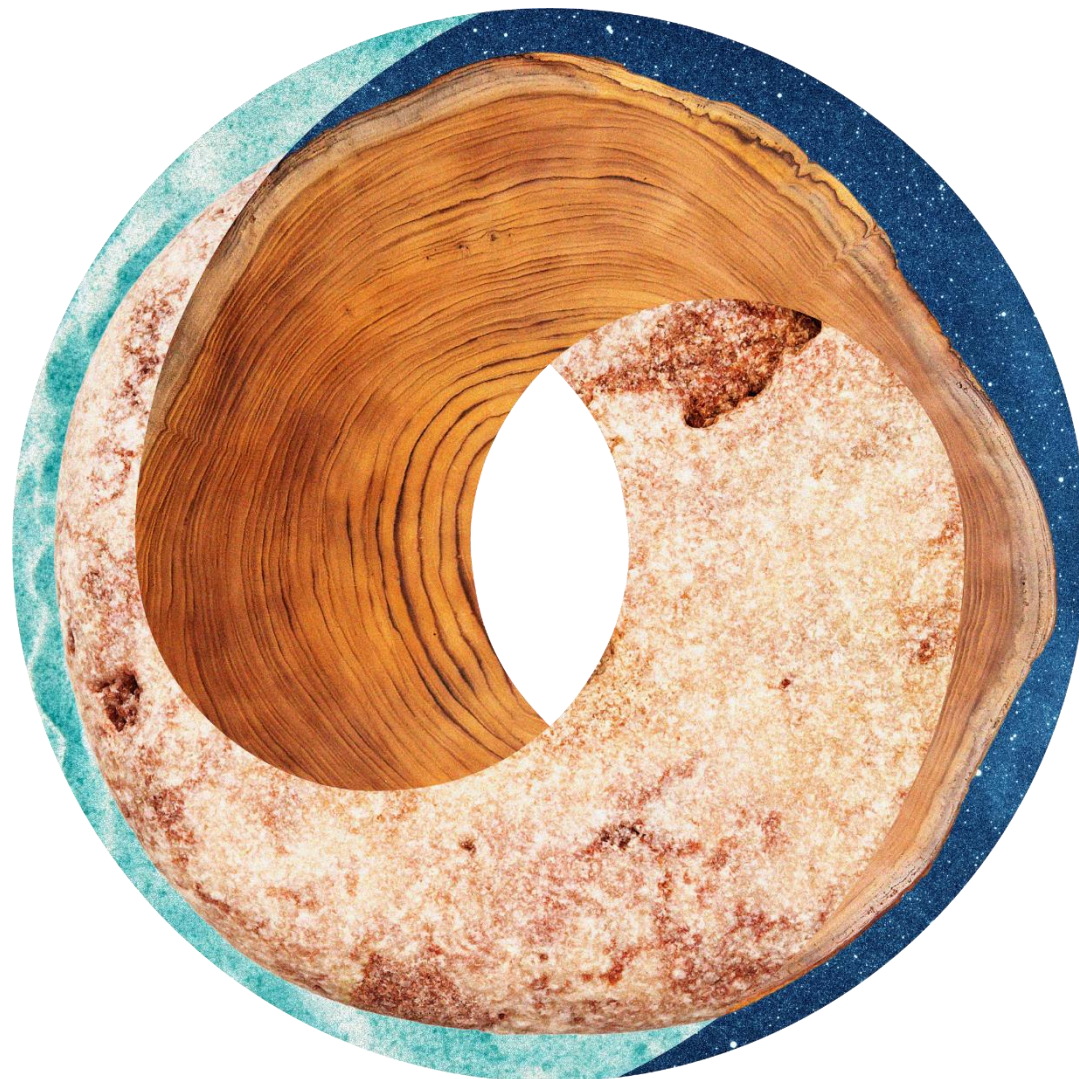




Deloitte 2024 CxO Sustainability Report

Navigating uncertainty with
robust climate commitment

Germany Report



September 2024



Global findings summary (1 of 2)

Deloitte's 2024 CxO Sustainability Report, surveying over 2,100 executives across 27 countries on their views and strategies related to sustainability and climate change, marks a potential sea change in what benefits and opportunities companies see from their actions and underscores the staying power of sustainability on the business agenda.

Contrary to some headlines, our survey indicates there is no retreat from sustainability action by businesses. Instead, there is a notable increase in investment in sustainability efforts, and early but important signs that climate action is driving value creation and moving to the heart of many companies' overall business strategies.

- Climate change continues to be one of the top three priorities for CxOs, surpassing political uncertainty, supply chain issues, and talent competition.
- Global CxOs are prioritizing and increasing investments in sustainability, with 85% reporting an increase in investments, up from 75% last year.
- CxOs anticipate that climate change will significantly impact their companies' strategies and operations over the next three years, with 70% expecting a high or very high impact, up from 61% last year. Nearly half (45%) say they are transforming their business model to address climate change and sustainability in a way that is central to the organization's strategy.

Companies are beginning to realize the business potential in the shift to a low-emissions economy. More CxOs are citing sustainability as a driver of new products, business models, and value creation overall, rather than a compliance or brand-building exercise.

