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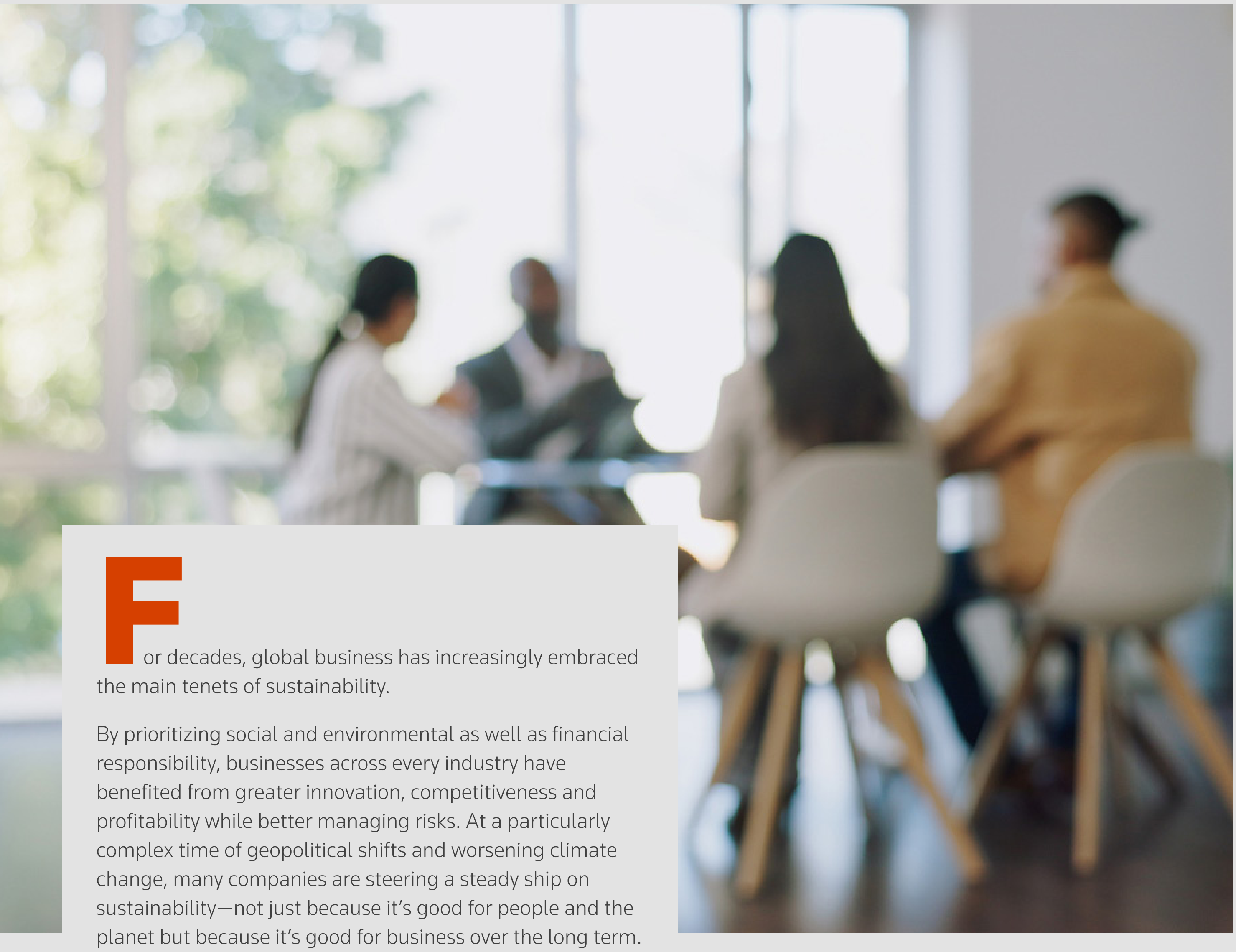
PLAYING THE LONG GAME: WHY BUSINESS WON'T ABANDON SUSTAINABILITY

By Amy Brown



For decades, global business has increasingly embraced the main tenets of sustainability.

