



Solving the Challenge of Our Lifetime:

How Organizations Can Master Sustainability

We are increasingly faced with the disruptive and destructive forces of climate change: floods, drought, fires, tornadoes, heat domes, ice storms are all alarming signals of what the future holds. The human toll and actual cost are becoming all too clear.

The need to build a more sustainable world is becoming more evident and increasingly complicated. We have the wisdom and means to make critical progress – but it will take the collective power of government, citizens, and organizations across the globe to protect our planet, our economy, and our way of life.

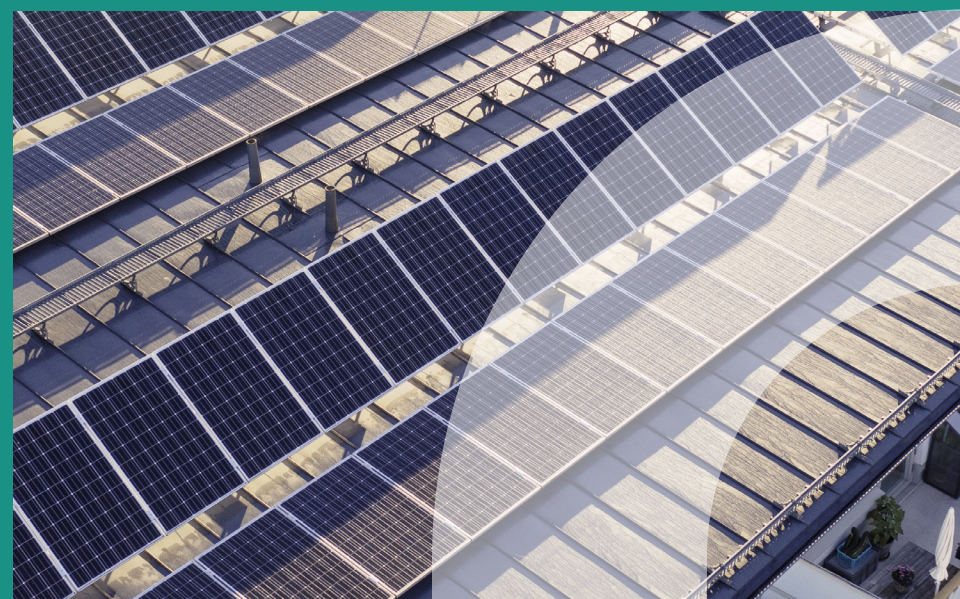
We are in the early days of sustainability programs – programs that must now address a set of regulations designed to accelerate (and publicly disclose) progress on environmental goals while still delivering financial performance.

The challenge is that many sustainability programs are only just starting to address the scale, complexity, cost and entangled nature of sustainability. An IBM Institute for Business Value report stated that, although 95% of respondents have ESG goals, only 10% have made significant progress towards them. They are confronting insufficient practices and knowledge base as well, data and systems that need more time to be ready to guide a coordinated program or meet emerging reporting requirements. To complicate matters, most organizations are uncovering a large, complex web of ongoing tactical projects that are dispersed across the

organization, and recognizing the interdependencies they have with other, external organizations to deliver sustainability targets.

In other words, most organizations are in a discover, learn and build phase: forging new ways of working, new coalitions of supply chain and ecosystem partners, and new ways of creating value.

And they are doing so against the ticking clock of climate change. We can address the challenge of a lifetime, but we will need systems change to foster true impact. We must create new methods to manage and measure complex, nuanced programs that must constantly adapt to changing regulations and standards, economic conditions, political realities, technological advances, and consumer sentiment and behavior. We need new capabilities to harness our collective power to create impact velocity at scale.



Key Forces Shaping Sustainability

Sustainability programs are advancing against complex and dynamic external and internal forces. Instead of strategy as a straight line, sustainability programs must be able to adapt to changing conditions expected over the next 5–10 years that will place a premium on robust management and measurement capabilities:



Regulatory

New regulations, headlined by the Corporate Sustainability Reporting Directive (CSRD), the SEC Climate Disclosure Rule, and California's Corporate Data Accountability Act, represent a step-function maturation of the regulatory environment. On top of the disclosure requirements, they will also create publicly comparable results open to public scrutiny.



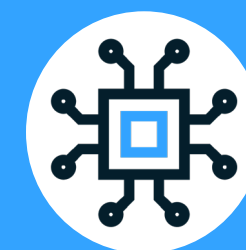
Economic

Although deeper fears of recession may have receded, companies are still navigating an uncertain economy, consumers affected by inflation, and continued earnings pressures. This will make it more challenging to allocate the resources needed by sustainability programs - placing more emphasis on a well-managed sustainability program that can deliver sustainability performance while protecting overall financial performance. For example, in the EY 2023 Global DNA of the CFO Survey, CFOs rank ESG/sustainability as a top priority, but 37% of respondents are pursuing cuts to sustainability funding.



