

# Video Segment 1: Companies Respond to Climate Change

*“The third step, arguably the most controversial, is the one that not all firms have gotten to...and that is to put their money where their mouth is.” – Dr. Sarah Light*

## NOTE-TAKING GUIDE

Each of the panelists brings a unique point of view to the Wharton School's discussion on *ESG: Tackling the Climate Crisis*. It's important to understand their roles as you explore aspects of the discussion. Take note of the titles and organizations for each of the following, and include a brief description of what you see as their **unique perspective** on ESG and climate change:

**Dr. Erika James:**

**Dr. Sarah Light:**

**Dr. Benjamin Keys:**

**David Swift:**

**The Wharton School:**

Before you dig into activities around *ESG: Tackling the Climate Crisis*, pause to take your own pulse on what it means to have an impact and make the world a better place. What are your attitudes toward the climate movement? Are you an activist? Do you believe in the science of climate change or do you question it? Have you considered the role of businesses in climate change and, if so, how do you feel about their part in the overall landscape -- both as polluters and as drivers of positive social impact?

Wharton professor Sarah Light says that businesses are “indeed responding to the call to address the climate crisis.” What three ways does she outline?

1.

2.

3.

In the push for businesses to be drivers of environmental change and policy, authentic actions speak much louder than spoken commitments. How and why do the following initiatives mentioned in this video segment suggest real business progress in the climate movement?

**Project Megaton:**

**Science-based Targets Initiative:**

**United Nations Conference of the Parties Convention on Climate Change (COP26):**

## THE LANGUAGE OF BUSINESS

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**Active Ownership:** When shareholders that own equity in a business advocate for good corporate governance and actions that will improve the company's value. Engine No. 1 (*see below*) believes in active ownership.

**Chief Operating Officer:** A high-ranking corporate executive – often just under the CEO -- who handles the day-to-day operations of a business.

**Climate Change:** The long-term shifts in temperatures and weather patterns that are increasingly caused by human activity, like the burning of fossil fuels that releases greenhouse gases into the atmosphere.

**Climate Crisis:** Many believe that the rising temperatures associated with climate change are deeply harming the environment, causing natural disasters and leading to social and economic crisis across the planet.

**Conference of the Parties (COP) Convention on Climate Change:** This annual United Nations climate change conference brings together leaders, nations and activists to assess progress in dealing with climate change. In 2021, COP26 was held in Glasgow, Scotland from October 31 to November 12.

**Energy-efficient Technology:** Technologies that use less energy (and therefore emit fewer greenhouse gases into the atmosphere) to accomplish their goal.

**Engine No. 1:** A hedge fund that is part of a new breed of shareholder activists believing that social good is important to a company's value and bottom line. Founded in 2020, Engine No. 1 is all about active ownership of the companies in which it invests. It is perhaps most well-known for buying a stake in ExxonMobil, an international oil and gas company, and advocating for climate policy.

**Environmental Law:** Aspects of the law that provide protection to the environment.

**ESG:** ESG stands for Environmental, Social and Governance and refers to a system for how to measure the sustainability of a company. It is an evaluation of a firm's beliefs and attitudes about social and environmental factors. Companies are thinking hard about how to incorporate ESG factors into their business strategy to appeal to investors, customers and other stakeholders. And investors are turning to ESG rating firms to screen their investments on these various factors.

**Global Value Chain:** The chain of people, roles, activities and materials involved in the production of goods and services, as well as their supply and distribution. For example, one water bottle filled with water can only be produced and sold through many steps in its global value chain.

**Greenhouse Gas Emissions:** The rising levels of carbon dioxide and other heat-trapping gases that are emitted from factories, vehicles and other sources of fossil fuels and are thought to be damaging the planet.

**Household Finance:** The field of financial economics that studies how households use financial products and markets to meet their objectives.

**Long-term Value:** The value of a company over a long period of time, typically more than 10 years.

**National Flood Insurance Program:** A U.S. governmental program that provides insurance to reduce the socio-economic impact of floods.

**Net Zero Economy:** The move toward eliminating fossil fuels and other sources of greenhouse gases that potentially hurt the environment by 2050.

**Project Gigaton:** An initiative announced by giant retailer Walmart in April 2017 that aims to encourage suppliers to reduce greenhouse gas emissions from the global value chain.

**Real Estate:** Property consisting of land or buildings, including residential real estate like houses and commercial real estate like office parks.

**Science-based Targets Initiative:** An initiative that defines and promotes best practices in reducing emissions and reaching net-zero targets and provides resources and assistance to companies that set climate action-related goals.

**Stakeholders:** A person with an interest or concern in a business, including owners, managers, employees and investors.

**Strategic Business Development:** Thoughtful business growth in such areas as sales, partnerships, expansion and marketing.

**Third-party Certification Organization:** An independent organization that reviews a company's manufacturing process and verifies that it meets the necessary standards for safety, quality or performance.

**Upstream Supply Chain:** This part of the supply chain system, which includes the raw materials and suppliers who contribute to a company's process of making its products, looks toward the supply side of the chain where the raw materials originate. The downstream part of the supply chain includes processes used to create finished goods and the distribution and sale of those goods.

**The Wharton School:** The Wharton School, also referred to as just Wharton, is the business school of the University of Pennsylvania, a private Ivy League university based in Philadelphia, Pennsylvania. Wharton is a world leader in business education and a hub for academic research in all areas of business.

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