- Executives see few trade-offs between business success and climate action. 92% of CxOs believe their company can grow while reducing greenhouse gas emissions, and 90% believe the world can achieve economic growth while reaching climate change goals.
- This year saw a shift toward seeing more direct environmental and business impact, including customer loyalty, supply chain efficiency, and operating margins, rather than less tangible benefits such as improved brand recognition and reputation.
- The most anticipated benefit CxOs expect to see over the next five years is in innovation around offerings and/or operations.



Global findings summary (2 of 2)

Climate action is an engine for innovation. While the need for innovation and technology investment might be seen as competing priorities to climate action, in reality, they are crucial drivers of sustainability efforts, enabling businesses to develop solutions that showcase the potential for new products and services that offer both environmental and business benefits.

- Innovation [(including Artificial Intelligence (AI))] ranks ahead of climate change as the number one most pressing challenge for CxOs over the next year, with 38% listing it in their top three.
- 50% of CxOs have already begun implementing technology solutions to help achieve climate or environmental goals, with another 42% expecting to undertake this work in the next two years. More than half of those who are already leveraging technology say they are using it to develop more sustainable products and services.
- Among leading organizations, 85% are developing new climate-friendly products or services, emphasizing the link between innovation and climate action.

Sustainability is an enduring part of the business agenda, but “holding the line” isn’t sufficient. The landscape of climate action among businesses is highly uneven. While leading companies are driving change inside and outside their organizations, an even greater number have taken few if any of the most-impactful actions. As the world moves toward a net-zero economy, their “go-slow” approach risks leaving them at a competitive disadvantage.

- Despite recognizing the looming impact of climate change on their operations and strategy, there is still a significant portion (27%) of organizations that have taken minimal or no “needle-moving actions.”

The majority of companies that were surveyed are neither leaders nor laggards, but have a critical opportunity to drive broader and deeper action. This “moderate middle” group represents a sleeping giant; if it awakens, it could tip the balance of corporate climate action and drive rapid change.

- More than half of organizations (56%) are focusing on two to three needle-moving actions. Many of these organizations fall into two categories: those that are pursuing the business of sustainability—serving the emerging green economy—and those focused on becoming a sustainable business—addressing their own environmental footprint and influencing the broader ecosystem, from supply chains to society. They are well-positioned to build on their existing efforts and to scale-up for even greater impact.

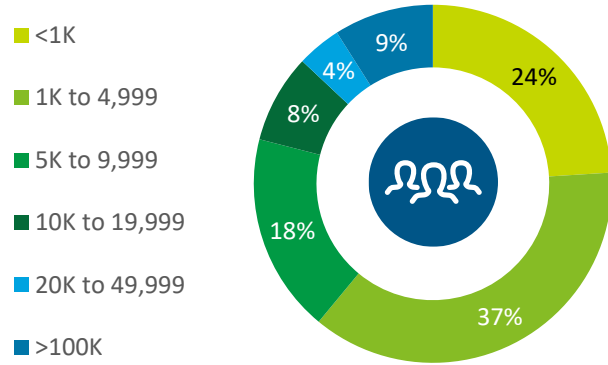
This report provides a view of the current climate action landscape among CxOs globally and explores the latent potential of that middle cohort: what actions they’re already taking, what barriers they face, and what lessons they can learn from leading companies that are modeling what a holistic approach to sustainability might look like to catalyze broader and deeper action within their organizations to unlock value.



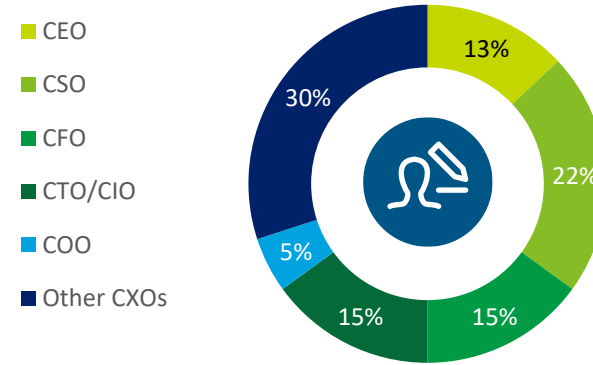
Germany country business profile

100 executives in Germany were surveyed

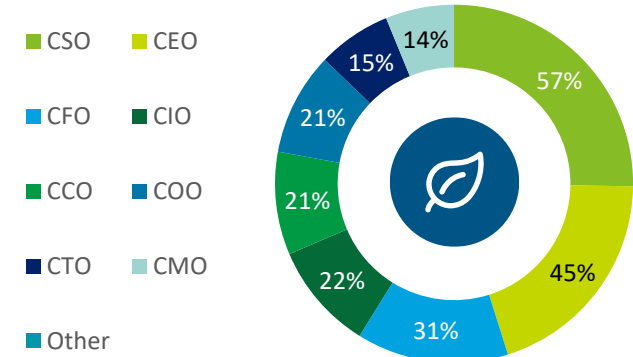
Number of employees



Job title



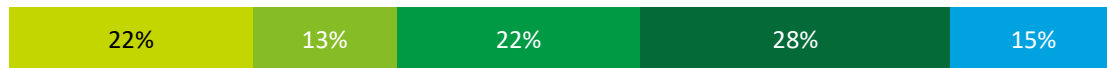
Position(s)* at your company responsible for climate goals



*Some respondents indicated multiple roles within the company have responsibility, resulting in the total percentage across roles exceeding 100%.



