



International
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ACT/EMP

► The role of Employer and Business Membership Organizations in supporting business adaptation and mitigation to climate change



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The role of Employer and Business Membership Organizations in supporting business adaptation and mitigation to climate change

As highlighted throughout this report, climate change is bound to constitute a major income shock unless substantial adaptation and mitigation actions are taken. According to the striking report “The economics of climate change: no action not an option” (Guo, Kubli, & Saner, 2021) by the Swiss Re Institute¹, the world stands to lose close to 10% of total economic value by mid-century if climate change stays on the currently-anticipated trajectory and the Paris Agreement and 2050 net-zero emissions targets are not met. Developing countries could have one-third less wealth than would otherwise be the case should governments fail to act more decisively on climate. All this evidence warrants the increasing awareness of Employer and Business Membership Organizations (EBMOs) that it is in their best interest to move on these two fronts -adaptation and mitigation- in parallel. On the one hand, EBMOs can sponsor concerted action to pressure governments to act on climate change and promote the greening of their members’ productive activities. EBMOs can also take measures to help their members adapt to climate change. One of their main objectives is to serve as a source of support and knowledge in fostering business resilience and innovation. Many of the required strategies to promote green jobs can only succeed with the full involvement and participation of workers and enterprises under the leadership of EBMOs.

In the near future, responsible management should connect every step of the productive chain: from raw material extraction to production and to the use and disposal of manufactured outputs. Concerted action, mutual support, and policy change are central to adopting this life-cycle perspective of production.

Boris Vallée, a Harvard professor of Business Administration, proposes that enterprises have a role in aligning profit with decarbonization. “Business leaders should be able to drive large-scale impact while generating an abundance of profitable business opportunities. The awareness of the need for this alignment is rising among both business leaders and investors, but we need to turbocharge it if we want to have a shot at avoiding the worst” (Schenk & Gerdeman, 2021). The relevance of regional business organizations for resilience is also highlighted in the report for which this interview was conducted. John Mocomber, a senior lecturer at Harvard, states that “the most competitive districts and cities will figure out ways for many sources of capital to combine forces, region by region, toward coordinated long-view responses” (Schenk & Gerdeman, 2021) to climate change. Under coordinated action, regions and cities will obtain quantifiably better results than just by diffuse investments in scattered pockets of resilience.

¹ Swiss Re also modeled the economic impacts of a 3.2-degree increase by 2050, described as the “severe case” for temperature gains. If that happened, levels of wealth in Malaysia, the Philippines, and Thailand would drop almost by half compared with a world with no climate change. The economy of Indonesia would be 40 percent smaller. India’s would be 35 percent smaller.

► 1. The role of EBMOs in the transition towards a sustainable low-carbon economy

According to a recent survey run by the IOE and ILO/ACTEMP (ILO & IOE, 2019), sustainability is one of the five main mega-trends impacting enterprises. Enterprises are therefore increasingly looking for support to understand how to align their strategies with environmental and social objectives. In line with their role as representative organizations of the private sector, EBMOs have an important part to play. They can promote existing best practices so that on one hand, enterprises get access and knowledge of best practices, and on the other, show decision-makers and civil society that enterprises can contribute positively to the achievement of environmental pledges.

EBMOs serve two distinct but equally important roles for their members in the drive for sustainability. The first role is that of advocacy, providing a collective voice for the membership base, which can be used to influence the policy and regulatory environment in which their members function. EBMOs will often have a wealth of knowledge concerning their particular industry sectors, often more so than the policy makers themselves, and this expertise can be used to shape and influence policy decisions for the benefit of all concerned. Indeed, it is this advocacy role which often attracts new members to business and industry associations in the first place.

The second primary role of EBMOs is to provide services to its members. This is important since not all members are motivated to pay membership dues simply for advocacy, since the benefits of successful policy outcomes create spillovers to the benefit of members and non-members alike. To retain membership, EBMOs must provide real and ongoing value-added to its membership base, and they must be able to adapt to changing circumstances to remain relevant. This flexibility requires a well-designed organizational hierarchy and strong board level governance, a hallmark of the largest and most successful EBMOs. However, while adaptability is important, EBMOs must also have a clearly defined vision and mission both in terms of advocacy and in the provision of services if they are to be effective on behalf of their members. This represents a fundamental opportunity in decarbonization: by incorporating sustainability, in terms of both mitigation and adaptation, in their mission statements, EBMOs can have a profound impact across industry sectors. This can happen on three distinct levels. First of all, EBMOs who adopt a sustainable vision can work with members to educate them as to the benefits and existent opportunities in both mitigation and adaptation, where recognition of possible eco-friendly solutions might not otherwise have existed. It is also true that in some cases enterprises that adopt sustainable measures might be faced with additional costs, putting them at a temporary disadvantage vis-à-vis their competitors. EBMOs with a clearly stated sustainable mission statement can help level the playing field by encouraging, incentivizing, or requiring all members to embrace a common vision towards sustainability.

