



CEO Guide to the → *Climate-related Corporate Performance and Accountability System (CPAS)*



Read more
about CPAS



CEO Note to introduce CPAS

Dear CEO,

You do not need me to tell you that we are off track in the journey to decarbonize the global economy.

The science is loud and clear: humanity has breached six of the planetary boundaries and the window to 1.5°C is rapidly closing.

Through omnipresent forest fires, droughts and floods, we can see the future risks that lie ahead of us. Worryingly, these impacts are materialising faster than we thought.

We need an urgent systems reset. And the world is looking to business leaders like you to drive solutions and innovations at scale.

That same world is also strengthening its focus to hold business accountable for delivery on climate-related commitments and targets. Soon, this attention will turn to nature, equity and circularity-related business impacts too.

Yet we know that implementing a transformative business agenda is not easy and, as a result, the private sector is not on track. One of the key barriers is the mixed signals that come from the financial markets, which create headwinds and disincentives for business to go further, faster.

This CEO Guide presents you with an unlock.

It lays out a practical pathway to align the performance and innovation power of business with the right incentives from financial markets, while simultaneously meeting the rising demand for corporate accountability.

By integrating the climate-related risks and opportunities in every part of the strategic and performance management process, companies can provide the financial markets - and other stakeholders - with well-managed, consistent and comparable data.

This will enable business to align their valuation and capital allocation models with scaling the solutions that work.

This is a "beyond compliance" agenda. Rather, it is the only way to manage your company to a secure future, whilst lowering the cost of capital.

I sincerely hope that this CEO Guide helps you and your company step up action and succeed in decarbonizing your operations and supply chain towards a future world in which more than 9 billion people are able to live well, within planetary boundaries, by 2050.

WBCSD is committed to helping you with this transformation.

I hope you find the guide a great stimulant. I would love to hear about your progress.

Best wishes,

Peter Bakker
President and CEO, WBCSD





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2020

→ **WBCSD Vision 2050: Time to Transform**

"A shared vision of a world in which more than 9 billion people are able to live well, within planetary boundaries, by 2050."



2022

→ **UN HLEG Integrity Matters Report**

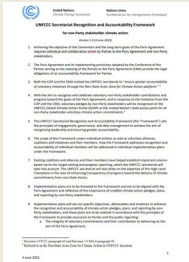
"Non-state actors require not only long-term pledges but also short-term science-based targets as well as detailed transition plans."



2023

→ **IPCC AR6 Synthesis Report**

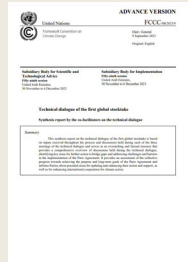
"To limit warming to 1.5°C above pre-industrial levels, deep, rapid, and sustained greenhouse gas emissions reductions are required in all sectors, with emissions peaking by 2025 at the latest and being cut by almost half by 2030."



2023

→ **UNFCCC Recognition & Accountability Framework**

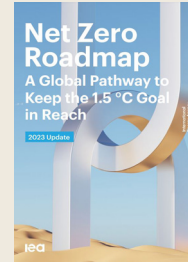
"A clear need to... understand more about how to refine approaches to transparency and promote greater ambition, and to enable more consolidation, standardization and comparability."



2023

→ **UNFCCC Global Stocktake Synthesis Report**

"To strengthen the global response to the threat of climate change... credible, accountable and transparent actions by non-Party stakeholders are needed to strengthen efforts for systems transformation."



2023

→ **IEA Net Zero Roadmap 2023**

"We have the proven technologies and policies to reduce emissions quickly enough this decade to keep 1.5°C in reach."

01.

It's Time to Transform



1

Staying within 1.5°C of warming is necessary, but to achieve this we need to radically increase the pace and scale of decarbonization globally.

5

Today, the world is already starting to hold business accountable for the progress it is making. The demands for increased accountability and transparency will only continue to rise.

2

It's time to transform. We need a systems transformation in both the real and financial economy to avoid moving beyond the point of no return.

6

A misalignment between the financial markets and business means that despite the clarity of the need for change, business is not on track.

3

The world is turning to business for transformative solutions to enable this.

7

This CEO Guide provides an unlock.

