



Climate check: Business' views on environmental sustainability The disparity between urgency and action

Executive Summary

With an increasing number of catastrophic, climate-related events affecting populations and geographies, today's business leaders are increasingly aware of the immediacy of climate change and the need to act on environmental issues. While businesses are starting to take action, the current level of action often doesn't match the scale and urgency of executives' stated business and moral concerns. A Deloitte Global survey of 350 executives worldwide conducted between November 2019 and January 2020 reveals that while executives believe business is doing enough to address climate change and environmental issues, leaders are struggling to elevate this topic to the level of business imperative.

For environmental efforts to have a lasting impact, they need to become an integral part of growth strategies. While companies are able to fit environmental-sustainability initiatives within their short-term business priorities, they are still not viewing these programs as inherent, long-term parts of their businesses, and they often lack support and buy-in from the top.

For example, two-thirds of executives surveyed said they anticipate their organizations making cutbacks in their environmental efforts in the event of an economic downturn. And 38% say lack of buy-in and/or accountability from the CEO or other senior leaders is preventing their companies from taking more concrete actions to address climate change.

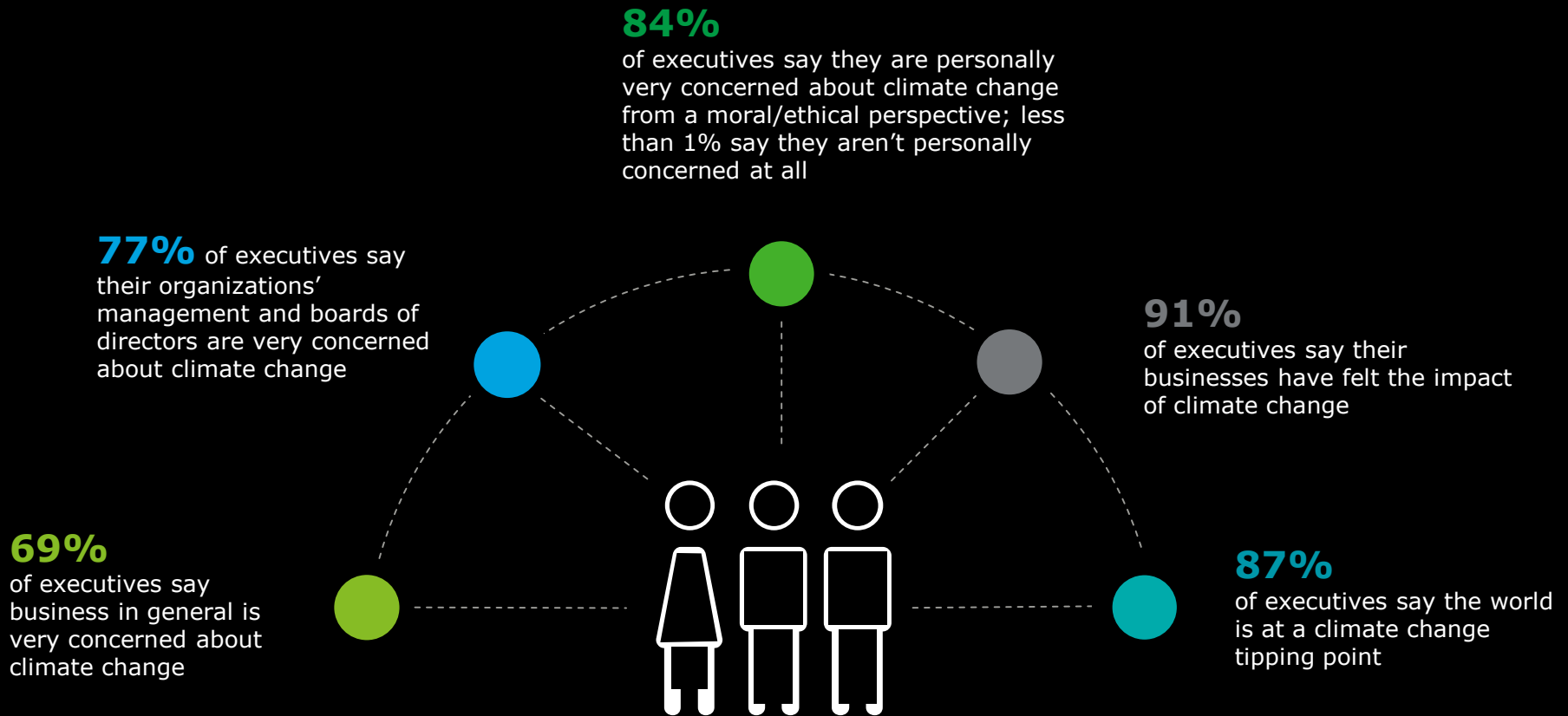
The following findings highlight executives' greatest concerns when it comes to environmental sustainability, the actions they are taking in response, the gaps in progress, and recommendations for how organizations can make environmental sustainability fundamental to their operations.