Revenue (US\$)



■ \$500M to \$999M ■ \$1B to \$1.99B ■ \$2B to \$4.99B ■ \$5B to \$9.99B ■ >\$10B



Industry

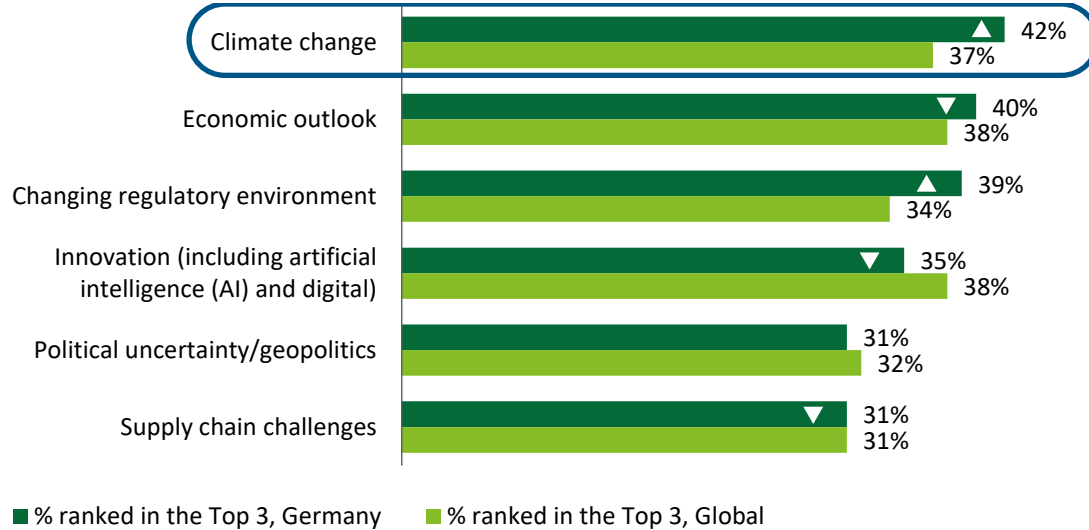


■ Consumer ■ Energy, Resources & Industrials
 ■ Financial Services ■ Life Sciences & Health Care
 ■ Technology, Media & Telecom ■ Other

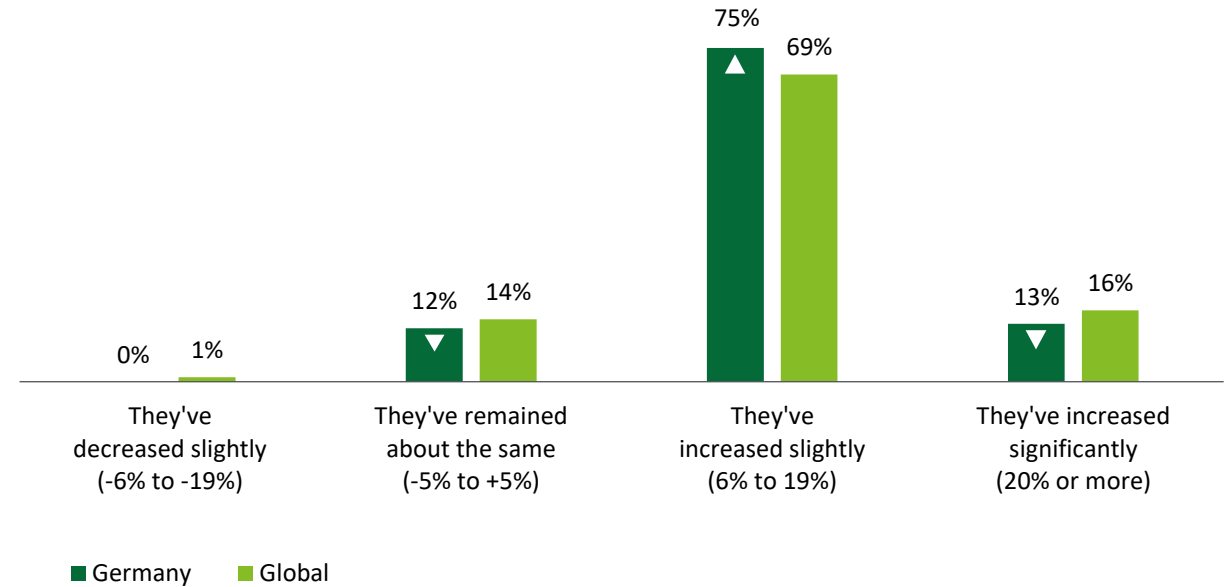
Climate remains a top priority despite many pressing issues



What does your organization see as the most pressing issues to focus on over the next year? (rank in order of importance)



How have your sustainability investments changed over the last year?