4

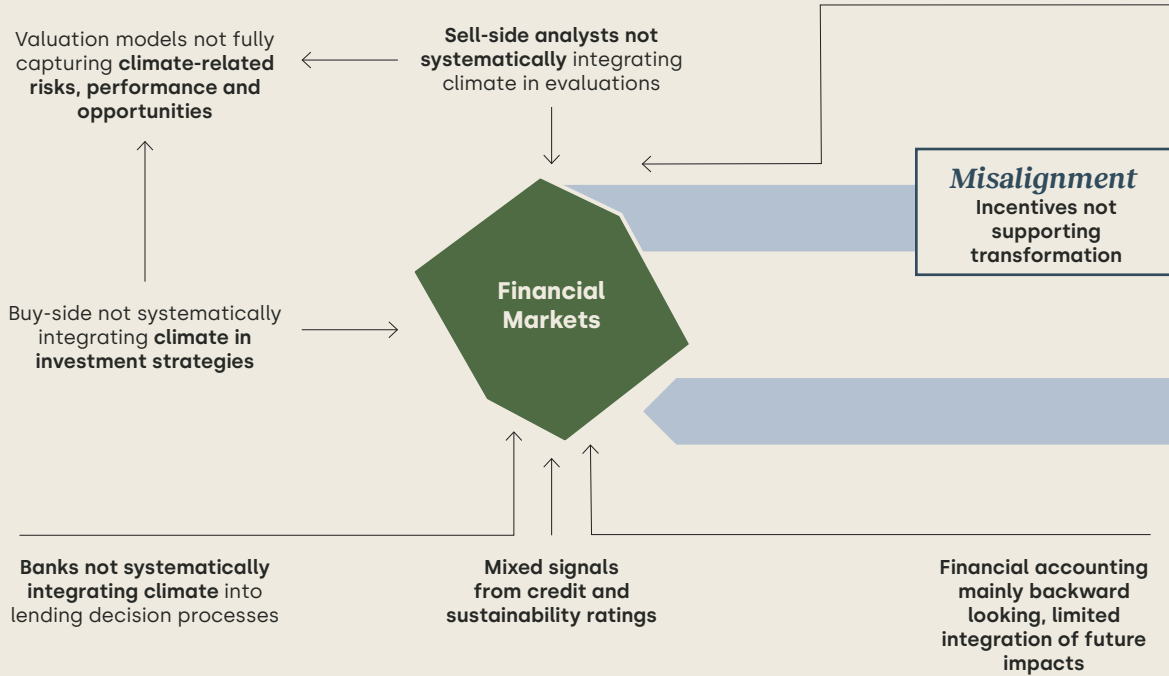
A systems reset provides businesses with significant innovation opportunities.

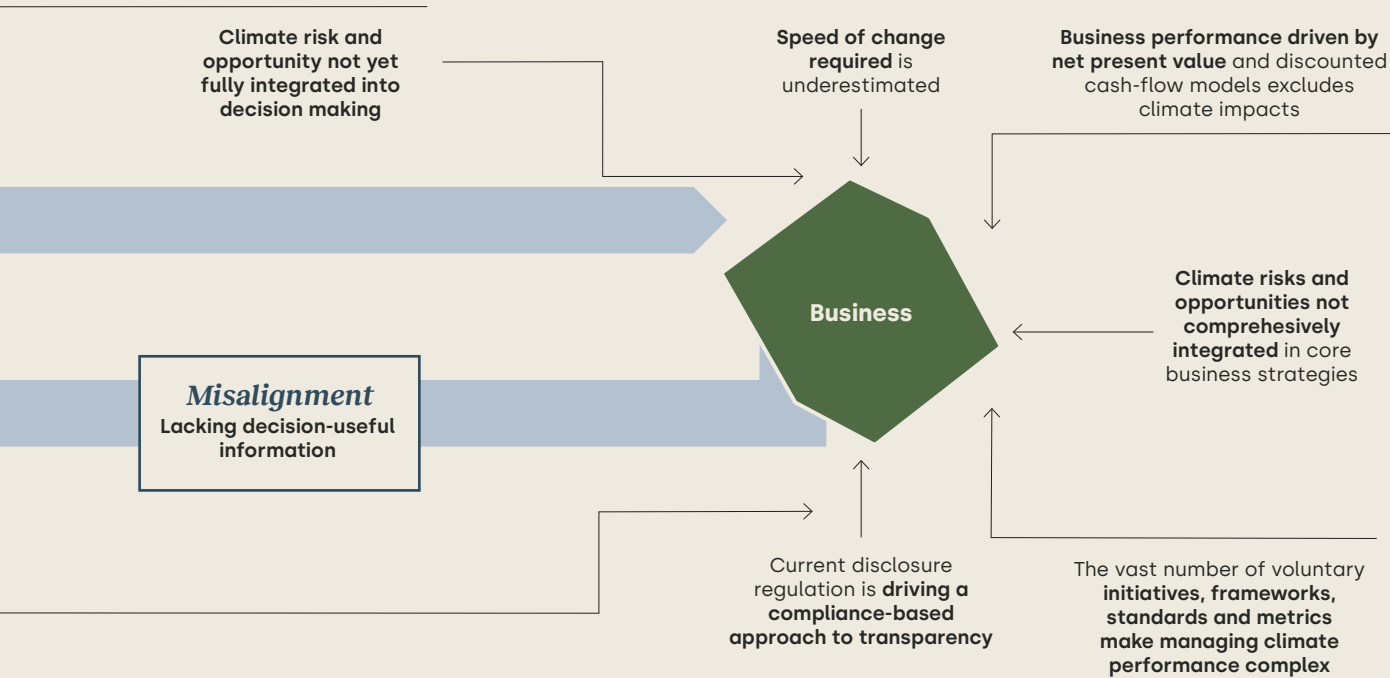




02.