Decarbonization is a complex economic and structural transformation that cannot be achieved by either enterprises or governments alone. Rebecca Henderson, the John and Natty McArthur University Professor at the Harvard Business School, and author of the book *Reimagining Capitalism in a World on Fire*, proposes building meaningful partnerships as the key role of enterprises in confronting climate change. Decarbonizing the world's economy requires rebuilding not only the entire electric power industry but also transportation, infrastructure, construction, and agriculture. While action by individual enterprises can go a long way, climate change cannot be fully addressed without building real partnerships between the public and private sectors. These partnerships should enable a route towards a scenario where everyone has the skills and the incentives to reduce their emissions (Schenk & Gerdeman, 2021).

EBMOs can foster collaboration and communication to create efficient markets that allow enterprises to pursue their goals while still being responsible corporate citizens. EBMOs can act as a broker in dialogues between governments, enterprises, and citizens, seeking a path that is equitable to all stakeholders (ILO and IOE, 2019). For instance, the International Chamber of Commerce (ICC) has encouraged the private sector to increase the pace and ambition of innovative actions for the 2030 Agenda Sustainable Development Goals (SDGs) but also calls on governments to take action by implementing long-term policies, providing an adequate framework and incentives that enterprises can rely upon to tackle the sustainable development challenges while also increasing competitiveness, creating jobs and promoting sustainable economic growth (ICC, 2018).

A major question of the coming decades will be how governments and enterprises balance economic growth with sustainability. Enterprises can lead the way by fostering political action and policy reform. In doing so, they can contribute to creating a level playing field among enterprises by coordinating the development of common sectors' vision on sustainable development. EBMOs should seek innovative ways of cooperation and outreach, as it is increasingly clear that on this arena, there is not a one-size-fits-all collaboration model. Some governments, enterprises, and EBMOs have tackled major issues through broad partnerships, while smaller or localized challenges may be better handled by direct interaction between local enterprises and the public (GRI, 2015). It is likely that building more collaborative economies, in which all participants have a stake and voice in solving issues, will make up the bulk of EBMOs' work in the coming decades.

The 2030 Agenda, structured by the collection of SDGs, has served as a widely recognized roadmap that public and private actors have embraced to varying degrees. Even if the primary responsibility for assessing the implementation of SDGs lies with governments, the private sector has a role to play in the follow-up and review phase of the 2030 Agenda. EBMOs have the expertise, technology, and resources to partner with governments to facilitate the collection of data required to monitor SDGs. According to the 2019 Handbook *Employers' and business member organizations and sustainable development goals* developed by the ILO (ILO, 2019a), EBMOs can support this process by:

- Conducting surveys and collect relevant data among their members.
- Providing a comprehensive outlook of collective trends and progress on the 2030 Agenda and formulating an employers' agenda contributing to the achievement of SDGs.
- Promoting corporate reporting as a means of monitoring, review, and verification.

Governments are designing roadmaps to meet their NDCs and more recently, their increasingly ambitious net zero targets. Policy packages are being proposed; discussed and implemented that include regulatory reforms, changing fiscal and financial incentives. However, there is no consensus within the business sector over priorities, schemes, or enforcement mechanisms. Business organizations can take part in the process by monitoring and influencing the employment and social policy dimensions of sustainable development. They can raise awareness and participation by informing members of developments, help analyse the implications for enterprises; and provide effective employer advocacy in international fora. EBMOs can create guidelines to navigate this changing landscape. For enterprises operating across borders, EBMOs may need to address different sets of restrictive regulations (ILO & IOE, 2019).

As previously noted, many large organizations are insisting that their suppliers stay in line with their own sustainability and emissions targets, and there is a growing trend of customers and workers demanding that the products they buy, and the enterprises they work for are invested in a sustainable business model. Members of EBMOs with a clearly articulated green policy are likely to benefit from significant reputational enhancement, leading to greater success overall at the enterprise level in what amounts to a virtuous cycle. This can also feed into a third benefit for EBMOs and their members: EBMOs that demonstrate a strong and public commitment to sustainability are likely to find themselves better positioned with their governmental relationships, making their advocacy role that much more effective on behalf of their membership base.

Nevertheless, significant challenges remain. To be effective contributors towards decarbonization, EBMO's must have their vision strategically in line with sustainable development. Business associations in LDCs face their own set of challenges, often due to a lack of resources, poor organizational capacity, and limited technical skills.

► 2. Strategies for EBMOs to support business mitigation and adaptation to climate change

Research has shown that there exist contagion effects in innovation and adoption of greener techniques (Graziano, Fiaschetti, & Atkinson-Palombo, 2019; Niu et al., 2022). This is due to the characteristics of some of these technologies and techniques as experiential goods with high upfront capital and/or labour costs. By reducing information barriers, EBMOs can speed adoption. They can launch new services that can help members to deal with sustainability-related issues. By raising enterprises' awareness of the need to embrace these changes, the EBMOs can contribute to creating a conducive environment for a responsible and professional business that will benefit their members.

