

Climate image: a new growth trajectory?

It can take decades to build the desired reputation and the press of a button to destroy one. From Financial Services to Fast Moving Consumer Goods (FMCG), firms are beginning to see the perception of their climate image as a critical component of their business proposition and key to attracting employee talent, consumers and investors.

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In 2015, the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board (FSB) developed voluntary, consistent climate-related financial disclosures for use by companies, banks and investors in providing information to stakeholders.

It was thought that increasing the amount of reliable information on firms' exposures to climate change would highlight potential dangers and opportunities, consequently strengthening the global economic system and facilitating the transition to a lower-carbon economy.

Why should firms manage their climate image proactively?

Shifts in consumer preferences are precipitating climate image as an important factor that influences how consumers and investors are making choices about firms.

The change in sentiment towards climate issues is driving firms to consider how to proactively manage their public climate image and avoid potential damage to their reputation that comes with environmentally controversial activities or partnerships.

Social media and digital news channels create a platform for consumers, employees, investors and others to scrutinise and discuss how a firm is perceived to be supporting climate-related action, how it is reacting to policy or technological developments to support the transition to a lower-carbon economy, or who the firm chooses as its partners and suppliers.

Climate-related activism, technological developments and fast-moving government policy measures are constantly changing the climate-related risks that firms need to understand and respond to, whilst avoiding image and financial consequences in the process. Shareholders, insurers, lenders and other involved stakeholders are also increasingly demanding that firms provide climate-related risk disclosures and devise response strategies.

The assessment of climate-related risks is starting to become common practice in several sectors, especially those most exposed to direct impacts of the global climate change agenda, however, disparities still exist between firms, even in the same sector.

Despite the beginning of a momentum in the corporate world, firms are at very different stages of awareness and advancement in the way they assess the impact of climate change on their image, with potential commercial consequences. While some firms are still on the journey of widening public awareness of climate-related image in their annual reports or board discussions, others are more actively engaged.

Climate image is now seen as an essential component for managing a wide range of risks and the value of the company to its shareholders and customers.

Millennials and other cohorts are also increasingly prioritising their environmental values while seeking to do business with and invest in firms with a strong climate image.

Some firms, especially large technology companies, have recognised the business benefits and have integrated climate image as a key part of their strategy to attract and retain customers.

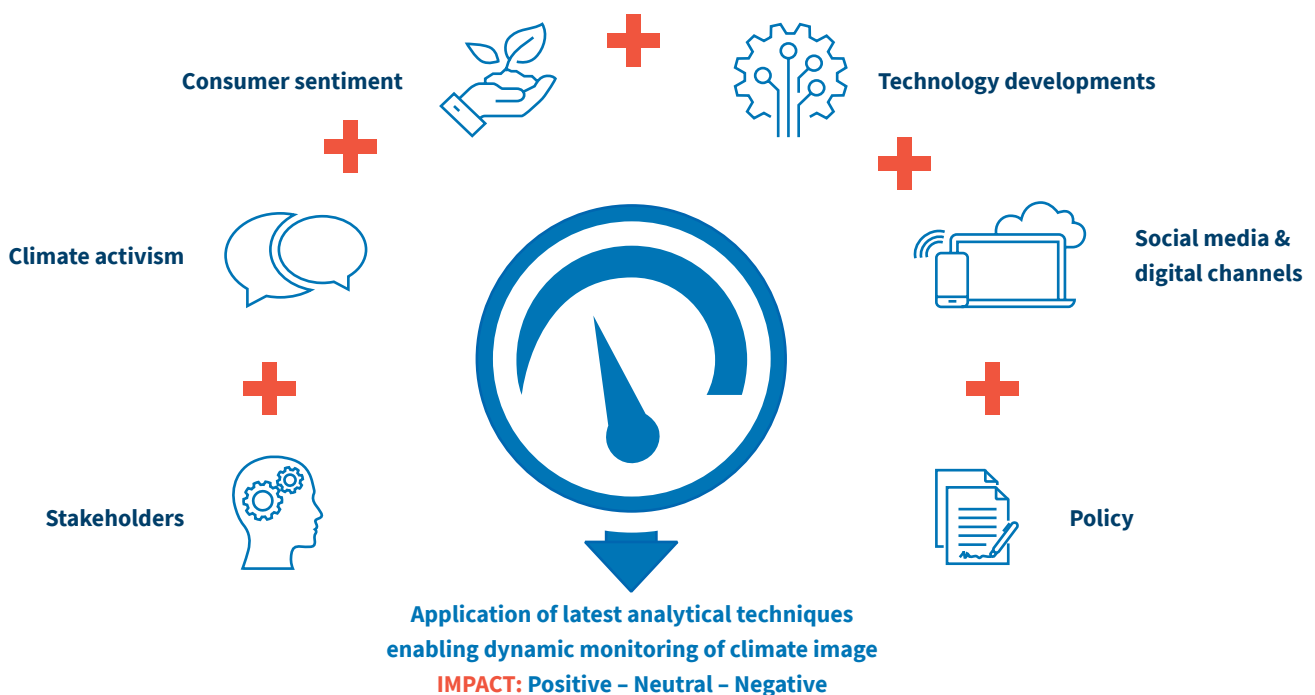
The threats of not managing climate image