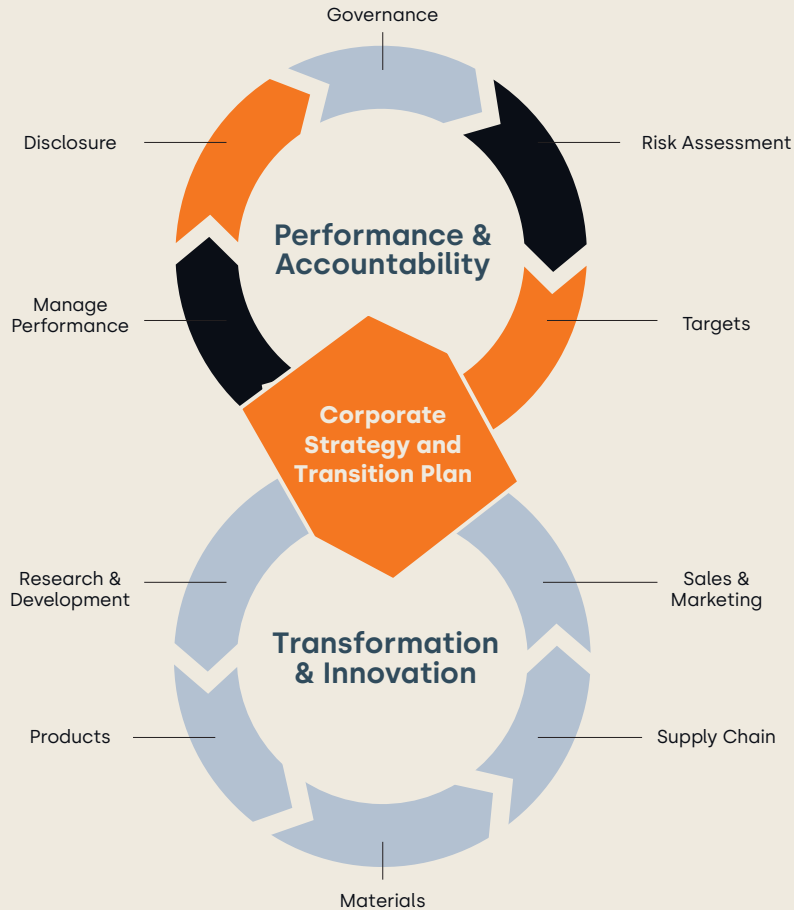
Misalignment is a main barrier to scaling fast







03. Corporate Performance and Accountability System (CPAS) to drive corporate decarbonization



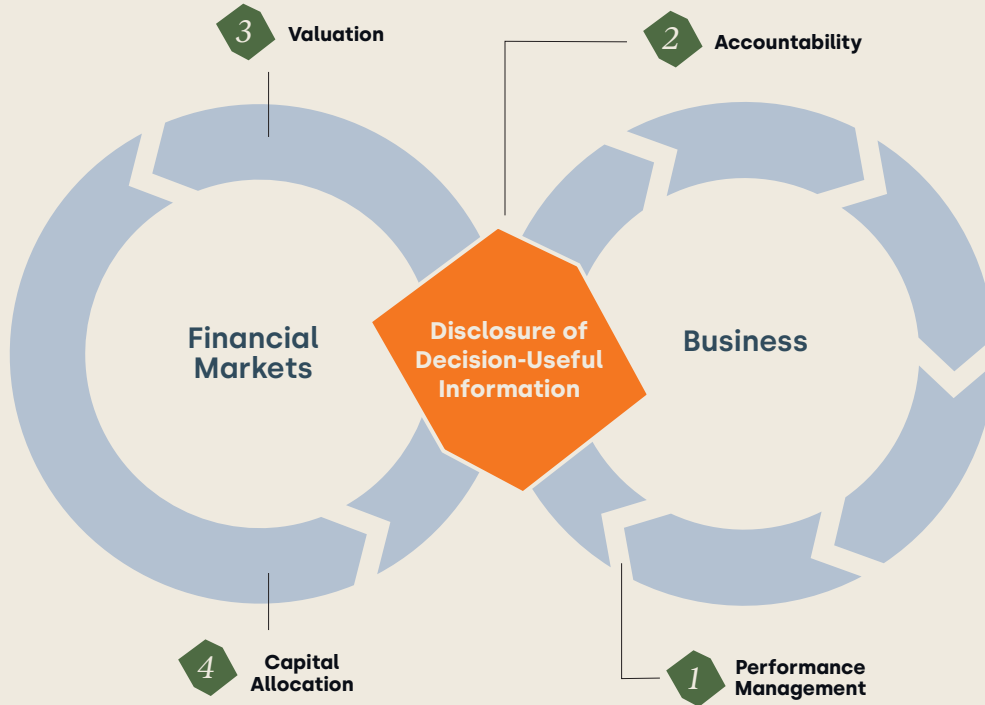
Performance & Accountability Agenda

- Understand and manage all climate risks
- Set science-informed net-zero target
- Integrate climate risks and opportunities in business strategy and incentive schemes
- Set KPIs and metrics to manage performance
- Ensure accounting and control systems are in place for finance-grade data and control
- Position company to the financial markets through investor relations and treasury

