

Gartner Research

# Define Sustainability and Leverage Materiality to Drive More Effective Strategy

Simon Mingay, VP Analyst

Kristin Moyer, Distinguished VP Analyst

Sarah Watt, Senior Director Analyst

Mary Mesaglio, Managing Vice President

Michelle Duerst, VP Analyst

23 October 2020

Already a client?

Get access to even more resources in  
your client portal. [Log In](#)

**Gartner**<sup>®</sup>

## Define Sustainability and Leverage Materiality to Drive More Effective Strategy

Published 23 October 2020 - ID G00733949 - 23 min read

By Analyst(s): Simon Mingay, Kristin Moyer, Sarah Watt, Mary Mesaglio, Michelle Duerst

Initiatives: [Executive Leadership: Digital Business](#); [CIO Leadership of Innovation, Disruptive Trends and Emerging Practices](#)

A shared understanding of what sustainability means to the enterprise among the executive leadership team is essential to ensure a coherent and effective strategy. To achieve that, executive leaders must leverage key sustainability approaches and principles. We explain how to do that.

### Overview

#### Key Challenges

- Every executive leader role will be required to contribute to the overall enterprise sustainability strategy, as well as to figure how it applies to their specific domain.
- Each executive leader has his or her own perspective on what sustainability means and its scope.
- Without a shared definition and perspective, the enterprise reduces the likelihood of a strategic and coherent approach, resulting in wasted time and money.
- Over the next five years, every enterprise will find itself having to respond to pressures around improved environmental sustainability, in particular. That pressure will come from diverse stakeholders, notably investors, customers, regulators, the supply chain and the public.

#### Recommendations

Executive leaders accountable for digital business transformation for whom sustainability is a goal should:

- Create a common definition for sustainability and incorporate it into a more integrated approach to strategy, planning, communications, goal setting, contracts, and business agreements with suppliers and trading partners.

- Conduct a materiality assessment to inform that definition, and prioritize sustainability issues to tackle.
- Develop a shared and clear understanding of concepts and approaches that enable sustainability, and scope the enterprise's approach, including: corporate social responsibility, greenhouse gas (GHG) emissions, carbon neutrality and the circular economy.

## Introduction

Sustainability touches every aspect of an enterprise's activities, from the strategy and business model, to product/service design and use/consumption, all aspects of business operations, supply chain and end-of-life recovery or disposal. Leaders of sustainability initiatives, or with responsibility for aspects of sustainability, quickly learn that success requires a concentrated change management effort and support from a broad base of allies.

An early hurdle in the journey is helping stakeholders get familiar with new terms and ideas related to corporate social responsibility (CSR) and sustainable business practices. In addition, the goal should be developing a shared understanding of what it means to their particular enterprise, rather than something very generic, or something narrow and specific to an individual's role.

Here's the challenge: As sustainable business has evolved, so has the terminology. There's no single, authoritative source for definitions. Stakeholders may have different interpretations of key terms, which can make it a challenge to lead productive conversations about sustainability initiatives. Each executive role will see sustainability through a different lens, so for example:

- General council may see it as a reporting and compliance issue.
- Public relations and communications may see it as community engagement.
- Real estate and facilities management may see it as water conservation, energy efficiency and renewable energy contracts.
- HR may see it as diversity, equity, inclusion, employee engagement and flexible working.
- Finance will be looking at investor relations, financial liabilities, risk mitigation and ensuring financial returns.

- Marketing may see it as a market-facing strategic differentiator and brand issue.
- R&D may see it as a carbon footprinting, product or service design challenge.
- Supply chain may see it as a responsible sourcing or materials challenge.
- IT may see it as a data management and technology innovation opportunity, or perhaps focus on energy-efficient data centers or a virtual workplace.

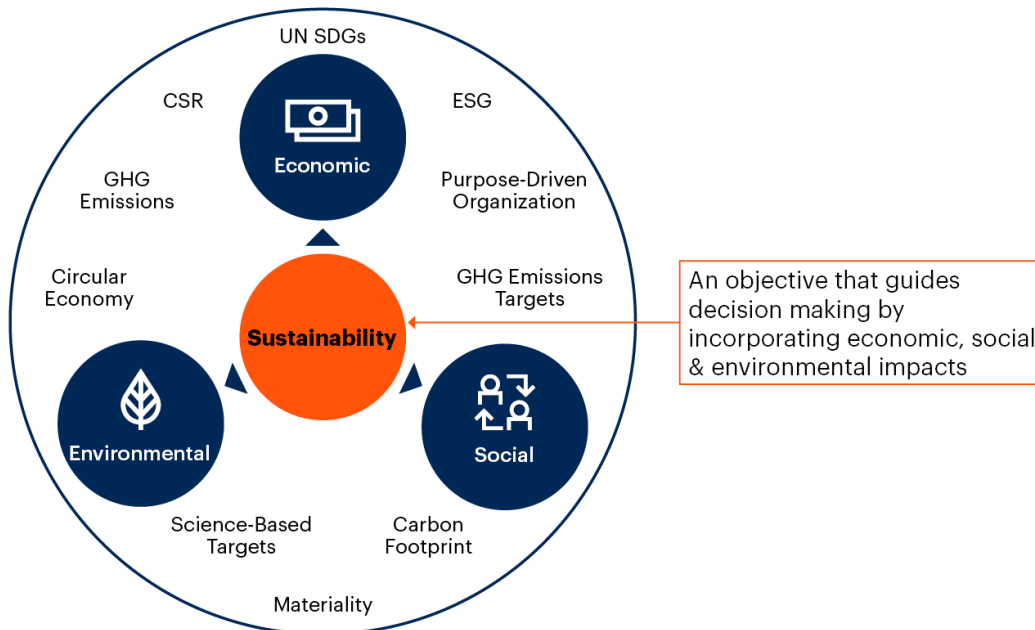
They are all correct, because sustainability can be all of those things and so much more.

