REUTERS EVENTS™

# Reuters Impact:
# Global Sustainability Report

Tracking the evolution of sustainability strategies and investments globally

**September 2023**

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# Contents



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# Foreword

Welcome to the inaugural edition of the Reuters Impact Global Sustainability Report. This study has been produced following tens of qualitative research calls and a survey of sustainability practitioners and decision-makes which was conducted in Q2 2023. More details of the survey and our respondents can be found in the Methodology section of this report.

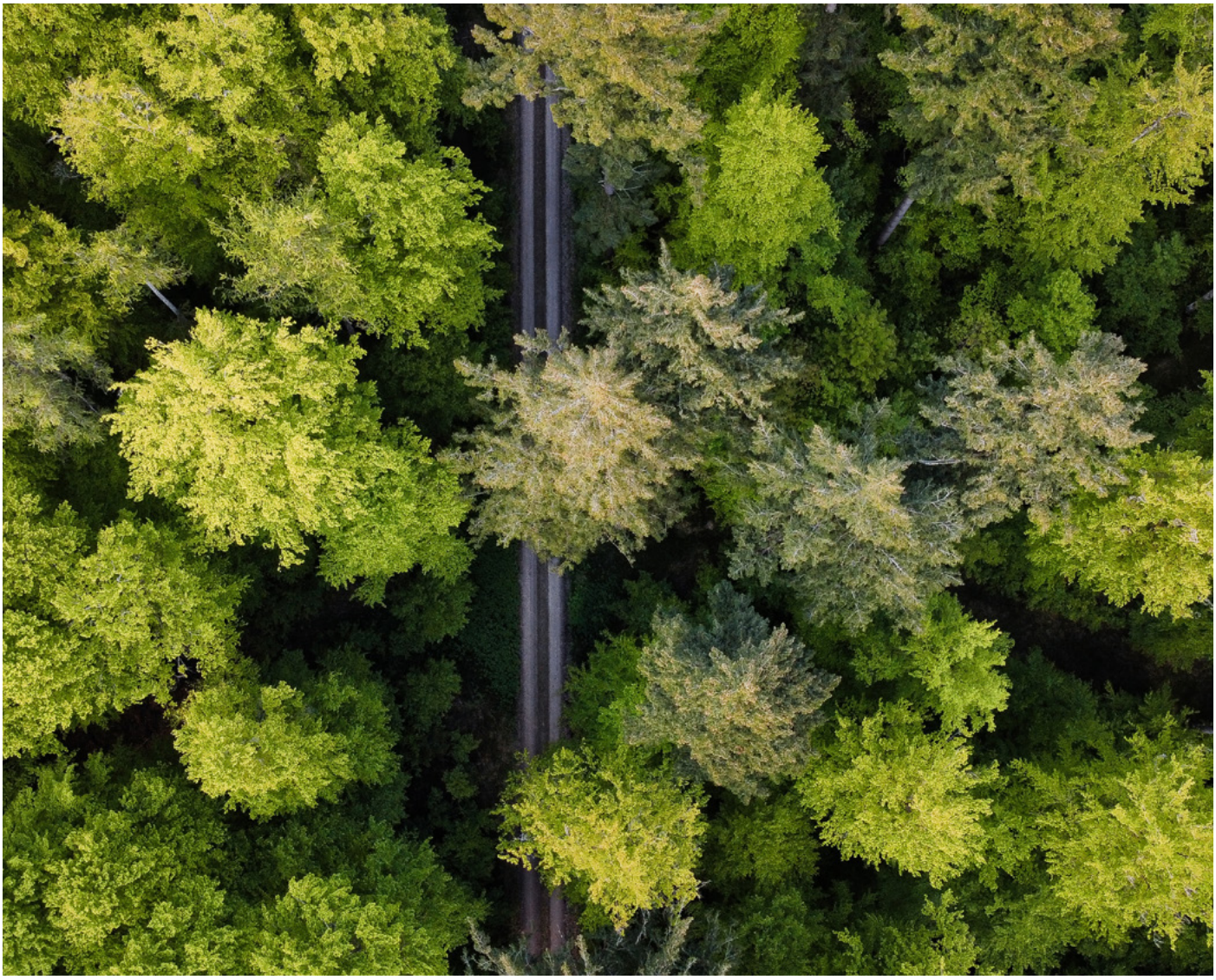
This report highlights the key challenges and disruptions that sustainability practitioners are facing in their day-to-day jobs, exploring their specific priorities, their strategies to address them, which metrics for success they are chasing, and the tools and technologies they are procuring – and planning to procure – to help them meet their business goals.

Our research comes at a pivotal time for the business community, with the 2020s needing to be a decade of action, we hope that our research can help industry stakeholders better understand the sustainability landscape and trigger action. Our findings, which you can read and digest over the coming pages, illustrate that in spite of a number of present and emerging disruptions, the business community is acting across a wide array of priorities to become cleaner, fairer and more responsible moving forward.

We hope that this report and its actionable takeaways trigger discussion, provides strategic insight and inspires the community to continue in its work.

We would like to take this opportunity to thank the hundreds of professionals who completed our survey, alongside those who took time out of their schedules to help with our qualitative research. This report would not have been possible without their valuable contributions.

We look forward to continuing the discussion live and in person at Reuters Events' portfolio of sustainability-dedicated events.



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# Executive Summary

With sustainability increasingly rising up corporate agendas, decision-makers are navigating two primary disruptions; the pressure to decarbonize operations, and the regulatory need to report.

Businesses are preparing for more comprehensive sustainability reporting requirements by investing in a range of different tools and technologies, however the direction of investments looks set to change in the next three years in tandem with growing demands. Our research indicates that while data analysis solutions, emissions accounting solutions and process improvement technologies are the top three destinations for investment today, this will change by 2026 with ESG data management platforms, sustainability risk management solutions and emissions management solutions growing in popularity.

Nearly **80%** of survey respondents expect sustainability-related investments to increase in the next three years

The introduction of more complex reporting requirements, alongside a growing acknowledgement of the business risk posed by ESG compliance, is triggering investment in a broader range of tools. With Scope 3 reporting requirements – as mandated within Europe's Corporate Sustainability Reporting Directive (CSRD) and proposed by the U.S. Securities and Exchange Commission – set to

become the de facto standard for ESG reporting over the coming years, investment is also expected to grow. A large majority of respondents to our Reuters Events Sustainability Strategy and Implementation Survey 2023 – nearly 80% - expect sustainability-related investments to increase. However, our research also indicates that larger companies are more likely to expect an increase in sustainability investment than SMEs.

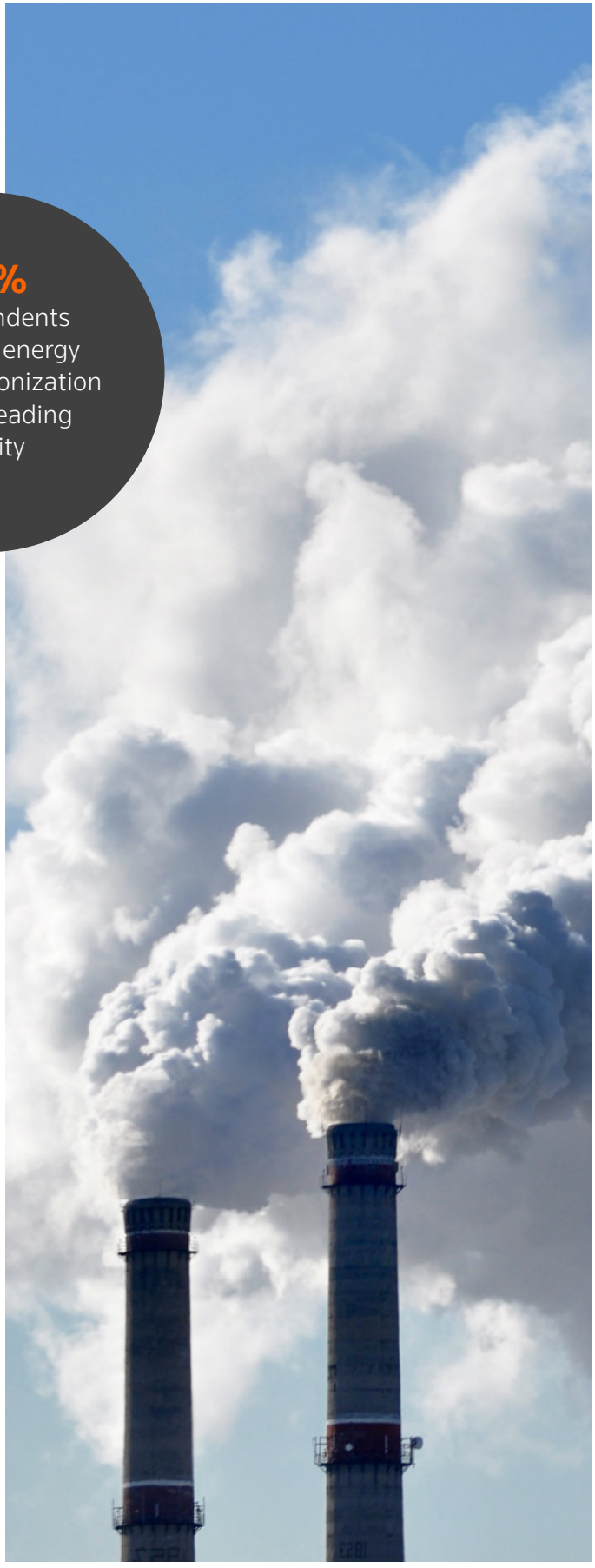
Our research indicates more of a link between company size – both in terms of revenue and headcount – organizational structure (private versus publicly listed) and the level of greenhouse gas emissions and current investment levels than their respective industries. Companies with higher greenhouse gas (GHG) emissions, publicly listed organizations and large businesses are more likely to spend greater sums on sustainability, irrespective of the industry such companies operate within. These are therefore important factors for benchmarking sustainability strategies against peer groups.