Transformation & Innovation Agenda

- Create detailed decarbonization transition plan
- Invest in renewable energy and climate technologies
- Innovate to create net-zero products and services at scale
- Co-design supply chain solutions and materials with suppliers and partners
- Educate and upskill management and staff

04. Integrating climate-related information will align financial markets with climate action





1

Companies will make better **decisions** by **integrating risks and opportunities related to climate change** in product and business model innovation and delivery.

2

Companies will **prepare decision-useful climate-related risks** and performance information for financial and other stakeholders.

3

Financial market participants will use **this** decision-useful information to price in climate-related risks and performance in **their valuation models**.

4

As a result, capital will be deployed towards the **companies and solutions that drive decarbonization**.

Business will be held accountable...



Integrity Matters Report

UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities

- Ten practical **recommendations to bring integrity, transparency and accountability** to net zero by establishing clear standards and criteria.
- Recommendation 8 (Increasing Transparency and Accountability) recommends **companies annually disclose their greenhouse gas data, net zero targets, and the plans for, and progress** towards, meeting those targets.

ISSB Standards IFRS S1 and IFRS S2

International Sustainability Standards Board (ISSB)

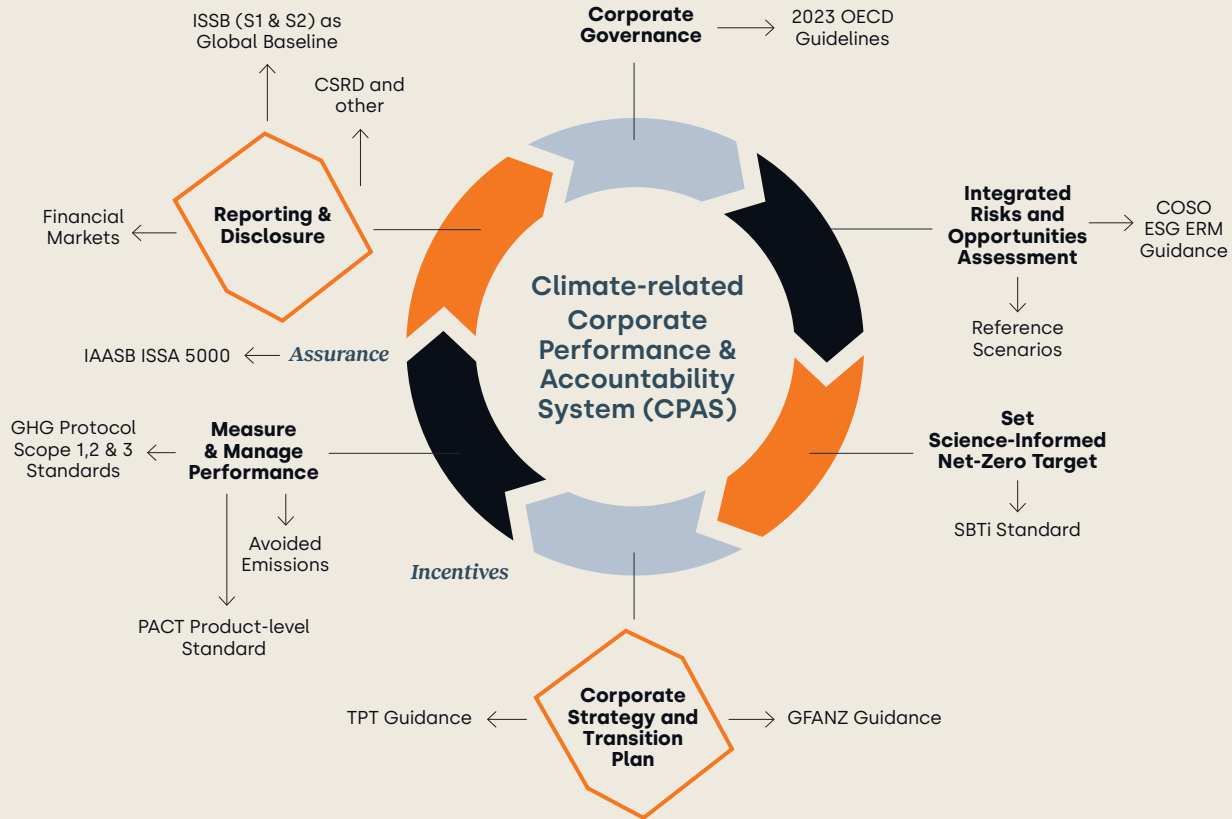
- Standards to provide a **high-quality comprehensive global baseline for disclosure** (S1 and S2 on General Requirements and Climate-related, respectively) following adoption by countries.
- **Basis for standardization** across existing standards.