A shared understanding of what sustainability means to the enterprise and what is material to the enterprise is the basis from which an integrated and strategic approach needs to start.

This research gives executive leaders a simple starting point for explaining some fundamental sustainability concepts and principles. Here, we provide plain-language definitions that reflect contemporary thinking about these concepts and principles (see Figure 1).

**Figure 1: Defining Sustainability**

### Defining Sustainability



Source: Gartner  
733949\_C

## Analysis

### Create a Common Definition for Sustainability

The objective of sustainability in an enterprise context is to create long-term stakeholder value by guiding strategic and operational decision making with consideration of the social, economic and/or environmental impacts of those choices. But not all sustainability topics are of equal importance to an enterprise and its stakeholders. So the enterprise senior leadership team and board will choose which areas they consider to be material and as such worthy of consideration for the enterprise. Climate change tops the list of sustainability priorities for most enterprises today. However, there is usually a long list of other sustainability issues such as biodiversity, use of plastics, dematerialization, water, human rights, modern slavery, diversity, social and economic inclusion, and tax and economic contribution, making the principle of materiality critical.

The term “sustainability” is analogous to “profitability” in that it provides the context for an enterprise to make decisions about resource use with a particular goal in mind. Incorporating sustainability into decision-making criteria calls for considering a broad set of long-term impacts on the business and its performance, rather than focusing only on immediate or short-term benefits. For example, that might include taking a position on market externalities such as GHG emissions and considering how that presents opportunities or poses potential financial liabilities and/or reputational and operational risks. A market externality is a consequence or “cost” not currently reflected in the market prices – so, for example, carbon emitted into the atmosphere is free, pollination of crops by bees is free – both are examples of market externalities.

Sustainability has potential implications for almost every function and aspect of an enterprise’s activities. Examples include sustainable market or community development, sustainable cities, building design and construction practices, product/service design, agricultural practices, sourcing and supply chain practices, manufacturing and production processes, labor practices, land use planning and investment.

Because sustainability takes a long-term and usually a whole life cycle view, it embraces concepts like “cradle to grave,” “cradle to cradle” or “farm to fork.” Embracing such concepts has significant implications in terms of the system boundary the enterprise will draw to define what sustainability means to the enterprise, what is in scope, and what issues it will tackle and prioritize. Those principles, in combination with reporting guidelines associated with the [GHG Protocol](#) Scope 3 emissions, means that an enterprise has to develop substantially improved levels of data and insight up and down its value chain. Which is why the cutting edge of corporate sustainability is creating and managing a sustainable supply chain.

We see an increasing number of enterprises are aligning the results of their materiality assessment to the [UN Sustainable Development Goals](#) (UN SDGs). The UN SDGs give insight into the breadth and complexity of sustainability-related issues (see Figure 2). Organizations will not adhere to all UN SDGs, but only those that are pertinent as defined through the materiality assessment.

**Figure 2: UN Sustainable Development Goals**



**Gartner**

Source: United Nations Development Programme

The senior leadership team, with input from the board, should create and share one unifying and concise definition of what sustainability means to the enterprise. It should use a materiality assessment to achieve that – identifying the specific issues the enterprise will focus on, resource and prioritize.

## Identify and Define Concepts That Enable Sustainability

### Materiality

Materiality is a critical principle to any sustainability strategy or program. Using materiality to guide the sustainability strategy means focusing on those things that first are significant in terms of the enterprise's impact on the environment, economy and/or society, and second are "important" to the enterprise's stakeholders. Those stakeholders might include customers, investors, employees, regulators and the communities in which the enterprise operates. The stakeholders may, of course, have different views on how "important" an area of sustainability should be to the enterprise.

