



Global Compact Network UK

Climate Action Summit – Delivering a Net Zero Future

Tackling the climate crisis and promoting a just transition to net zero requires holistic climate solutions that put people and nature at their core.

Beyond decarbonising and mitigating greenhouse gases, an effective climate strategy should build resilience and be 'net positive' in nature, giving back more to the environment and society than it takes out. Joining both the UNFCCC's '[Race to Resilience](#)' and '[Race to Zero](#)' campaigns can help companies advance their climate resilience agenda and ensure they are tackling climate issues in a holistic way.

The principles of circularity and nature-based solutions (NbS) provide practical routes for companies to reach the goals above. Circular business models not only help with designing out waste and emissions from companies' products and operations, but they also work to regenerate natural ecosystems and keep materials and products in use for longer, thereby preserving their value. Similarly, NbS have the potential to sequester large volumes of carbon, and – if restored and conserved properly – can act as a buffer against climate change, promote biodiversity, and provide numerous environmental and societal benefits to surrounding local communities.

Implementing circular principles and acting on the synergies between nature conservation and climate mitigation/adaptation can bring about tangible business benefits, including increased operational and cost efficiencies, as well as greater supply chain resilience.

On 12-13 October 2022, the UN Global Compact Network UK hosted a two-day 'Climate Action Summit – Delivering a Net Zero Future'. The event convened more than 30 expert speakers from business, government, and civil society across eight sessions that took a deep dive into three main areas, summarised below.

Measuring Companies' Performance on Circularity and Impacts on Nature

Measuring companies' performance and impacts with regards to circularity and nature is an important first step in helping businesses identify opportunities linked to implementing these solutions and communicating these with key stakeholders.

Measuring Circularity Performance:

- To measure your company's circularity performance, gather data from suppliers, partners, and consumers to get an overview of material flows through the company's value chain, spanning from the resource extraction phase to products' end-of-life treatment. Ensure to:
 - Monitor the origin of sourced resources, components, and products, identifying whether they are derived from scarce, virgin, or secondary material inputs.
 - Measure the efficiency of product designs, focusing specifically on how well products have been designed for end-of-life recovery.
 - Conduct a full life-cycle analysis of materials and products, evaluating how much outflow is actually recovered by the company.
- There are currently a wide-range of metrics and methodologies being drawn on to measure circularity performance, making benchmarking companies' performance difficult. However, the following tools are gaining prominence:

- [Circulytics](#) – Developed by the Ellen McArthur Foundation, this free tool helps companies identify the extent to which they have achieved circularity across their entire operations.
- [CTI Tool](#) – This tool was developed by WBCSD to help companies understand the extent to which they are closing loops and optimising material flows, and set a baseline for what should be improved on.
- Beyond these tools, the '[Circular Metrics for Business](#)' guide maps out various tools and standards based on their indicators to help organisations select tools aligned with their circularity goals.

Measuring Impacts and Dependencies on Nature:

- Companies should identify and measure location-specific baseline impacts and dependencies on nature across their operations and value chains. This can be done using the [Science-based Targets Network's \(SBTN\) guidance](#) and the [Natural Capital Protocol](#).
 - Impacts – the positive/negative implications of the company's activities on the state of natural capital. Examples include: pollution of air/water/soil, damage to natural habitats, biodiversity loss.
 - Dependencies – the natural resources/systems that the company relies on to function. Examples include: water flow, carbon sequestration, and soil health.
- Materiality and value chain hotspot assessments can help companies discern where impacts and dependencies are most material, and where action should be prioritised.
 - The [SBTN's sector-level materiality screening tool](#) can be used to identify material environmental impacts based on industry.
- Corresponding business risks and opportunities should be disclosed to stakeholders using the [Taskforce on Nature-related Financial Disclosures \(TNFD\) framework](#).

Implementing Circular Principles and Nature-based Solutions

Transitioning to a circular business model and effectively implementing NbS requires top-level business integration and value chain collaboration.

Achieving a Circular Transition:

- Companies should first determine their overarching circularity goal(s).
 - For instance, BT has committed to being [a fully circular business by March 2030, and a circular tech ecosystem by March 2040](#).
 - By 2025, Nestlé aims to [reduce the use of virgin plastics by one third](#).
- Businesses can then identify what needs to be changed in their value chain to meet the goal(s). Examples include:
 - Increasing the use of secondary/recycled materials in the manufacturing of products – e.g. [Nestlé has scaled up the manufacturing of packaging using recycled materials](#).
 - Designing products to increase their durability, modularity, and recyclability – e.g. [Fairphone's modular smartphones](#) are designed to enable customers to easily disassemble the product and repair or swap out broken components.
 - Improving the recovery and re-use of products – e.g. BT has launched a [takeback and reuse programme](#) to recycle and refurbish consumers' electrical equipment at end-of-life.
- Determine how the company can operationalise the required changes. For example:
 - Undertake employee awareness and capacity-building programmes – e.g. DS Smith has committed to [training 100% of its designers in circular design principles](#).
 - Engage in partnerships – e.g. BT is [partnering with Cisco](#) to manage its takeback and reuse scheme.