EBMOs have a pivotal role in making just transitions work. They are, by definition, active partners in policymaking at the national level. They have relevant expertise in conducive business environments and the needs of enterprises. EBMOs embody networks cutting across sectors that need to be engaged to create economies' coherent and systemic transformation. Finally, they participate as social partners of their trade union counterparts in framing labour market outcomes. According to the Guidance Paper on employment, just transition, and climate governance (IOE, 2022), employers' organizations can provide the following relevant services to their members as well as external stakeholders:

- Advocating vis-à-vis governments for just transition strategies that consider business needs.
- Providing critical guidance, especially to SMEs, to raise awareness, promote innovative approaches, and support governments in developing realistic and impactful policies.
- Analysing labour market impacts, particularly job losses and job gains, how to adapt to these impacts, and what resources and support members can access.
- Analysing skills needs and providing relevant and timely analysis on gaps and ways to improve skills and training systems while bringing attention to government and other stakeholders on sectors in particular need of skills development is also crucial.
- Engaging with educational institutions and other skills providers to create collaborative knowledge sharing and capacity-building approaches for enterprises to adapt to the new scenario.
- Advising members of new products and services and actively working with members to shape future sustainable markets.
- Hosting industry events that bring together industry leaders to allow for networking and relationship building, creating opportunities for future collaboration in sustainability.
- Providing industry-wide and sector-specific market information to members, allowing for more effective strategic planning and a more sustainable business climate.
- Improving awareness of existing support programmes upon which members may be able to capitalize.
- Improving corporate reputations through public awareness campaigns, for example, in the area of corporate social responsibility, and raising awareness of their sector's contribution to society.
- Developing industry and technical standards to provide a baseline that members might eventually adopt and adhere to, allowing for benchmarking and effective data tracking on corporate practices leading to improved resilience.
- Providing consulting services to individual members in areas of key strategic importance, including specifically matters of sustainability.

To be effective, the services referenced above must consider a long-term vision based on planning and strategic foresight. EBMOs must be also flexible and responsive enough to respond to a rapidly changing business and regulatory landscape, and to incorporate forward thinking into the development of future services. In measuring EBMOs' success, communicating a coherent vision and having strong governance and organizational structures are at the core. Without clear communication of goals and a strong foundation it is unlikely that any of the above approaches would be successful in achieving positive outcomes.

As highlighted by the report *World Bank Outlook 2050* (Mukhi, Rana, Mills-Knapp, & Gessesse, 2020), inter-sectoral dialogue is more important than ever. Understanding interactions among sectors can help policy makers identify synergies and avoid unintended negative impacts. This is true within development more broadly and even more so for climate action. If the goal is to reduce CO₂ emissions from vehicles, for example, one way is to promote electrification; another is to use more biofuels. If the latter leads many farmers to stop growing food so they can grow biofuel feedstock that may affect food security. If transportation is electrified but the power supply derives mainly from coal or oil, any emission reductions might be offset by increases in the power sector. Mitigation and adaptation actions can be synergistic or cause unintended harm in other sectors. Inter-sectoral and inter-regional dialogue facilitated by EBMOs can engender proposals that channel the policymaking process towards symbiotic proposals.

Progress towards a net-zero economy drives new skill needs across a wide range of sectors and occupations. Providing the skills required to decarbonize an activity can create a need for a new occupation, or a very distinctive new specialization or set of new skills within an existing occupation. Important skills required for an initiative to improve the carbon footprint of production and consumption typically span a wide range of levels, from high policy, management, and professional levels, to technical, associate professional, skilled craft, administrative, skilled agricultural, and operative levels.

A skills mismatch between the requirements of a greener world and the current educational system can generate frictions in the labour market and delay decarbonizing transformations. EBMOs can contribute to bridging this gap by offering training services on sustainable business practices at different levels and types of work inside a enterprise. Bridging this gap so that enterprises adopt and embed efficiency and environmental performance improvements throughout their operations and business relationships. Energy efficiency, waste reduction, water-smart agriculture, circular economy design, and communication with the public on sustainability issues are examples of such topics that require managers and workers to overcome a learning curve. A well-known case is the renewable energy sector, in which the qualification level of workers tends to exceed that of the average qualification level for the rest of the economy. Technical and vocational education and training (TVET) play a crucial role in the transition to cleaner energy. The speed of this transition will therefore be determined to some extent by the responsiveness of training organizations and practitioners in strengthening the available offer, and by the interest and willingness of professionals to engage in initial and/or continuing TVET. The development and maturing of renewable energy markets have implications for the future of work: professionals with lower skill levels in several sectors will be able to move towards an increasing specialization of competencies and, consequently, better job conditions and opportunities (UNESCO-UNEVOC, 2020). In this respect, EBMO can play a key role in identifying skills needs across economic sectors and providing advice for the development of TVET programmes.

EBMOs can act as a forum for ideas and models that support enterprises seeking change and facilitate the exchange of experience. Concerted action from large players can go a long way in achieving sustainability. Large enterprises and buyers can offer suppliers better terms and bigger orders in exchange for upgrading their sustainability practices. Offering suppliers financial rewards – such as larger orders or higher prices – can provide a strong incentive for these enterprises to invest in stronger sustainability standards. Using new technologies such as e-invoices can speed up payments to suppliers, and help small enterprises build up the creditworthiness they need to access financing from other sources.

Finance organizations with capabilities to perform sophisticated global risk assessments have taken organised action. The Institutional Investors Group on Climate Change, whose members include several outstanding asset managers has warned the European Union not to label natural gas as sustainable under the bloc's new rulebook aimed at determining which investments are considered "climate friendly" (Abnett and Jessop, 2022). The move comes in response to a draft plan from the European Commission published in 2021 that proposed classifying certain natural gas investments as green. The Group stated that the inclusion of natural gas would "undermine the EU's ambitions to set the international benchmark for credible, science-based standards for classifying sustainable economic activities."

