Corporate Sustainability: Commitment, Investment, Action

A 2022 C-LEVEL PULSE CHECK

Contents

INTRODUCTION

The world's largest organizations play a vital role in decarbonization and the sustainable energy transition.

For more information on the study's methodology, see page 15.

INTRODUCTION CONTINUED

Today's organizations are faced with the growing threat of climate change, energy and resource volatility, increasing government legislation and accelerating pressure to act from a wide range of stakeholders. They also have myriad sustainability options to consider pursuing. But where are these organizations on their sustainability journey and what are their plans?

This report summarizes the findings of an independent 2022 study with key decisions makers from some of the world's leading organizations, commissioned by Schneider Electric with the intent to learn how committed organizations are to sustainability and decarbonization, now and across the next five years.

For more information on the study's methodology, see page 15.

Threats faced by organizations

Climate change

Energy and resource challenges

Increasing government legislation

Stakeholders pressure

This study gathered insights from 541 C-level executives or their direct reports responsible for sustainability across a wide range of industries. They were questioned on why they are committed to sustainability, what initiatives they are pursuing currently and those they plan to pursue in the medium term, and what key challenges they face.

Assessing the current and future sustainability initiatives participants reported, the study's preliminary results helped identify Sustainability Leaders, Followers and Laggards.

EXECUTIVE SUMMARY

Organizations are increasingly committed to sustainability and ready to invest capital on the road to net zero.

However, despite an increasing show of good intentions, not all organizations are prioritizing the most effective initiatives or navigating the fastest path forward.

Sustainability has rapidly risen to the top of the corporate agenda as the awareness of the risks posed by climate change – and the pressure from stakeholders to address those risks has grown. Investment and initiatives are being driven from the top to address these risks and organizations increasingly believe they have a moral responsibility to improve.

EXECUTIVE SUMMARY CONTINUED

Financially, organizations are demonstrating their commitment to sustainability, but to differing degrees. On average, organizations are planning to spend just under 2% of annual revenue on sustainability and decarbonization initiatives over the next three years. But Sustainability Leaders will spend more than double that of Sustainability Laggards, which will only increase the gap between organizations.

under 2%

of annual revenue on sustainability and decarbonization initiatives is planned to be spent by organizations over the next three years.

That investment is demonstrated in the initiatives organizations are currently pursuing. The sample showed that many organizations recognize the importance of decarbonization initiatives and are pursuing a wide range of projects and programs. Even so, many organizations are obstructed by the complexity of decarbonization and which programs to prioritize. Unsurprisingly, Leaders are pursuing more, and more impactful, initiatives than Laggards.

It's not an easy journey. The investment and progress of Leaders and Laggards is unsurprisingly reflected in the challenges that decision makers perceive. Laggards still face budget and financing barriers and are concerned about aligning with their stakeholders, while Leaders have moved on to challenges around fully meeting government regulations and tackling issues such as reducing carbon, recycling and natural resources.

This report explores these areas in greater detail, breaking down patterns, trends and outliers in the data and drawing conclusions.

SECTION 01: SUSTAINABILITY IS A MORAL IMPERATIVE FOR MOST

Sustainability decision makers are motivated by moral reasons, awareness of climate-related risks and pressure from the Boardroom.

Sustainability is now firmly part of the business agenda. But there are many reasons why organizations are committing time and resources to sustainability and decarbonization initiatives, from internal motivations to external pressures.

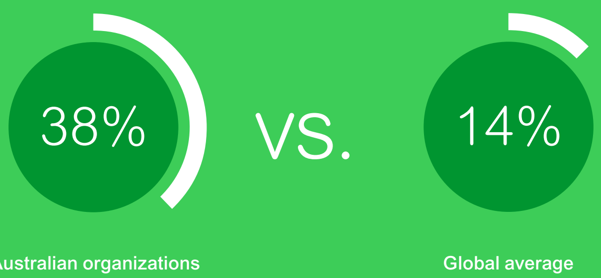
When asked to rank the top three reasons for their commitment in order of priority, ‘moral reasons’ topped the list and was the most common number one choice. Moral reasons are especially motivating for Sustainability Leaders, with 28% citing it as the most important compared with only 8% for Sustainability Laggards.

More pragmatic factors rounded out the rest of the top five motivations, namely ‘awareness of climate-related risks’, ‘internal pressure from the board’, ‘government/regulation pressure’ and ‘industry pressure’.

