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Is Sustainability Sustainable in the Age of Trump?

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By Tensie Whelan and Michael Greenhouse

Let's face it. This is now a legitimate question. [GreenBiz](#) Chairman Joel Makower spoke to the issue very directly in a February 2017 tweet:

"Let's face it folks, Donald Trump is sustainability's stress test. We weren't prepared for this. It is the classic 'black swan,' low-probability, high-impact, 'we didn't see it coming' event."

Makower said this a few months after the author of *Black Swan* himself, Nassim Taleb, told MSNBC that Trump would *not* be a black swan event. “In the end, Trump is a real estate salesman, and he’s going to want to deliver what the people want,” said Taleb.

But on environmental policy, the new president has very clearly staked out a position that most Americans do not want, beginning with the appointment of Scott Pruitt as administrator of the Environmental Protection Administration.

Pruitt, a long-time EPA antagonist, has begun staffing his team with climate change skeptics including David Kreutzer, formerly of the Heritage Foundation, and Ryan Jackson, a long-time aide to Oklahoma Senator James Inhofe, arguably the most vociferous anti-environment figure in Congress.

On March 9, Pruitt gave voice to these views, saying in a [CNBC interview](#) that he does not believe carbon dioxide is a primary contributor to global warming. This of course contradicts settled science, which is now [codified in federal law](#). Politically, it sends the message that the new administration will be pushing back aggressively on a legal and regulatory framework that has been strengthening, in fits and starts, since the 1970s.

Even before Pruitt’s confirmation as EPA chief, Mr. Trump used the Congressional Review Act to repeal an anti-corruption rule established under the Dodd-Frank Act that required publicly listed energy companies to disclose payments made to foreign governments. The U.S. Securities and Exchanges Commission (SEC) will draft a new rule in its place.* [MORE »](#)

The president also cancelled an Obama-era rule regulating disposal of debris from coal mining operations. Introduced at the end of 2016, the rule was aimed at protecting 6,000 miles of streams and 52,000 acres of forests from coal waste contamination. [MORE »](#)

The big budget cut

On March 14, the Trump administration made its biggest, loudest statement yet – a proposal calling for a 31% cut to the [EPA budget](#), the deepest cut to any government agency.

Now Pruitt is beginning the arduous task of unwinding two of Barack Obama’s signature global warming policies – the Clean Power Plan and his 2016 rules mandating new fuel efficiency standards for cars and trucks. Trump himself announced a review of these standards in a March 15 visit to a Detroit-area auto plant, and on March 28 he signed an [executive order](#) to withdraw from and rewrite the Clean Power Plan.

At the very least, Donald “Black Swan” Trump has already pushed federal-level leadership in a new direction, using all the tools available to him to scale back environmental regulation and weaken the EPA.

What's next? Trump has repeatedly said he wants the U.S. to withdraw from the 2015 Paris COP21 climate accord. A [report](#) on March 17 said the administration might be willing to stay in the 197-nation accord if they can win "concessions" for the U.S. fossil-fuel industry. The March 28 executive order essentially says that whether we stay in the accord or not, the U.S. has no intention of meeting its commitments to it.

They killed us, but they ain't whupped us yet

Remember Tim Kaine's concession speech after the November presidential election? He quoted William Faulkner, saying, "They killed us, but they ain't whupped us yet."

The point is, the Trump administration has quickly drawn new battle lines on many issues, including climate change and environmental policy. But if this particular battle is being joined as a popular referendum, the Trump team is in for a very tough fight.

Here are three polls on environmental issues taken shortly before and after the November election.

1. [Pew Research](#) says 89% of Americans support expanding the use of solar power, and 59% support stricter environmental laws and regulations.
2. In October 2016, [G&S Business Communications](#) put out a study showing that 78% of Americans want the next president to prioritize renewable energy.
3. The [2016 Post-Election Yale Survey](#) found that seven in 10 voters want the U.S. to participate in the Paris COP21 accord, and 62% want Mr. Trump to do more to address global warming.