2.1 EBMOs and climate action around the world

United Kingdom

As highlighted previously, business leaders' contributions can lie in pushing the scale to strike a balance between decarbonization and growth, promoting fairness in the design and implementation of net-zero policies. The five largest business organizations in the UK, Confederation of British Industry (CBI), the Federation of Small Businesses (FSB), Make UK, the Institute of Directors (IoD) and the British Chambers of Commerce (BCC) have published a set of principles that they consider should guide the government's approach to deliver policy in pursuit of the country's long-term climate targets - namely net-zero by 2050. The central principle of this approach is fairness: a just transition. The report, authored by the business groups, highlights five core principles needed to achieve this goal: fairness in ambition, in accountability, in delivery, in opportunity, and in cost.

The CBI has strived to serve as a forum of exchange of ideas on environmental issues, sharing a plethora of resources, ranging from a roadmap of clear steps for individual enterprises to get started on environmental, social and governance (ESG) (Bernau, 2021) and for decarbonizing the fulfilment of industrial heating needs (CBI, 2020).

Colombia

With almost half of its territory covered by biodiversity hotspots, as defined by Conservation International² (CI, 2022), Colombia has materialized substantial contributions to sustainable development by preserving the integrity of the biosphere. Biodiversity is, according to the Stockholm Resilience Centre, one of the most threatened planetary boundaries³. The Millennium Ecosystem Assessment of 2005 concluded that changes to ecosystems biodiversity due to human activities were more rapid in the past 50 years than at any time in human history, increasing the risks of abrupt and irreversible changes (SRC, 2015).

The National Business Association of Colombia (ANDI) is the country's largest non-profit organization with more than 1.200 members that represent between 40% and 55% of the national GDP. The Biodiversity and Development Initiative was created by ANDI in 2014 to contribute to the integrated management of the country's biodiversity through collective work and investment schemes between enterprises, institutions, and local groups. It has been recognized internationally for its contribution to conservation (ANDI, 2019).

The initiative has successfully engaged stakeholders from different sectors and scopes: ANDI has partnered with the National Natural Parks of Colombia (PNN) and the Humboldt Institute, as well as other regional allies to guide the private sector on how to integrate biodiversity into their operations. The initiative also offers fora for intersectoral dialogue, creates capacities, supports the development of public-private partnerships, and fosters the formulation and implementation of policies and instruments to improve corporate environmental performance.

This initiative operates through four pillars: a) investments in territory, b) implementation and development of instruments, c) capacity building, and d) knowledge management and monitoring strategies. This initiative seeks to contribute to the national and international objectives of conservation management and sustainable use of biodiversity in the territories.

The initiative has become a platform to connect enterprises, institutions, and local groups for a common purpose, which has made it possible to reach agreements, high-value business investments, and better

2 Around the world, 36 areas qualify as hotspots. Their intact habitats represent just 2.5% of Earth's land surface, but they support more than half of the world's plant species as endemics — i.e., species found no place else — and nearly 43% of bird, mammal, reptile and amphibian species as endemics. To qualify as a biodiversity hotspot, a country must be irreplaceable in terms of biodiversity, and must have 30% or less of its original natural vegetation. In other words, it must be threatened.

3 The Stockholm Resilience Center identified the nine processes that regulate the stability and resilience of the Earth system, and proposed quantitative planetary boundaries within which humanity can continue to develop and thrive for generations to come.

rules for the planning and development of activities in the territories. It seeks to connect biodiversity and business through the following mechanisms:

- **Impact Offsets** - Associated with environmental offsets and investments by enterprises in the framework of projects, works and/or activities.
- **Value chain** - Linked to the sustainable use of biodiversity, as well as its relationship with the production chain, forward and backward.
- **Ecosystem services** - Related to the benefits that the natural supply provides to enterprises and on which sustainability over time depends.
- **Risk management** - Associated with ecosystem management as a means of adapting productive activities to climate variability.

Within this framework, the Biodiversity and Development Initiative has, for instance, promoted ANDI's mining and energy sector enterprises to collectively contribute to the restoration, sanitation, and management of national, regional, and local protected areas; in joint company strategies for biodiversity monitoring hand in hand with research institutes; in knowledge management and promotion of productive alternatives that incorporate the ecosystem services from birds and butterflies.

International organizations

By developing the employers' position on sustainability matters, the International Organisation of Employers (IOE), the International Chamber of Commerce (ICC), the World Business Council for Sustainable Development (WBCSD), and the Industry Advisory Committee to the OECD (BIAC), have been working to present the business sector's perspective in all international sustainable development forums.

These four worldwide business organizations have also helped national business organizations improve their advocacy and participatory functions, not only at the international level but also in national discussions and initiatives. Many national business organizations have supported enterprises that take voluntary initiatives and adopt innovative solutions for resource efficiency, emission control, waste management, protection of ecosystems, and food and energy security (ILO, 2016).

The Global Business Alliance for the Environment (GBA4E), which is part of the UNEP Business and Industry Major Group is another effort engaging business representatives from a wide range of sectors including manufacturing, oil and gas, food processing, crop inputs, livestock, conservation, finance, technology, and agritech, among others. They have worked to define priorities to strengthen business actions for nature (GBA4E, 2022).