---

*"Materiality" is essentially the quality of importance. Saying that an issue has materiality is to say that it matters in a significant way to the enterprise and its stakeholders.*

---

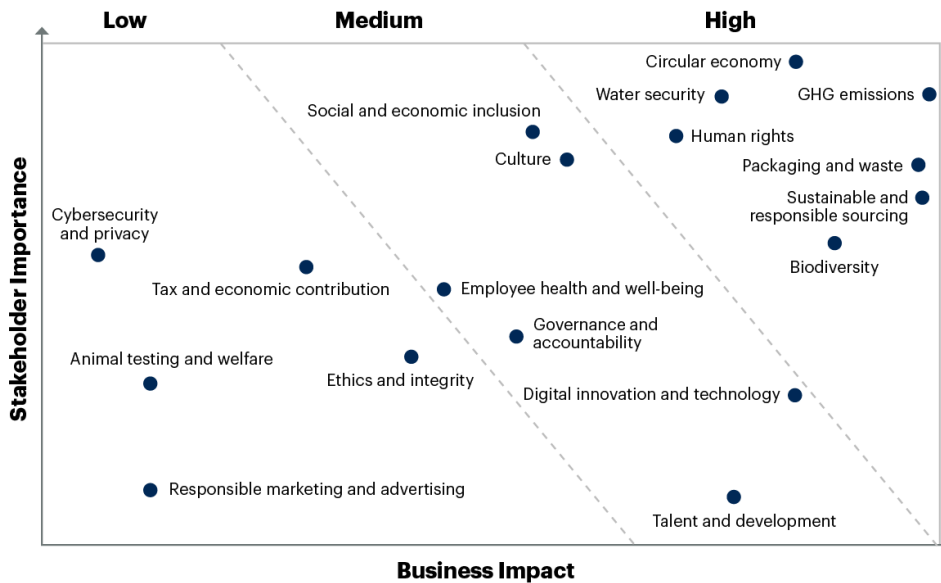
Organizations must consider external reporting guidelines, such as the [Global Reporting Index \(GRI\)](#) and the [Sustainability Accounting Standards Board \(SASB\)](#), when undertaking a materiality assessment, as the methodology selected impacts the annual reporting process.

There are many aspects of sustainability an enterprise could focus on. A materiality assessment is a powerful tool to help executive leaders gather the different stakeholder perspectives on issues and their relative importance, and then to focus the enterprise's sustainability programs and environmental, social and governance (ESG) risk management strategies on the more critical.

The concept can be applied to the enterprise as a whole, or to a specific function or capability. So for example, the CIO would use the principle to prioritize the areas of focus for the IT organization. Figure 3 illustrates an example of a materiality assessment, including examples of important issues enterprises often identify as being material.

Figure 3: Illustrative Example of a Materiality Assessment

**Example of a Materiality Assessment**  
Illustrative Example



Source: Gartner  
733949\_C



**Purpose-Driven Organization**

Sustainability activities are framed by the operational context of the organization. A purpose-driven organization expands the objective from merely maximizing shareholder return to delivering benefit for all stakeholders – customers, employees, suppliers and communities, in addition to investors. A purpose-driven organization stands for and takes actions on issues beyond profitability. The Business Roundtable in 2019 highlighted that purpose-driven organizations are committed to customers and employees, valuing fair and ethical relationships with suppliers, supporting local communities and driving value to shareholders.<sup>1</sup> The organization’s broader purpose will influence how it chooses to focus on sustainability and the topics that are most important.

**Corporate Social Responsibility**

CSR represents an enterprise’s efforts to have a positive impact on society. It is a management approach for integrating and applying sustainability principles and objectives to business decisions, operations and interactions, with the goal of improving the enterprise’s social contribution and accountability in areas important to itself, its stakeholders and wider society.



We can look to two of the earliest definitions of CSR for additional guidance:

- The United Nations Industrial Development Organization (UNIDO) defines CSR as “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is ... the way through which a company achieves a balance of economic, environmental and social imperatives (triple-bottom-line approach), while at the same time addressing the expectations of shareholders and stakeholders.”<sup>2</sup> UNIDO explicitly states that corporate charity, philanthropy and sponsorship activities are excluded from its definition of CSR.
- The European Commission defines CSR as “the responsibility of enterprises for their impacts on society.” Further, “the commission encourages that enterprises should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.”<sup>3</sup>

## The Relationship Between CSR and Sustainability

CSR and corporate sustainability are obviously very closely related. CSR provides businesses with a management approach for incorporating sustainability objectives and principles into strategic and tactical decision making. Doing so requires the setup of a governance infrastructure to support decision making and performance management. People and organizations — such as individual consumers, universities, and nongovernment and government agencies — may also choose to adopt sustainability principles in their policy, purchasing, investment, development and lifestyle decisions.