Most Trump voters agree

Even Trump voters support environmental regulation and renewable energy – by a healthy majority.

A [Glover Park Group survey of 2,000 Trump Voters](#) found that a majority (55%) support upholding current climate change policies.

Republican polling firm [Public Opinion Strategies](#) found that 75% of Trump voters support action to *accelerate* the deployment and use of clean energy.

Standing with their constituents

Elected officials usually stand with their constituents, and there is good evidence this will be the case on environmental issues.

The Governors Wind and Solar Energy Coalition — a group of eight Republican governors and 12 Democratic governors — has called on President Trump to support the U.S. transition to a clean energy future by adopting legislation that enables offshore wind development, improving permitting for utility-scale renewables, modernizing the nation's grid, and advancing research and development for wind and solar power. [MORE »](#)

On March 15, a group of 17 *Republican* House members signed a [resolution](#) pledging to seek “economically viable” ways to fight climate change. The resolution does not have the force of law, but it is a very forceful statement by a group of lawmakers that would not ordinarily be inclined to defy their president.

Bucking the business community

The Trump team is also on the “wrong” side of Big Business.

Immediately following the November election, the Corporate Eco Forum (CEF) convened a members-only virtual roundtable of business leaders across its network of 70 companies. There was a consensus that the business community will stay the course toward an increasingly sustainable business model. Why? They made it clear that they are guided by global mega-trends and the interests of their stakeholders, not U.S. presidential politics.

The aforementioned GreenBiz confirms this thinking in its [2017 Green Economy](#) survey. The survey analyzes responses from more than 400 companies to better understand how corporate sustainability strategies will be impacted in light of changes in the U.S. presidency and Congress. The survey finds that these changes will have no impact on 60% of the respondents' sustainability strategies, while just over a third say it will “slow us down but not stop us.”

With respect to corporate renewable energy investment, half of the GreenBiz respondents say they will increase investment and 47% will maintain the same level of investment.

It's good business

Why the stay-the-course sentiment? For one thing, most major companies have already publicly pledged allegiance to sustainable business practices while tying their brands to a higher purpose or socially responsible mission.

During the 2017 Super Bowl, numerous major sponsors including Budweiser and Coca-Cola used their ad spots to promote their corporate values, focusing largely on diversity, multiculturalism, and even immigration.

Increasingly, companies are using the 17 [UN Sustainable Development Goals](#) (SDGs) to define and guide their purpose-based mission. The goals are evolving into a kind of universally shared set of corporate values.

A [Corporate Citizenship](#) survey reports that 40% of companies are working toward achieving at least one of the SDGs—up from 19% last year.

Of course, companies know that sustainability isn't just good for their brand — it's good for their business. When sustainability is embedded in core business strategy, they know it reduces risk and cuts costs. It strengthens supplier, customer and employee loyalty, and it drives innovation.

High performers

A [study](#) by Harvard Business School demonstrates that sustainability-focused companies outperform their peers.

An Arabesque/Oxford [study](#) shows Good Environment, Social and Governance (ESG) standards lower the cost of capital and help deliver better operational performance. The study also shows that good sustainability practices correlate with stock price performance.

Energy efficiency

For many companies, it starts with energy efficiency. Siemens' environmental products accounted for 46% of revenues in 2016. According to the company, these products helped customers reduce their CO2 emissions by about 521 million tons. Over the next four years, Siemens plans to invest about €100 million to boost the energy efficiency of its production facilities and buildings; this investment is expected to generate €20 million in annual savings by 2020. [MORE »](#)

Innovate and fly right

Nike has famously staked much of its business strategy on sustainability, with a goal to double its business with half the waste. Its [Flyknit](#) shoe line, launched in 2012, uses recycled materials and saves millions of pounds of waste. Flyknit is now a \$1 billion business.