► 3. The role of EBMOs bridging the knowledge gap to measure enterprises' carbon footprint

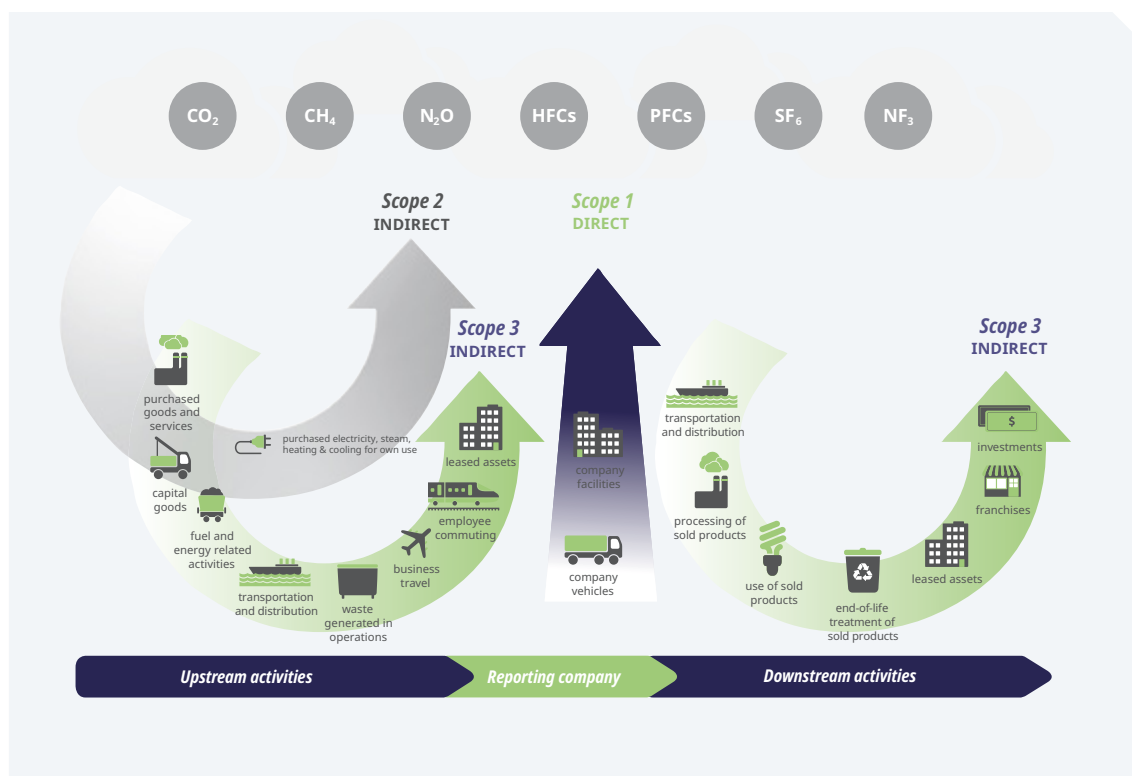
For any company to be sustainable and reduce their GHG emissions over time, it is important to know what their carbon footprint is. Once an enterprise's carbon footprint is known, it can serve as a baseline indicator as to whether the organization is meeting its sustainability targets. The measurement exercise itself can be useful in identifying specific areas of operation which are the most carbon intensive, allowing for strategic focus to be placed on subsequent mitigation efforts.

For aggregate information on carbon footprints to be useful, there must be a standard for measurement. Various standards have been developed over the last twenty years, but arguably the two most important standards today are ISO 14064-1, developed in 2006, and the GHG Protocol Corporate Standard, first published in 2001. Both standards seek to measure both direct and indirect emissions of corporate activities. The GHG Protocol Corporate Standard categorizes emissions into 3 Scopes.

Scope 1 comprises direct emissions that result from corporate activities that are under the control of the organization. This includes direct energy use, but also encompasses gases released in the production process such as carbon in cement production, methane in agriculture and sulphur hexafluoride (SF₆) in the electrical industry (Issel, 2021).

Scope 2 encompasses indirect emissions such as those resulting from the production of electricity, heat or steam that an organization purchases for use in its production processes. Scope 3 refers to other indirect emissions that are outside of a company's direct control. Accompanying the GHG Protocol Corporate Standard is the more comprehensive GHG Protocol Value Chain Standard which provides measurement guidance across the entire value chain of a company, both upstream and downstream. For example, Scope 3 considers an entire product's life cycle, from transportation and distribution to end-of-life treatment of the product (Figure 1). Additional standards exist for calculating emissions exist for product life cycles (ISO 14067 and the GHG Protocol Product Lifecycle Accounting and Reporting Standard). While both ISO 14064 and the GHG Protocol generally attempt to measure the same thing, ISO 14064 is generally viewed as a blunter instrument, whereas the GHG Protocol is far more descriptive in methods and standards for indirect emissions (Spannagle, 2004), and many enterprises around the world are increasingly turning to the GHG Protocol for purposes of standardization and transparency.

Figure 1. GHG Protocol Emissions Scopes



Source: (Issel, 2021).