Historically, many enterprises have taken a somewhat narrow and/or tactical approach to scoping their CSR-related ambitions. This has resulted in CSR being perceived by many stakeholders as being synonymous with an organization’s brand or reputation and serving as a risk management endeavor, and consequently, having little impact on strategy and/or core business activities. Credible sustainability programs today are more ambitious, focused on mitigating risks and exploiting opportunities. Today, effective sustainability programs look at how to maximize positive environmental and social benefits across the value chain by balancing short-, medium- and long-term objectives. As enterprises embrace sustainability, it often becomes a strategic capability that will influence the enterprise’s strategy, business model, operating model, supply chain, market offerings and all points in between.

## Similar Terms

Some companies use other terms to describe their CSR-focused initiatives. Two common examples are “corporate citizenship” and “social and environmental responsibility” (SER).

## **Carbon Footprint**

A carbon footprint is a measure of the total amount of carbon dioxide (CO<sub>2</sub>) and other GHGs that are emitted into the atmosphere as a result of specific activities. It most commonly relates to an enterprise, a community or a specific product or service. An enterprise’s footprint can relate to all or part of its operations, and to varying degrees, can extend up and down its entire value chain. The footprint can relate to a specific product or service, and may embrace the whole life cycle (materials, production, distribution, use/consumption, recovery, disposal) or part thereof. All of these boundary decisions are critical.

The measurement is expressed as equivalent tons of CO<sub>2</sub> (CO<sub>2</sub>e). Other GHGs are included in the carbon footprint calculation, with weightings according to their relative impact as a GHG compared to carbon dioxide. This is expressed as their global warming potential relative to the same volume of CO<sub>2</sub>, so for example methane (CH<sub>4</sub>) is estimated to have a global warming potential (GWP) of 28 to 36 over 100 years.

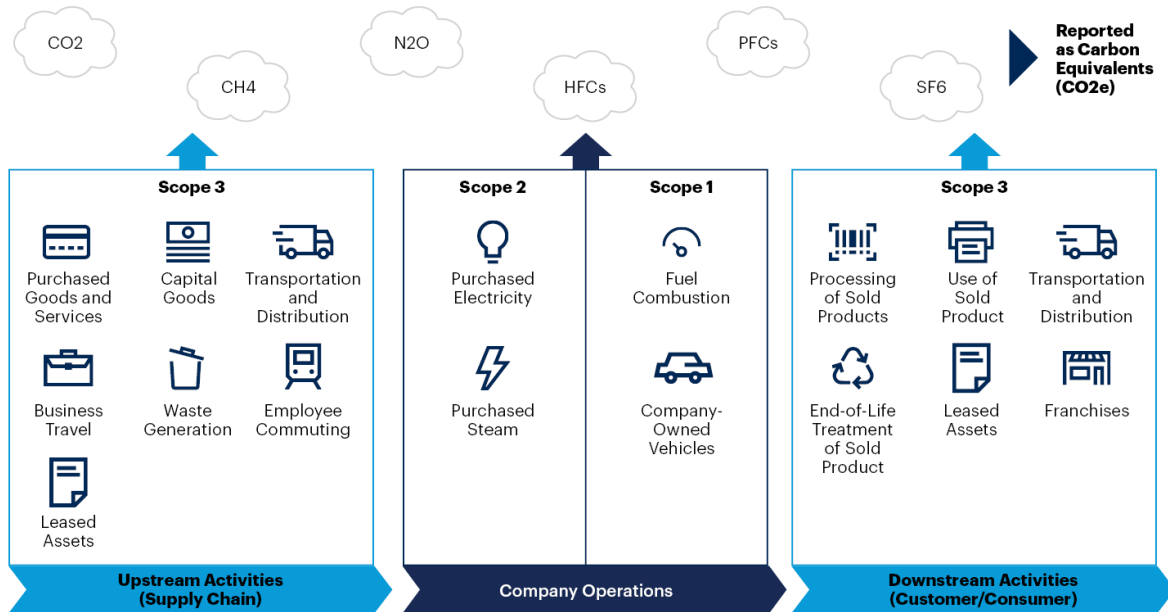
There are different standards that relate to reporting GHG emissions. The standard adopted by most enterprises globally is the [GHG Protocol](#).

## **GHG Emissions**

The GHG Protocol is the internationally recognized standard for measuring and reporting GHG emissions. It divides GHG emissions into three categories, referred to as Scope 1, Scope 2 and Scope 3. These are illustrated in Figure 4.

Figure 4: Defining GHG Emissions

**Defining GHG Emissions**



Source: Gartner  
733949\_C

- **Scope 1 (direct emissions):** Emissions created from company-owned assets or controlled resources, for example, the combustion of fossil fuel to run a vehicle, boiler or perhaps backup diesel generators used to protect a data center owned by the organization.
- **Scope 2 (indirect emissions):** Emissions from the generation of energy that is purchased by the organization, for example, the procurement of electricity or steam to be used in an office, warehouse, manufacturing facility or data center.
- **Scope 3 (upstream and downstream emissions):** Accounts for all indirect emissions (not included in Scope 2) that occur in the value chain (both upstream and downstream from the organization).