Recognition & Accountability Framework

United Nations Framework Convention on Climate Change (UNFCCC)

- First draft with the aim to recognize **voluntary non-Party stakeholder contributions and progress** towards the goals of the Paris Agreement.
- Following a consultation process, at COP28, the UNFCCC will publish a **series of recommendations to operationalize** the Framework.

...which will require more than a compliance approach





06.

How to make the climate-related CPAS work

Corporate Governance

- Ensure the Board of Directors have sufficient skills to supervise the integrated management of climate-related risks and opportunities as part of wider corporate strategy.
- Form sub-committee and/or external Advisory Board.
- Integrate climate considerations across Board-level governance structures including risk and audit.
- Board brings climate into short- and long-term decision making.
- Integrate climate-related strategic priorities into organizational performance management and incentive structures.

Integrated Risk & Opportunities Assessment

- Capture climate-related physical and transition risks in Enterprise Risk Management for both the company and its supply chains.
- Expand risk assessment time horizons, and in addition to impact and likelihood, consider risk connectivity, velocity, resilience and vulnerability.
- Develop capabilities to assess potential climate-related financial impacts including price, demand and profitability sensitivities across the supply chains of the company.
- Map the critical decarbonization transitions to list the innovation and growth opportunities.

Set Science-Informed Net-Zero Target

- Translate need to halve global emissions by 2030 and reach net zero emissions no later than 2050 into a credible science-informed net-zero target (for example via the Science-Based Targets Initiative, SBTi).
- Following approval, disclose emissions annually and monitor progress on reaching target, updating it where necessary.

Corporate Strategy and Transition Plan

- Create climate transition plans as an integral part of the overall corporate strategy as a key driver for capex allocation to R&D, product and service development, and operations, where decarbonization actions must be realised.
- Explore how avoided emissions can drive the innovation and scaling of low-carbon solutions.
- Consider use of internal carbon pricing.
- Leverage emerging tools like the GFANZ Guidance on Net-Zero Transition Plans and the Transition Plan Taskforce to understand key elements to include.

Measure and Manage Performance

- Select the right metrics and KPIs to align management decision-making.
- Use the Partnership for Carbon Transparency's (PACT) product-level standard to calculate product-level Scope 3 emissions.
- For climate performance, measure and manage emissions related to activities across the supply chain, leveraging the Greenhouse Gas Protocol.
- Invest in creating reliable, accurate and timely data underpinned by a robust and efficient internal control system to ensure decision makers get the information needed at the right time.

Assurance, Reporting & Disclosure

- Apply global baseline of ISSB S1 and S2 for climate-related disclosure.
- Invest in and leverage assurance engagements, to enhance credibility and trust.
- Integrate climate and financial reporting and apply the same rigour and discipline in measuring and accounting climate data to support climate-informed decisions that accelerate decarbonization and are rewarded by the financial markets.
- Develop investor relations strategy and communications to bring climate into the equity story, capital markets days and roadshows.

07. Strengthening the integration of climate risk and opportunity in valuation

The integration of climate risk and opportunity in company valuation is a critical transition enabler, supporting capital allocation at scale. This integration can be strengthened by considering climate-related implications in:



Revenue forecasts



Cash flow forecasts



Growth rates



Risk premium



Profit forecasts



Forecast time horizons



Terminal value adjustments



Cost of finance and access to capital



Capex forecasts

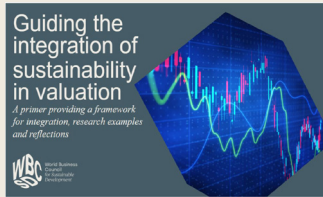


Asset value adjustments



Discount rate adjustments

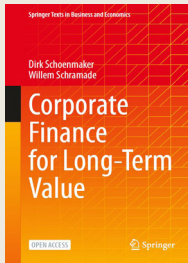
Examples of practical guidance from WBCSD and other sources:



2023

→ [WBCSD sustainability in valuation primer](#)

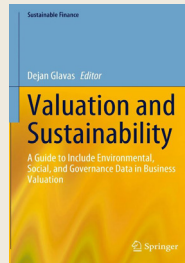
Provides a framework and examples to highlight how investors are integrating sustainability factors in valuation.



2023

→ [Corporate Finance for Long-Term Value](#)

Guide to corporate finance, translating sustainability into core corporate finance methods, such as net present value, company valuation, cost of capital, capital structure and M&A.



2023

→ [Valuation and Sustainability](#)

Guide providing practical methodologies to take ESG into account when valuing a company, including cash flow and multiple valuation methods.

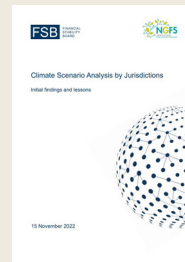
International financial institutions and supervisors highlight climate risk and pricing concerns:



2022

→ [BIS Pricing of climate risk in financial markets](#)

The Bank for International Settlements literature review highlights climate risks are starting to be priced, but concerns are growing that current prices do not fully reflect the risks.