Geopolitical

Deglobalization, the war in Ukraine, the return to political trading blocs, and increasing global tension are likely to further disrupt trade and the supply chains that are a key source of Scope 3 reductions (where Scope 3 refers to emissions in a company's value chain). This will require an ongoing market intelligence function to be able to distill the many forces at play in the outside market; allowing firms to rapidly adapt and be more resilient to outside disruption.



Technology

Cleantech and climate tech (along with enabling technologies like AI) will play a crucial role in addressing climate change. Still, many of these technologies are early stage and sub-scale. Sustainability programs will need to closely watch advancements through the lens of opportunities and risks: capitalizing on them when possible; and sensing if these technologies may present risk to the program or the overall business.

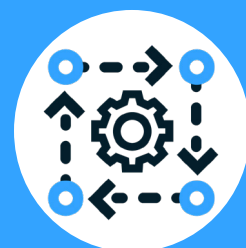


Key Forces Shaping Sustainability



Consumers

Consumers are confronted daily by the impact of climate change, but they are also cynical about institutions and greenwashing. This creates uncertainty about how consumers engage brands and whether consumers, beyond select high-discretionary spenders, will buy more or pay more for environmentally friendly products.



Supply Chains

Supply chains will play an oversized role in decarbonization as over 70% of GHG emissions are in Scope 3. But supply chains remain under pressure from the combined effect of deglobalization, economic competition, and decarbonization. They are challenged by a lack of visibility, sufficient resilience to natural and market events, and now the added pressure to enable traceability to prove the reliability of sustainability claims. On top of the pressure to measure and reduce Scope 3, sustainability programs will be challenged to keep a close eye on supply chain dynamics that have proven to be highly disruptive to nearly all parts of the economy.



Circular Economies

A key lever to reduce emissions is to dramatically scale circular economies that recycle and reuse resources, partly driven by regulations such as the Extended Producer Responsibility (EPR) regulation. These economies can create new supply chain and ecosystem partners and processes, from chemical partners that recycle black mass battery material to reverse logistics to strengthen recycling markets.



Carbon Markets

New integrity standards in voluntary carbon markets have tempered the opportunity to use carbon offsets as a core strategy to get to net-zero - reemphasizing the need to make real progress on sustainability programs. Even still, voluntary carbon markets are expected to grow from \$2B in 2021 to between \$10B and \$40B in 2030 and will play an important role for many companies, requiring effective tracking and trade in these markets.

Creating a Sustainability Framework

Sustainability is beginning to find its long-term footing as regulations formalize the markets and companies focus on the critical and long-term steps to reduce their carbon footprint. And although companies will invest in carbon accounting to meet new regulatory reporting requirements, commercial value is realized when companies are able to show progress in reducing emissions. In other words, organizations will equally need a framework to plan, coordinate, orchestrate, and execute initiatives across the organization and with coalition partners.

For most companies, efficiently delivering sustainability goals—while protecting financial performance—will require a step-function improvement in their ability to manage and measure sustainability initiatives. This is especially critical given the multi-stakeholder, multi-disciplinary, and complex nature of sustainability efforts.

There are ten (10) business requirements, presented in the following pages, that can guide how you design and build a sustainability framework.



Creating a Sustainability Framework

✓ Align with Enterprise Risk Management (ERM)

Sustainability creates a set of program-level, financial and reputational risks that need to be incorporated into ERM processes. Each sustainability program initiative will need to identify risk and candidate mitigations enabling leaders to see, compare and take action on risks at the initiative level, sustainability program level, and overall enterprise level via ERM.

✓ Tie into Regulatory Reporting Processes

Sustainability reporting, driven in great part by CSRD in the EU and the SEC Climate Disclosure Rules in the US, will depend on the measurements driven through the sustainability program. But on top of that, reporting will depend on context and forecasts from the program to provide clear and consistent commentary on sustainability performance and to create productive transparency with stakeholders.

✓ Provide Contextual Information

Sustainability is at the stage where teams are still coming together and learning and require contextual information as to the purpose, targets, methods, dependencies and risk, regulatory considerations, etc. Context is needed to get and keep everyone on the same page inside and outside the organization – to accelerate the learning process and to expedite results.