Enterprises should start by focusing on Scopes 1 and 2, and select Scope 3 emissions such as business travel, purchased goods and services and outsourced services (such as data centers and cloud services, for example). The organization should focus on the Scope 3 emissions that are most significant or material to the organization.

But for most organizations, Scope 1 and 2 emissions are the tip of the GHG emissions iceberg, with Scope 3 being the much bigger challenge beneath the surface. Most Scope 3 emissions are complex to measure and manage.

Several companies are focusing their efforts on Scope 3 emissions reduction. For example, Walmart is engaging with its suppliers to remove a gigaton of emissions from the supply chain by 2030. <sup>4</sup> British American Tobacco has stated that 70% of its direct material supplier spend will set science-based Scope 1 and 2 targets by 2023. <sup>5</sup>

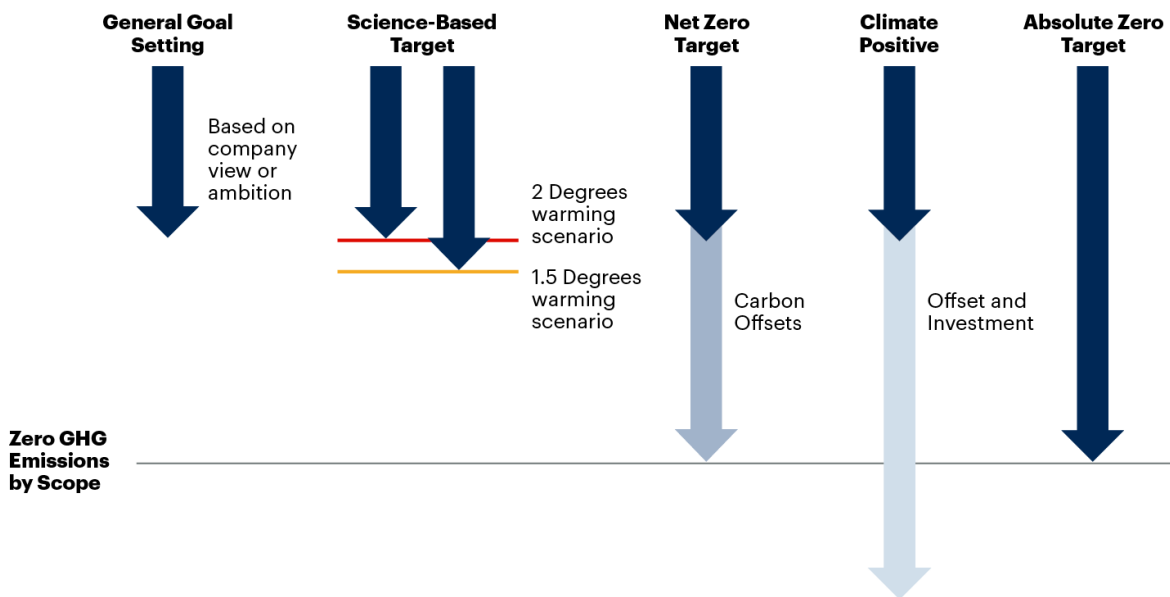
## GHG Emissions Targets

Some companies, such as Microsoft, IKEA and H&M, are going further, pledging to be net zero or climate positive in parts of their value chain. Meanwhile, activists emphasize the need for an absolute zero target. Figure 5 provides an overview of the approaches organizations and supply chains can take in GHG emissions target setting.

**Figure 5: Greenhouse Gas Emissions Reduction Target by Ambition**

### Greenhouse Gas Emissions Reduction Target by Ambition

■ Enterprise Abatement, Decarbonization and Efficiency Activities and Initiatives



Source: Gartner  
733949\_C

Company approaches to GHG emissions target setting are outlined here. But the definition of some of these terms remains a work in progress (see [Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector](#)).

- **General Goal Setting:** An enterprise defines a baseline year, and chooses a reduction target, which might be an absolute or an intensity target. An absolute target would be reducing total emissions by n%. An intensity target would relate to GHG emissions per ton of production output or similar metric. This approach is based on the organization's level of ambition and what it thinks is achievable over a given period of time. For the enterprise targets to be credible, the executive leaders need to be setting both short-term and long-term targets.
- **Net Zero:** This reduction target is focused on balancing the GHG emissions produced and the emissions removed from the atmosphere. This methodology prioritizes emissions reduction through efficiency, decarbonization, abatement and the use of renewable energy. All remaining emissions are offset using appropriate offsetting instruments (see Note 1). The Science Based Targets initiative defines the boundary condition for net zero to include the enterprise's value chain.

This approach demonstrates a strong commitment to GHG reduction. The Science Based Target Organization has provided guidelines for setting net zero carbon emissions targets which consider company abatement plans, compensation and neutralization measures. <sup>6</sup> One of the perceived disadvantages of offsetting is that profit is being lost for a return that is intangible.