2022

→ [FSB and NGFS Climate Scenario Analysis findings & lessons](#)

Financial Stability Board and Network for Greening the Financial System warn climate exposures and vulnerabilities are understated, noting challenges with tail risk, spill overs and potential large sources of risk, including abrupt asset price change.

Business benefits of integrating climate into CPAS

1

Better understanding and management of climate risks and resilience of operations and supply chains.

2

Reduction of financial exposure and future losses as a result of avoidance of previously unseen climate risks.

3

Preparation for regulatory requirements through application of the rigor and discipline of financial accounting to carbon accounting.

4

Acceleration of **transformation towards decarbonization through integration** of climate into corporate strategy.

5

Opportunity to **focus on and benefit from innovation opportunities** through new concepts like avoided emissions accounting.

6

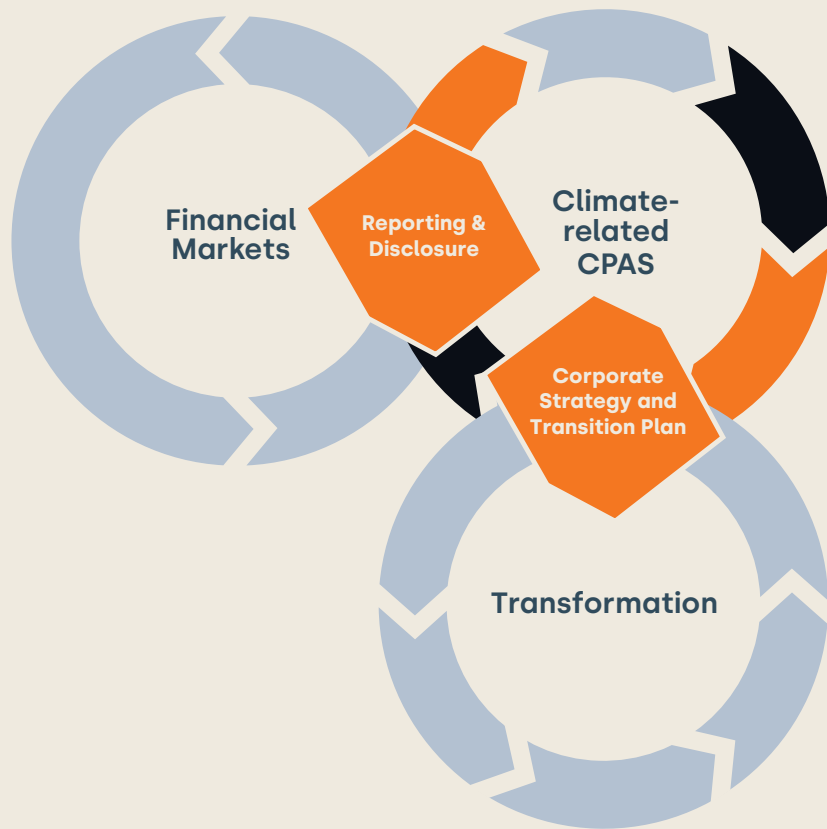
Enablement of carbon-reduction decision-making, **more accurate Scope 3 reporting and disclosure and tracking of progress** through integration of product-level carbon accounting.

7

More accurate valuation by financial markets vs peers **through provision of finance-grade, comparable, reliable and material information**.

8

Over time, **lower cost of capital vs peers** due to better climate performance.



CPAS is the critical unlock between the financial markets and corporate decarbonization



How to get started

1

Do you understand the (financial) climate related risks and transition?