By prioritizing social and environmental as well as financial responsibility, businesses across every industry have benefited from greater innovation, competitiveness and profitability while better managing risks. At a particularly complex time of geopolitical shifts and worsening climate change, many companies are steering a steady ship on sustainability—not just because it's good for people and the planet but because it's good for business over the long term.

The fact that the underlying business case for sustainability remains as strong as ever has gotten lost in recent headlines, particularly around one aspect of the Environmental, Social and Governance (ESG) agenda that has come under fire in the past year: Diversity, Equity and Inclusion (DEI) initiatives. A number of companies in recent months and weeks have retreated from their DEI programs and policies, including Target, Walmart, McDonald's and John Deere and tech firms like Amazon and Meta. Meanwhile, shareholders of retailer Costco rejected a proposal to evaluate any risks posed by its DEI practices.

For some long-time sustainability observers like author Andrew Winston, writing in The Harvard Business Review, "these pullbacks don't seem strategic…they seem mainly about avoiding threats to brand and sales from potential boycotts and even to prevent employee harassment."

The focus on business retrenchment on DEI can in fact distract from the way in which a majority of companies are staying the course on sustainability. According to Michelle Marks, founder and managing partner at Ideas On Purpose, a New York City-based creative agency focused on sustainability and ESG strategy and reporting, "DEI is going through a reckoning right now. There is a messaging problem, and for some companies, a problem around how they implement these practices. I also think companies have not made the case for investing in DEI to the CFO [Chief Financial Officer]. It's important to decouple DEI from sustainability; it is just one part of the bigger picture of sustainability. The recent decisions companies have made around DEI is not indicative of pullback across the board. The underlying drivers remain the same: you still need talent. You still need to develop people and your company needs to look like the society in which we live."

Companies are focusing their efforts on the things they can actually affect

With changes in government policy, such as U.S. President Donald decision to pull the U.S. out of the Paris climate agreement (again) and a call to "drill baby drill," and far-right populist parties opposed to climate action gaining power in Europe, too, there is concern that governments can put a dampening effect on business' ability to operate sustainably.

Yet economic factors such as the exponential growth of renewable energy and a raft of climate-related natural disasters in a warming world (2024 was the warmest year on record), ensure that sustainability will continue to be an integral business consideration.

"While companies may be changing their public communications around ESG and sustainability, most companies we speak to are maintaining or deepening their commitments," according to Steven Rothstein, managing director of the Ceres Accelerator for Sustainable Capital Markets at the sustainability nonprofit Ceres. "They understand the physical risks of climate such as the increased risks of floods, fires, and storms directly impact their bottom line and long-term viability and impacts the economy more broadly."

Carrie Vollmer-Sanders, president of Field to Market: The Alliance for Sustainable Agriculture, with over 190 member organizations across the U.S. agricultural supply chain advancing sustainability, agreed. Agriculture is such a global economy - there are more than political forces at work. We have to understand sustainability is more than just environmental sustainability and includes social and economic viability," said Carrie Vollmer-Sanders, president of Field to Market: The Alliance for Sustainable Agriculture, with over 190 member organizations across the U.S. agricultural supply chain advancing sustainability. "What we are talking about is resilient land and economies."

Some companies may be less inclined to publicize their sustainability goals in the current political environment. "There's probably quite a lot of goals that are going on quietly in the background. They're not putting their goals out there because they are afraid of not meeting them or getting backlash," said Fran van Dijk, CEO of sustainability consultancy One Stone Advisors based in Edinburgh, Scotland.

"I haven't seen wholesale abandonment," Marks said. "Rather, companies are focusing their efforts on the things they can actually affect. For example, if pursuing zero waste has a positive effect on their operations, then focusing on zero waste makes sense. And if they're a heavy water user or in a water scarcity zone, using water efficiently saves them money, so there's a different calculus there."

THE DRIVERS FOR SUSTAINABILITY REMAIN THE SAME

The world has advanced too far in the direction of sustainability priorities such as renewable energy to turn back now. Elizabeth Small, chief legal officer and head of ESG for the Global Energy Alliance for People and Planet (GEAPP), an alliance of philanthropies, entrepreneurs, governments, technology, policy, and financing partners working together to support the just energy transitions of emerging economies.