Climate change is the most-often cited priority among CxOs in Germany and has grown in importance over the past year. More executives placed it among their top-three issues than the economic outlook, regulatory environment, and innovation (including AI).

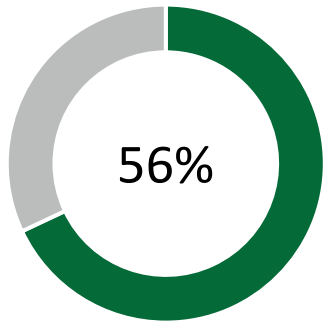
- German CxOs more frequently point to climate change as among their most pressing challenges compared to their global peers.
- More CxOs in Germany reported increasing their sustainability investments over the past year than the global average, reflecting their seriousness about climate action. Fewer are making large increases compared to a year earlier, perhaps indicating a maturing investment landscape.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

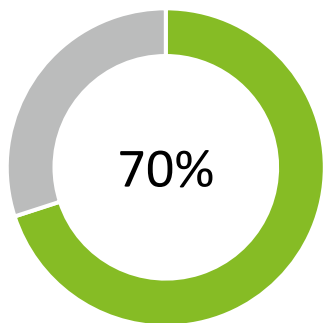
Climate change's impact on strategies and operations is growing



Executives who expect climate change to impact their company's strategy and operations to a high/very high extent over the next 3 years



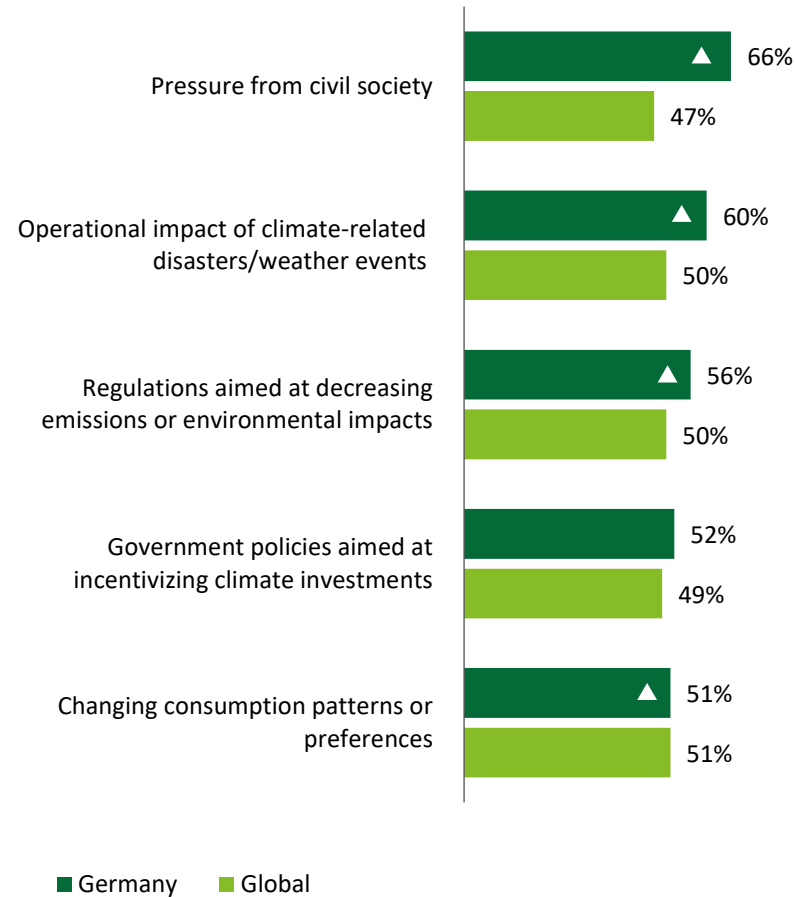
Germany



Global



Top climate issues already impacting companies (Select all that apply)



56% of CxOs in Germany expect that climate change will impact their companies' strategies and operations to a high/very high extent in the next three years. This is a much lower number than the global average (70%).