2

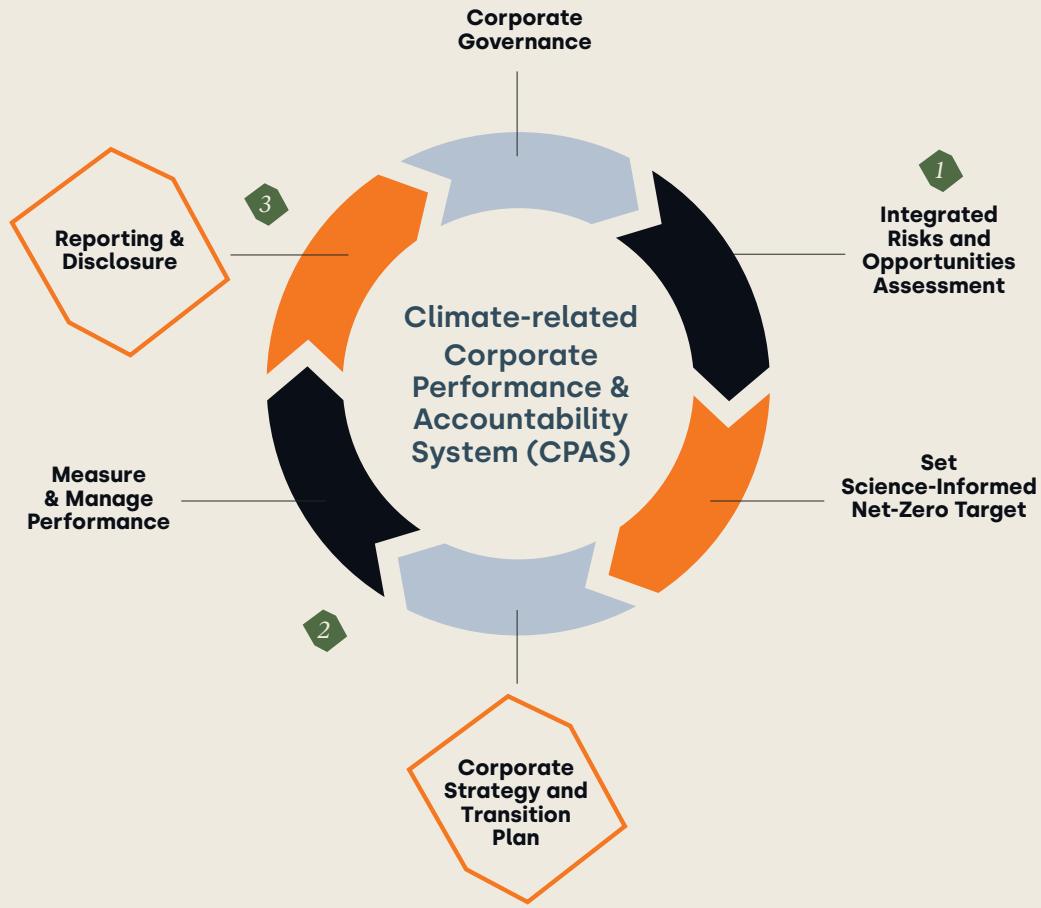
Do you know the gaps in your strategic and performance management system?

3

Are you ready to be held accountable for climate related performance?

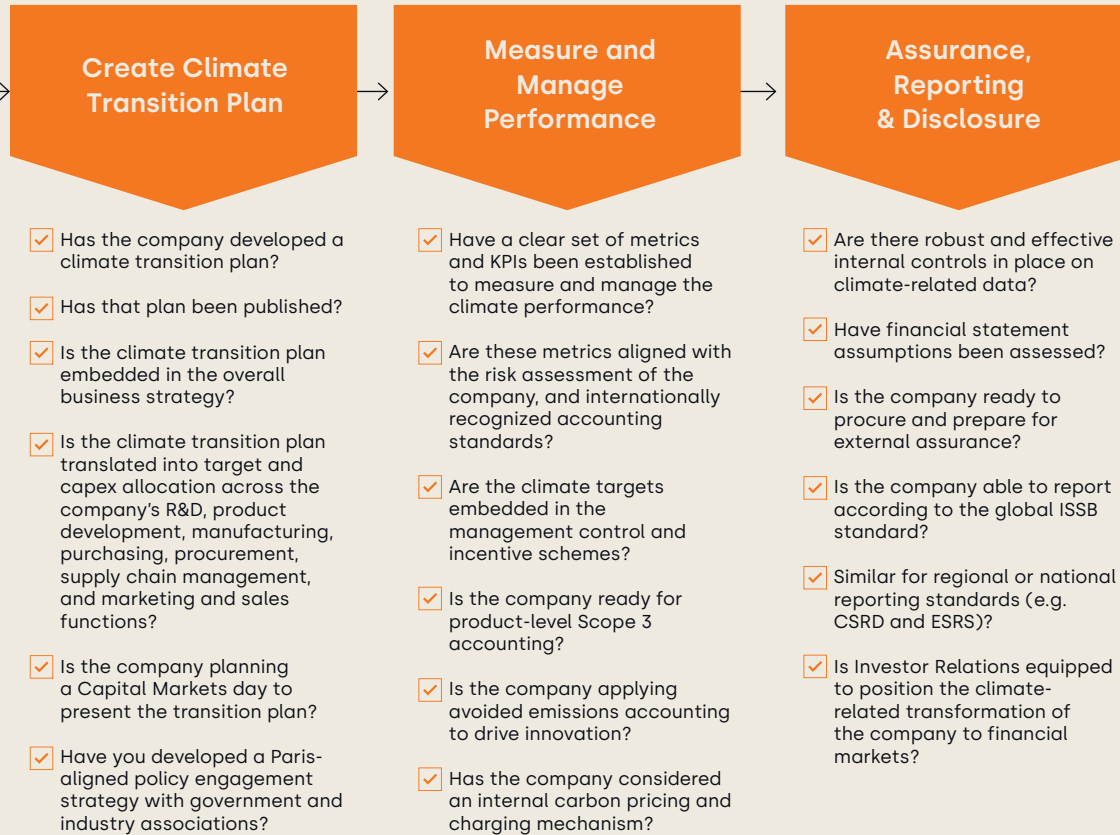
To understand this, take the Readiness Check on page 24-25 of this WBCSD CEO Guide.