There have been numerous examples of institutions getting involved in controversial activities that were directly or indirectly linked to environmental issues, leading to implications on their share price and reputational damage. These could have been anticipated and managed proactively had those firms fully assessed and understood the key risks, negative drivers and influential players that need to be actively managed to neutralise climate image threats.

Over recent years, firms have also found themselves at the centre of consumer or investor backlash over their business activities or partnership arrangements with institutions that have a negative climate image perception.

Managing climate image dynamically is the way forward

Assessments of news headlines or internal risk assessments through questionnaires and workshops only provide a limited view, particularly in the fast-moving digital world where public perceptions can change very quickly.



Mastering the end to end of the considerable public domain footprint is essential to getting to the core of where the drivers of positive and negative perceptions about a firm's climate image lie.

A core element of an effective solution to enable proactive management of a firm's climate image is its ability to quickly access and analyse vast quantities of relevant data, including public policy changes, technological advancements and social media feedback from the firm's stakeholders. Once analysed, the results of the assessment need to be presented in a way that clearly shows how certain triggers are impacting a firm's climate image and where, who or what is specifically driving its positive or negative climate image.

By measuring and monitoring climate image at more granular levels globally, firms will develop a clear baseline of their public image and understand how it compares to their aspirations and peers. This will enable firms to develop an effective strategy to address key levers that drive negative or positive aspects of their climate image to mitigate risks and maximise opportunities.

Most importantly, the right solution should use a combination of the latest analytical techniques to enable firms to dynamically monitor the changes in their climate image, to assess whether the actions they are taking are having the desired effect on their climate image, and enable them to course-correct quickly, thus avoiding costly reputational consequences.

Realising the key benefits of a dynamic approach

A solution powered by digital technologies and data-science techniques can provide unparalleled insights on climate image to senior management and boards when compared to more traditional methods, including:

Coverage: digitally enabled solutions will provide unparalleled capability to consume, interrogate, assimilate and automatically track changes across vast quantities of data from multiple data sources globally.

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Precision: pin-point key factors and identify relevant dimensions and influencers on a net positivity or negativity image perception scale, whilst providing flexibility to analyse climate image differences across a firm's geographical footprint, business lines or stakeholder base.

Dynamic: measure the evolving impact that a firm's actions are having on their climate image.

Insight: highlight where hidden or unwanted consequences could be materialising before they manifest.

Measurement of climate image cannot be a one-off activity

The complexity of the actions and sometimes inactions that are being taken globally remain multifaceted, from policy changes that have second-order implications to those involving the supply chain or technological change.

The potential financial and reputational implications of climate image are complex, especially in a newly disrupted global economy; this cannot be adequately managed on a reactive basis.

Firms should integrate by thinking more deeply about climate image considerations in their business strategies to realise the commercial benefits that a well-managed climate image can create.

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