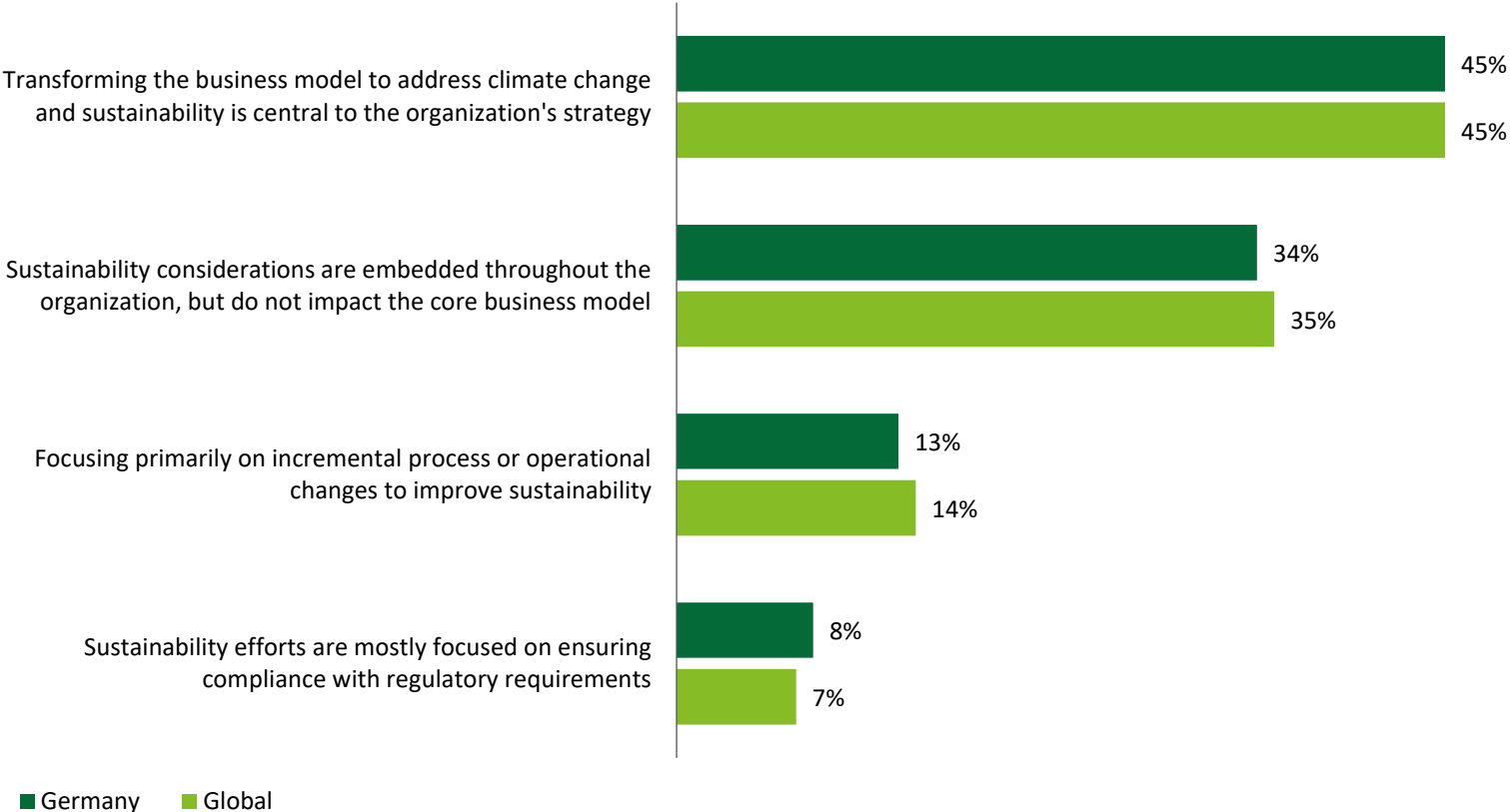
- German CxOs are more likely to feel pressure from nearly every stakeholder group relative to the global average. Civil society, in particular, is a significantly greater source of pressure than in other countries surveyed.
- The percentage of German CxOs reporting pressure has increased nearly across the board.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

Many organizations take comprehensive approaches to corporate sustainability



Which of the following statements best describes your company's current approach to environmental sustainability and climate change challenges? (Select one)

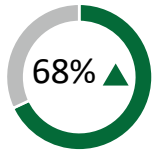


Nearly half of surveyed organizations in Germany indicate that they are transforming their business models to address climate change.

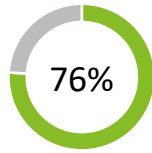
- CxOs in Germany report adopting a transformational approach at the same rate as the global average.
- Some countries see a significantly higher percentage of organizations claiming they are transforming their business model, notably the United Arab Emirates (64%), Japan (55%), Italy (55%), Switzerland (53%), and China (53%).
- Roughly one-third of the German organizations surveyed indicate that while sustainability considerations are embedded throughout the organization, they do not impact the core business model.

CxOs feel the impacts of climate change, yet are optimistic about the potential for effective action

Executives who say they feel concerned about climate change all or most of the time

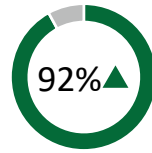


Germany

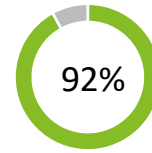


Global

Executives who are somewhat/extremely optimistic that the world will take sufficient steps to avoid the worst impacts of climate change

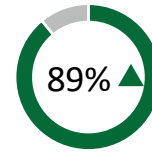


Germany

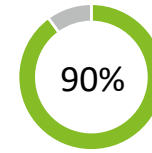


Global

Executives who agree/strongly agree the world can achieve global economic growth while also reaching climate change goals

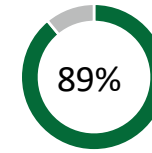


Germany

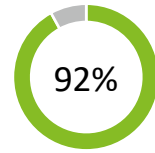


Global

Executives who agree/strongly agree their company can continue to grow while reducing greenhouse gas emissions