✓ Create Coalitions

Organizations are likely to need to expand or build new coalitions, whether working with all relevant suppliers that can participate in reducing Scope 3 emissions, new ecosystems brought about by circular economies, or industry coalitions designed to accelerate the ability to surface and share best practices.

✓ Collaborate Across the Full Range of the Sustainability Program

Although sustainability will likely be led centrally, execution will involve many parts of core operations and existing and new partners across supply chains, ecosystems, and coalitions. Sustainability programs must align disparate functions, talents, and teams across the extended enterprise and enable them to easily know and collaborate with each other.

✓ Correlate all Digital/Technology Initiatives

The technology arena will be critical and extraordinarily dynamic. In conjunction with the CTO/CIO and technology partners, sustainability programs will need to keep a close watch on technology advances and be able to integrate technologies when favorable and respond if new technologies represent a threat to core operations.

✓ Integrate Relevant External Information

Sustainability programs are affected and informed by external dynamics such as market events, new or changing regulations, the state and prevailing prices of relevant carbon markets, and changing policies (e.g., new/changing tariffs). Organizations need to be aware of, anticipate, and efficiently respond to changing market realities.

✓ Track Customer and Consumer Sentiment

Consumers and customers will play a crucial role in driving sustainability, whether through spending patterns that reward or punish organizations based on publicly available sustainability performance, or being a watchdog to sustainability claims. Understanding evolving customer sentiment – both downstream customers and consumers – can help shape environmentally friendly products and the associated pricing strategies.

✓ Manage Stakeholders

Managing both internal and external stakeholders in the context of sustainability programs is a difficult undertaking. Teams are working in a complex, fluid environment where stakeholders may carry different belief systems and priorities. Companies will need a unified platform that is accurate, real-time, and able to show contextual information to shape and coordinate communications to create the necessary transparency and trust across stakeholder groups.

✓ Create a Data Story Around the System of Truth

Although reporting will serve as the formal channel, communications require context, such as expectations for future progress, possible blockers that may get in the way of progress, and expectations for major milestone delivery or risks to program performance. By using data-driven storytelling, companies can feel confident in what they are saying and avoid the damaging steps of walking back prior statements.



The Metaimpact Difference

Metaimpact was built to help companies deliver on their sustainability programs and play their role in creating a more sustainable world. The platform empowers organizations with the digital infrastructure needed to enable systems change, where multiple stakeholders can create collective impact by acting on shared goals through active and measurable collaboration. By designing and deploying impact networks, organizations can align both internal and external stakeholders on their most important environmental initiatives. The transformative software unleashes the power of mass collaboration and arms organizations with 6 core capabilities

1 Data Management

Manage disparate and dispersed data to create a unified management and measurement environment that tracks progress toward sustainability goals.

2 Integrated Environment

Build a digital layer that integrates with critical organizational processes and systems, including ERM, to establish a holistic coherent program approach.

3 Digital Ecosystems

Design and deploy digital ecosystems to visualize the abstraction of entangled needs and connect all stakeholders to align on, manage, and measure shared solutions.

4 Collaboration

Invite any number of stakeholders into a persistent, digital space to collectively define, manage, and measure every aspect of a sustainability initiative.