Philips has invested €2.2 billion in what it calls "Green Innovation" since 2010. Its portfolio of green products generated €13 billion in revenue in 2015, or 54% of total revenue. Philips now

plans to generate 70% of revenue from green products and 15% from “circular” revenues by 2020. [MORE »](#)

Unilever’s Sustainable Living Brands

Unilever goes one step further, aligning its core business model with sustainability. In 2015, Unilever saw 30% faster growth in its Sustainable Living Brands, accounting for almost half of the company’s total growth. Since 2008, its zero non-hazardous-waste-to-landfill strategy has helped the company avoid costs of about €250 million. [MORE »](#)

Better engagement and retention metrics

Sustainability is proving to be a big factor in employee engagement and retention. Employees identify more strongly with a company they believe is socially and environmentally responsible, which leads to a high level of commitment and better morale.

A [study](#) by SHRM, BSR & Aurosoorya found that morale was 55% higher in companies with strong sustainability programs, compared to those with poor ones, and employee loyalty was 38% higher.

Better morale and motivation translate into reduced absenteeism and improved productivity. [Delmas and Pekovic \(2013\)](#) found that firms that adopted environmental standards had a 16% increase in productivity over firms that did not adopt sustainability practices.

Powerful recruiting tool

Sustainability is also a powerful recruiting tool. According to [Cone Research](#), 64% of millennial job candidates won’t work for a company that doesn’t have strong corporate social responsibility commitments (vs. 51% U.S. average). Some 76% consider whether businesses demonstrate social responsibility when deciding where to work (vs. 58% U.S. average). And 75% would chose to work for a responsible company, even for less money (vs. 55% U.S. average).

According to [Net Impact](#), 72% of recent graduates and students value a job “that makes a social impact” above other life goals, even having children or becoming wealthy.

A [Corporate Citizenship](#) survey says that 81% of millennials believe the private sector has a “very important” role to play in achieving the UN Sustainable Development Goals.

The investor climate is changing

As business proves the sustainable business case, the financial markets are coming around and sustainable finance is on the rise.

ESG investing has almost doubled from 2012-2014, and by 2014 it represented \$21.4 trillion (30% of professionally managed assets in Europe, the United States, Canada, Asia, Japan, Australasia and Africa).

According to the [Sustainability Stock Exchanges \(SSE\) initiative](#), 58 stock exchanges — representing over 70% of listed equity markets and a market capitalization of over \$55 trillion — have made a public commitment to advancing sustainability in their market and are now official SSE Partner Exchanges.

Twelve exchanges currently require listed companies to report on ESG information, and 15 provide formal guidance to issuers; 23 additional exchanges committed to offering guidance in 2017. At least 11 stock exchanges now offer green bond listings.

More and more, investors are factoring corporate ESG and environmental performance into their decision-making process. In the U.S., total assets invested that consider environmental issues have grown 77-fold since 2010 and now exceed \$7.79 trillion, according to GreenBiz's State of Green Business 2017 [report](#).

Companies have reached [record levels](#) of engagement with shareholders on climate issues over the past few years. Support for shareholder proposals on the environment and climate change was up to 29% on average in 2016, from 7% in 2011, according to a review by EY, the Big Four accounting firm.

An analysis by Bloomberg Intelligence shows a similar trend. Median shareholder support for environmental proposals was 27% in 2016, with 6% of the proposals passing.

Over the past five years, investors have submitted far more environmental-related shareholder proxy proposals for votes at annual meetings, according to Elders. In 2016, investors filed about 100 proposals on climate change ahead of annual meetings, but 34% were withdrawn because companies agreed to address the issue, Elders said.

Shareholder proposals submitted overall on environmental and social issues, including topics such as political spending, peaked in 2014 at over 400; in 2016, such proposals were down to about 200, according to EY.

Regulators are working to codify

As the financial markets shift and grow, global and national regulators are getting on board.

Two notable examples are the Financial Standards Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). Working separately, both groups are working toward a common goal to help firms better understand what ESG data financial markets seek, and encourage firms to make disclosures in standardized formats to provide comparable and reliable data on climate-related issues. Former New York

City Mayor Michael Bloomberg is Chair of the Board of the Financial Standards Board and leads the TCFD taskforce.