**48%**
of respondents identified energy and decarbonization as their leading priority

Despite a perception that Europe still remains ahead of North America in sustainability, our research identified little divergence between organizations operating in the two regions, with investment profiles largely similar. Some more marginal differences, such as that respondents operating in Europe are more likely to invest in ESG data management platforms and sustainability risk management solutions than those operating in North America, could be reflective of stricter reporting demands currently in place. That respondents operating in North America indicated a greater swing towards investing in emissions management solutions in the short-term than our global average could, however, highlight that taking action is a universal ambition.

Irrespective of regional differences, energy and decarbonization is the highest sustainability priority area for organizations today. More than 80% of respondents to the Reuters Events Sustainability Strategy and Implementation Survey 2023 selected energy and decarbonization among their top three sustainability strategies, almost half (48%) citing it as their leading priority currently. This is being tackled in numerous ways, such as increasing operational efficiencies and investing in renewable energies, with success largely being measured in the reduction of Scope 1, 2 and 3 emissions, albeit to differing levels.

There are also more subtle differences in approach to and metrics for measuring the success of sustainability strategies between respondents operating in North America and Europe, such as recognition of DEI in the workforce and nature and biodiversity-related actions. These indicate not just how broad approaches to sustainability are for modern organizations, but also how many possible solutions present themselves on the market.



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# 1 Assessing the sustainability investment profile

## ACTIONABLE INSIGHTS

- Spending on sustainability strategy is largely expected to grow over the next three years – nearly 80% of respondents to our survey stating as such – however there is a broad level of difference between how much growth participants expect. Companies with revenues in excess of $250 million are more likely to expect an increase in investment spending in sustainability strategies than companies with smaller revenues.

- Survey responses found a more substantial link between the level of GHG emissions and the level of sustainability investments than industry type – presenting other metrics for benchmarking – however professional and business services firms were more likely to have fewer employees dedicated to sustainability strategy than other sectors.

- While data analysis solutions are currently the most popular destination for investment for use in sustainability functions, this is to shift over the next three years. More companies expect to invest in ESG data management solutions and sustainability risk management solutions than other tools and technologies in three years.

- There is less consensus over the ease of implementation of blockchain, however, with 31% of respondents who have invested in the technology citing it to be either difficult or very difficult to implement.

- When benchmarking your sustainability strategy against your peers, consider comparisons against companies of the same size – both in terms of revenue and headcount – and organizational structure. Respondents from publicly traded companies in our survey were more likely to spend in excess of $5 million each year on sustainability than other types of organization.

The level of engagement with, and resource dedicated to, sustainability strategy and implementation is impacted by several factors, not least a company's size in terms of its headcount, its revenue and its organizational structure.

Generally, larger organizations – those with 5,000 overall employees or more – are more likely to have in excess of 100 employees assigned to their sustainability strategy development and implementation, including any reporting function the business maintains, than organizations of other sizes.

Nearly one-quarter (23%) of respondents at businesses with more than 5,000 employees said they had more than 100 employees engaged in sustainability strategy. A further 15% of respondents at companies with more than 5,000 total employees said they had between 51 and 100 employees dedicated to sustainability, while 20% said they had between 21 and 50 employees in such a function. The inverse is also demonstrable, with a majority of respondents (59%) at companies with fewer than 250 employees stating that they had between 0 – 5 employees dedicated to sustainability.

Small companies, or those with annual revenues of up to $50 million, are more likely to have 0 – 5 employees engaged in their sustainability function, with 59% of respondents at organizations within that revenue bracket stating as such.

**58%** of respondents at businesses with more than **5,000** employees said they had at least 21 members of staff dedicated to sustainability

Company function is also seen to have an impact on the number of employees dedicated to sustainability. Professional and business services companies are more likely to have 0 – 5 employees engaging in sustainability than other sectors, with 53% of respondents belonging to such organizations selecting that option.

Our survey respondents also indicated that the larger a company's revenue, the more they are likely to dedicate towards sustainability strategy spending. Respondents at companies with revenues of up to $50 million were most likely to indicate annual spending of $500,000 at most, while those at organizations where revenue exceeded $1 billion were more likely to spend in excess of $5 million each year.

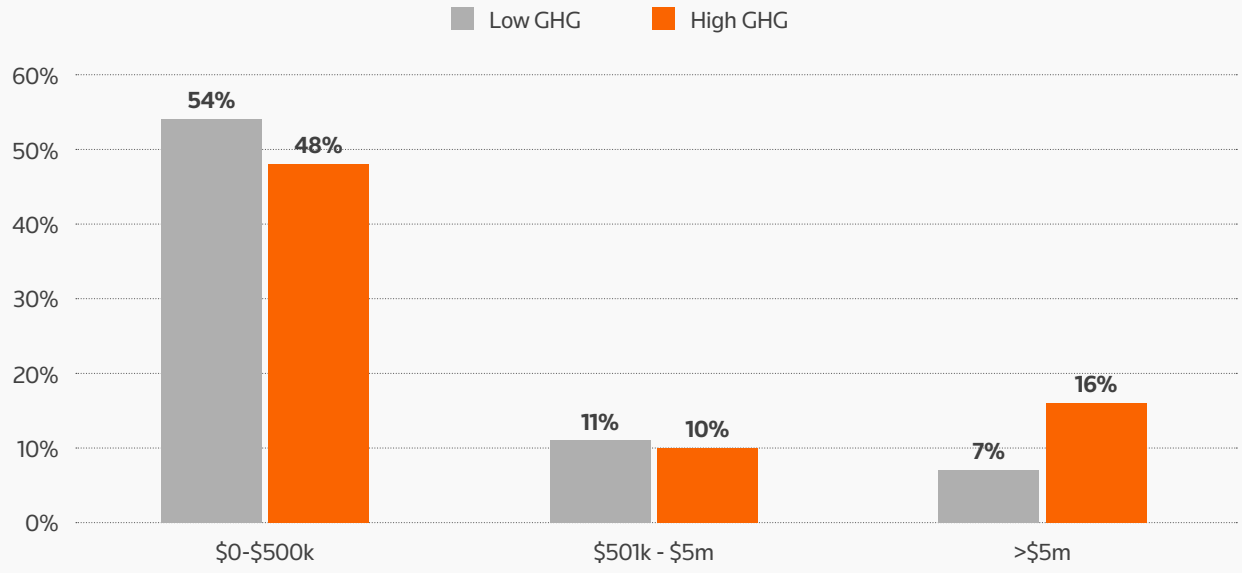
Organizational structure also has an impact on spending, with publicly traded companies more likely to spend more than $5 million each year than other structures, potentially pointing to the impact of shareholder pressure on sustainability priorities.

But while our survey did not find much inherent difference in sustainability spending per sector, when segmenting industries into two groups – low GHG emissions and high GHG emissions – those with higher emissions are more likely to spend more than $5 million than those recording lower emissions presently. With many reporting requirements mandating for a reduction in direct emissions

Figure 1

**A larger share of businesses with high greenhouse gas emissions spend more than $5 million on sustainability strategies each year**

Comparison of annual sustainability strategy spend by businesses with high and low greenhouse gas (GHG) emissions

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*Reuters Impact Global Sustainability Survey 2023*

under Scopes 1 and 2, there is a clear business risk driver for companies with high emissions to be driving further and faster, and this is reflected in our findings.

Benchmarking against your peers – taking into consideration factors including company size, organizational structure, revenue and level of emissions – can therefore indicate the level of investment necessary to maintain pace on sustainability targets.

But our survey has also indicated that investments in sustainability are largely expected to grow over the course of the next three years. More than three-quarters (78%) of respondents said they expect sustainability investments to grow by 2026, with just 2% expecting investments to fall – outliers in the field. Publicly traded companies are again more likely to expect investments to grow than other organizational structures, while larger companies – specifically those with annual revenues greater than $250 million and/or headcounts larger than 250 – are more likely than smaller companies to forecast increases in investment.

Of those expecting investments to increase, more than one-quarter (26%) expect investments to grow by between 6 – 10% over the next three years, with a further 19% expecting sustainability investments to grow by between 11 – 20%.

## HOW SUSTAINABILITY INVESTMENTS WILL SHIFT BY 2026

Our sustainability investment destination leaderboard profiles the leading technologies for investment, both now and by 2026, based on responses to our survey. As the leaderboard shows, data analysis solutions and emissions accounting solutions are the leading two investment destinations for sustainability practitioners today, with 38% and 33% of respondents selecting them respectively.

However, the investment landscape shifts by 2026, with ESG data management platforms and sustainability risk management solutions leapfrogging them, selected by 23% and 21% of respondents respectively.

Emissions management solutions rise from eighth position in our ranking of technologies currently used, to third place for those to be invested in over the next three years, with 18% of respondents saying their organizations are planning to use such tools in 2026. In contrast, regarding the usage of data analysis solutions in the next three years, only 17% of the respondents said their organizations will continue investing in such technologies. Data analysis solutions also see a decline in investment appetite, falling from first position in today's investment ranking to fifth place in three years.

Figure 2

**Data analysis solutions are the top-ranked technology for sustainability investments today, however ESG data management solutions top our future rankings**

Tools and technologies used for sstainability today versus planned investments in the next three years


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In the future, sustainability reporting and strategy implementation will increasingly focus on managing ESG data (23%) with the ultimate solutions of sustainability risk management (21%), enabling emission management solutions (18%) and scenario planning solutions (18%).

This shift in investment strategy is indicative of an expected move towards solutions designed to benefit sustainability practitioners in the field of managing the vast amounts of data necessary to measure various ESG-related metrics. Scope 3 reporting in particular is expected to require a drastic change in the quantities of data required for accurate – and assured – reporting, and it is therefore perhaps of little surprise that such a shift is anticipated to take place while companies lay the groundwork for Scope 3 reporting compliance.

Our survey did, however, also record fewer total responses for technologies to be invested in within the next three years in comparison to those being invested in today. This could simply be because investments today are largely expected to meet respondents' needs, but two alternative scenarios are that there remains uncertainty over what investments will be necessary by 2026, and that solutions on the market today do not currently fit the needs and expectations of the market. Our qualitative research also revealed an indication that sustainability practitioners are in a 'wait-and-see phase', with a reluctance to invest in any one solution or provider that may not meet future expectations or needs.