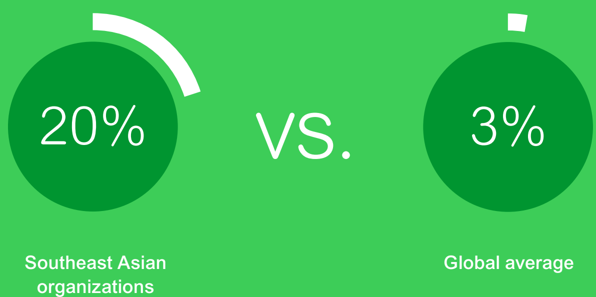
Surprisingly, ‘opportunity for savings’ was the lowest ranked reason for pursuing sustainability initiatives, suggesting respondents do not currently associate sustainable initiatives with bottom-line benefits.

INDUSTRY AND GEOGRAPHY INSIGHTS

Australian organizations cite ‘moral reasons’ as their key motivation to a much greater extent than the global average (38% vs 14%).



Southeast Asian organizations are significantly more likely to rate ‘employee pressure’ as a top priority than the global average (20% v 3%).



Participants were ranked as Sustainability Leaders, Followers and Laggards through an assessment of their current and planned initiatives.

SECTION 02: ORGANIZATIONS ARE COMMITTING CAPITAL TO SUSTAINABILITY

The average financial commitment to sustainability and decarbonization initiatives across the sample was just under 2% of annual revenue over the next three years.

Delivering sustainability initiatives can require significant financial investment. This willingness to leverage capital for change is where Leaders and Followers distinguish themselves from Laggards.

On average, organizations plan to spend 1.9% of their annual revenue on sustainability initiatives over the next three years.

2.3 times as likely

Sustainability Leaders plan to invest more than twice as much as Laggards (2.3% vs 1.0%), and 15% more than Followers.

22% of organizations plan to invest a more significant 3-5% of their annual revenue, again driven by Leaders and Followers.

Larger organizations also plan to invest more. Those with revenues over $10 billion are committed to spending 2.1% of revenue, versus 1.4% for those between $1 and $1.49 billion and 1.6% for those between $5 and $10 billion.

INDUSTRY AND GEOGRAPHY INSIGHTS

US, Canadian and Australian organizations plan to invest more than other regions.

Asian organizations plan to invest least, with European organizations in the middle.

2.3%

planned investment by public sector organizations, significantly more than C&I (commercial and industrial) organizations (1.8%).

SECTION 03: KEY INITIATIVES TO DRIVE CHANGE ARE BEING OVERLOOKED

The most common initiatives pursued today relate to procuring renewable energy and other ways of reducing CO_2 emissions, as well as sustainability messaging.

There are a huge number of sustainability and decarbonization initiatives that organizations can pursue. The top initiatives reported by the sample included the 'procurement of renewable energy', 'improving internal and external sustainability messaging', 'reducing or avoiding CO_2 emissions' and 'setting sustainability targets' which are all being pursued by at least half of respondent organizations.

Sustainability Leaders are more likely to pursue a large number of decarbonization initiatives than Followers or Laggards, with the proportion of Leaders pursuing some initiatives more than double that of Laggards. The initiatives with the greatest discrepancy between Leaders and Laggards are defining the 'ambition/ setting sustainability targets' (39% difference), 'exploration of and investment in innovative solutions' (38% difference) and 'sustainability messaging' (35% difference).

However, there was discrepancy in the sample between what respondents rated as the most important initiatives and what were the most popular initiatives being pursued. For instance, while 'sustainability messaging' was the second most pursued initiative, it was only considered the fifth most important.

INDUSTRY AND GEOGRAPHY INSIGHTS

'Supply chain decarbonization' is the top pursuit for retail organizations (63%), and among the top for both transportation organizations (61%) and food & beverage organizations (57%).

63%
Retail organizations

61%
Transportation organizations

57%
Food & beverage organizations

Implementing 'electric vehicles' is the least common initiative, being pursued by less than a third of organizations (29%).

29%
'Electric vehicles' implementation

SECTION 04: CHALLENGES CHANGE WITH TIME AND INVESTMENT

When asked about the greatest challenge to implementing sustainability in the medium term, decision makers highlighted concerns around stakeholder alignment, budget, technology, skills and regulations, but these change as organizations develop.

Even those organizations with a strong appetite for and financial commitment to decarbonization face challenges to implementing their sustainability plans over the next three to five years.

12%

of Leaders rated 'budget and financing concerns' as their top challenge.

There is again divergence amongst the challenges expected by Sustainability Leaders, Followers and Laggards. Laggards rated 'budget and financing concerns' as the key hurdle they face (22%), while Leaders considered five other areas more challenging. Only 12% of Leaders rated 'budget and financing concerns' as their top challenge, suggesting that securing funding for sustainability is no longer a key barrier for many Leaders.