Making the case for change

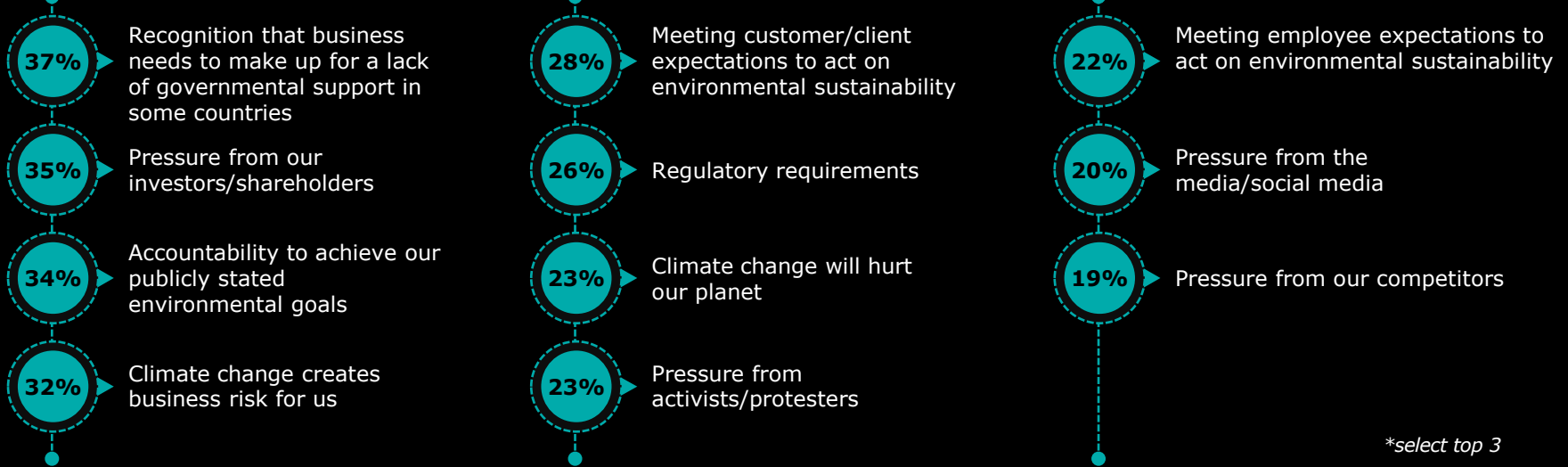


The majority of executives say that business in general, as well as their individual organizations, are concerned about climate change. Moreover, executives are highly concerned about it from a moral perspective. Most executives claim their businesses have already felt the effects of climate change and believe the world is at a tipping point on this issue.



Current motivators for environmental-sustainability efforts

What are the top factors currently motivating your company's environmental-sustainability investments?*



The top factor currently motivating companies' environmental-sustainability investments is the recognition that business needs to make up for a lack of governmental support in some countries. With the US withdrawing from the Paris Agreement on climate change mitigation in 2017 and relaxing many environmental regulations, it's perhaps telling that North American executives (45%) cited this more frequently than European (33%) and Asian executives (36%).