When analyzing the evolving nature of technology investments for sustainability reporting or strategy implementation, engagement with blockchain in logistics and sourcing in the next three years appears significant to those organizations which are using data analysis solutions, sustainability risk management solutions, and enterprise resource planning (ERP) systems for data collection.

Our survey respondents indicated the current tools or technologies used for sustainability reporting/strategy implementation change depending on a company's industry. Companies in the energy, utilities, mining, and chemicals industries were more likely to use process improvement technologies. At the same time, enterprise resource planning (ERP) systems for data collection are most likely to be adopted by organizations in the manufacturing and construction industry.

While our survey did not find much inherent difference in technology usage per revenue or spending on implementing sustainability strategies, there is a significant difference between companies identified as having low GHG emissions and high GHG emissions. Those with higher emissions are more likely to use a wide range of technologies currently, including emissions accounting/estimation solutions, process improvement technologies, ERP systems for data collection, and sensors and smart meters for data collection.

In the next three years, respondents from the high GHG emissions industries said their organizations are more likely to adopt emissions management solutions (25%) and blockchain in logistics (19%) and sourcing than low GHG emissions organizations. Those planning to use blockchain in logistics and sourcing in the next three years are more likely to be led by companies which spend between $501,000 to $5 million on implementing sustainability strategies per year.

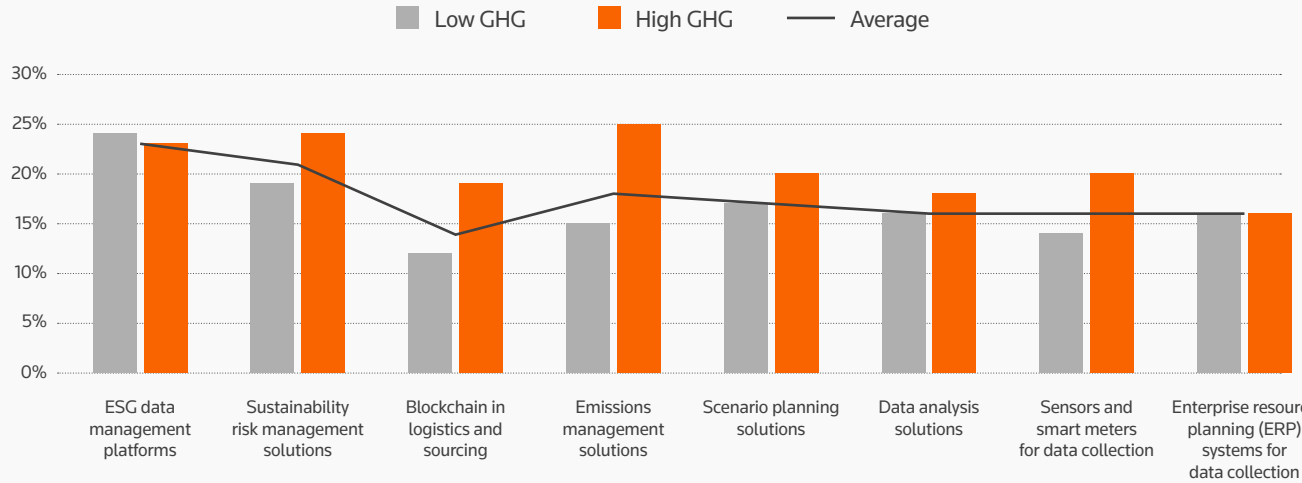
## KEY SUSTAINABILITY INVESTMENT DRIVERS

Across the most popular technologies being invested in today, cost remains the most selected criterion, with between 43% and 53% of respondents citing it as a key

Figure 3

### Organizations with higher emissions are more likely to plan investments in emissions management and sustainability risk solutions, among others

Technology for sustainability reporting and strategy implementation in 2026, split by business greenhouse gas emissions

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factor for decision-making across the eight most popular technologies listed. Other popular criteria include the availability of customization (33% - 42%) and compatibility with existing systems (28% - 39%), indicative of the need for new technologies to both fit in seamlessly with existing systems and capabilities to be tailored to specific needs.

Amongst the lowest scoring selection criteria cited by respondents are any existing relationship with the company, compatibility with systems on the supplier's side and post-implementation training and troubleshooting, indicating that such criteria are not much of a concern for sustainability practitioners today. In fact, those three criteria were only cited by between 9% and 19% of respondents investing in our eight most popular technologies.

With compatibility with existing systems highly ranked, we asked respondents to score technologies and tools based on their ease of implementation and effectiveness, based on their own experiences. While all listed tools and technologies were ranked as either 'Very Effective' or 'Fairly Effective' by a majority of respondents, sensors and smart meters for data collection scored most favorable, with 40% of respondents ranking them as 'Very Effective' and a further 51% as 'Fairly Effective'. There was, however, less certainty around the effectiveness of sentiment analysis solutions for materiality assessments, with the toolset ranked as 'Fairly Ineffective' by 24% of respondents.

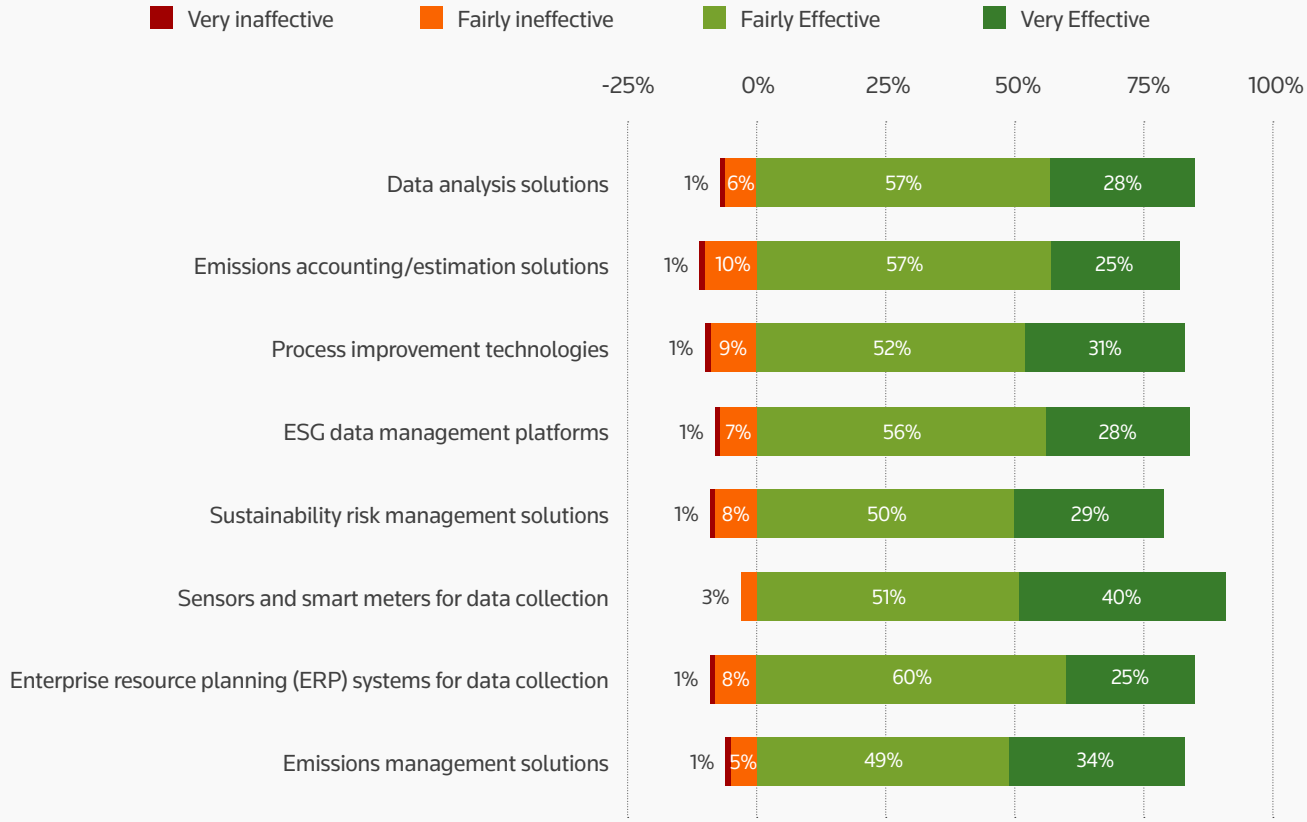
With regards to the ease of implementation, sensors and smart meters for data collection, fleet management systems, smart water management systems, data analysis solutions and satellite/drone imaging data solutions were all more likely to be scored as 'Easy' or 'Very Easy' to implement by our respondents than other technologies.

While 25% of respondents investing in blockchain for use in logistics and sourcing scored the technology as 'Easy' or 'Very Easy' to implement, nearly one-third (31%) scored the technology as either 'Difficult' or 'Very Difficult', indicating that there is less consensus over the ease of implementing such tools into existing operations and/or systems.

Figure 4

## Sensors and smart meters score highest for effectiveness among leading sustainability technologies

How survey respondents score leading sustainability technologies for effectiveness

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## LOW GHG AND HIGH GHG PARAMETERS

Our benchmarks of low GHG and high GHG industries follow guidance produced by Ricardo Energy and Environment for the U.K.'s Office for National Statistics (ONS) in 2020. A range of GHG emission intensities* of industries was measured and collected from 1990 to 2020, measured per thousand tones CO2 equivalent/£ million). In 2020, the average GHG emissions figure among all industries collected by the ONS was 0.53 thousand tones CO2 equivalent/£ million. For the purposes of this report, we have defined low GHG as industries with emissions intensity figures below the 2020 average, while high GHG industries are those with emissions intensity readings above average in 2020.

Regarding the industries from whom we collected in this survey, low GHG industries include Finance/Insurance, Pharma/Health/Social Care, TMT (Technology/Media/Telecommunications), Not-for-profit/Education/Public Sector, Professional/Business Services, Retail/Wholesale/FMCG. The high GHG industries include Energy/Utilities/Mining/Chemicals, Food/Agriculture/FMCG, Manufacturing/Construction/Automotive, Transport & Logistics/Automotive.