EBMOs can support members to calculate their carbon footprint by developing “how-to” manuals and trainings, disseminating practical information, and providing technical advice. In partnership with the UN Climate Change, the Swedish Fin-Tech *Doconomy* developed the **2030 Calculator**, which is a digital tool for enterprises that simplifies the process of calculating products carbon footprint. It can be downloaded [here](#). Moreover, this tool is also linked to the [UN Carbon Offset Platform](#), thus enabling users to contribute to green projects towards achieving the Paris Climate Change Agreement and the UN Sustainable Development Goals.

The UNFCCC has also developed a **Greenhouse Gas Emissions Calculator**, which helps enterprises estimating their emissions by relevant emissions source. It is an Excel template that can be downloaded [here](#).

Once an enterprise has calculated its carbon footprint, it can focus on setting targets. In this respect, EBMOs can support members in setting emissions reduction targets grounded in climate science through the Science Based Targets initiative (SBTi). Science-based targets are instrumental for enterprises to know how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change. Some of the benefits associated with setting science-based targets include enhanced competitiveness and business resilience; encouraged intra-enterprise innovation (intrapreneurship) and the creation of new business models; gained credibility; and gained capacity to influence public policies (SBTi, 2020) (Table 1).

Table 1. The benefits of adopting science-based targets

Opportunity	Common Practice – Incremental Goals	Science-based Targets
Build business resilience and Increase competitiveness	Incremental goals often lead to decreases in costs and increases in operational efficiency but may limit enterprises to only going after the “low hanging fruit”.	Methods to set SBTs challenge business to re-align with the low-carbon economy, capitalizing on a range of opportunities beyond cost-savings and avoiding the risk of stranded assets.
Drive innovation and transform business practices	Setting goals can inspire enterprises and supply chain actors to discover novel solutions and product offerings. Because incremental goals are near-term (defined as within five years into the future) and not a “stretch”, enterprises may not be pushed to transform business practices.	As SBTs include a long-term vision, enterprises can think beyond the near-term, common solutions for GHG emissions reductions. New technologies and financing options can be developed in a corporate environment that prioritizes preparing for a low-carbon economy.
Build credibility and reputation	Enterprises that are transparent in their GHG reduction efforts garner reputational credibility through demonstrating their commitment to addressing climate change. However, investors and other stakeholders are now demanding targets based on external, science-driven projections, which could put enterprises who fall short of this requirement at risk.	SBTs have higher credibility with stakeholders. Enterprises with SBTs are often lower-risk options for long-term investment since they can demonstrate that they are planning based on the latest available science.
Influence and prepare for shifts in public policy	Incremental targets send a signal to policy makers that enterprises take climate change seriously, but the credibility of this signal is limited by the ambition of the target.	SBTs help enterprises adapt to changing policies and send a stronger signal to policymakers, allowing enterprises to better influence policy decisions. Enterprises that have SBTs are much better positioned to respond to future regulatory adjustments as governments ramp up their climate action.

Source: Science-Based Target Setting Manual (version 4.1), April 2020, p. 12-13.

Business organizations can also disseminate information about available methods for setting science-based targets and provide practical guidance on how to do it. According to SBTi (2020), there are three methods:

- I. Absolute emissions contraction.
- II. Sectoral decarbonization approach (SDA).
- III. Economic intensity contraction.

Which are made up of the following elements: a carbon budget, an emissions scenario, and an allocation approach (convergence or contraction). Table 2 provides an overview of the three methods.

The Science Based Targets initiative has developed several products to support enterprises: a “how-to” guide for setting near-term targets, which is available [here](#); a science-based target setting tool, which can be downloaded [here](#); a Target Validation Application for SMEs available [here](#); a Corporate Manual, available [here](#); a guide with criteria enterprises’ targets must meet to be approved as science-based, available [here](#); a Net-Zero Getting Started Guide, available [here](#); and a Framework for Financial Institutions to Set Science-based Targets to align their lending and investment activities with the Paris Agreement, available [here](#). More SBTi resources for enterprises can be found [here](#). EBMOs play a key role in disseminating these resources among members, designing trainings, and providing “hands-on” technical advice to set science-based targets, implement, monitor, and report.

Table 2. Methods for setting science-based targets at enterprise level

Method	Company input	Method output
Absolute emissions contraction	<ul style="list-style-type: none"> - Base year - Target year - Base year emissions, disaggregated by scope 	<ul style="list-style-type: none"> - Overall reduction in the amount of absolute GHGs emitted to the atmosphere by the target year, relative to the base year.
Sectoral Decarbonization Approach (SDA)	<ul style="list-style-type: none"> - Base year - Target year - Base year emissions, disaggregated by scope - Activity level in the base year (e.g., building floor area, distance travelled, etc.) - Projected change in activity by target year 	<ul style="list-style-type: none"> - A reduction in emissions relative to a specific production output of the company (e.g., tonne CO₂e per MWh).
Economic intensity contraction: GHG Emissions per Value Added	<ul style="list-style-type: none"> - Base year - Target year - Base year emissions, disaggregated by scope - Value added in the base year - Projected change in value added by target year 	<ul style="list-style-type: none"> - A reduction in emissions relative to financial performance of the company (e.g., tonne CO₂e per value added).

Source: Science-Based Target Setting Manual (version 4.1), April 2020, p. 19-22.