Executives also cite investor/shareholder pressure and accountability to achieve publicly stated environmental goals as top motivators. Businesses' environmental-sustainability efforts appear to be more motivated by the potential risks climate change could cause to business (32%) versus the fear that climate change will harm the planet more broadly (23%), despite executives' stated concerns that they are morally/ethically very concerned about climate change.

Biggest environmental-sustainability/climate change issues already impacting or threatening to impact business:



41%

Climate-related disasters/weather events

34%

Scarcity and the cost of resources

34%

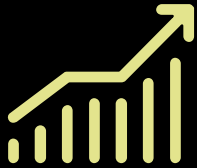
Increased insurance costs or lack of insurance availability

33%

Regulatory/political uncertainty

Business confident in its current role and taking action ... but current level of action often doesn't match the scale and urgency of executives' stated concerns

Executives think their organizations and business generally are doing good jobs when it comes to environmental-sustainability issues:



81%

agree that the business world in general is doing enough to address climate change and environmental issues

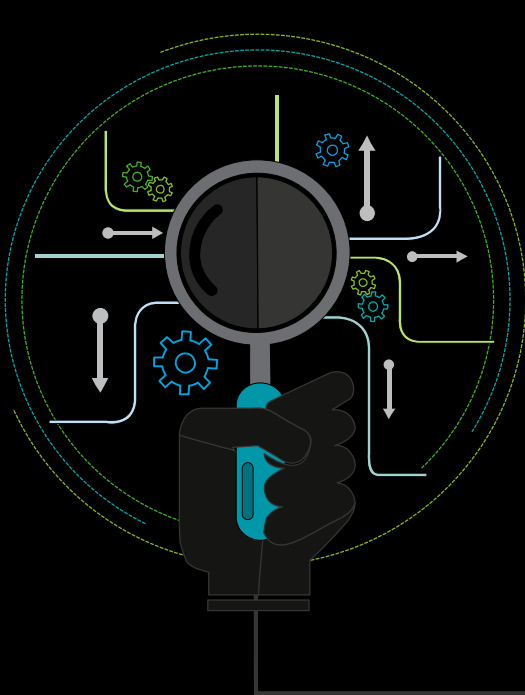
73%

believe their organizations are doing enough to address climate change and environmental issues

61%

say they are personally doing enough to address climate change and environmental issues

Businesses are taking action ... but is it sufficient?