"Organizations have to, and should, constantly assess their approach to sustainability and to ESG integration," Small said. "The incoming U.S. administration's policies and other political movements are factors that are already strongly influencing strategies going into 2025 and beyond. And while they may be causing some uncertainty regarding government commitments to climate and development goals and some regulatory uncertainty, I'm optimistic because we are still seeing global trends, particularly in the just energy transition, that remain strong."

Today, nearly half the world's population, some 3.6 billion people live in energy poverty with unreliable or unaffordable energy. Of this, 685 million people live without any access to electricity, and if current trends continue, more than 660 million people will still be without electricity in 2030, according to a recent analysis by the International Energy Agency, the International Renewable Energy Agency, the United Nations Statistics Division, the World Bank, and the World Health Organization . GEAPP advocates for affordable, reliable, clean electricity, including a mix of on and off grid solutions, as the best way to address these gaps. Small notes the exponential growth of renewables, set to meet almost half of global electricity demand by the end of this decade.

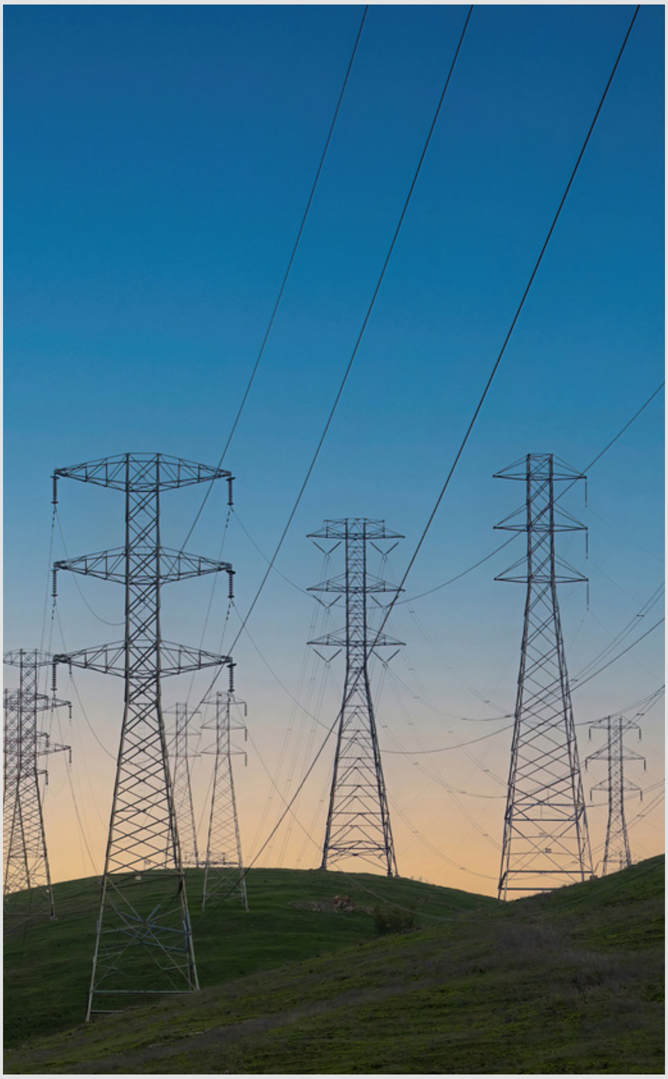
"Staying the course on sustainability is really about meeting customer needs

"The climate cares less about the language that we use than the people who are being impacted by the lack of clean energy," Small said. "There is an acknowledgement that performative actions by businesses or greenwashing, which we have also seen, comes with enormous risk. While the language is always evolving, the work is moving forward, no matter what we call it."

Listening to key stakeholders like customers is another reason why companies have said their commitment to sustainability is unwavering. Mining and specialty chemicals company Ablemarle, a leading provider of lithium to the electric vehicle industry based in North Carolina, U.S., is committed to building renewable energy generation and efficient storage that can cleanly power the planet.

According to Meredith Bandy, vice president of Investor Relations & Sustainability at Albemarle, it is simply part of doing business to comply with different regulatory regimes around the world.

"For us, staying the course on sustainability is really about meeting customer needs," Bandy said. "Many of Ablemarle's



customers, especially in the automotive industry, have consumers who are concerned about the environmental and social impact of the products they buy. Customers want assurance that Albemarle is producing materials in a sustainable way."