INDUSTRY AND GEOGRAPHY INSIGHTS

Technology/ cybersecurity/ workforce skills are the largest challenge for Southeast Asian organizations (40%).

Southeast Asian organizations

INDUSTRY AND GEOGRAPHY INSIGHTS

2 times as likely

Leaders were twice as likely to be concerned about integrating sustainability and strategic goals as Laggards (12% vs 6%).

'Stakeholder alignment' was a top two concern for Followers (18%) and Laggards (18%), but not so for Leaders (13%). Leaders consider 'government/ regulation challenges' as the key issue they face, with 20% calling it their greatest concern. Only 8% of Laggards rank meeting government regulations as their key challenge, suggesting they may not fully appreciate the impending impact regulations could have on them.

2%

On average, companies are planning to spend **just under 2%** of annual revenue on sustainability and decarbonization initiatives over the next three years.

SECTION 05: EXPERTISE IS ESSENTIAL FOR REACHING SUSTAINABILITY AMBITIONS

Most organizations use both internal and third-party resources to manage their sustainability and decarbonization programs, with a preference for consistent partners across strategy, implementation and digitization.

Sustainability programs and initiatives require expertise and resources to design, deliver and manage. ‘Workforce skills’ and ‘partners’ were both listed as key challenges by decision makers, highlighting the importance of having the right people involved.

Half of decision makers (51%) use both internal and third-party resources to manage their sustainability programs. The 17% that said they use only internal resources cited ‘budget’ as the primary reason for this decision, along with believing they have the expertise internally. Notably, ‘budget’ was also the main reason organizations use external resources (36%).

34%

of organizations would ideally use the same third-party partner for strategy, implementation and digitization.

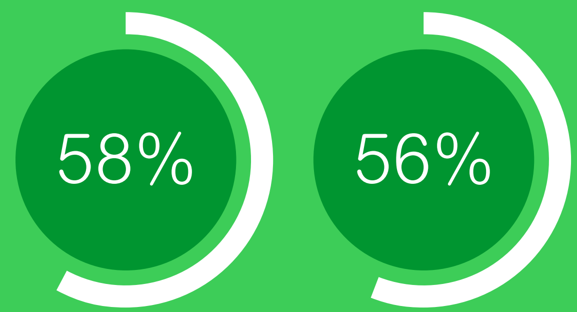
21%

of organizations would separate digitization from strategy and implementation.

When asked about third-party partners, a third of organizations (34%) would ideally use the same partner for strategy, implementation and digitization. Just over a fifth (21%) would separate digitization from strategy and implementation, suggesting a level of recognition that delivering digitization requires a dedicated skillset.

INDUSTRY AND GEOGRAPHY INSIGHTS

Sustainability Leaders (58%) are more likely to use both internal and external resources as are organizations with over $10 billion in revenues (56%).



Sustainability Leaders

Organizations with over $10 billion in revenues

SECTION 06: SUSTAINABILITY DATA MANAGEMENT REQUIRES DEDICATED SOFTWARE

Organizations are using software to manage their sustainability data, whether provided by a third-party or developed internally.

Once organizations commit to sustainability, the management of data becomes a key consideration. This was demonstrated by 11% of decision makers considering 'reporting metrics, transparency and data collection' a key challenge.

The majority of respondents (43%) use dedicated third-party sustainability software while over a quarter have developed their own internal software (27%).

When deciding on a third-party technology provider for data management, or for managing sustainability action, there are a range of factors considered. 'Cybersecurity standards' (49%) and 'implementation capabilities' (45%) ranked most highly, with little difference between 'building optimization' and 'price' (both 43%), '24/7 remote monitoring capability' (42%) and 'company track record' (41%).

INDUSTRY AND GEOGRAPHY INSIGHTS

13%

of finance/banking and public organizations are more likely to use spreadsheets to manage their sustainability data (13% for both).

SECTION 07: BENEFITS OF ELECTRIFICATION AND AUTOMATION LOST ON LAGGARDS

Electrical infrastructure and enhanced automation are seen as a means of achieving decarbonization goals by Leaders and Followers, but not Laggards.

Driving electrification was the second least likely sustainability initiative related to decarbonization being pursued by organizations and was considered the least important. Only 31% of organizations are currently pushing electrification, though there was a large difference between Leaders (44%) and Laggards (19%).

However, when asked about the subject directly, 100% of Leaders regard upgradation of electrical infrastructure and enhanced automation as a part of their sustainability plan, while 78% of Followers do.