Governments are now requiring disclosure of sustainability-related risks to investors. The U.S. Securities and Exchange Commission requires disclosure of conflict minerals and climate-related risk, for example. The UK government also requires climate-risk disclosure.

Integrated reporting – going for one report

Another set of efforts is underway to reform corporate reporting, providing standards and objective measures to more accurately assess the value of a sustainable business.

The [Global Reporting Initiative](#) provides guidelines for sustainability reporting and has become the de facto standard.

Another body, The International Integrated Reporting Council [IRCC](#), is a global coalition of regulators, investors, companies and standard setters seeking to “establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.”

Their goal is a single integrated financial report to be used by reporting organizations around the world. The IRCC has recently launched a two-month [comment period](#) as it pushes for U.S. adoption of integrated reporting.

Joining forces, speaking out

All of this is emboldening business leaders to speak out publicly about sustainability and, increasingly, to join forces with other leaders to amplify the message.

In 2013, then-Mayor Michael Bloomberg formed [Risky Business](#) with former Secretary of the Treasury Hank Paulsen and philanthropist Tom Steyer. Their mission is to speak out on the economic risks of climate change and make the case for why the U.S. should invest in a clean energy economy.

An [open letter](#) to world leaders was issued in the lead up to COP21 in Paris. Here, a coalition of CEOs from 79 companies and 20 economic sectors — representing \$2.1 trillion of combined revenue with operations in over 150 countries and territories — affirmed their commitment to ambitious business action on climate change, and urged the world’s leaders to reach an ambitious climate deal at COP21.

An open letter to Donald Trump from more than 1,000 U.S. companies, [Business Backs Low-Carbon USA](#), asks the government for clear signals and supportive conditions (i.e. low-

carbon policies, invest in low-carbon technologies, and continue U.S. participation in the Paris agreement) that would encourage them to invest in the development of new clean energy technologies and energy-efficient products.

[We Mean Business](#) — a coalition of some of the world’s most influential sustainability organizations (BSR, The B Team, CDP, Ceres, Prince of Wales Corporate Leaders Group, The Climate Group, and WBCSD) — created a platform that enabled the business community to showcase its low-carbon leadership to world leaders in 2015, which was instrumental in paving the way for a positive outcome at COP21.

By COP21, the coalition had 543 companies and investors commit to at least one of its initiatives, which included adopting a science-based target, putting a price on carbon, and procuring 100% of electricity from renewable sources. By the beginning of 2017, 688 companies and investors — representing nearly \$21 trillion in assets under management — have committed to at least one of these initiatives.

The [RE100](#) — a global initiative of influential businesses committed to 100% renewable electricity — has commitments from 87 companies.

More than 70 companies in the Fortune 100 have set public renewable energy or sustainability targets, 22 of which have commitments to procure 100% renewable energy. Large companies delivered six GWs of new solar and wind projects since 2014, according to the [Advanced Energy Economy](#).

Corporate and other non-utility customers held more than 50% of new wind power contracts signed in 2015, according to the [American Wind Energy Association](#).

According to the G&A Institute, 81% of the S&P 500 published a sustainability or corporate responsibility report in 2015—up from about 20% in 2011. [MORE »](#)

Is sustainability sustainable?

Is sustainability in the U.S. really sustainable now that Donald Trump sits in the Oval Office? Joel Makower’s GreenBiz report is cautiously optimistic:

“In an increasingly complex business environment of growing resource use and climate concern, along with the uncertainties brought about by the 2016 U.S. elections, sustainable business faces a challenging future. However, we’re seeing that the world’s largest companies remain steadfast in their sustainability commitments and achievements.”

The fact is, sustainable business is an enormous opportunity. One recent study, by the [Business & Sustainable Development Commission](#), says that “achieving the [Sustainable Development] Global Goals in just four economic systems could open 60 market ‘hot spots’ worth an estimated \$12 trillion...by 2030.”

The business case for sustainability is probably bigger than that study suggests. We would argue that it is stronger than any one person’s political agenda, even the president of the United States.

*This was first reported in the CEF Weekly Briefing. The authors thank the CEF for their contributions to this article.

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