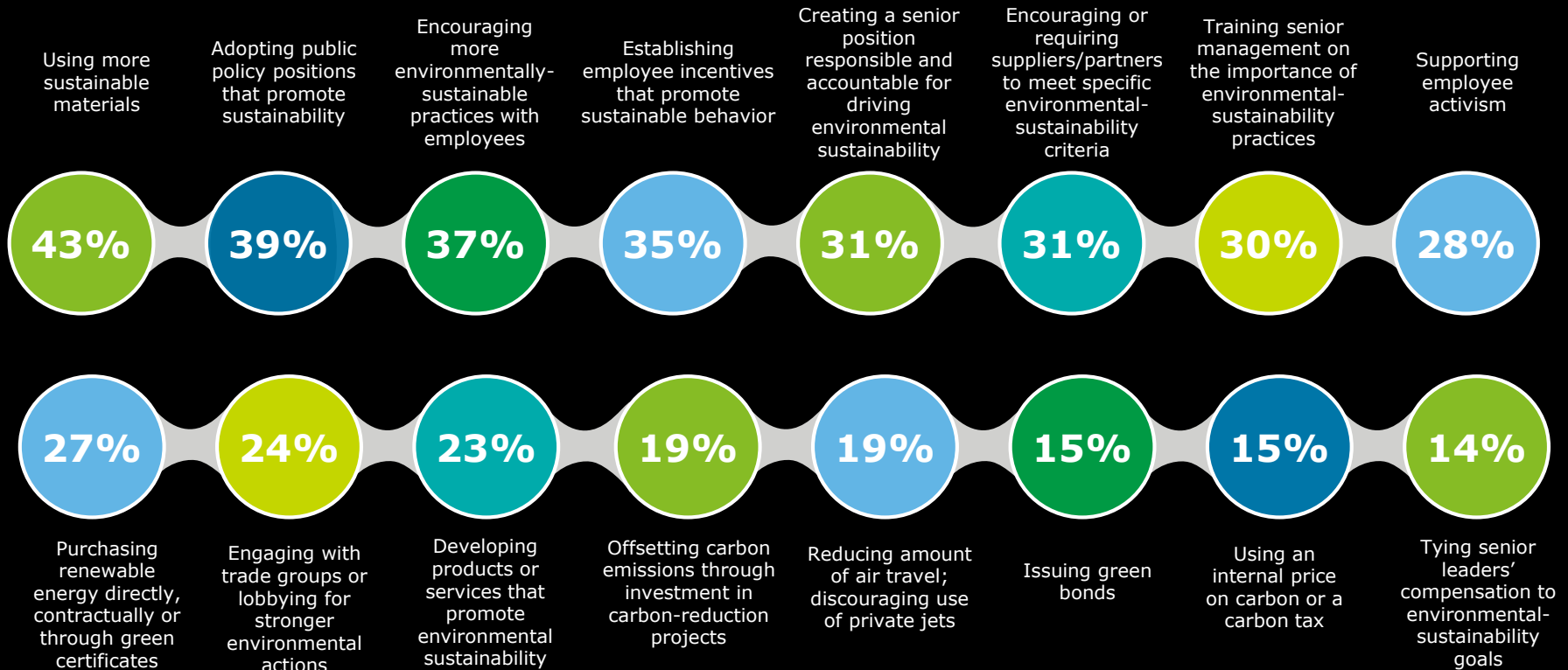
While our survey shows that businesses are taking action on environmental sustainability, these actions are often somewhat intangible, indirect and/or circumspect. For example, leaders most often cited "using more environmentally-sustainable materials," "adopting public policy positions that promote environmental sustainability," and "encouraging more environmentally-sustainable practices with employees" as actions they're currently undertaking. While encouraging, these categories could represent a broad range of "soft" actions that may not equate to substantial action or commitment.

Businesses largely avoid using financial vehicles or incentives, such as "using an internal price on carbon or a carbon tax," "tying senior leader compensation to environmental-sustainability goals," or "developing products and services that promote environmental sustainability"—actions that are challenging to implement, but can yield measurable results and lead to greater accountability.

Travel also appears to be one of the most difficult sacrifices to make for the environment. Despite the media's spotlight on the negative impact of air travel and private jets, less than 20% of companies are considering reducing their air travel or discouraging the use of private jets.

Businesses are taking action ...

Which of the following actions has your organization undertaken as part of its current environmental-sustainability efforts?*



*select all that apply

When asked about environmental targets or goals:



Just 35%

said they have set carbon-reduction goals

88%

said they have set environmental goals in areas other than carbon

69%

believe companies should be required to publish their environmental-sustainability progress

90%

said there should be consequences for not meeting company environmental-sustainability goals in a timely fashion

... and starting to see some results (though primarily from a business-impact lens vs. actual environmental progress)

Has your organization's environmental-sustainability efforts yielded a positive impact in any of the following areas?*



59%

Revenue growth



37%

Measurable impact on the environment (e.g., reduced emissions)



51%

Profitability



36%

Employee morale



48%

Customer satisfaction/meeting client expectations



9%

We're still figuring out how to measure the impact in some areas



38%

Employee recruitment



0%

There has not been any impact yet

**select all that apply*



Reflecting the motto of "doing well by doing good," our survey reveals that companies have seen positive business impacts as a result of their environmental-sustainability efforts. More than half of companies (59%) have seen a positive impact on revenue growth and 51% have seen increased profitability. However, only 37% of executives said their environmental efforts have yielded a measurable impact on the environment itself, which calls into question the intended impact and goals of businesses' environmental-sustainability actions.

Starting to walk the talk: Executives are beginning to take action on a personal level—but the majority of actions tend to be focused on encouraging others or considering options rather than making substantive changes



More than a third of executives are considering environmental sustainability in their personal investment decisions, such as investing in financial instruments that consider social good in the selection of stocks or bonds. This type of investing, though still in early stages of adoption worldwide, may open a whole new avenue for individuals to impact how business approaches environmental sustainability.

