

Unrealized Opportunity: Sustainability Standards & Reporting

*Organizing for the Future:
Accountability in Public
and Private Sectors*

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Responses to Accountability Goals:

Policy nudges behavior

Increased Expectations For Accountability – Public + Private

U.S. Policy Accelerators

1. EO 14008 – Tackling the Climate Crisis at Home and Abroad
2. EO 14030 – Climate-related Financial Risk
3. EO 14037 – Strengthening American Leadership in Clean Cars and Trucks
4. U.S. Inflation Reduction Act
5. U.S. Federal Acquisition Regulation Rule on Sustainable Procurement
6. U.S. GSA Federal Advisory Committee on Embedding Sustainability into Federal Acquisitions

Global Policy Accelerators

1. EU Procurement for a Circular Economy
2. EU Sustainable Public Procurement and Ecolabelling Project
3. UN's Sustainable Development Goals
4. OECD's Green Public Procurement Initiative
5. Japan – Act on Promoting Green Purchasing
6. S. Korea – Act on the Promotion of Purchase of Green Products

Supply Chain Impacts

...the **Federal Government shall use its scale and procurement power to achieve... net-zero emissions from Federal procurement**

Increased focus on sustainability standards and reporting

Increased Expectations For Reporting – Public + Private

U.S. Policy Accelerators

1. U.S. SEC Rule for Climate Related Disclosures
2. California Climate Disclosure Laws (SB 253, 261)
3. Proposed revisions to the U.S. Federal Acquisition Rule requiring vendors' climate risk reporting

Global Policy Accelerators

1. EU Corporate Sustainability Reporting Directive
2. Canada – Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets
3. Hong Kong's Guidance on Climate Disclosures
4. Japan's Corporate Governance Code
5. India's SEC required Business Responsibility and Sustainability Reports
6. Australian Draft Accounting Standards Board's climate-related disclosure guidance



***Increased focus on
sustainability standards
and reporting***

Sustainability Reporting

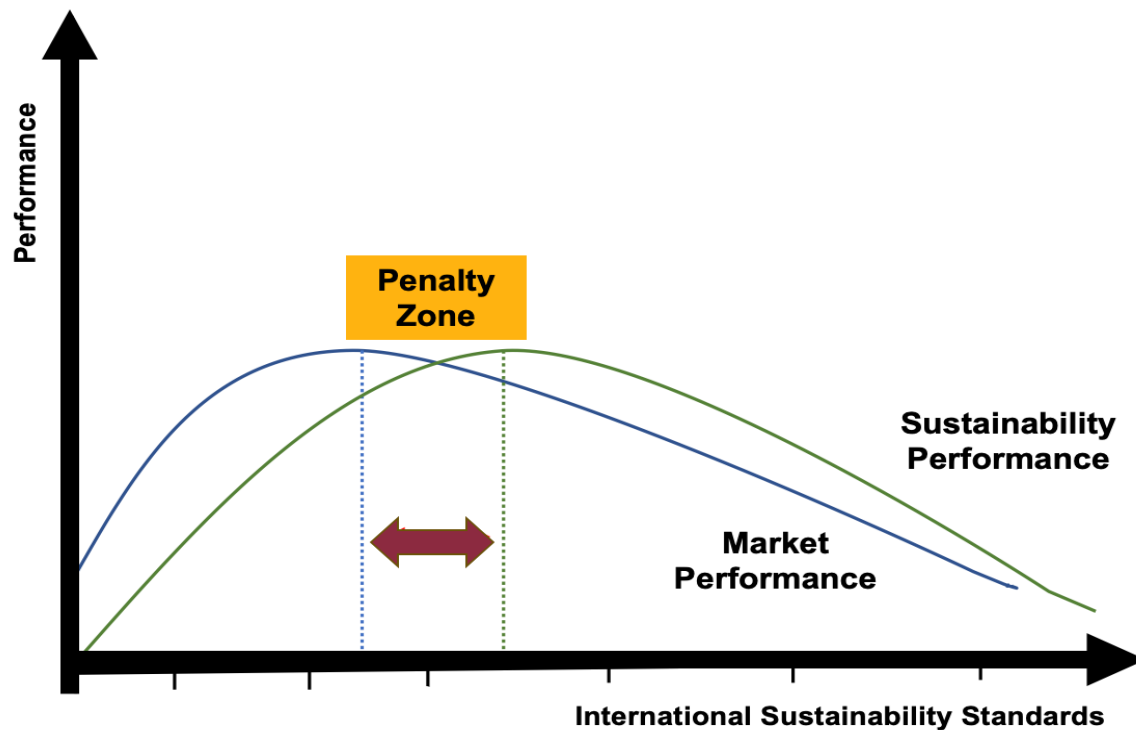
- Emphasis is on disclosure
- Limited focus on:
 - Actual performance
 - Monitoring and conformance expectations
 - Discouraging greenwashing
 - EU's 2024 Directive on Green Claims
- Small and medium sized firms are exempt
- Scope 3 (procurement) emissions not part of firms' net zero pledges
 - Omitted from new SEC ruling on corporate climate disclosures

Why Focus on Sustainability Standards + Reporting?

Rationale: Leverage the Market!

- Firms' increased use of sustainability standards will improve actual sustainability performance
- These good deeds will be rewarded equivalently in the market

Why Focus on Sustainability Standards + Reporting?



Market benefits of additional sustainability standards decline even though sustainability performance continues to improve.

Darnall N, Iatridis K, Kesidou E, Snelson-Powell A. 2023. Penalty zones in international sustainability standards: where sustainability doesn't pay. *Journal of Management Studies*. DOI: 10.1111/joms.12975.

Firm Responses to Accountability Goals...

Topics, Questions, Data Needs

How Should Firms...

92% of organizations' carbon emissions are due to their procurement decisions (CDP, 2022)

Engage supply chains to...

- Reduce barriers to address Scope 3 emissions?
- Encourage the sourcing of reliable data?
- Develop stronger partnerships that facilitate data integration across the supply chain?

Accelerate internal organizational change to...

- Shift internal cultures towards a sustainability mindset?
- Shift internal incentive structures to encourage bolder risk taking and innovation?
- Encourage systems thinking beyond typical reporting expectations?
- Amplify their use of more robust analytic tools for better decisions (e.g., LCA)?

How Do We Encourage Social Science Solutions that...

- Reduce the penalty zone?
- Focus on performance outcomes rather than process conformance?
- Have practical relevance and can be scaled? (e.g., socially embedded research)
 - Integrate engineering models and social science models
 - Climate technologies only reduce climate emissions if they are put into use

Visit: sustainability-innovation.asu.edu/SPRI

Questions?

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Thank You