- **Climate Positive/Carbon Negative:** This approach is similar to net zero; however the emissions removed from the atmosphere exceed what the organization has emitted. Companies approach this through emissions reduction, offsets and investment. Investment is targeted at developing solutions that will enable emissions reduction or climate adaptation.

The approach shows a commitment to do more "good" than "harm." Investment could also generate future intellectual property and potential profits for the organization. Activists highlight that organizations are still emitting emissions, and the aim should rather be to achieve absolute zero. Microsoft has committed to be carbon negative by 2030, and it has declared an intention to remove from the environment by 2050 all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975. <sup>7</sup>

- **Absolute Zero:** This approach does not allow for offsets of any description, stating that no new GHG emissions should be created by transitioning away from hydrocarbon-based fuels. Although this could be achieved for Scope 2 emissions, for example, by moving to a renewable electricity contract, applying it across all scopes is a challenge. However, some companies are pledging to achieve zero Scope 1 and 2 emissions. For example, Rolls Royce aims to achieve zero GHG emissions in operational facilities by 2030.

Both net zero and carbon negative mean undertaking a GHG emissions mass balance and employing appropriate offsets to achieve neutrality or exceed it. However, absolute zero calls for no new emissions to be generated and is substantially more difficult to achieve.

The United Nations Framework Convention on Climate Change (UNFCCC) and the EU Green Deal have identified another related term: climate neutrality. Climate neutrality embraces a wider set of human-related activities that impact the climate system, including biogeophysical changes. For example, changes to the reflectivity of the earth (impacted by factors such as pollution levels, aerosols and ice coverage). Climate neutrality also means emissions are balanced by methods of removing (“neutralizing”) GHGs from the atmosphere using carbon sinks (methods that absorb carbon). Such as through carbon capture and sequestration and planting trees (although there are very different opinions on the efficacy of tree planting in this use case; it lacks permanence).<sup>8</sup> Enterprises claiming to be “carbon neutral” are often referring only to GHG emissions from their own operations (Scope 1 and 2 emissions, and selected Scope 3, like business travel), and are employing both neutralizing and compensating offsets (see Note 1). Climate neutral is explicitly inclusive of all GHG emission sources (CO<sub>2</sub>e), avoiding the opportunity that some organizations take to “play” with words, using “carbon” to literally mean just CO<sub>2</sub>.

## Science-Based Targets

The emissions reduction landscape has shifted. Previously, organizations would set emissions reduction targets based on their level of ambition. However, the Paris Agreement (see Note 2) has shifted the landscape. The Paris Agreement’s aim is to strengthen the global response to the threat of climate change by keeping global temperature rise below 2 degrees Celsius above preindustrial levels and pursue efforts to limit temperature increase even further to 1.5 degrees Celsius.<sup>9</sup> The Paris Agreement has led to the rise of science-based targets, where companies set emissions to ensure that their emissions contribution falls within a 1.5-degree or 2-degree warming scenario.

The Science Based Targets initiative <sup>6</sup> is currently reporting 1017 organizations that have registered science-based targets with it. They describe science-based targets:

**“Science-based GHG emission reduction targets ensure that companies reduce their emissions at a rate that is consistent with the level of decarbonisation required to limit warming to 1.5C or well-below 2C. Science-based net-zero targets go beyond this. Building on science-based GHG emission reduction targets, they ensure that companies also take responsibility for emissions that have yet to be reduced, or that remain unfeasible to be eliminated.”**

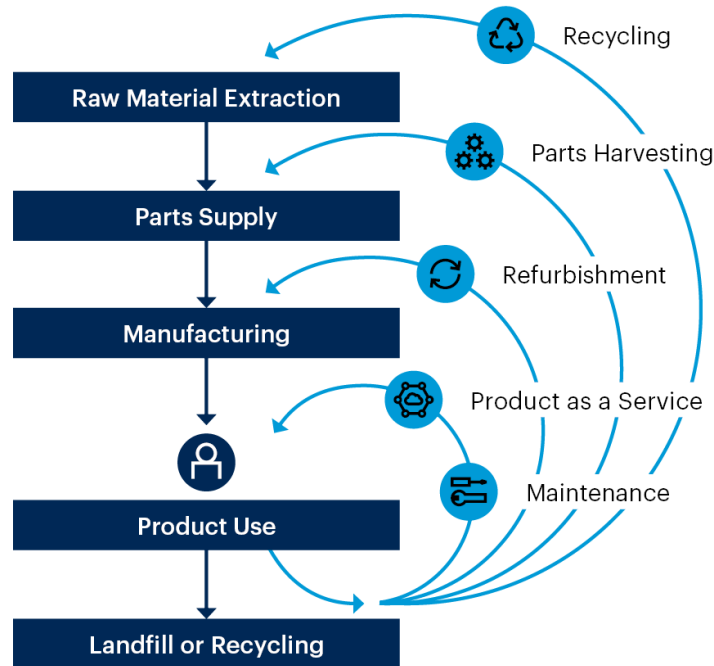
*— Science Based Targets initiative*

## **Circular Economy**

A circular economy is an economic model that decouples the ability to achieve economic growth from the consumption of natural resources (see Figure 6).