- Engage in projects to increase consumer awareness on circularity – e.g. Nestlé has partnered with competitors and local authorities as part of its [‘Podback’ scheme](#), a unique coffee pod recycling scheme designed to streamline the recycling process for consumers.
- Although implementing circular principles can help businesses become more sustainable, pursuing circularity as an end goal in itself and solely using circularity metrics as a measure of sustainability can leave companies susceptible to claims of ‘Circular Washing’.
 - To avoid this, companies should ensure that their circularity strategies draw on a range of holistic metrics (including social ones), prioritise tighter loops, and broaden scope of action beyond the R-strategies (reduce, reuse, recycle), [as recommended by Circle Economy](#).
- Beyond these steps, scaling circular solutions requires more government action and stakeholder mobilisation. In particular, steps should be taken to:
 - Create opportunities for public-private partnerships and pre-competitive collaboration (i.e., by establishing circular economy hotspots and accelerator programmes where best practices can be shared). Examples of this include the [Platform for Accelerating the Circular Economy \(PACE\)](#).
 - Incentivise behaviour change and shift consumer preferences towards circular products – i.e., through regulatory changes and educational campaigns.

Implementing Nature-based Solutions:

- The results of materiality and value chain hotspot assessments can be used to identify where NbS should be deployed and set [science-based targets for nature](#).
 - E.g. [GSK’s nature targets](#) include having 100% of its sites achieve good water stewardship by 2025, and have zero impact active pharmaceutical ingredient levels for all sites and key suppliers by 2030.
- Companies should implement or invest in regenerative and restorative solutions, such as regenerative agriculture, aquaculture, agroecology, and individual species recovery. Business can also join the [Forest Positive Coalition](#).
- Where possible, companies should undertake nature-based insetting (i.e., integrate NbS within the company’s own supply chain) to build supply chain resilience in a way that generates positive environmental/societal benefits.
 - For example, Natura &Co has developed [a regenerative palm agroforestry system](#) to sustainably source palm oil for the manufacturing of its products, which promotes species diversity in the Amazon and sequesters carbon.
 - Similarly, Diageo has launched a [regenerative agricultural pilot programme](#) in its barley production sites to reduce synthetic fertiliser use, improve soil health, and enhance the soil’s carbon sequestration potential.
- Good solutions should be just, regenerative, and aligned with local stakeholders’ capacities and needs. Forum for the Future’s [‘Compass for Just and Regenerative Business’](#) provides guidance on how to achieve this. Where possible, these solutions should be implemented by collaborating with indigenous peoples and local communities/planning authorities who have local ecosystem knowledge.
 - For instance, Natura &Co’s agroforestry programme works in partnership with local smallholder farmers, helping them diversify their income and improve food security.
 - [IUCN Global Standards for Nature-Based Solutions](#) lists criteria and indicators that can be used to assess the viability of various NbS.
 - The [Nature-based Solutions Initiative Case Study Platform](#) also provides good examples of NbS implemented around the world.

Scaling Finance for the Circular Economy and Nature-Based Solutions

Significant capital must be mobilised from companies and financial institutions for nature-based and circular solutions to become widespread.

Financing the transition to a Circular Economy:

- To drive the circular transition, finance is needed to scale circular solutions, create opportunities for value chain collaboration, and empower suppliers to adopt circular principles.
 - Funded by the European Union, the [SWITCH to Circular Economy Value Chains project](#) helps MSME suppliers adopt circular practices by providing access to capacity-building, technical expertise, and financial support.
- Institutional investors also have an important role to play in creating financial incentives to encourage companies to become more circular.
 - NatWest has [recently pledged to make available £100bn in Climate and Sustainable Funding and Financing by 2025](#), and has a series of initiatives planned (including green loans and accelerators on the circular economy) to support companies to achieve a circular transition.

Scaling Nature-based Solutions:

- NbS are currently only receiving approximately 3% of climate finance, yet they have the potential to [contribute to over 30% of the mitigation efforts needed between now and 2030 to stabilise global warming to below 2°C](#).
- Accurately disclosing data on companies' nature-related impacts will be key to driving further investments.
- When assessing nature-related disclosures, investors are looking to understand the nature-related risks and opportunities facing the business, and how they might impact the company's revenue, cost base, capital intensity, liabilities, and asset values (i.e., the five drivers of investment).
 - To increase the useability of nature-related data for investors, the content of disclosures should link back to these five drivers and be specific, quantitative, comparable, and aligned with regulatory requirements.
- The development of the [Taskforce for Nature-related Financial Disclosures \(TNFD\)](#) is a welcome step that will help companies report and act on their nature-related risk, with the aim of shifting global financial flows towards nature-positive outcomes.
 - V.03 of the TNFD beta framework is now open for market consultation. Companies can leave their feedback on the framework [here](#).