**The greenhouse gas emissions intensity is calculated by dividing the level of greenhouse gas emissions by Gross Value Added (GVA). GVA is the difference between output and intermediate consumption for any given industry. This means the difference between the value of goods and services produced (output) and the cost of raw materials and other inputs which are used up in production (intermediate consumption). GVA are chained volume measures, in constant prices with 2019 as the base year. All emissions intensity figures are calculated excluding consumer expenditure (often referred to as 'households' in the article accompanying this dataset). The matrices of greenhouse gases under the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, nitrogen trifluoride and sulphur hexaflouride.*

# 2 Sustainability investment divergence: North America vs Europe

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## ACTIONABLE INSIGHTS

- A greater share of respondents operating in North America indicated that they consider their organization's sustainability budget to be too low for the company's size than those operating in Europe, potentially indicating a need for North American businesses to revisit such budgets if they are to meet expectations.

- Respondents operating in Europe recorded higher instances of investing in ESG data management platforms and sustainability risk management solutions than respondents operating in North America today. This could be reflective of the current policy landscape in Europe, with directives such as the CSRD and SFDR tightening disclosure requirements of businesses operating in Europe.

- Our respondents operating in North America indicate a greater swing towards emissions management solutions than that recorded in our global average and our European cohort when looking at technologies considered for investment in three years' time. This could indicate the seriousness with which companies operating in North America view proposals by the U.S. SEC to require Scope 3 emissions

While the goal of making businesses and economies more sustainable is the same, North American and European markets are approaching that ambition differently. Policy and legislative envelopes vary, with businesses operating in those regions responding differently in kind.

The U.S. Inflation Reduction Act, passed to much fanfare in August 2022, is to direct nearly $400 billion in funding to climate efforts through the delivery of tax breaks, grants and loans to U.S. businesses. Of that figure, just over $250 billion is set aside for clean energy, with a further $46.4 billion set to support environmental efforts. The policy has already instigated significant investment commitments from the business community, particularly in renewable energy.

## 'Approximately half of respondents considered that their existing sustainability spending was about right'

But the U.S. has also matched its carrot approach with the occasional policy stick. The Securities and Exchange Commission's climate disclosure rules – proposed, but yet to be passed at the time of writing – could see publicly listed businesses in the U.S. forced to disclose Scope 3 emissions for the first time, a move which is likely to trigger legal action considering the size of such a task. Furthermore, decisions taken in Canada's 2022 budget could mandate for public companies based in the country to disclose climate risks and opportunities – based on requirements established within the Task Force on Climate-related Finance Disclosures (TCFD) – from 2024 onwards. Canadian Securities Administrators will set a final regulation in place in 2023.

Meanwhile, the European Union's Corporate Sustainability Reporting Directive (CSRD), introduced as part of the bloc's Green Deal, mandates for companies meeting certain criteria to report on a range of sustainability metrics, including;

- Environmental matters
- Social matters
- Respect for human rights
- Anti-corruption and bribery efforts
- Board-level diversity

The CSRD, which has replaced the prior Non-Financial Reporting Directive, also introduces the need for double materiality assessments, designed to ensure that disclosures take into account the full lifecycle of products. Furthermore, reporting under the CSRD will require digital tagging and limited third-party assurance, which will additionally require sufficiently robust data gathering practices.

PIXEL-SHOT/ADOBESTOCK

Other pieces of the EU's sustainability reporting jigsaw include the European Sustainability Reporting Standards (ESRS), which not only dovetails with the CSRD but will expand the number of companies needing to report when it comes into force in 2024, Sustainable Finance Disclosure Regulation (SFDR), designed to increase transparency surrounding sustainability risks in investment decision processes, and the EU taxonomy which helps classify investments that are environmentally sustainable.

### DIVERGENCE IN THE INVESTMENT PROFILE

While survey responses indicated that investment trends in North America and Europe are broadly on par, there are subtle differences which could be seen as a reflection of the different policy landscapes.

Against an average derived from our global respondents of 11% who currently spend between $501,000 and $5 million on sustainability initiatives, respondents whose companies operate in North America and Europe were more likely to spend in this bracket than the global average, recording 15% and 18% respectively.

Approximately half (46% in North America and 47% in Europe) of respondents considered that their existing sustainability spending was about right for companies of their revenue size. Of those respondents whose companies operate in North America, 16% said their

sustainability budget was "far too low for the revenue size of the company", compared to 13% of respondents whose companies operate in Europe who reached the same conclusion.

This outlook is further supported by the respondents' projections regarding future investments in sustainability strategy implementation over the next three years. Compared to the global average of 78%, a higher percentage of respondents whose companies operate in Europe or North America anticipated an increase in investment. Specifically, among those respondents who said the current sustainability budget was "far too low for the revenue size of the company", 79% of respondents whose companies operate in North America expected there will be an increase in investment related to sustainability strategy implementation in the next three years. Similarly, 87% of respondents whose companies operate in Europe also expected a rise in investment.

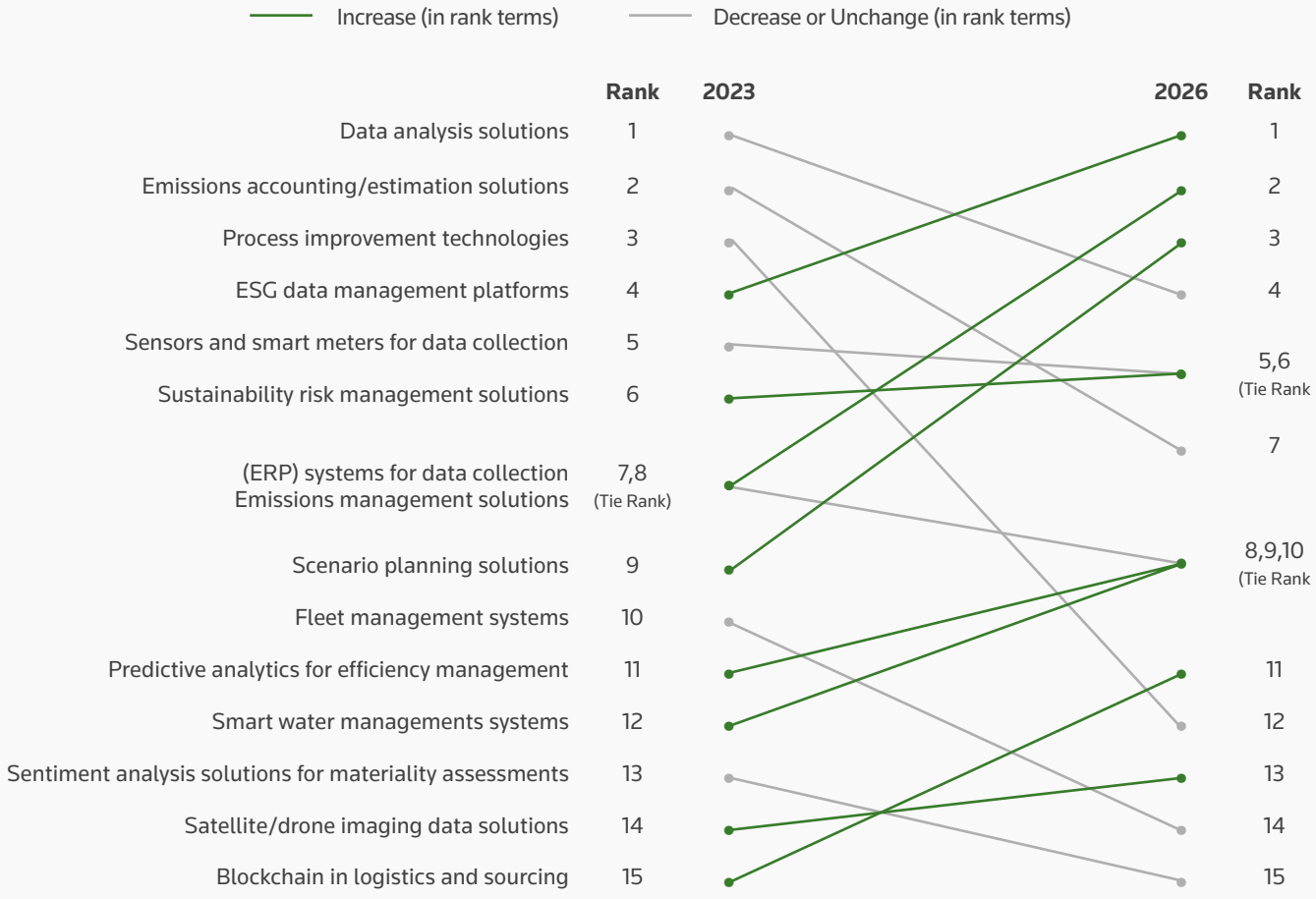
In total, 30% of respondents from companies operating in Europe considered their sustainability budgets to be too low – "a little too low" and "far too low" – considering their revenue size, compared to just over one-third (34%) of respondents from those operating in North America who reached the same verdict.

There are also subtle differences in preferred investment destinations comparing respondents from companies operating in North America and Europe. When assessing technologies and tools being invested in for sustainability strategies today, while data analysis solutions are the most popularly selected across both respondents operating in Europe and North America, ESG data management solutions were selected by 35% of respondents operating in Europe (32% in North America). This sees them leapfrog process improvement technologies into third position in our ranking for respondents operating in Europe, compared to fourth in North America and our global average ranking.

Figure 5

## Data management and collection systems top our technologies of interest for respondents in North America

Tools and technologies to be used for sustainability purposes by companies operating in North America, 2023 vs 2026

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*Reuters Impact Global Sustainability Survey 2023*

A greater share of respondents operating in Europe selected sustainability risk management solutions than those operating in North America (32% vs 28%), enough to place that technology set fifth in our European ranking, compared to sixth in North America.

This result is possibly reflective of the balance of reporting requirements in Europe, especially those included within the CSRD and SFDR, which place more specific requirements on businesses regarding their broader ESG initiatives and sustainability risks.

When analyzing responses surrounding planned investments in three years' time, emissions management solutions rise from eighth place in our ranking to second place in North America – compared to fourth position in both our global and European rankings. This could be seen to indicate that respondents operating in North America foresee a greater need to manage emissions in the coming years, perhaps reflective of incoming legislation from the U.S. SEC.