Which of the following actions have you personally undertaken/are currently undertaking to become more environmentally sustainable/alleviate the negative effects of climate change?*

Encourage(d) my coworkers, family and friends to be more environmentally sustainable

61%

Donate(d) to environmental causes/volunteer(ed) 18%

Engage(d) in environmental advocacy or activism 56%

Purchase(d) carbon offsets at a personal level 19%

Consider(ed) environmental sustainability in my personal purchasing decisions 49%

Reduce(d) other travel (e.g., choosing to carpool, bike, walk, public transit) 21%

Purchase(d) renewable energy or undertaken energy saving actions at home 36%

Reduce(d) my air travel 25%

Consider(ed) environmental sustainability in my personal investment decisions 35%

Educate(d) myself on environmental sustainability 33%

*select all that apply

Yet challenges remain ... so what's preventing more meaningful action?

What, if anything, do you believe is holding back your company's leadership from taking more concrete actions to address climate change?*



Despite executives' confidence that business is doing enough when it comes to environmental sustainability, our survey results found some troubling trends that suggest a prevalence toward short-term thinking and a view that environmental-sustainability efforts aren't an integral part of the business.



Short-term thinking and lack of support from the top are cited as top issues preventing more meaningful environmental-sustainability efforts. Executives cited lack of leadership buy-in, difficulty developing an impactful strategy, and focus on near-term business issues as top factors preventing them from taking more action. Interestingly, executives cited "concern we might alienate a subset of customers or employees if we take a stance" as the top reason holding them back from taking more concrete actions to address climate change. This implies that, in the current political landscape, businesses can find it tricky to satisfy the expectations of different customers and employees, despite scientific evidence.

Yet challenges remain ... so what's preventing more meaningful action? (cont'd.)



Another sign that environmental-sustainability efforts are a “cost” and an “extra” rather than a fundamental part of business strategy: Two-thirds of executives admit that in the case of an economic downturn, they would have to cut back on their environmental-sustainability efforts. This scenario is becoming more realistic as international organizations are lowering their projected growth rates for the global economy.

How do you think an economic downturn would impact your company's environmental-sustainability efforts?