Other stakeholders also exert pressure on business to stay on track with sustainability. While some governments such as in the U.S. are pulling back on climate and sustainability commitments, in the European Union (EU) Corporate Sustainability Reporting Directive (CSRD), which goes into effect in 2025. Any company listed in or with a subsidiary in the EU — some 50,000 organizations – will need to comply with the reporting requirements.

"Companies that will be affected by the CSRD are acutely aware of what they have to do and are working on it," Marks said.

The impetus to stay the course on sustainability isn't just coming merely from some government regulatory regimes. "We're seeing it come from investors. We're seeing that come from consumers. We're seeing that come from employees. That's the reality. I think that businesses understand there's a competitive advantage now to really leaning into the work that they have begun before this most recent transition," Small said.

The impact of consumers to lash out at companies that might abandon sustainability should not be underestimated, according to Diane Osgood, sustainability strategist and author of the forthcoming book, Your Shopping Superpower: Follow Your Values and Better Your World One Purchase at a Time.

"Many shoppers who are disappointed with the change of the U.S. government administration will choose to vote with their wallet over the next four years, particularly as climate impacts become more difficult to ignore

"Consumers will shift more and more to products that can clearly signal what companies are doing to protect the environment and that they have third party verification to prove it," Osgood said.

"I suspect that many shoppers who are disappointed with the change of the U.S. government administration will choose to vote with their wallet over the next four years, particularly as climate impacts become more difficult to ignore," she noted. "While we only vote every two and four years within the political system, people vote every day with their purchases. Enough consumers will start to realize that they hold the power and can drive change with their purchasing power."

Osgood added that "it took less than 2 percent of shoppers to complain about dolphins being caught in tuna nets to change the tuna fishing industry."

For Ablemarle, the buyers of EVs play a big part in sustainability being central to their offering. "If you're buying an electric vehicle, you're probably someone who is concerned about the environment and want to know that the car you're buying is produced in a sustainable way, both on an environmental side, but also on a human rights side. So the E and the S [of ESG] are important, and those are probably the biggest drivers."

She also noted that many of Albemarle's investors are specifically interested in the company's role in enabling the clean energy transition, making sustainability core to their investment thesis.

"For us, really, customers are the biggest drivers, and there's lots of different customers. It could be specialty chemicals companies we're supplying to in Europe," Bandy said. "Europe has a strong focus on sustainability, but oftentimes it's going to be our automotive customers. The vast majority of the automotive OEMs have consumers who are concerned about how clean their car is."

In short, the many different underlying drivers for sustainability will continue to hold significant influence regardless of geopolitical shifts.

"If there is an opportunity space, business will grasp it. The framing might not be around environmental sustainability. It might be focused on new industrial opportunities. But I'd be very surprised if in the U.S., for instance, electrification was completely dropped. This is a one-way direction that is unstoppable now. Anyone who doesn't follow it is going to really lose out. Business people in the States are far too savvy to risk doing that," said van Dijk.

"Renewables are becoming the most cost-effective power source globally, and that offers significant economic opportunity for companies in developing, and especially in these emerging markets," according to Small. "So while some governments may pull back on policies, the broader movement and the work of sustainability, driven by cost savings, driven by consumer demand, and international agreements will continue."

THE BENEFITS OF SUSTAINABILITY PROVE STURDY

At the end of the day, companies can't discount the many long-standing benefits of sustainability, according to Vollmer-Sanders. She noted that along with consumer trust, companies can gain efficiencies, whether in energy, supply chain, or other areas, through their sustainability efforts. Further, for farmers specifically, financial benefits of sustainability can include reduced input costs and the ability to get paid for conservation and sustainability efforts through various programs. Other financial mechanisms are also currently being tested, such as access to lower-interest loans for sustainable practices. "While not always about higher yields," she added, "these financial mechanisms can support the business case."

These benefits are more likely to accrue when a company is focused on what is most important to its business, according to Marks. "Companies are looking at what is in the zone of control. Are their products sustainable? Can they recycle them? Maybe they could reduce packaging. If they lightweight their products, they save money in shipping and use less material. As resources become scarcer and more expensive, conserving them makes sense. Companies are taking these things into consideration when weighing the benefits of their sustainability investments."