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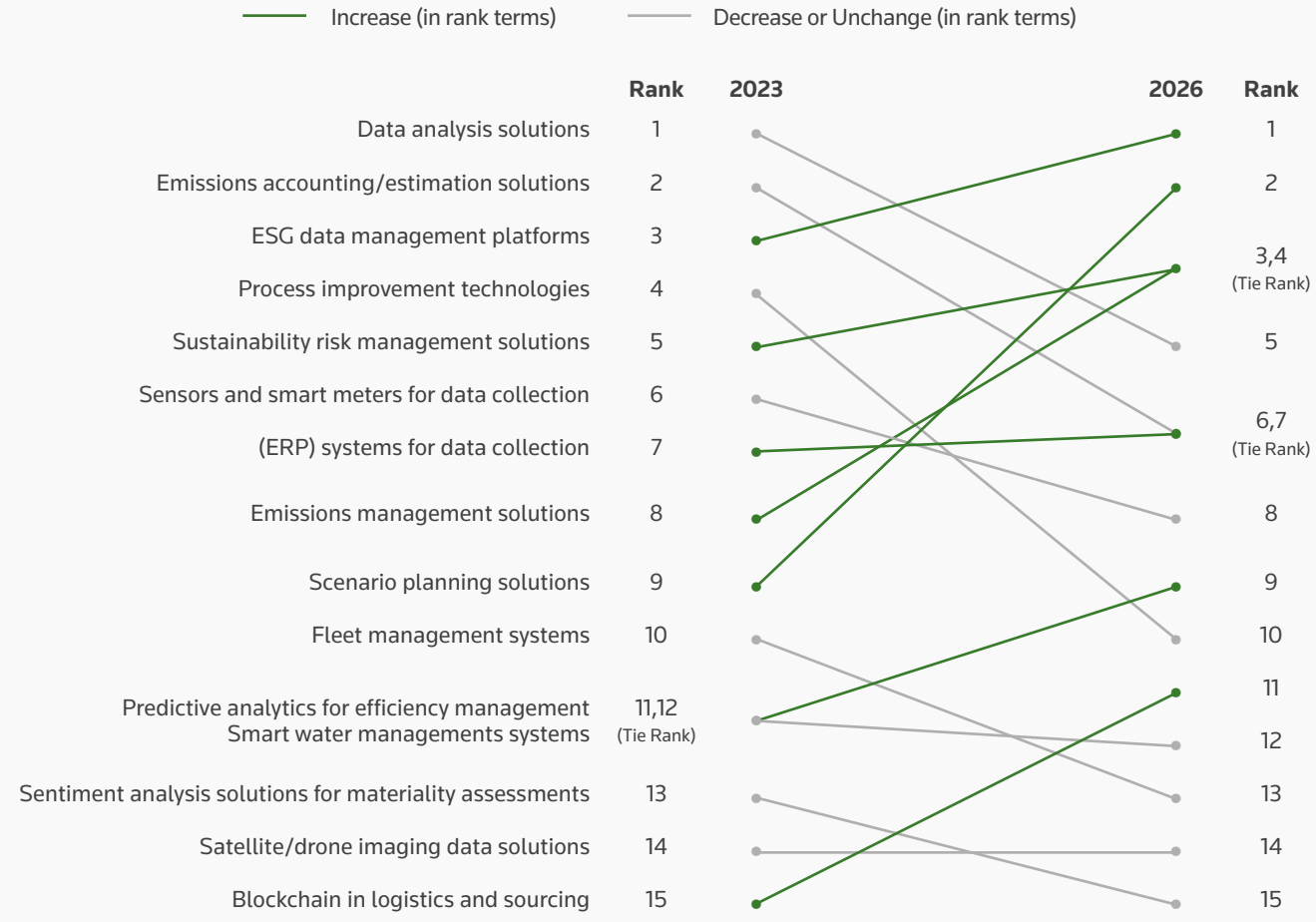
Figure 6

## Scenario planning and sustainability risk management solutions are set to gain greater traction in Europe than in North America

Tools and technologies to be used for sustainability purposes by companies operating in Europe, 2023 vs 2026

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# 3 How are businesses strategizing for sustainability in the future?

## ACTIONABLE INSIGHTS

- Energy and decarbonization is the highest-priority area of sustainability strategy among our respondents, picked by a large majority (84%). Those strategizing for energy and decarbonization are doing so through a mix of initiatives, including operational efficiency improvements and renewable energy investments. Businesses with high GHG emissions are also exploring on-site renewable energy investments, directly targeting Scope 2 emissions reductions. A greater share of respondents operating in Europe say they are both investing in renewable energy and consider increased share of electricity consumption from renewable sources than those operating in North America.

- Nearly one-third (31%) of respondents operating in North America stated a reduction in deforestation as a key strategy for addressing nature and biodiversity, making it the second-most popular strategy in that region. However this strategy was selected by a smaller share of our respondents in Europe (25%), with five other strategies identified as being more common. Organizations operating in Europe could therefore be read as having a broader set of strategies in this area.

- A majority of respondents from organizations to have prioritized human rights issues, which in itself was selected by two-thirds of respondents, are strategizing for that by enacting workforce diversity targets. Such a measure could therefore be an ideal way to improve a company's standing when it comes to DEI.

- While human rights and social issues strategies were broadly similar, with workforce DEI targets scoring strongly in both North America and Europe, there were subtle differences between the two regions in how success is being measured. More respondents operating in Europe identified diversity in promotion rates than those in North America, offering potential food for thought for organizations operating in North America to take their DEI initiatives one step further.

- When assessing the key drivers for formulating sustainability strategies today, three leading factors emerge; brand purpose and values, opportunities for growth and regulatory compliance. While other drivers were selected, these were the three most commonly cited by our respondents. This indicates that they could be contributing factors for any sustainability strategy decision-making process.

Energy and decarbonization ranked as the highest-priority area of sustainability for respondents to our survey, with 84% of respondents citing it as among their top three priorities. Almost half (48%) of respondents stated it as their leading priority, indicating just how imperative the business community regards decarbonization today.

With much focus currently on reducing Scope 1 and Scope 2 emissions – the so-called low hanging fruit of decarbonization – investments to reduce emissions from energy consumption are likely to remain popular until such fruit has been picked, so to speak.

## 'Smaller companies were more likely to prioritize human rights, social issues and DEI than other areas listed within our survey'

Human rights, social issues and those relating to diversity, equity and inclusion, alongside waste, circular economy and recycling, were the second- and third-most cited priorities for respondents to our survey. While both issues were selected among the leading priorities of two-thirds (66%) of respondents, human rights and social issues was cited as the leading priority by a greater share of respondents – 25%, in comparison to 15% of respondents who identified waste, the circular economy and recycling as their leading priority.

Nature and biodiversity, and water stewardship were identified as priorities by 37% and 26% of our respondents

TAKA/ADOBESTOCK

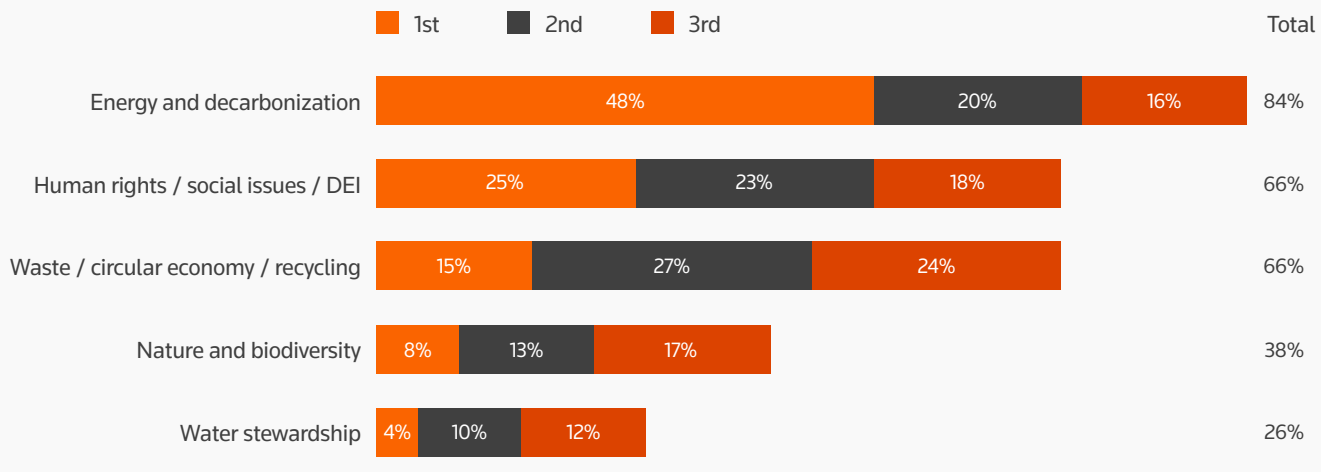
respectively. Nature and biodiversity was more likely to be the leading priority of respondents from NGOs, charities and voluntary organizations.

From analysis of respondent data suggests we can also draw a number of other conclusions. Respondents from companies with between 51 and 100 employees were significantly more likely to prioritize human rights, social issues and DEI than other areas listed within our survey.

Figure 7

**Energy and decarbonization is a leading priority for the majority of respondents to our survey**

Leading sustainability priorities for organizations overall

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## ‘More than half (51%) of respondents prioritizing energy and decarbonization are doing so by targeting operational efficiency gains’

While there are many parallels between North America and Europe, recent regulatory and legislative changes have caused the business community to highlight the differences in approach. While the European Union’s green taxonomy has set parameters about what constitutes ‘green’ in terms of investment, the CSRD has set a high bar for reporting requirements and for large multinationals, European reporting requirements will impact their North America-facing operations as well. Aforementioned proposals by the U.S. Securities and Exchange Commission and the Canadian Securities Administrators, which would establish much the reporting requirements in terms of Scope 3 reporting, have yet to be confirmed at the time of writing.

President Joe Biden’s Inflation Reduction Act has, however, looked to incentivize the deployment of clean energy and other sustainable technologies through the introduction of nearly $400 billion of benefits. While the business community has not yet been able to truly take advantage of those benefits, such is the interest in the U.S. IRA that the European Commission has faced criticism from some quarters for failing to introduce an equivalent mechanism or package. While the European Union has eased State aid rules to facilitate greater domestic investments, and the bloc’s Green Deal Industrial Plan as sought to streamline regulations and access to funding for clean tech industries, many critics maintain that the EU’s actions lack pale in comparison to the IRA.