Figure 6: Circular and Linear Economy

**Circular and Linear Economy**



Source: Gartner  
733949\_C



As illustrated in Figure 6, traditional linear economies are based on a cycle that extracts resources, produces goods and disposes of the product at the end of its useful life. This model is often described as take-make-use-dispose – a cycle that ultimately results in waste. In contrast, a circular economy encourages continuous reuse of materials to minimize both waste and the demand for additional consumption. This model is sometimes summarized as a make-use-return-reuse cycle. For this reason, a circular economy model is described as more sustainable than models that require additional natural resource consumption to drive growth.

The Ellen MacArthur Foundation explains that a “circular economy is restorative and regenerative by design.”<sup>10</sup> Earlier iterations of these concepts also included “cradle to cradle” product design as a central attribute. In addition to the financial benefits, the circular economy has the potential to increase resilience by decoupling raw materials consumption from growth – keeping materials in use for as long as possible. Creating a circular economy relies on the following three principles:



- Design out waste and toxicity to enable product refurbishment and materials recovery.
- Keep materials in use at the highest quality, for as long as possible.
- Return materials to the environment at their true end of life, in a manner that does not cause harm and is regenerative.

Compared to a linear economy, one of the outcomes of a circular economy is a zero-waste supply chain and, more broadly, a zero-waste society.

The circular economy impacts the whole life cycle from design and production, through maintenance and repair to end of life, as well as the financial/funding models that support it. It embraces what for many enterprises will be very new business models. These include rent, lease, sharing and “xxx as-a-service” models, in which the assets are owned and maybe operated within a business model where it is economically beneficial to manage the whole of life and ensure circularity of materials and wastes.

## **Environmental, Social and Governance (ESG)**

ESG is a commonly used abbreviation for environmental, social and governance factors. It refers to a collection of corporate performance evaluation measures, shared outside the enterprise, that are used in an attempt to assess the robustness of a company’s governance mechanisms and its ability to effectively manage its environmental and social impacts. The principle is that by incorporating systemic ESG performance data alongside fundamental financial analysis gives better insight into the overall and long-term financial performance of the company. To improve ESG performance, a company can use its CSR and sustainability programs to put into place systems and initiatives for managing risks and opportunities in ways that make the enterprise operate more responsibly and/or sustainably.

This term is mostly used by the financial services industry, including investment advisory and risk management firms, as well as institutional investors that provide capital, such as asset management firms, mutual funds, pension funds, private equity firms and endowments. As such, ESG tends to be managed by enterprises as a hindsight-oriented reporting and compliance issue under the guidance of the CFO or head of sustainability, rather than a forward-looking strategic program.

Enterprises are increasingly interested in ensuring the ESG data looks compelling. But the lack of verification of the data is raising questions about its true value in assessing a company as a potential investment <sup>11</sup> and its real contribution to society.

The United Nations Environment Programme (UNEP) Finance Initiative defines ESG as “the term that has emerged globally to describe the environmental, social and corporate governance issues that investors are considering in the context of corporate behavior.” <sup>12</sup> UNEP notes that “no definitive list of ESG issues exists,” but they typically display one or more of the following characteristics:

- Issues that have traditionally been considered nonfinancial or not material
- A medium- or long-term horizon
- Qualitative objects that are readily quantifiable in monetary terms
- Externalities (costs borne by other firms or by society at large) not well-captured by market mechanisms
- A changing regulatory or policy framework
- Patterns arising throughout a company’s supply chain (and therefore susceptible to unknown risks)
- A public-concern focus

### **Interaction Between Terms**

The numerous terms used to describe activities that lead to sustainability as an outcome, can be confusing. <sup>13</sup> They build on one another, starting with a purpose-driven organization, then identifying relevant issues of importance through a materiality assessment, taking action through CSR, with the outcome as sustainability and performance reporting through ESG mechanisms (see Figure 7).

Figure 7: Interaction and Summary of Sustainability Terms

**Interaction and Summary of Sustainability Terms**

Culture/Intent of the Organization	Issues of Importance	Governance Mechanism	Outcome
<b>Purpose-Driven</b>	<b>Materiality</b>	<b>Corporate Social Responsibility</b>	<b>Sustainability</b>
A purpose-driven organization expands the objective from merely maximizing shareholder return to delivering benefit for all stakeholders — customers, employees, suppliers and communities, in addition to investors. A purpose-driven organization stands for and takes actions on issues beyond profitability.	“Materiality” is essentially the quality of importance. Saying that an issue has materiality is to say that it matters in a significant way to the enterprise and its stakeholders.	Framework to demonstrate focus on material issues, with the aim of becoming sustainable. This may include a focus on GHG Emissions.	Outcome of balancing short-, medium- and long-term outcomes across environmental, social and profitability impacts.
		<b>CSR Actions (Examples)</b>	<b>Measures of Success</b>
		<b>GHG Emissions Management</b>	<b>Environmental, Social and Governance</b> Corporate evaluation measurements outside the organization to assess the robustness of the CSR approach to meet sustainability outcomes.
		<b>Circular Economy</b>	
		<b>Responsible Sourcing</b>	
		<b>Community Engagement</b>	