The climate-related CPAS readiness check







11.

How WBCSD will help

Updating greenhouse gas accounting standards to support impact-focused, fit-for-purpose carbon accounting through the [Greenhouse Gas Protocol](#)

Scaling net zero capacity building and upskilling through the most comprehensive destination for knowledge and actionable levers with [The Climate Drive](#)

Working with CFOs to integrate climate and financial performance in the [CFO Network](#) including risk assessments.

Standardizing how Scope 3 data is accounted for and exchanged for products through [PACT \(Partnership for Carbon Transparency\)](#)

Convening the [Preparer Forum for Sustainability Disclosure](#) to support and enable implementation of sustainability disclosure standards

Developing new incentive mechanisms to drive business innovation using avoided emissions accounting following the G7-recognized [Avoided Emissions Guidance](#)

Supporting company development of integrated performance management, business case, financial and transition planning, transparency and capital market engagement with [Redefining Value](#).



To drive the systems transformation for CPAS in 2024, WBCSD will:

- **Convene key organizations** behind the system's standards, frameworks and tools to begin addressing key areas of improvement in the Climate-related CPAS ecosystem.
- **Orchestrate the voice of leading businesses** to input into this transformation and ensure it is practical and pragmatic.
- Explore the **expansion of CPAS** beyond Climate into other areas of impact, including Nature, Circularity and Equity.
- Advance the adoption and use of the **ISSB's climate standards** as the global baseline to enable consistent, comparable climate-related disclosures.



12.

Six improvements areas in the CPAS ecosystem

In 2023, WBCSD undertook a business consultation process with over 160 businesses that identified six areas to improve the ease of use of various frameworks, guidance and standards. WBCSD intends to work with organisations in the ecosystem on these areas.



	Challenge	Solutions
Scope 3 Data	Business has difficulty in quantifying Scope 3 emissions in sufficient consistency, comparability and granularity to allow for accurate net-zero target setting, targeted decarbonization action across value chains and measurement of progress over time.	Evolve existing Scope 3 accounting standards to establish a standardized approach for the private sector to calculate and exchange primary data for products across the value chain.
Capacity Building & Upskilling	Business has a lack of knowledge and management skills on climate performance. Up-to-date, actionable, and trusted resources often do not exist or are hard to find.	Open, online upskilling platforms need to be embedded across the stages of the Climate-related CPAS to provide businesses with access to up-to-date, relevant guidance that meets their needs.
Incentivizing Solutions	The decarbonization performance and/or potential of businesses needs to be recognized, highlighting the benefits of low-carbon solutions to the wider market and capital markets.	The use of avoided emissions and intervention accounting would enable the assessment of the global decarbonization efforts of companies developing and deploying low-carbon solutions.

13.

CPAS beyond climate

Nature, Equity, Circularity

- Climate change is the most urgent of the environmental challenges facing the global economy, but far from the only one.
- Nature loss is a financial risk, economic activity depends on nature. Physical risks are a reality and the transition to nature positive brings policy, technology, market and legal change.
- Inequality continues to rise to a systemic risk level, polarizing our politics, and eroding the social cohesion in global society.

Climate is first

- TCFD helped thousands of companies integrate climate in their governance, strategy, risk management and disclosures; the recently launched TNFD aims to do the same for nature. In 2024, it is anticipated that a similar social and inequality-related taskforce will emerge.
- ISSB published its climate-related disclosure standard (S2) earlier this year with the expectation that in the coming years, it will add a similar global baselines for nature and social disclosures.
- The [Global Circularity Protocol](#) will develop a system for circular economy performance and accountability, including metrics and science-based targets. The [proposed plastics protocol](#) within UN Treaty on Plastics Pollution negotiations aims to standardize global reporting on plastic pollution.

Focus on performance and impact

- Business must work to understand the impacts of their operations and supply chains on these issues through [Roadmaps to Nature Positive](#), or action areas on Human Rights, Living Wage, Just Transition and others.
- The push to hold business accountable for more than just financial performance is irreversible. Climate will lead the charge, but other impacts will follow.



The TCFD developed recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

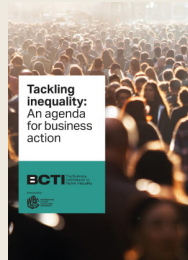


The TNFD has developed a set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks, and opportunities.



→ ***Roadmaps to Nature Positive***

The Roadmaps to Nature Positive provide companies with comprehensive step-by-step "how to" guides for taking credible, impactful nature action.



→ ***Tackling inequality: an agenda for business action***

The BCTI is a cross-sectoral and multi-stakeholder coalition of organizations and their leaders who have come together to put addressing inequality at the heart of business's agenda for sustainable growth.



→ ***Global Circularity Protocol***

The Global Circularity Protocol is developing a system for circular economy performance and accountability, including metrics and science-based targets.



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