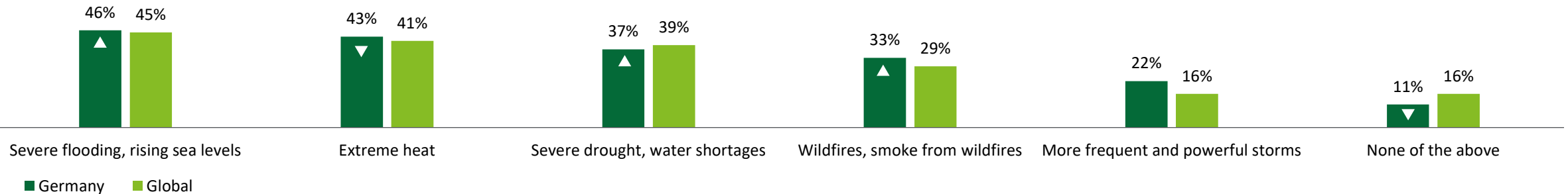


Germany



Global

Have you personally been impacted by any of the following in the last year? (Select all that apply)



68% of CxOs in Germany report feeling concerned about climate change all or most of the time, indicating a high level of awareness and worry regarding its impacts—but lower than the global average (76%).

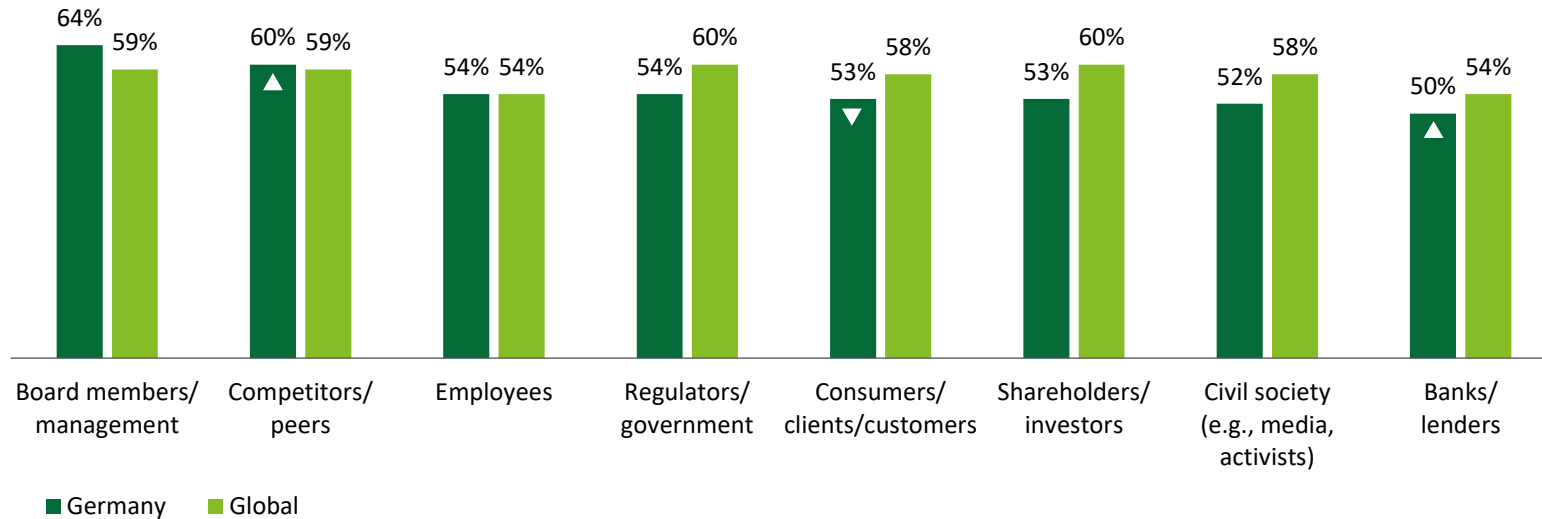
- The concern is up from last year, potentially driven by the increase in the number of German executives saying they have been personally impacted by climate-related events.
- Despite growing levels of concern, CxOs in Germany are also reporting high levels of optimism (92%, on par with the global average) and a belief that their companies can grow even as they address emissions.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

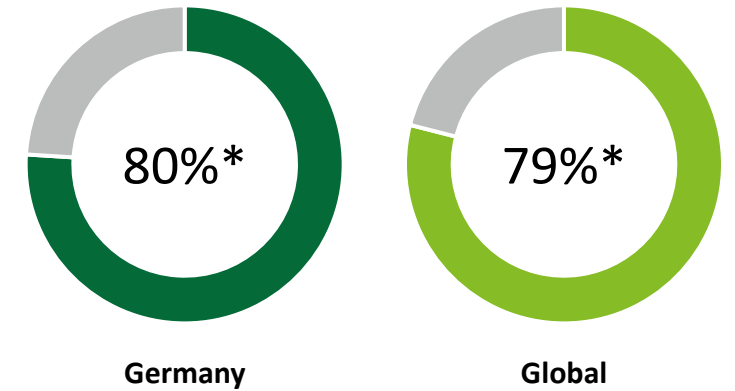
Companies feel broad pressure from stakeholder groups



Executives who feel pressure from the following stakeholders to act on climate change to a moderate/large extent



Average percentage of organizations feeling pressure across stakeholder groups to increase climate action



* Number represents average across all stakeholder groups of those who selected Somewhat or Significantly increase climate action.