Moreover, EBMOs can promote and encourage members to report regularly on their carbon footprints. Encouragement can be effective through communicating the advantages of carbon reporting to its members, highlighting, for example, the benefits of efficient energy management and the potential for cost savings, demonstrating environmental credentials and enhancing a company's reputation, meeting increasingly rigorous supply chain tender requirements, and motivating employees' sense of pride in the organization. Members can also be incentivised, for example, by the bestowing of eco-friendly certifications and green labels. Finally, EBMOs can simply require certain environmental standards to be considered for membership in the organization.

EBMOs can also provide direct consulting and measurement assistance to its members. Many private websites provide a carbon footprint calculator. EBMOs might consider doing the same for its members, providing structure to the process of data collection and calculating emissions, and by offering support in

verifying the results. EBMOs can also liaise with government to provide standardized emissions factors for the national context for different products and services, to simplify and make more precise monitoring and evaluation systems for measurement of emissions. One of the challenges of measuring carbon footprints is the accuracy of the data for emissions factors for different products and services, which are often global averages and don't consider local specificities such as the energy mix.

Global value chains are increasingly governed by sustainability standards. For instance, as part of the Green Deal, the European Commission is planning to establish uniform reporting standards for corporate sustainability performances through the so-called Corporate Sustainability Reporting Directive (CSRD). The corresponding guidelines will specify which sustainability-related information will be mandatory to disclose, as well as which key measures need to be implemented by more than 50,000 enterprises across the EU. Extensive requirements are expected, especially for the climate management of enterprises.

These practices can be costly. A study of 16 emerging countries estimated that compliance with standards cost about US\$425,000 per enterprise, largely due to increased spending on labour and capital. SMEs need to spend money over time to maintain and document their compliance. Even voluntary certification standards cost money to achieve and maintain: audits are needed to document ongoing compliance. Importantly, there is evidence that standard-compliant enterprises get better access to markets, attract stronger demand for their goods and services, and ultimately make more money. One study found that produce exporters in sub-Saharan Africa earned €2.6 million more than they would have if they didn't meet standards. Workers also benefit from improved conditions. Pesticide-related illnesses and health expenditures plunged in Kenya after small-scale export farmers complied with export standards (Klapper & Beinker, 2017).

EBMOs can take leadership in supporting certification processes and the adoption of CSRD requirements, and more broadly, environmental, social and governance (ESG) indicators. RespACT – the Austrian business council for sustainable development – is Austria's leading platform for Corporate Social Responsibility (CSR) and sustainable development. The association has developed webinars and materials to support business leaders so that they can prepare their enterprises for the new CSRD requirements (RespACT, 2022).

► 4. How can EBMOs support their members in adapting to climate change?

A prerequisite impacting EBMOs in their ability to support their members in climate mitigation and adaptation efforts starts at self-definition and articulation as to the purpose and vision of individual EBMOs in the first place. For industry associations to be effective in this respect, sustainability must be integral to the vision and mission of the EBMO in question.

Much like the business environment around them, EBMOs in LDCs are often poorly funded, lacking in skills and plagued by poor organizational structures. Nevertheless, industry associations can play a central role in sustainability in LDCs so long as they have a well-articulated vision in this regard, one which is fundamentally inclusive of SMEs.

4.1 Measures by EBMOs specific to mitigation

As noted, the two primary roles of EBMOs are advocacy in the policy environment and the provision of services to members. Each of these avenues can be effectively employed towards the goal of climate change mitigation. Business associations, chambers of commerce and the like can advocate for changes in climate policy, both in codifying new climate-based legislation and in promoting the acceleration of GHG reduction targets.

EBMOs are well positioned to assist their members in measuring their carbon footprints. They can assist members in navigating the complexities of the GHG Protocol, provide consulting in the data collection

process, assist in the actual emissions calculation, and monitor and verify the results. They can provide a repository for aggregate data collection and analysis and reward members with green certifications. EBMOs can also work to encourage sustainable behaviour on the part of its members, by outlining the benefits of an efficient energy strategy and increasing awareness as to the increasing economic competitiveness of renewables.

As referenced, suppliers' operations indirectly impact the overall carbon footprint of a company. EBMOs can also be effective in certifying and providing approved lists of eco-friendly industry suppliers, and by recognizing their own members for considering sustainability in the choice of their suppliers. EBMOs can also consult with their members to reduce indirect emissions, for example by optimizing employees' transportation. They can raise awareness of the benefits of public transportation, perhaps by suggesting discount strategies for employees. They can encourage carpooling strategies and more.

Finally, EBMOs can be a catalyst for change. Change begins with awareness. EBMOs can if they so choose to be instrumental in mobilizing their entire membership stakeholder base. They can become militant. They can communicate the urgency of the problem, to investors, consumers, employees, employers, and to society at large. Raising awareness creates the foundation for best practices beyond the member enterprises themselves.

4.2 Measures by EBMOs specific to adaptation

EBMOs can raise awareness among members as to the existential nature of climate change, and in doing so assuage concerns over the long timeframes involved. Most organisations after all are in it for the long term. EBMOs can be instrumental in closing the knowledge gap, by providing educational and future-oriented skills training programmes. They can be strong advocates for additional government funding to build resilience across their respective industry, by highlighting the societal benefits of their members' activities and the need to protect them from the inevitable ravages of climate change that are already built into the system. They can assist members in navigating the complex array of adaptation programmes already in existence. Business and employers organisations, as agents of change, can serve as a bridge to connect all stakeholders to promote a loud and resolute collective voice to influence policy, not only in mitigation, but also in adaptation.