But are the contrasting attitudes to incentivizing green investments and sustainability action – North America’s carrot and Europe’s stick – creating a divide in how the business community is strategizing for sustainability?

Profiling our respondents between those operating in North America and Europe and analyzing their sustainability actions, there are some – albeit subtle – differences across the five leading sustainability strategies, as profiled here.

### 3A RENEWABLES LEADING THE WAY IN DECARBONIZATION

- Improving operational efficiencies is the most popular strategy among respondents to decarbonize their business
- Of those looking to invest in renewable energy, more than 40% of respondents indicated they were anticipating doing so through installing on-site renewable generation

Across our respondents base, increasing operational efficiency of existing processes and investing in renewable energy were universally popular strategies for decarbonization. More than half (51%) of respondents to have prioritized energy and decarbonization stated that they were exploring efficiency gains as a means of achieving that, while 44% of respondents said they were investing in renewable energy.

Increasing operational efficiencies was most popular among technology, media and telecommunication (TMT) businesses surveyed, with more than two-thirds (67%) of respondents from TMT organizations citing it as a key strategy for them, followed by professional and business services firms (57%).

Just less than two-thirds (65%) of respondents from the energy, utilities, mining and chemicals industries meanwhile said investing in renewable energies was among their top three strategies for addressing energy and

decarbonization, a significantly higher share than that seen in other industries.

More specifically, renewables investments are being led by on-site power generation facilities, such as solar PV, with an average of 41% of respondents indicating that their organizations were investing in such facilities today. This is especially true of respondents from businesses with high GHG emissions – 47% of such respondents said their organization was investing in on-site power generation, compared to 35% of those from businesses with low GHG emissions.

Respondents from finance and insurance businesses were more likely to indicate that they had prioritized investments in companies transitioning away from fossil fuels and divesting in all fossil fuel-related companies than other industries surveyed.

Respondents from the finance and insurance industries also responded to the top three sustainability strategies with respect to energy and decarbonization. Among those respondents, 33% said they were investing in companies transitioning away from fossil fuels, significantly higher than other business groups, of which just 8% indicated the same. Similarly, 18% of respondents from the finance and insurance industries said they are divesting from all

Figure 8

## Organizations operating in Europe are more likely to invest in renewable energy –for now

The share (%) of survey respondents identifying their top sustainability strategies addressing energy and decarbonization, split by region


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## ‘A larger share of respondents from Europe considered reductions in Scope 3 emissions as a measure of success in energy and decarbonization compared to those operating in North America’

fossil fuel-related companies, compared to just 4% of those outside of the sector.

For those prioritizing energy and decarbonization, 42% of our respondents operating in Europe said that they were looking to invest in renewable energy, compared to 37% of respondents operating in North America. This is also borne out in the metrics for success in energy and decarbonization, with almost half (49%) of respondents operating in Europe looking to increase consumption from renewable sources of electricity, compared to 43% of respondents operating in North America. Around 41% of respondents operating in Europe are also looking to increase investments in clean energy compared to 35% in North America. A larger share of respondents from Europe (62%) also consider reductions in Scope 2 emissions as a measure of success in this field compared to those operating in North America (57%).

Until the Biden administration’s IRA there had been significant uncertainty about the future of incentives available for renewable energy facilities in the U.S., with the investment tax credit – which provides tax rebates against the cost of newly-built facilities – set to phase out under the previous regulatory regime. Furthermore, other policy areas, such as the Uyghur Forced Labor Prevention Act, triggered uncertainty about the availability of some solar PV products entering the U.S. from China and Southeast Asia. All the while member states of the European Union have had more recent stability in terms of their legislative frameworks for renewables investments.

With certainty over the investment tax credit (and production tax credit, which offers an alternative incentive that rewards renewable generators with a set payment per unit of power exported) in the U.S. now enshrined, and with much excitement awaiting the availability of incentives under the IRA, it will therefore be interesting to see how the appetite for renewable energy investments responds in future studies. Qualitative assessment of the IRA is that it could be revolutionary for renewables investments in the U.S.

### 3B WORKFORCE TARGETS LEAD THE WAY IN HUMAN RIGHTS AND SOCIAL ISSUES

- More than half of respondents said their organization had adopted workforce DEI targets to help meet human rights and social issues initiatives
- While ensuring diversity within new hiring is universally popular, organizations in Europe were more likely than those in North America to extend this to diversity in promotion rates

Respondents from businesses to have prioritized human rights and social issues are largely looking towards workforce targets relating to DEI as a solution. More than half (59%) of respondents said they were enacting such targets, although the figure is particularly high with

respondents from the finance and insurance industry grouping, where 75% of respondents selected that particular strategy – the largest share across our industry groupings.

Other popular strategies for addressing human rights and social issues from our survey include employee engagement in sustainability initiatives and safety and wellness guidance offered to company stakeholders. In particular, respondents from TMT organizations were more likely than other sectors to have issued safety and wellness guidance. Respondents from businesses with high GHG emissions were also more likely to offer safety and wellness guidance those from low GHG emissions businesses.

Meanwhile, respondents from organizations with low GHG emissions were almost three-times as likely (27% vs 10%) to champion social causes through financial support than those from companies with high GHG emissions.

There were, however, no material differences in the strategic approach towards human rights and social issues between respondents operating in North America and Europe, with the most popular strategy being to increase workforce diversity through DEI targets.

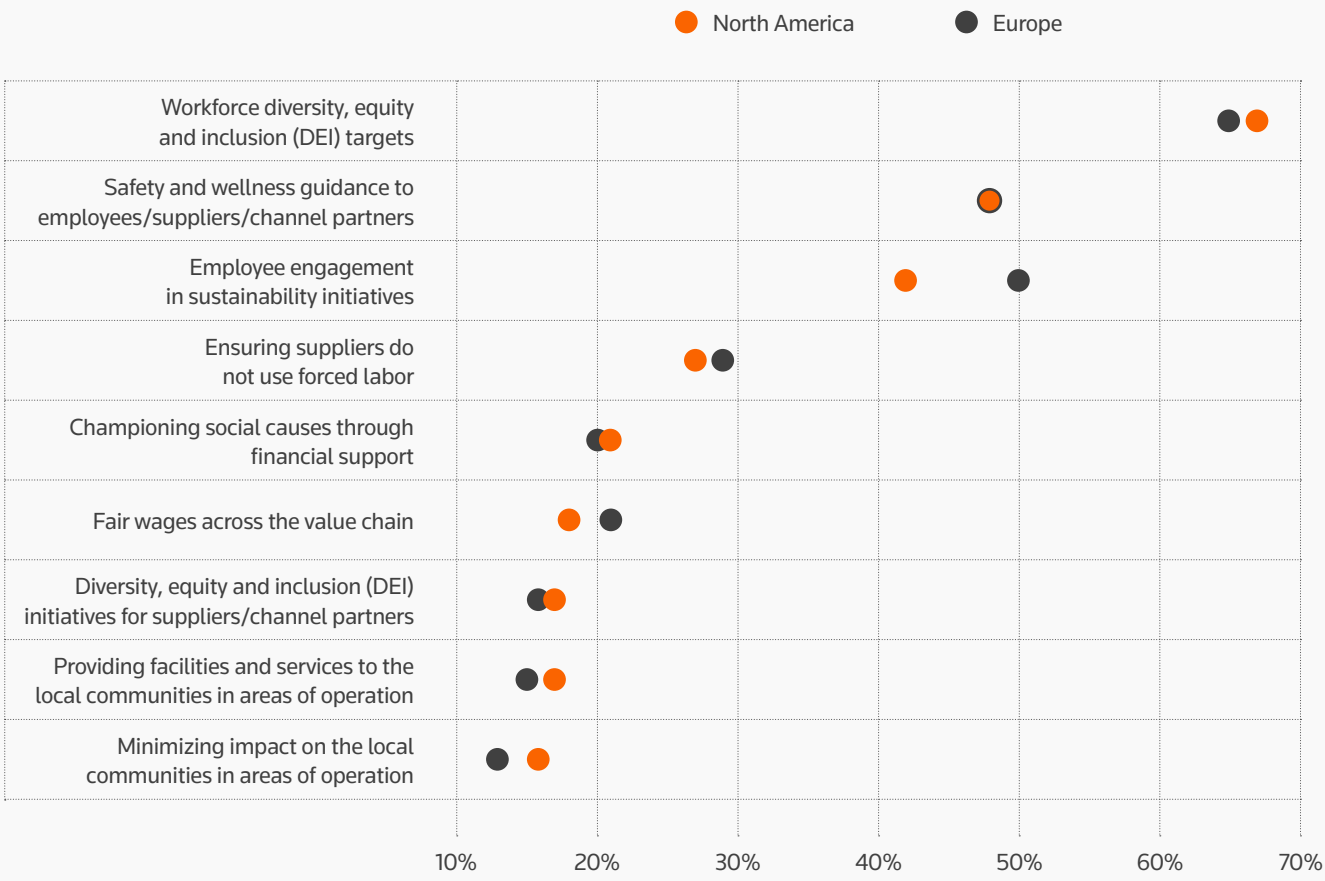
**'Respondents from organizations with low GHG emissions were almost three-times as likely to champion social causes through financial support'**

Diversity in hiring was equally as popular a metric for success in this field, with 76% of each of our cohorts operating in North America and Europe identifying that metric within our study. A greater share of respondents in Europe did, however, identify diversity in promotion rates (46%) than respondents operating in North America (40%), offering a potential reading for how workforce diversity targets in Europe may yet be more advanced than those in North America.

