sustainability maturity is “Business Integration,” your organization has integrated sustainability into its core business strategy and operations. Sustainability is embedded across functions and an integral part of the organization’s strategies and operations, positive social change and environmental impact drive decision-making, and operations include a regular focus on executing and reviewing sustainability-related strategies.

Key Indicators

- ▶ Public disclosure alignment with predominant standards and frameworks
- ▶ Full integration of climate/sustainability strategies into business strategy, planning, and operational excellence
- ▶ Value chain engagement
- ▶ Executive compensation tied to performance
- ▶ Use digital tools to quickly evaluate and analyze sustainability strategies and opportunities

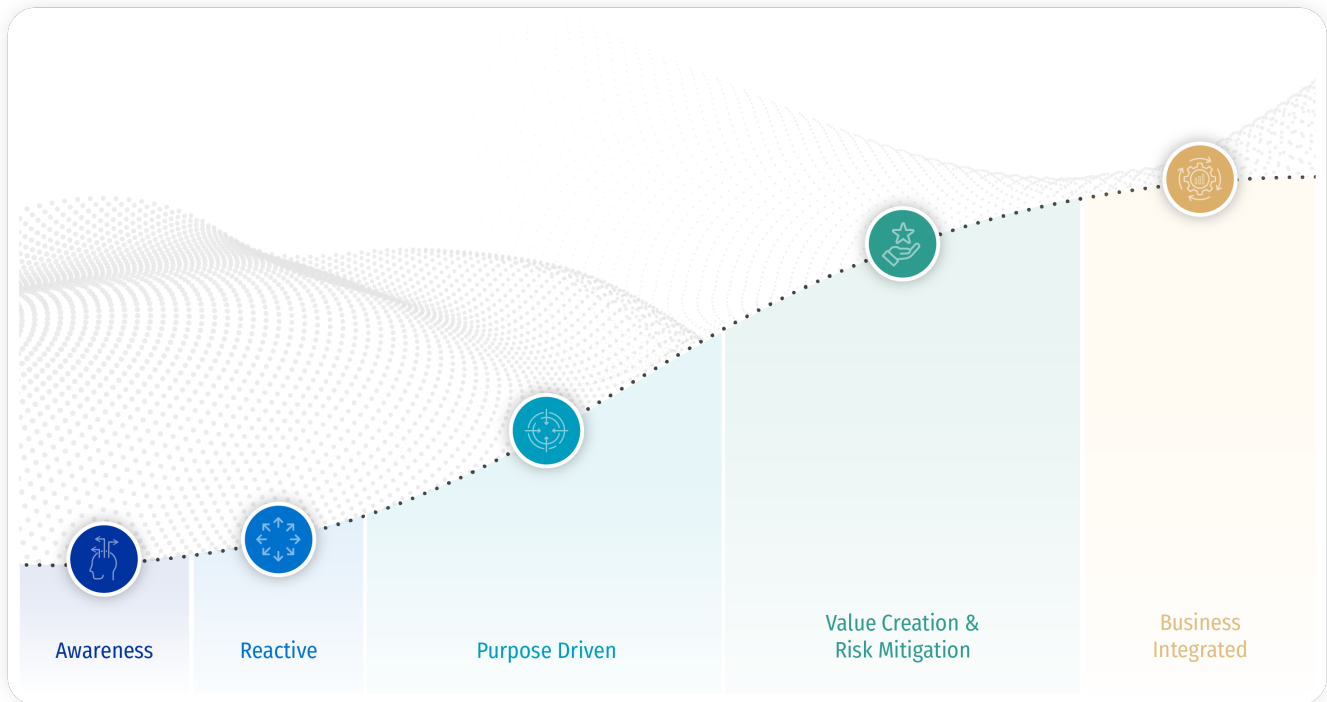
Maintaining Sustainability Leadership

As environmental sustainability is an ongoing process, organizations at this level of maturity can drive progress by focusing on innovation and incremental improvement in a few key areas, including:

- ▶ Effective, transparent, and technically defensible communication/disclosure of sustainability objectives and performance
- ▶ 3rd-Party GHG inventory verification
- ▶ Digitization of sustainability efforts, including data acquisition and end-to-end business processes
- ▶ Ongoing refinement of the environmental sustainability program framework

Who's Involved

Customers, suppliers, employees, investors, shareholders, community, regulators/policymakers, and partners.



Our approach is to meet our clients wherever they are on their sustainability journey, and to become a trusted partner to establish or reinforce a foundation in the early stages, and strategically support the evolution of their program as it matures to align with the company's overarching business plans, timelines, and key objectives.

Closing Perspective

Companies need a trusted guide, one that will shepherd them through every stage of the environmental sustainability landscape while optimizing for data accuracy, transparency, and quality. They need a way to establish well-supported and sustainability targets that align with the company's business objectives. It requires a new mindset to comply with rapidly evolving regulations, supply chain pressures, investor inquiries, public scrutiny, and stakeholder demands while committing to voluntary actions and paving the way for a stronger, more sustainable economy.

Want to find out where you land in our sustainability maturity model? Reach out for your personalized analysis at **800.229.6655**.