100%

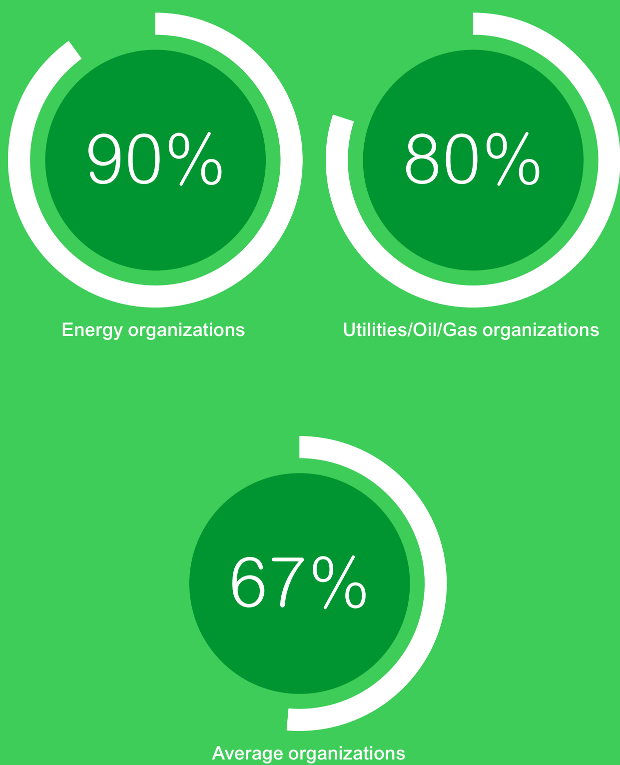
of Leaders regard upgradation of electrical infrastructure and enhanced automation as a part of their sustainability plan.

Only 5% of Laggards consider these areas as a part of sustainability, showing a massive gap in understanding the importance of electrification and automation between those who are further along in their sustainability journey and those falling behind.

The most critical areas within upgrading electrical infrastructure and enhanced automation that organizations will focus on in the next three years are 'critical reliability infrastructure', 'variable speed drives', 'building management systems' and 'enhanced process automation'.

INDUSTRY AND GEOGRAPHY INSIGHTS

Energy (90%) and Utilities/Oil/Gas organizations (80%) are more likely to view upgrading electrical infrastructure as part of sustainability than the average (67%).



METHODOLOGY

This study was commissioned by Schneider Electric, with the survey fieldwork independently conducted by Beresford Research between April and May 2022.

This study included a small qualitative phase and a large quantitative phase. The initial qualitative phase comprised five ‘cognitive’ interviews to gain feedback about the survey questions and responses. The quantitative phase consisted of 541 20- to 25-minute telephone surveys, conducted from April 6 to May 17 2022 using Computer-Aided Telephone Interview (‘CATI’) technology.

The margin of error for the total results is +4.21 points at 95% confidence level.

The respondents

Surveys were completed by 541 key decision makers. All participants were C-level executives or their direct reports responsible for business sustainability decisions. Over 50% of participants were C-level executives, including CEOs, CSOs, COOs and CFOs.

Participants were based across the US, the UK, France, Germany, Sweden, Denmark, India, China, Indonesia, Thailand, Vietnam and Australia. The organizations they represented were both public and private, with revenue of at least $1 billion. 320 respondents were from organizations with more than $10 billion in revenue, 110 with revenue between $5 and $10 billion, and 110 with revenue between $1 and $5 billion.

Organizations came from 19 industries, namely:

- Finance/Banking (7%)
- Food & Beverage (7%)
- Construction/Building Products/Home Builders (6%)
- Consumer Goods (6%)
- Industrials & Manufacturing (6%)
- Mining, Metals & Minerals (6%)
- Retail (6%)
- Technology/Cloud/Data/Telecom (6%)
- Transportation (6%)
- Utilities/Oil/Gas (6%)
- Commercial Real Estate (5%)
- Energy/Renewables/Efficiency (5%)
- Healthcare/Biotech/Pharma (5%)
- Logistics (5%)
- Media/Communications (5%)
- Water & Waste Water (5%)
- Government (4%)
- Hotel/Hospitality/Tourism (4%)
- University/School Administration (3%)

Beresford Research used the preliminary results to develop a method for identifying Sustainability Leaders, Followers and Laggards using responses to two survey questions relating to current initiatives and planned initiatives. This created a Leaders group that comprised 19% of the sample, a Followers group that represents 60%, and a Laggards group that includes 21%.

FIND OUT MORE

Back to 2050

Schneider Electric Sustainability Research Institute

1.5°C is more feasible than we think – climate change, human progress, and modernized economy.

Read More →

Towards Net-Zero Buildings: A Quantitative Study

Schneider Electric Sustainability Research Institute

Buildings of the Future – how to decarbonize the building sector?

Read More →

Schneider Electric Insights

More sustainability research

Explore Further →