Figure 9

## DEI workforce targets are universally adopted, but North America lags Europe in employee sustainability engagement

The share (%) of survey respondents selecting their leading sustainability strategies to address human rights and social issues by region

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## 3C RECYCLING IS KING FOR TACKLING WASTE AND THE CIRCULAR ECONOMY

- Recycling waste from existing operations is the most popular strategy for tackling waste and the circular economy, and is particularly popular within the energy, utilities, mining and chemicals industries
- Extending product life cycles was identified as a priority by a greater share of respondents from organizations operating in Europe than those in North America

More than half (56%) of our respondents said that recycling waste from existing operations was among their top three strategies for addressing waste and the circular economy. Our research also indicates a higher prevalence of this within the energy, utilities, mining and chemicals industries, as well as the not-for-profit, education and public sector, where 67% and 62% of respondents respectively cited that particular strategy.

Energy, utilities, mining and chemicals businesses are also found to be more likely to use recycled raw materials, with 55% of such organizations selecting that strategy within our survey compared to an average of 41%.

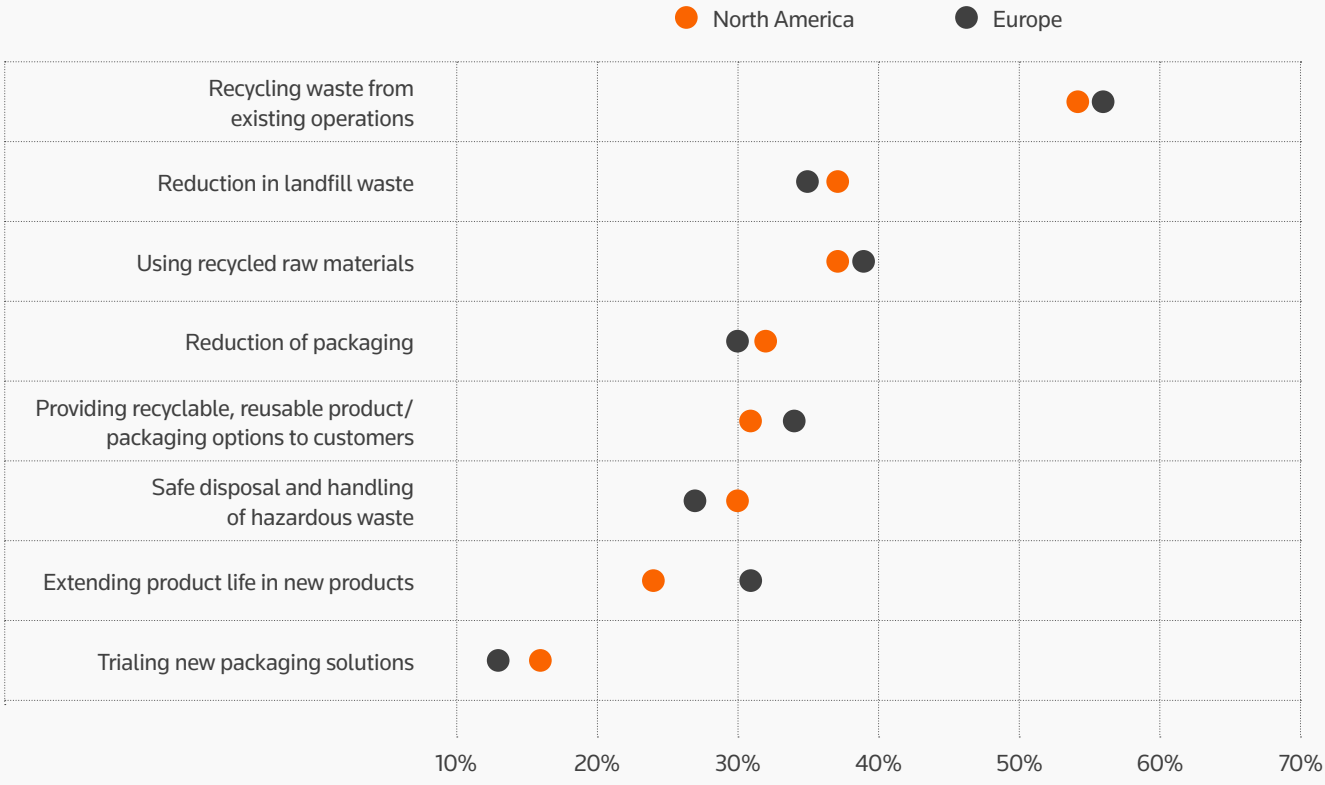
**'Extending the product life of new products was selected by a larger share of respondents operating in Europe than in North America'**

A larger share of respondents operating in Europe selected extending the product life of new products as a priority (31%) than respondents operating in North America (24%). This is perhaps also reflected in the share of respondents operating in Europe who identified the share of recycled materials in products (39%) and packaging (31%) as metrics for success in this field, compared to those operating in North America (32% for products and 25% for packaging).

Figure 10

### Recycling leads the way as participants in Europe more like to seek product lifecycle improvements

The share (%) of survey respondents to have selected leading sustainability strategies to target waste and the circular economy, split by region

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### 3D LARGE SHARE OF BUSINESSES LOOKING TO RESPONSIBLE SOURCING TO ADDRESS NATURE AND BIODIVERSITY

- More than 40% of respondents are addressing nature and biodiversity concerns by seeking more responsible sources of raw materials or ingredients, making it the leading strategy in this area
- Organizations operating in North America are more likely than their European counterparts to be addressing deforestation in their supply chain

Of our respondents to have prioritized nature and biodiversity, 43% said they are strategizing for that objective by sourcing raw materials or ingredients more responsibly. Nearly half (49%) of respondents from the professional or business services community said their organization was doing so.

The next most popular strategy for addressing ambitions related to nature and biodiversity was collaborating with local or indigenous communities, an aim selected by 35% of respondents. Our survey results do, however, indicate a higher prevalence of this option within the energy, utilities, mining and chemicals, and the not-for-profit, education and public sector industry groupings – working with indigenous or local communities was selected by 47% and 46% of respondents from these groupings respectively.

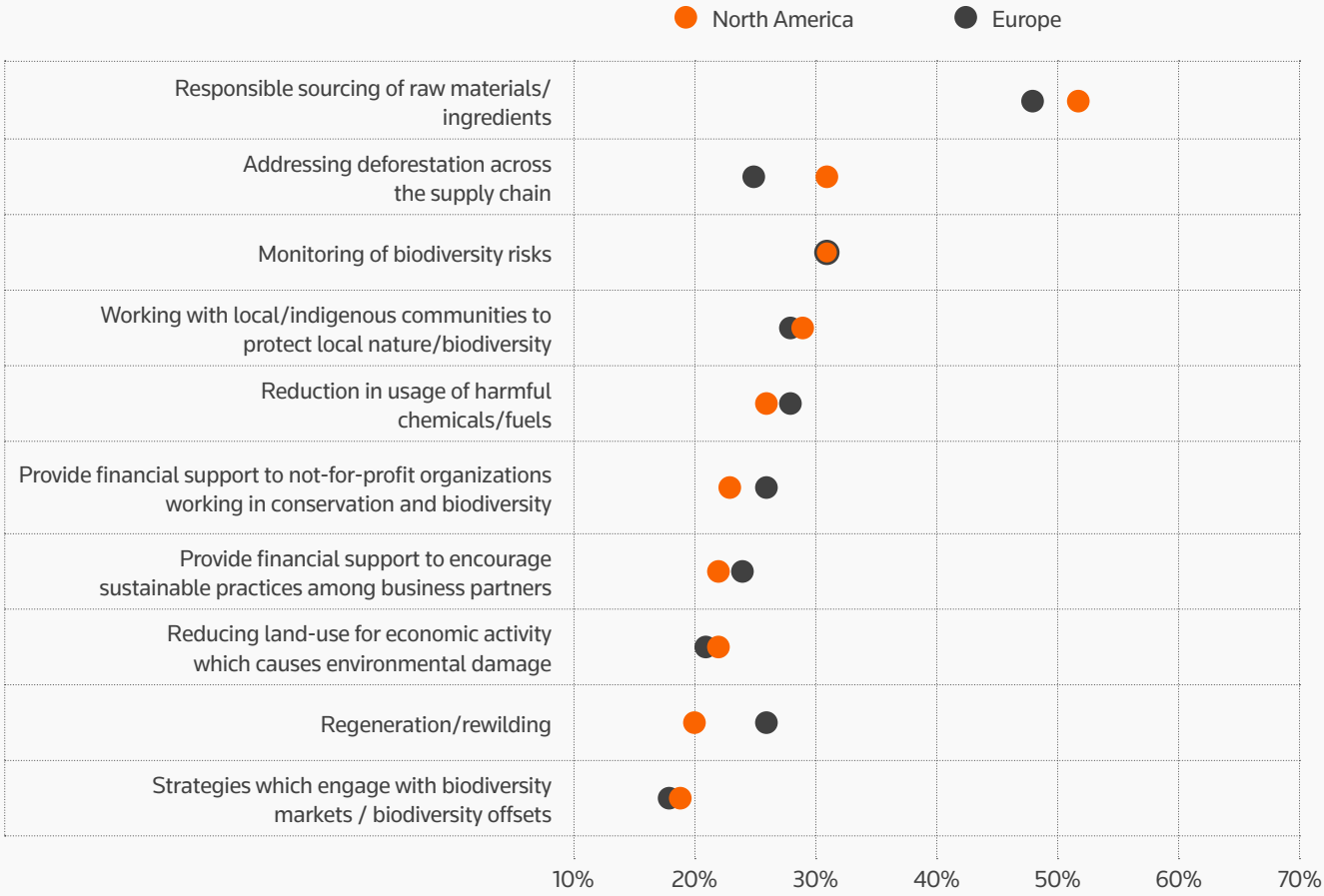
Meanwhile, nearly one-third (31%) of respondents cited that their organizations are looking to reduce the use of harmful chemicals or fuels to protect nature. There are indications within our findings that manufacturing, construction and automotive companies could be more likely to select this particular strategy than other groupings.

Of those targeting improvements in nature and biodiversity, nearly one-third (31%) of respondents operating in North America stated that they were looking to address deforestation across the supply chain, the joint-second most popular strategy from respondents operating in North America. Addressing deforestation was selected by

Figure 11

**Organizations operating in North America are more likely than their European counterparts to address deforestation**

The share (%) of survey respondents to have identified their leading strategies used to target nature and biodiversity, split by region

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25% of respondents operating in Europe, with monitoring biodiversity risks (31%), reducing usage of harmful chemicals (28%), working with local or indigenous communities (28%), regeneration or rewilding (26%), and providing financial support for NGOs working in conservation and biodiversity (26%) all more popular strategies within our cohort of respondents operating in Europe.