35%

We would have to cut back somewhat



34%

It would make no difference to our sustainability efforts—they are too important



29%

We would have to significantly cut back

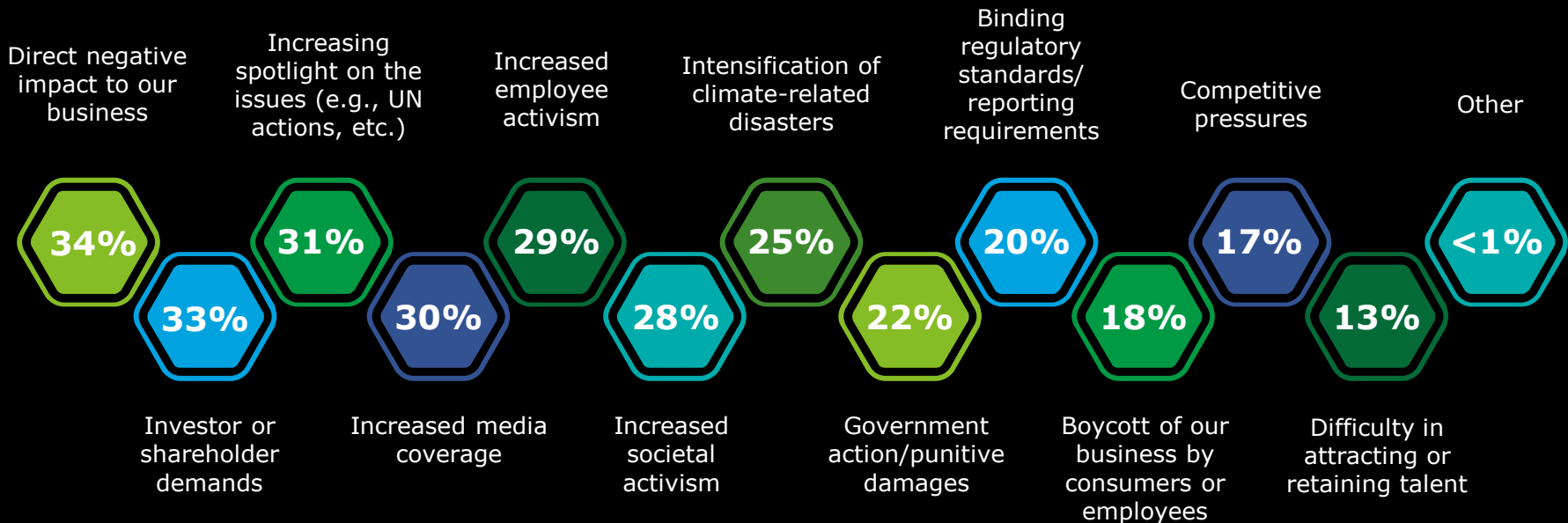


2%

We would have to stop our efforts completely

Motivators to escalating efforts

What would motivate your company to escalate its environmental-sustainability efforts in the future?*



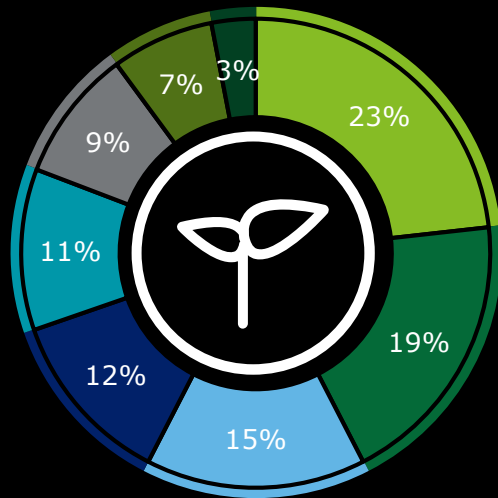
*rank top 3



The state of business is the top motivator for companies to increase their environmental-sustainability efforts, with the biggest group (34%) saying that a direct negative impact to their businesses would motivate them to escalate their efforts in the future, followed by investor or shareholder demands (33%). Interestingly, executives also said an increased spotlight on the issue from organizations like the United Nations (UN) or in the media would also be top motivators.

Taking the lead: Implementing environmental-sustainability efforts

Who will be most successful at making progress on environmental sustainability?*



- Business leaders
- Activists and protesters
- Government leaders
- Not-for-profits/NGOs
- The next generation of leaders
- Collaboration between government and business
- Academia
- Collaboration will be required among all of the above

*Select one



The success of environmental-sustainability efforts depends on choosing the right people to implement them, both within larger society and individual businesses. In our survey, we asked executives who they think will be the most successful at making environmental-sustainability progress. Business leaders were voted as the No. 1 group, followed by activists/protesters and government leaders. While it's positive that business leaders consider themselves the most adept at making progress on the environment, it is by no means a landslide vote of approval (23%), showing that there is not much confidence around any one group's ability to succeed.