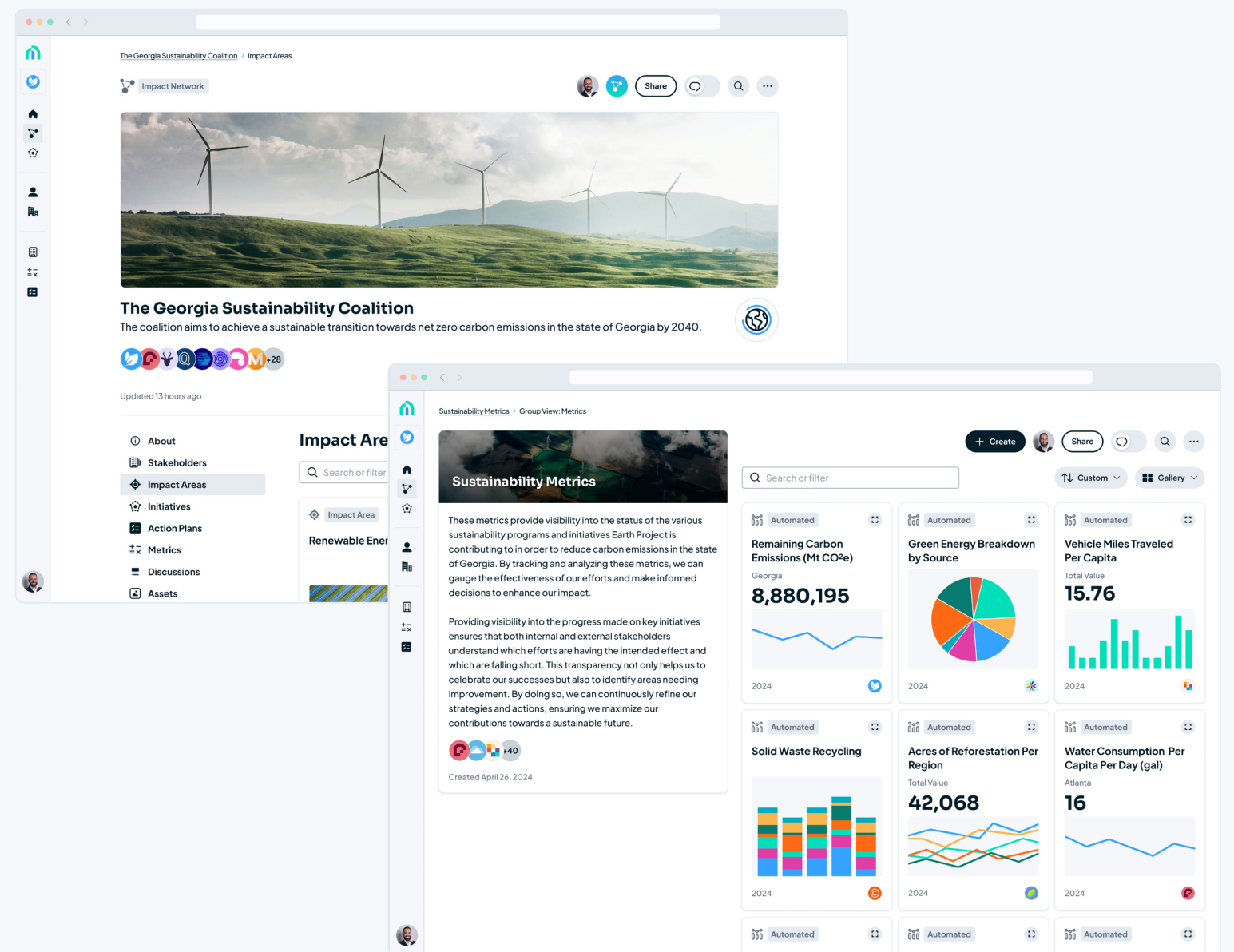
5 Measurement

Keep a close eye on leading and lagging indicators of program performance by tying metrics to sustainability goals and objectives.

6 Data-Driven Storytelling

Build data stories to explain program advances and influence strategic decisions. Provide context to key sustainability insights to inspire action.

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The Road Ahead

We are at a critical inflection point as sustainability programs are taking shape and confronting the scale, complexity, and cost of delivering to sustainability targets while protecting financial performance. This tension between short-term needs to deliver financials and the long-term journey to sustainability is causing a level of paralysis in the market.

But the effects of climate change are becoming more frequent and intense. The effects are becoming more top-of-mind for consumers and stakeholders that directly experience or see the extraordinary human toll and economic cost - and recognize that as tragic as they are, they may be a signal of more to come.

Companies will be challenged to go beyond reporting and put sustainability programs in place to drive methodical progress, giving themselves the time to smooth out investments, manage expected external disruptions, and methodically organize and execute initiatives. This also ensures they avoid the alternative scenario where unorchestrated programs or delays in funding create untenable and unnecessary financial and reputational risk.

Metaimpact was built for this moment: to revolutionize the way organizations work together where multiple stakeholders can drive collective impact by aligning, measuring, and acting on shared goals for complex, but critical sustainability programs.

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Creating a Sustainability Framework

Sustainability is beginning to find its long-term footing as regulations formalize the markets and companies focus on the critical and long-term steps to reduce their carbon footprint. As a result, there is greater confidence in delivering sustainability and financial performance.

Delivering sustainability goals and financial targets will require a step-function improvement in the ability to manage and measure sustainability programs. The step-function improvement must address the following business requirements:

Align with Enterprise Risk Management (ERM)

Sustainability creates a set of program-level, financial and reputational risks that need to be incorporated into ERM processes. Each sustainability program initiative will need to identify risk and candidate mitigations enabling leaders to see, compare and take action on risks at the initiative level, sustainability program level, and overall enterprise level via ERM.

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Although companies are staring at new regulatory reporting requirements, companies still need to create a digital system to drive progress that will ultimately feed the reporting process. For many, this will represent a needed systems change in capability - a more robust foundation to deliver sustainability commitments.