The companies that gain the greatest benefit are those that have made sustainability integral to how they do business, Marks said. "It's part of their value creation. Because if you don't demonstrate that, for investors, it's just PR, right? Companies need to show how sustainability contributes to the company's core business, its development of new services and innovation, and also its bottom line."

"Investing in sustainability is absolutely a driver of financial and economic benefits for organizations and their stakeholders," Small noted. "It can open access to new markets. It can improve operational efficiency and enhance companies' reputations. It can lead to increased customer loyalty, investor confidence, employee satisfaction. In the spaces where we work, with investment in clean energy in emerging economies, it's not only essential to reduce the emissions, but it's also a key factor in improving livelihoods and supporting local economic growth."

Bandy of Ablemarle said that sustainability initiatives like reducing energy use results in increased operational efficiency and cost savings, since energy is a major expense. And safety, a key part of Albemarle's sustainability approach, leads to more efficient and effective operations.

For Rothstein, the benefits of investing in sustainability are clear and compelling. He cited reduced operational costs through resource efficiency, enhanced innovation and market opportunities, stronger risk management, improved ability to attract talent and customers, and better access to capital as investors increasingly prioritize climate action.

THE RISKS OF DE-PRIORITIZING SUSTAINABILITY

A commitment to sustainability has long been a strategy for minimizing risk for many businesses. Companies face reputational risks and missed opportunities if they fail to maintain their sustainability efforts. As William Sisson, Executive Director, North America, for the World Business Council on Sustainable Development observed, "Today's businesses face a web of interconnected risks—from climate change and social unrest to geopolitical tensions and resource depletion—that ripple across supply chains, markets, and communities. It's no longer enough to manage traditional risks in isolation; the stakes are global, systemic, and deeply intertwined."

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Loss of customer trust and access to markets as well as decreased resilience are among other risks, noted Vollmer-Sanders. "If you replace the word sustainability with resiliency, then if you're deprioritizing sustainability, are you also deprioritizing resiliency? I think resiliency is what companies need to look at in the long run."

Another risk is losing out on talent, especially the next generations. "People want to work for companies that treat their employees well, that do the right thing in the community, in nature and in the world," Marks said.

Bandy added that companies that deprioritize sustainability could lose market share to more sustainable competitors and no longer be considered "a supplier of choice."

"Companies that choose to deprioritize sustainability face major risks including regulatory compliance challenges, reputational damage, loss of market share to more sustainable competitors, stranded assets as the economy transitions, and difficulty accessing capital as investors demand climate action," warned Rothstein.

Companies that do not remain cognizant of the impact of very real global threats such as climate change and resource scarcity may find their risk analysis is woefully inadequate. As van Dijk said, "Tipping points for nature and climate change will arrive faster than many believe, and when they happen, it will happen very fast. The risks for those who aren't paying attention is a very disrupted world in which they can't catch up. They can't make the changes necessary quick enough and may fail completely. While they will have maintained their profits for a certain period, if suddenly the bottom falls out of their market, it will be hard to pivot. That's the risk they run by discounting risks in a very rapidly changing world."

"As governments, investors and consumers continue to prioritize sustainability, companies that ignore this are certainly going to fall behind," Small said. "They're losing a competitive edge. They're risking reputational damage, regulatory non-compliance and reduced market share. The risks are greater in emerging markets where access to renewable energy is critical for economic development. And de-prioritizing the green energy transition leads to missed opportunities for job creation, increased productivity and improved standards of living and human rights."

Van Dijk, speaking from a European perspective, said that enabling legislation such as CSRD helps companies make the transition step-by-step and smoothly. "That is so beneficial for the economy because it means fewer sudden disruptions and losses of many jobs and bankruptcies of many companies because they weren't prepared for this transition to happen. Europe has benefited from fairly stable governments over the last 50 years in pursuit of a balanced view of a healthy economy which includes the social and the environmental perspective."

Recently, however, a number of populist, nationalist and far-right parties have attacked environmental, climate and clean energy policies in Europe, as reported by Reuters, Inside Climate News and others—sometimes in partnership with U.S. climate denial groups. It remains to be seen if this poses a risk to Europe's climate legislation and how European companies may respond to these shifting political winds.