Organizations in Germany report similar levels of overall pressure as the global average.

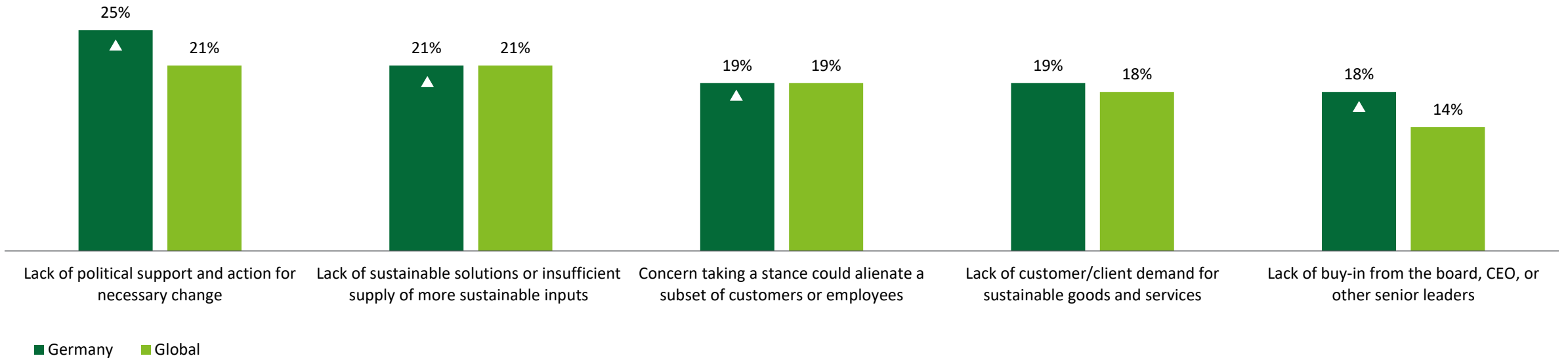
- German CxOs indicate somewhat less pressure than the global average from regulators, consumers, shareholders, civil society and banks.
- Pressure from competitors and peers has increased for German CxOs, potentially an indicator that the market for sustainable goods and services is expanding.
- Most pressure in Germany (80%) as well as globally (79%) is for organizations to increase their climate action. Relatively little pressure is encouraging organizations to slow their efforts to address sustainability and climate change issues.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

A varied set of barriers adds further complexity to addressing climate action



Top five obstacles cited to driving sustainability efforts



German businesses are facing several challenges to their sustainability efforts, with lack of political support and lack of sustainable solutions topping the list.

- Many of the top barriers are cited by a higher percentage of German CxOs compared to a year ago, suggesting a slightly more challenging operating environment for sustainability initiatives.
- Of note, lack of buy-in from the organization's seniormost leadership has increased significantly and outpaces the global average. While still a relatively small percentage, it's a potentially worrying sign that the commitment to sustainability of top leadership at some companies is flagging.

▲▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

The benefits of climate action have diversified and moved beyond recognition and reputation



Greatest benefits of sustainability efforts

Top five benefits so far

46%▲

Innovation around offerings and/or operations

Global = 36%

45%

Long-term organizational resilience

Global = 36%

42%▼

Customer satisfaction and loyalty

Global = 38%

38%▲

Revenue from new businesses (e.g., new offerings)

Global = 35%

38%▼

Addressing climate change

Global = 39%

Top five benefits expected in the next five years

45%▲

Cost savings/lower cost of capital

Global = 36%

41%

Supply chain efficiency and/or resilience

Global = 36%

40%▼

Customer satisfaction and loyalty

Global = 36%

39%▼

Ability to recruit and retain talent

Global = 36%

38%

Innovation around offerings and/or operations

Global = 36%

German organizations indicate a number of benefits from sustainability, with more CxOs seeing those benefits today and in the future than the global average in many cases.

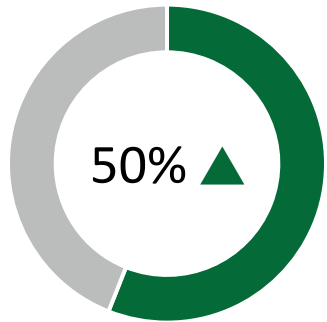
- Innovation, long-term resilience, and customer satisfaction were among top-three benefits for German CxOs, highlighting the direct business benefits of sustainability action.
- German CxOs are less likely to cite the direct impact on climate change as a benefit of their efforts compared to a year ago and relative to the global average.