Finally, regional EBMOs can help enterprises identify localized climate change impacts and support them by providing technical advice and guidance while building capacity to implement adaptation measures. This would especially help SMEs that do not have resources to have a "climate change" or "sustainability" operating unit and lack practical expertise to carry out an adaptation programme.

► 5. Conclusions

As discussed throughout this report, the climate discussion is fostering cultural change. This shift is crucial to generate widespread support for a net-zero economy but means that enterprises have to adapt to a changing business landscape with new demands from consumers⁴ and employees alike. While SMEs may have lower capabilities to measure and tackle a changing business environment, EBMOs can coordinate or implement surveys of consumer demands and seriously address them, avoiding greenwashing. They can support and encourage participation in certification programmes.

Sustainability is increasingly part of what a suitable workplace environment should offer. Employees' preferences are increasingly valuing the environmental performance of their employers. Roughly 80% of executives in a 2020 Deloitte survey indicated their employees were very concerned about climate change. Forty-five percent of surveyed millennial employees in another study would look to change jobs if their company didn't implement sustainable business practices, and 44% would leave negative reviews

4 According to a recent European survey, more than nine in 10 citizens (94%) say that protecting the environment is important to them personally. Roughly 40% of surveyed millennials say they would start, stop, or deepen/lessen a relationship with a brand based on a company's impact on the environment, according to Deloitte's 2019 Millennial Study.

for their company if they had poor sustainable business practices. Thirty percent of US employees from large organizations (>5,000 employees) in another survey said that they had left a job because of the company's lack of a sustainability plan. EBMOs can foster adaptation to consumers' and employees' demands: as discussed in section 4.3 the adoption of ESG standards will not be equally accessible to all enterprises. EBMOs can contribute to capacity building that is tailored to sector-specific needs and demands.

One result of living in a warmer planet is the loss of jobs and productivity. The rise in global temperatures caused by climate change will also make the phenomenon of "heat stress" more common⁵. Such excess heat increases workers' occupational risks and vulnerability; it can lead to heatstroke and, ultimately, even to death. The proliferation of so-called "urban heat islands", areas of concentrated heat inside cities resulting from growing population numbers and urbanization, will further intensify the impact of heatwaves, aggravating the risks faced by workers (ILO, 2019d).

Consulting EBMOs and addressing business concerns is of the utmost importance for developing and implementing international labour standards to guide governments when designing national policies to tackle occupational safety and health hazards associated with heat stress. Agricultural and construction workers are expected to be the worst affected, accounting for 60 percent and 19 percent, respectively, of working hours lost to heat stress in 2030. A sectoral response to heat stress in agriculture and construction should include technological improvements, skills development, and awareness-raising (ILO, 2019d).

Nonlinear climate risks will require radical change and truly transformative adaptation. Yet enterprises' disclosures on climate risk reveal a preference for incremental or reactive adaptation strategies such as business continuity planning and energy efficiency installations. Recent research has found that more radical – but necessary – strategies such as retreating from certain areas, desalination infrastructure, disaster relief programmes, and coastal ecosystem restoration that begin to consider nonlinear change were notable for their near absence from reporting (Goldstein et al., 2019). Winn, Kirchgeorg, Griffiths, Linnenluecke, and Günther (2011) find that organizations' enduring assumption that "current economic and social conditions will continue to flourish regardless of unfavourable biophysical conditions in Earth's natural and climate systems" predispose them to a risk management approach that is inadequate in the face of the scope, scale and systemic uncertainty associated with climate change impacts. EBMOs, with their data and outreach capabilities can provide fora in which informational barriers are bridged, and radical adaptation for radical change is discussed in the business agenda.

Climate change is also a human rights issue: it impacts people's access to a clean and safe environment. Consequently, it has an impact on human rights in the workplace. Enterprises and institutions will need to be able take steps to address adverse human rights impacts on the environment. For EBMOs, "showing by doing" can help SMEs understand what their own efforts could focus on. Other relevant actions for business organizations involvement in human rights issues associated to climate change involve addressing to Government and stakeholders any concerns around rule of law failures or corruption which are undermining or preventing effective measures to address environment and human rights harm. EBMOs can speak with governments about internal policy and implementation coherence around responses to climate change. Just as in a business, governments cannot look at this in silos. A human rights harm that can be directly seen and responsibility directly identified already create several remediation challenges. EBMOs can engage in dialogues that determines what would be the standard of proof and how would responsibility and remediation requirements be attributed in future legislation (IOE & KAS, 2021).

Finally, for EBMOs to be able to support enterprises in addressing these challenges and to represent the collective voice of business to the public authorities even in difficult circumstances, they need to give due attention to **building their own resilience**. While there is no one-size-fits-all formula, resilient EBMOs tend to share common characteristics, such as: a solid governance structure; a high degree of member centricity; valuable services which address clients' most pressing needs; multi-skilled staff who can move between different roles; strong alliances with other key-actors; functional risk management systems; as well as research, leadership and communication capacity on key business environment issues (ILO, 2021a).

5 Heat stress refers to heat received in excess of what the body can tolerate without suffering physiological impairment. Heat stress is projected to reduce total working hours worldwide by 2.2 per cent and global GDP by US\$2,400 billion in 2030.

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