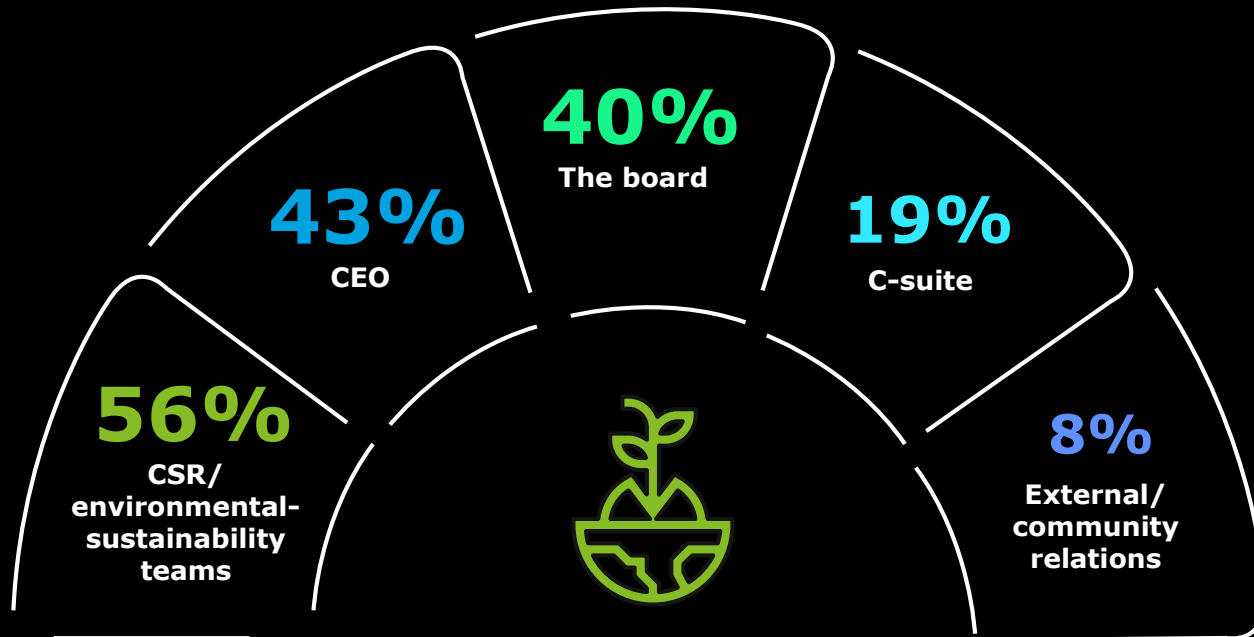
It may come as surprise that collaboration—either between the government and business or among all parties—received so few votes. It is possible that executives would rather step in themselves where they see government or regulators falling behind. Yet, given that collaboration around shared goals have been lauded by several groups—including the UN and World Economic Forum—as integral to these efforts, businesses may be remiss not to consider the effectiveness of partnerships.

Taking the lead: Implementing environmental-sustainability efforts (cont'd.)



In terms of corporate leadership, the majority of companies delegate the responsibility of environmental issues to the corporate social responsibility executives and teams. However, boards and CEOs are playing an increasingly significant role. That's a positive indication considering the importance of leadership buy-in to drive any successful strategy.

Who at your company is responsible for setting environmental goals and driving accountability to meet them?*



**select all that apply*

Key takeaways

The survey confirms that business leaders are concerned about issues related to environmental sustainability and climate change, and they are starting to take action—both within their companies and on a personal level. While executives are fairly confident in the business community’s role in addressing these issues, the survey also reveals that business has yet to translate concern into significant, long-term action. To take environmental-sustainability efforts to the next level, organizations should consider the following:

1

Ensure there is board- and CEO-level support for environmental-sustainability initiatives. While it’s important to have specific teams devoted to environmental sustainability, these efforts won’t go far without buy-in and accountability from the top. Support from the board, in particular, will help move these initiatives to long-term priorities for the business.

2

Embed environmental sustainability into business strategy and elevate it to the importance of a “must-have” to avoid short-term thinking. Short termism often drives more insular, self-serving decisions than broader, society-based decisions.

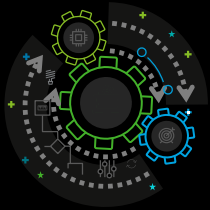
3

Climate change challenges should not be tackled alone. Pursue collaborations with other organizations with like-minded missions and shared goals to increase impact and learnings.

4

Start by setting tangible goals—both for carbon reduction and other environmental priorities. Then implement a measurement and reporting process (e.g., science-based targets and the Global Reporting Initiative) that aligns with global standards.

About the survey



Methodology

These findings are based on a survey conducted by Forbes Insights and Deloitte Global of 350 executives from North America, Asia, Europe, and Latin America. A majority of respondents (70%) were C-level executives. Respondents represented the consumer products, energy and resources, financial services, health care, telecommunications, life sciences, media, professional services, public sector, technology, and manufacturing industries. Respondents came from organizations with annual revenues of \$750 million or more, with 24% coming from organizations with \$5 billion or more in annual revenues. The survey was conducted between November 2019 and January 2020.

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