▲▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

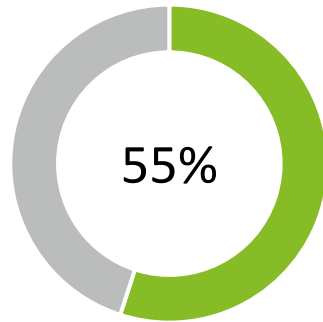
The importance of climate equity and a just transition in sustainability efforts continues to grow



Executives who say climate equity and ensuring a just transition are extremely important in their companies' sustainability efforts



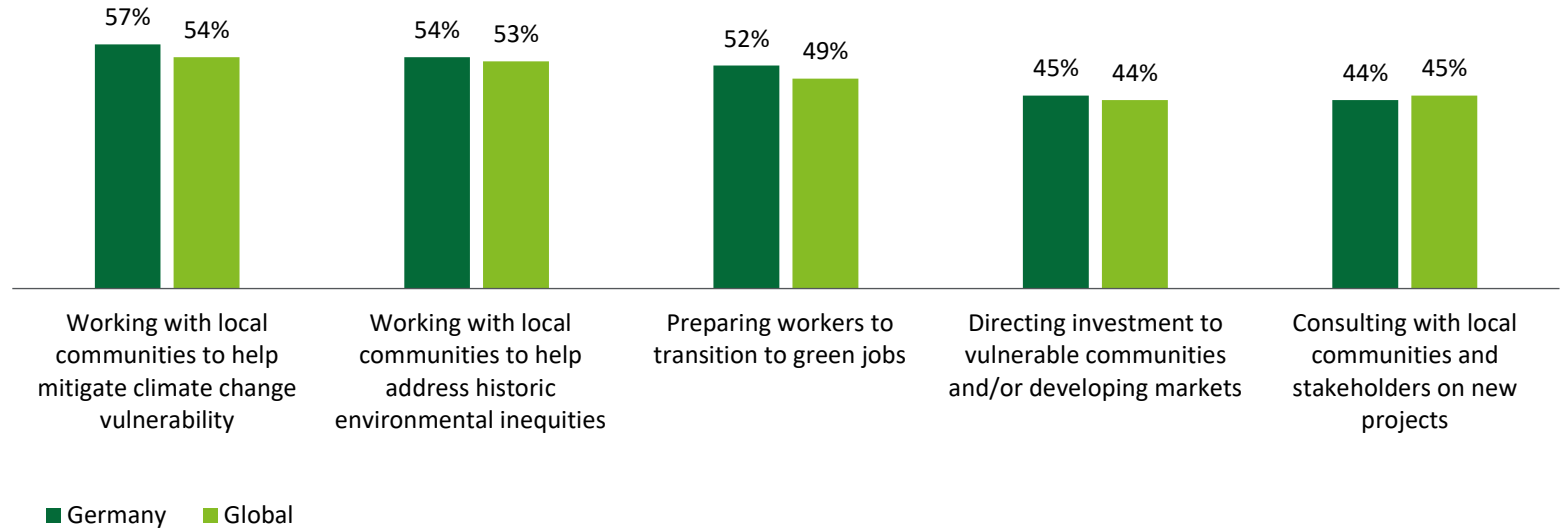
Germany



Global



How is your organization factoring climate equity or ensuring a just transition into its sustainability efforts?



Ensuring a just transition is considered a top priority for half of the organizations surveyed in Germany, an increase from 2023 but less than the global average (55%).

- German CxOs cite a number of activities to ensure a just transition—working with local communities to mitigate vulnerability; working with local communities to address inequities; preparing workers—all at or above global averages.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

Organizations are implementing a range of sustainability actions to meet environmental goals



Which of the following actions/adaptations has your company already undertaken as part of its sustainability efforts? (Select all that apply)

Top actions taken

60%▼

Using more sustainable materials (e.g., recycled materials, lower-emitting products, circular economy)
Global = 51%

58%▲

Including monitoring of climate risk in corporate governance processes (e.g., board oversight)
Global = 48%

57%▲

Training employees on climate change or sustainability
Global = 46%

55%

Increasing energy efficiency (e.g., energy efficiency in buildings, equipment)
Global = 49%

53%

Developing new climate-friendly products or services
Global = 48%

Harder-to-implement, needle-moving actions*

53%

Developing new climate-friendly products or services
Global = 48%

52%▲

Tying senior leaders' compensation to environmental sustainability performance
Global = 43%

51%▲

Requiring suppliers and business partners to meet specific sustainability criteria (e.g., emissions reductions)
Global = 47%

50%▲

Lobbying for or making political donations in support of climate initiatives
Global = 44%

48%

Reconfiguring operations, infrastructure, and/or supply chain to be more climate-resilient
Global = 46%

* As defined by Deloitte Global analysis

German organizations are undertaking a range of sustainability actions at higher percentages than the global average.

- Of note, German CxOs report engaging in harder-to-implement, needle-moving actions more often than the global averages.
- The percentage of German CxOs who say they are pursuing several of those actions has grown considerably since 2023, including around tying compensation to sustainability performance, requiring suppliers to meet sustainability criteria, and lobbying in support of climate initiatives.

▲ ▼ Arrows indicate increases or decreases of 5% or more compared to 2023 where applicable.

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