While similar shares of respondents hold a reduction in acres of reforestation as a metric for success in nature and biodiversity, a larger share of respondents operating in North America cited a reduction in land-use for high-biodiversity-risk sites as a key metric (28%) than those in Europe (22%).

## 3E USING LESS WATER IN THE FIRST INSTANCE THE KEY TO WATER STEWARDSHIP

- Organizations operating in Europe are more like than those in North America to be improving water management in their supply chain
- Reducing water consumption in existing operations is the most popular strategy, selected by nearly two-thirds (64%) of respondents

The best way to improve water stewardship may be to reduce water consumption in the first place, with that strategy being selected by nearly two-thirds (64%) of respondents whose organization is prioritizing water stewardship as a sustainability strategy. Reducing water consumption was equally popular among respondents from organizations with both low and high GHG emissions, an indication of how universal the strategy is.

**'A greater share of respondents in Europe are prioritizing improvements to water management in supply chains to address water stewardship (53%) than those operating in North America (46%)'**

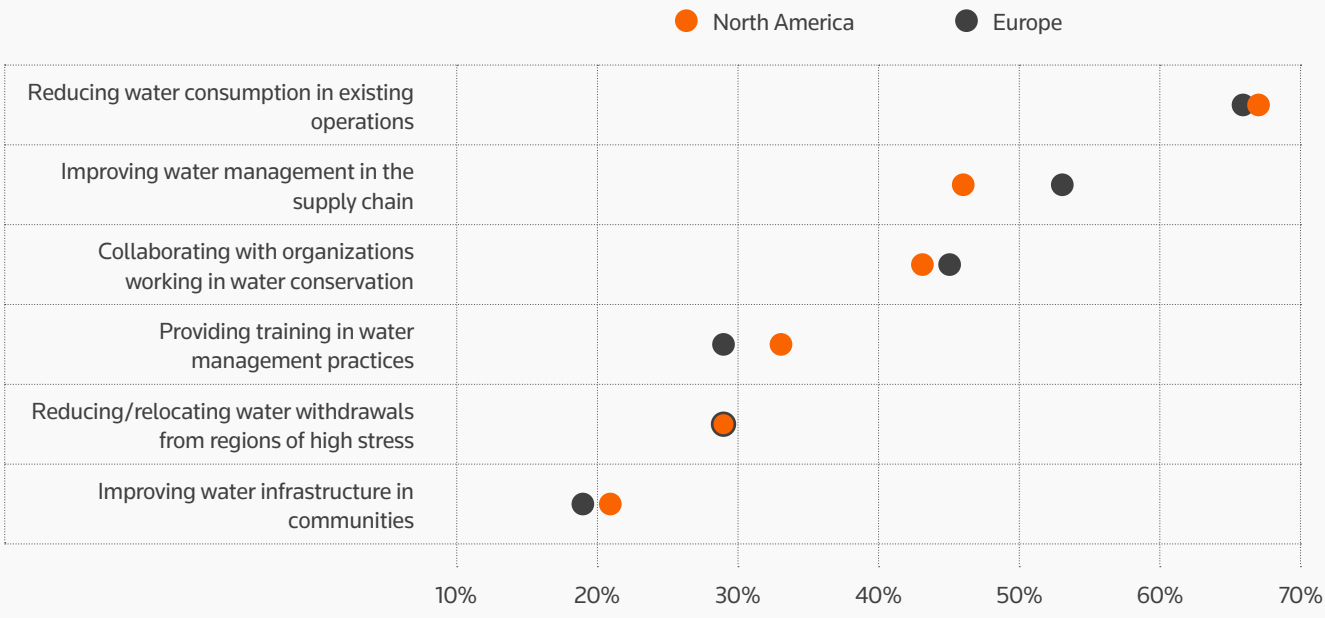
The other leading strategies for addressing water stewardship, as indicated by our research, include making improvements to water management in the supply chain – which was picked by 49% of respondents – and collaborating with organizations working in water conservation, selected by 47% of respondents.

A greater share of respondents in Europe are prioritizing improvements to water management in supply chains to address water stewardship (53%) than those operating in North America (46%). While 39% of respondents operating in Europe hold a reduction in water loss in operations as a metric for success, a smaller share of respondents from North America (29%) cited the same, indicating a further potential difference to how water stewardship initiatives are progressing between the two regions.

Figure 12

### More organizations in Europe are favouring improvements to water management in their supply chains rather than those in North America

The share (%) of survey respondents to have picked leading sustainability strategies to improve water stewardship, split by region

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## BRAND PURPOSE THE PRIMARY DRIVER FOR SUSTAINABILITY STRATEGIES

We also asked respondents what their key drivers for landing on such sustainability strategies were. Or, to put it more directly, why those strategies in particular are being pursued over the many possible options.

Nearly half of respondents (47%) said the strategies picked corresponded with a central part of their organization's brand values or purpose, the most popularly cited driver amongst our respondents. Nearly one-third of respondents (31%) selected it as their leading driver, and respondents were more likely to select this than any other drivers within our list.

When identifying sustainability priorities and strategies, it may therefore be important to consider your organization's brand purpose and values or use them as a contributing factor in the decision-making process.

The second most cited driver was opportunities for growth, which was identified by **43%** of respondents

The second most cited driver was opportunities for growth, which was identified by 43% of respondents. Whilst sustainability may have connotations of having implications for business performance, that such a share of respondents see strategizing for sustainability as offering potential growth factors can perhaps be a testament for how sustainable practices have matured, and that 'going green' does not have to come at the expense of other business targets or ambitions.

Our third most popular driver was regulatory compliance or impending regulatory changes, which was identified by 38% of respondents as one of their top three drivers. As we have illustrated throughout this report, regulatory compliance remains a major contributing factor to decision making with regards sustainability, so it stands to reason that it is also educating strategies going forward.

# 4 Action stations: short-term trends for sustainability investments and priorities

The role of, and demands upon, sustainability practitioners and decision-makers continues to evolve at speed. Our research has outlined that while sustainability budgets are set to increase over the next three years, businesses are setting priorities and investing in a broader suite of tools and technologies to help meet growing targets and compliance requirements.

This report has assessed the investment trends for organizations, the priorities being set today and how these may differ by region of operation and other company identifiers. Further analysis of our data can however be used to illustrate how organizations are responding to specific challenges and disruptions both today and in the years ahead.

That organizations are today investing in data analysis solutions, emissions accounting or estimation solutions and process improvement technologies perhaps highlights that capturing sufficient data for reporting requirements is a critical challenge. With reporting requirements escalating and investors demanding more ESG data, tools capable of capturing, accounting for and analyzing emissions data are clearly held in high regard, topping our investment tracker for 2023.

This can also, perhaps, substantiate how energy and decarbonization has been identified as among the top-three priorities by a sizeable majority – some 84% - of respondents to our survey. Businesses are strategizing for that priority in numerous ways, however the most popular strategies include optimizing operations in pursuit of efficiencies and investing in renewable energies. With a majority of businesses measuring success in energy and decarbonization through demonstrable reductions in Scope 1 and Scope 2 emissions lends further weight to the argument that making real, tangible progress is critical for sustainability practitioners.

As discussed within the report, business reporting requirements mandated within the likes of Europe's CSRD and proposed within the U.S. SEC's requirements state that progress against targets must be reported. With Scope 1 and 2 emissions mostly within an organization's own control, direct actions – such as through decarbonizing its power supply and measuring the impact of that – make logical sense of the conclusions highlighted by our research.

Looking forward, there is evidently less certainty. While nearly half of respondents to our survey identified energy and decarbonization as their leading priority, selections for the second and third priorities were much more mixed – waste, circular economy and recycling being the most popular second priority, selected by 28% of respondents.

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Likewise, the most popular tool or technology used today – data analysis solutions – was selected by 38% of respondents. In comparison, the most popular tool or technology for investments in three years' time – ESG data management solutions – was selected by 23% of respondents. There were also far fewer overall selections for technologies set to be invested in for three years' time than there were technologies selected today. This could indicate that investment priorities have not yet been determined or are unknown, or that tools currently on the market do not meet business expectations of what will likely be required as reporting requirements become stricter.

The technologies favored for investment in 2026 suggest that different challenges are looming on the horizon, especially requirements for Scope 3 emissions reporting, which the CSRD requires of listed SMEs by 2026. These will require different tools and capabilities, and will almost certainly require more investment – 74% of respondents surveyed said investment will grow over the next three years, 26% of whom expect an increase of 6 – 10%.

There is therefore little doubt that the business community is treating sustainability with growing importance and urgency. Most organizations would also appear to have a strong understanding of their immediate plan. The uncertainties, our research indicates, lie in how to tackle the disruptions on the horizon for the years ahead.


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# Methodology

The **Reuters Impact Global Sustainability Survey 2023** was conducted in the second quarter of 2023 engaging sustainability professionals and practitioners across industries including professional and business services, energy, utilities, mining, chemicals, finance, insurance, manufacturing, construction, automotive, education, public sector, among others.

A total of 570 respondents from regions across the globe participated in the survey with 27% of the respondents based in the U.S. and 17% in the U.K. A high share of respondents **(66%) are in leadership, board or senior management roles**, with responsibilities across multiple functions while 15% are in mid-management roles. There is diversity in the type of organizations that participated in the survey. Sixty per-cent of the respondents are in private companies, 23% in public companies, 6% are in voluntary/ NGOs and 5% are in government or state-owned corporations. Fifty-eight per-cent of participants are working in organizations which have operations in Europe, 50% in North America, 42% in Asia, 33% in Central & South America, 31% in Africa, 27% in the Middle East and 25% in Australia.

More than half (51%) of companies surveyed have revenues of less than $50 million and **nearly one-third (31%) have revenues over $1 billion**. Nearly half (49%) of the respondents reported their employee headcount to be under 250. Twenty-six per-cent were mid-sized at 250-5,000 employees and a quarter (25%) reported over 5,000 employees.

The data was gathered through web surveys which were designed and implemented following strict market research guidelines and principles.