For now, focus on sustainability in Europe continues to have the ripple effects across the global economy. As Osgood noted, "If you're importing almost anything into Europe you will need to report on supply chain impacts across a number of different sustainability areas. Very few companies will tolerate gathering all that information and not using it to its maximum advantage."

CONTINUING TO GET THE WORK DONE

As a good long-term business practice, many companies seem to be playing the long game with sustainability, as recent evidence has borne out. A new report from the social impact software provider Benevity found corporate social responsibility (CSR) commitments are set to increase in 2025 despite recent conservative backlash against ESG and DEI efforts. The survey of 500 leaders at companies with over $1

billion in annual revenue in the United States and the United Kingdom found that 76 percent of executives said they plan to increase their CSR investments. One-third of the executives also said measuring the social impact of CSR initiatives is just as important as measuring the business impact.

Consumers agree they want companies to stay the course. In a study from 3BL Media and research firm Glow, around a quarter of [consumers say they are unlikely to support a brand that cuts back on sustainability efforts]() because of political or public pressure.

It comes down, once again, to that underlying business case which weighs long-term impacts over short-term gains, Sisson said. "In today's digital landscape, companies must align their sustainability messaging with business objectives to build trust and avoid reputational pitfalls. The key is communicating how addressing environmental and social risks drives resilience and profitability."

Added Rothstein of Ceres: "Forward-thinking companies are integrating sustainability into their core business operations, risk management, and innovation strategies because it drives value creation, cost savings, and competitive advantage. The fundamental drivers - from physical climate risks to changing consumer preferences to the clean energy transition - aren't going away regardless of which party is in power."

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There is also the momentum that can be gained in forming public-private partnerships. "Companies who want the transition to happen will be combining forces to influence decision makers as much as the companies who are lobbying against the change that they seek. We're going to see more voices joined to make this transition happen from different stakeholder groups, business combining with NGOs, for instance, to say there is a real benefit for governments to legislate to have a carbon price. And then all of a sudden it becomes expensive to be a polluter."

Small agreed on the power of partnership. "If we're going to have a just energy transition, we need to be bridging these radical alliances that sit outside of any one political shift. We have to be working with the private sector. The business drivers are there for change. We seek to work with governments to create the enabling conditions. But no one government can stop the case that's been made."

And that case, Bandy said, "is that our sustainability efforts directly benefit the business by meeting customer demands, improving operations, and maintaining the company's competitive position, all of which are critical to long-term success."

In the uncertain times we face, it is worthwhile to step back and look at the big picture, Marks added. "The problems we face like climate change are huge and take more than four quarters to solve. Smart companies dedicated to long-term thinking will not swing wildly—they stay the course."

KEY TAKEAWAYS

1 **Companies can decouple Diversity, Equity and Inclusion (DEI) from the bigger picture of sustainability and drill down to the fundamentals: pursuit of the best talent, employee development and engagement and cultivating a company culture that reflects the markets it serves and the diverse world in which we live.**

2 **You can't ignore the weather. In a warming world, sustainability will continue to be an integral business consideration. Factor in the physical risks of climate change such as the increased risks of floods, fires, and storms, which directly impact the bottom line and long-term viability. On the flip side, don't neglect the business opportunities in a carbon-constrained world.**

3 **Focus your sustainability efforts on the aspects of operations or performance where you'll get the biggest bang for your buck. For a heavy water user in a water-scarce zone, it's reducing water consumption; if zero waste is the goal, that's the way to go.**

4 **With renewable energy becoming cheaper, more reliable and more efficient, maintain renewable energy investments as a smart business strategy to reduce greenhouse gas emissions, mitigate climate change impacts, and save costs.**

5 **Don't underestimate the growing number of sustainably-minded consumers who will seek to drive change with their purchasing power if companies are not aligned with their values. B2B customers are also looking to companies to do the right thing.**

6 **Keep sustainability core to the business and innovation to reap the many financial and economic benefits. If not, loss of customer trust, access to markets and decreased resilience and other risks may follow. The tipping points are coming faster than we think, and smart companies are playing the long game.**