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Blue Horizon Economy



Investing in Innovation

INTRO

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RESILIENCE

The world's most successful companies adopt a resilience mindset and understand that operational resilience is the outcome realized by implementing multiple critical measures.

- From the board to the analyst level, ensuring that operational resilience is a priority in portfolio companies can drive better outcomes in terms of both operational stability and asset performance.
- Marisa Drew, Chief Sustainability Officer, Standard Chartered: “Whether we look at tornadoes and tropical storms in the U.S., like Hurricane Milton and Hurricane Helene, which caused over \$500 billion in economic losses, or the L.A. wildfires earlier this year...What we’re seeing in response to these devastating events is growing demand for investment in resilience, to mitigate economic losses caused by extreme weather events.”
- Jason Britton, Chief Product Officer, Sphere: ““ESG” has fallen out of favor, partly because it was often considered broad and hard to define within a large category of investing. ‘ESG’ is the broad stroke term everyone uses to describe values-oriented investing, but ESG really isn’t a thing. It’s not a framework, it’s not a methodology, it’s not a type of investing, it’s just a descriptor.”

PRACTICAL STEPS

Challenges:

- Diminished standardization in reporting amidst a backdrop of deregulation
- Slow uptake in voluntary assurance (third-party review)
- Difficulty in tracking sustainability metrics across diverse portfolios
- Uncertainty around updating risk frameworks to include geopolitical risk and changes to potential funding sources

Companies racing ahead are looking into transition planning: supporting portfolio companies through energy transitions, including renewable adoption, electrification, and resource efficiency improvements.

SPOTLIGHT: CHIEF SUSTAINABILITY OFFICERS



Eccles, Robert; and Taylor, Alison. *The Evolving Role of Chief Sustainability Officers*. August 2023. HBR.

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PRACTICAL STEPS

- **Develop Frameworks:** Companies should prioritize reporting frameworks that align with firm priorities and investment areas.
- **Engage Portfolio Companies:** Advocate for active engagement with portfolio companies to implement sustainability practices, fostering a strong culture from the ground up.
- **Leverage Technology:** Consider new technological solutions to streamline data collection and reporting, enhancing accuracy, and efficiency.

Competitive Advantage: Firms that effectively leveraging data can reduce operational inefficiencies, identify value creation opportunities, and better prepare for regulatory changes.

SPOTLIGHT: RESEARCH FROM NOVATA & OLIVER WYMAN

Exhibit 1: ESG archetypes

	Basic <i>We are responsive and flexible in our approach to ESG</i>	Standard <i>We implement ESG in line with regulatory standards</i>	Enhanced <i>LPs admire our ESG strategy</i>	Best practice <i>We are regarded as a market leader, known for driving the ESG agenda in the industry</i>
Strategy	Ad-hoc; reactive approach to regulations and market developments	Common across investments	Strategy and targets are embedded across processes	Innovative; seeks to drive agenda across the industry
Governance	Unstructured, piecemeal policies not integrated in strategy; have ESG exclusion criteria in place	Formalised and consistently applied; industry standard frameworks are followed	Encompass broad coverage of policies and frameworks across processes	Policies are regularly reviewed; ESG team reports to CEO or CEO-1
Core processes	Reactive; managing issues as they arise	Consider ESG risks & opportunities; regular ESG audits likely performed	Encompass ESG communications, performance management with targets in place, regular reporting	Include specific ESG practices, e.g. specialized ESG reporting to LPs; ESG DDs; sharing ESG targets and value creation ideas at exit
Metrics	A few EDCI ¹ , SASB ² , GRI ³ metrics are tracked; mostly qualitative	Some quantitative metrics are tracked; metrics track adverse impacts and risks more than actions and opportunities	Cover all aspects of ESG; metrics collection systems are in place; metrics are collected more frequently than annually	Cover all aspects of ESG incl. impact & ESG value creation metrics; collect metrics quarterly
Data	No frameworks or processes in place to manage data	Data management reliant on simple, generic tools e.g. Excel	Data management systems in place and data management processes are reviewed regularly	Use best in breed data management systems and processes

Source: Oliver Wyman, Novata

<<https://www.oliverwyman.com/our-expertise/insights/2023/sep/turning-esg-data-into-competitive-edge.html>>

SPOTLIGHT: RESEARCH FROM NOVATA & OLIVER WYMAN

Exhibit 2: In what ways do you see strong ESG performance impacting financial performance? % of respondent



Source: Oliver Wyman, Novata

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<<https://www.oliverwyman.com/our-expertise/insights/2023/sep/turning-esg-data-into-competitive-edge.html>>

SPOTLIGHT: MICROSOFT

Microsoft Climate Innovation Fund



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As Microsoft works to reach our carbon-negative, water-positive, zero-waste, and protect all ecosystems goals by 2030, we believe investing in climate technologies and building new markets will be critical to this work. Through our Climate Innovation Fund, we aim to drive sustainable progress and empower change-makers around the globe.

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James Lockyer
Director, Climate Innovation Fund

CHINA MAKES MAJOR INVESTMENTS AT HOME... AND ABROAD

- In 2020, China announced that the country would reach peak carbon emissions by 2030 and carbon neutrality by 2060.
 - That same year, the Chinese government pledged to double its renewable energy capacity by 2030—only to reach that goal six years ahead of schedule.
 - In 2024, China led global energy transition investment, accounting for two-thirds of the \$2.1 trillion spent on everything from power grids to electric transport.
 - China is driving global clean energy growth, accounting for 60% of new renewable capacity worldwide in 2023. (World Energy Outlook 2024.)



Building a Strategy

- Accurate and accessible data helps manage risks, deliver efficiencies, and drive long-term success.
 - Data Management: Simplify sustainability data collection and management for sharper insights and more confident decisions.
 - Carbon Accounting: Master your carbon data quickly, so you can respond to emissions requests and take action for long-term resilience.
 - Regulatory Solutions: Streamline compliance requirements and reporting to protect your business and reduce risk.