Source: Gartner  
733949\_C



**Evidence**

- [Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans](#), Business Roundtable.
- [What Is CSR?](#) United Nations Industrial Development Organization.
- [Corporate Social Responsibility & Responsible Business Conduct](#), The European Commission.
- [Project Gigaton](#), Walmart.
- [British American Tobacco Recognised as Global Leader for Engaging Its Supply Chain on Climate Change](#), BAT.
- [Science Based Targets](#), see also [Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector](#).

- <sup>7</sup> [Microsoft Will Be Carbon Negative by 2030](#), Microsoft.
- <sup>8</sup> [Greenhouse Gas Removal](#), The Royal Society.
- <sup>9</sup> [What Is the Paris Agreement?](#) United Nations Climate Change.
- <sup>9</sup> [Ethical Investors Want More Proof of Good Deeds](#), FT.
- <sup>10</sup> [What Is a Circular Economy?](#) Ellen MacArthur Foundation.
- <sup>11</sup> [Ethical Investors Want More Proof of Good Deeds](#), FT.
- <sup>12</sup> [Translating ESG Into Sustainable Business Value](#). UNEP Finance Initiative and World Business Council for Sustainable Development.
- <sup>13</sup> [COP21 Glossary of Terms Guiding the Long-term Emissions-Reduction Goal](#), World Resources Institute.

## Note 1: Emissions Offset

This is the process of trying to reduce the damage caused by releasing GHGs into the environment by purchasing credits from those who have taken action to remove (“neutralize”) or prevent (“compensate”) GHG emissions. The position of the Science Based Target Initiative is that it is reasonable for an enterprise to employ both kinds of offset on the journey to net zero. But at net zero, enterprises would be expected to use neutralizing offsets only – often referred to as greenhouse gas removal (GGR) methods. Offsets can be of varying quality and credibility. Use of offsets does not replace the need for enterprises to reduce value chain emissions in line with science-based targets.

## Note 2: Paris Agreement

On 21 December 2015, at the Conference of Parties (COP21) in Paris, the UNFCCC reached an agreement to combat climate change and accelerate actions and investment to move toward a sustainable low-carbon future. The premise of the Paris Agreement is to keep global temperature rise this century below 2 degrees Celsius above preindustrial levels and to pursue actions to limit temperature increase to 1.5 degrees Celsius.

## Recommended by the Authors

Available only to Gartner clients and depending on subscription.

[Supply Chain Brief: Start Sustainability Strategies With an Internal Agreement on Materiality](#)

[Use Gartner's Framework for End-to-End Supply Chain Traceability](#)

[Employ Digital Technology to Enable a Circular Economy](#)

[Why Every Company Will Need an ESG Data Strategy by 2021 and What Chief Supply Chain Officers Can Do About It](#)

---

© 2021 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. and its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. It consists of the opinions of Gartner's research organization, which should not be construed as statements of fact. While the information contained in this publication has been obtained from sources believed to be reliable, Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information. Although Gartner research may address legal and financial issues, Gartner does not provide legal or investment advice and its research should not be construed or used as such. Your access and use of this publication are governed by [Gartner's Usage Policy](#). Gartner prides itself on its reputation for independence and objectivity. Its research is produced independently by its research organization without input or influence from any third party. For further information, see "[Guiding Principles on Independence and Objectivity](#)."

# Actionable, objective insight

Position your organization for success. Explore these additional complimentary resources and tools for executives and their teams.



## eBook

### Redesigning Work for a HybridFuture

Make hybrid work a win-win for employees and your organization.

[Download eBook](#)



## Webinar

### 7 Key Trend Areas to Factor Into Your Strategic Planning

Watch out for these macro and environmental trends.

[Watch Webinar](#)



## Tool

### Your One-Page Strategic Plan

Use this tool to build a strategic plan you'll actually use.

[Learn More](#)



## Conferences

### Insight, Inspiration, Networking — All Delivered Virtually

Find the ideal experience for your role and your team.

[View Calendar](#)

Already a client?

Get access to even more resources in your client portal. [Log In](#)

# Get More.

Get actionable, objective insight to deliver on your most critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance.

Contact us to become a client:

**U.S.: 1 855 811 7593**

**International: +44 (0) 3330 607 044**

[Become a Client](#)

**Learn more about Gartner**

[gartner.com](https://gartner.com)

**Stay connected to the latest insights**

