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**Deloitte**

# 2021 Climate Check: Business' Views on Environmental Sustainability

*Disruptive 2020 slows climate action, but executives determined to act*



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## Business leaders recognize the threat of climate change, but the pandemic has stalled action.

Business executives see the world at a tipping point in our collective ability to mitigate the worst impacts of climate change. But how have the coronavirus pandemic and economic downturn impacted environmental sustainability efforts? This report **sheds light on the perspectives of global business leaders** as the climate change conversation evolves at this critical moment.

# Introduction

## A LETTER FROM MICHELE PARMELEE

**THE WORLD IS FACING** several existential challenges; but there is little doubt climate change is one of, if not the biggest looming threat to our current way of life.

Businesses have increasingly started to prioritize sustainability initiatives over the last few years, as a series of climate-related disasters—from blazing wildfires to severe droughts to “once-in-a-lifetime” blizzards—consistently demonstrate the seriousness of this crisis.

For this report, we asked business executives how their organizations are approaching the climate crisis. Our latest “Climate Check” pulse survey tracks changes in sentiment from last year’s edition, while exploring how the current pandemic and corresponding economic downturn have impacted their environmental sustainability efforts.

The results are mixed. On the one hand, the pandemic has slowed some of the momentum toward combatting the climate crisis that has been building over the last couple of years. On the other hand, there has emerged a newfound sense of determination that if we act now, we can alter the course of climate change and avoid worst-case scenarios down the line.

Our survey also reveals that meaningful environmental sustainability initiatives can create long-term value for businesses on several fronts—boosting everything from financial performance to employee morale to recruitment. They can also help organizations meet customer expectations as calls for greater climate action permeate the marketplace.

This research validates the business case for tackling climate change, elevating environmental sustainability as a true imperative for executives. And, while business leaders are still grappling with the disruption that defined 2020, it’s crucial that we focus on turning our climate commitments to action to prevent worse crises in the future. ■



**MICHELE PARMELEE**

*Deputy CEO and Chief People & Purpose Officer*  
Deloitte Global

# Executive summary

**Climate change is no longer a distant threat; it is already impacting daily life in many parts of the world, and businesses are beginning to feel the impact. Over 30% of executives say their organizations are starting to feel the operational impact of climate-related disasters and more than a quarter are facing a scarcity of resources. Most executives are concerned about climate change, but a gap exists between sentiments and action.**

Climate change has become an increasingly dominant concern among consumers, activists, employees, the media, and other important stakeholders. In a [Deloitte Global climate survey](#) conducted between November 2019 and January 2020, global executives acknowledged the need to elevate environmental sustainability commitments within and beyond their organizations.

Our latest Deloitte Global climate survey of 750 executives worldwide conducted between January and February 2021 reveals that while business leaders continue to see the world at a tipping point when it comes to climate change, the coronavirus pandemic and corresponding economic downturn have slowed environmental sustainability actions.

The following findings highlight executives' greatest concerns when it comes to climate change, the actions they are taking in response, and the gaps in our progress toward a more sustainable future.

Key insights include:

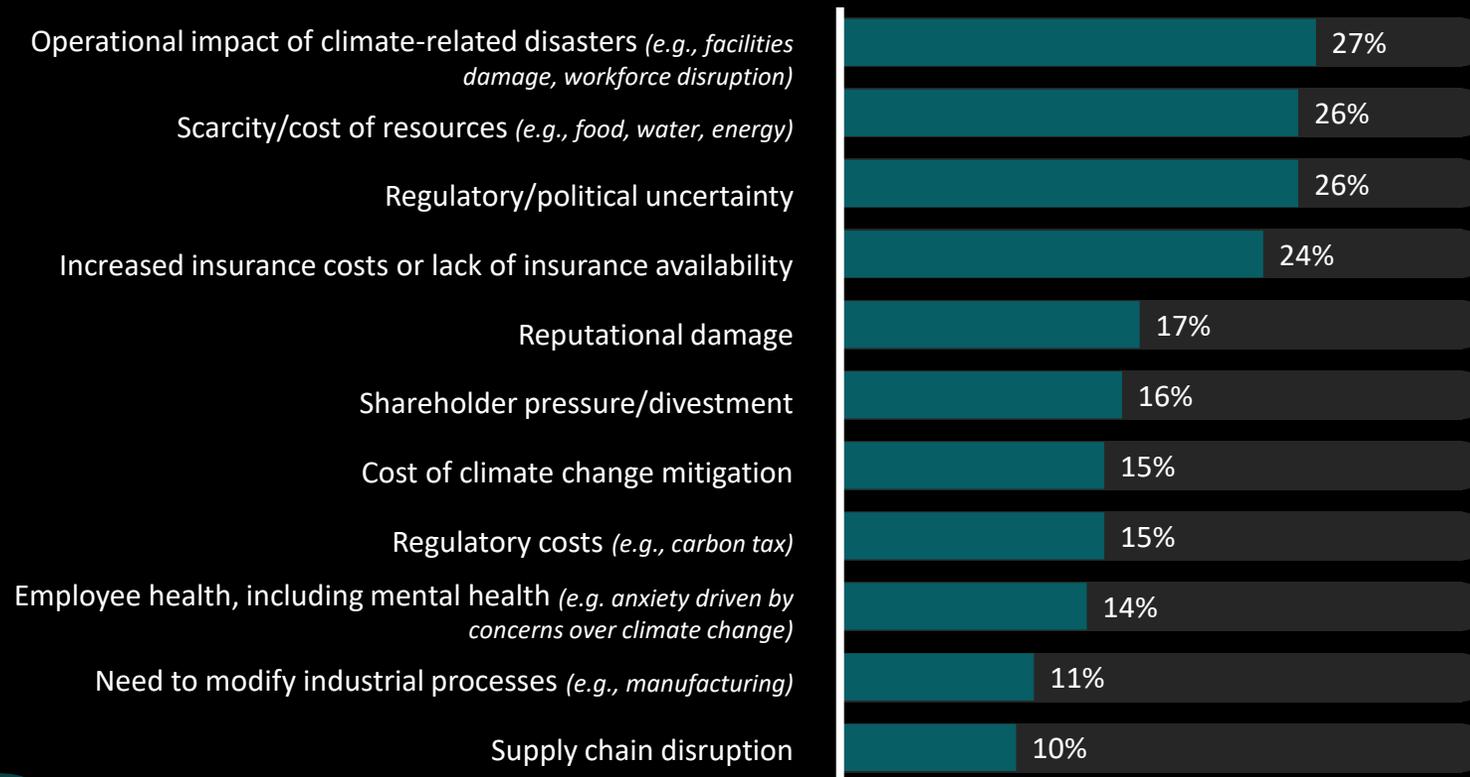
- 65% of executives said their organizations will need to **cut back on environmental sustainability initiatives in some way** due to the pandemic.
- Despite the pandemic and economic downturn, however, nearly 25% of executives say their organizations are **planning to accelerate their environmental sustainability actions** in the months ahead.
- Two forces emerged as key drivers of environmental sustainability action: the **shifting regulatory and political environment** and **increasing shareholder and employee activism**.
- Executives looking to make progress on the sustainability front are currently placing an emphasis on **education and empowering others** to make environmentally conscious decisions.
- Executives are also **collaborating with other institutions** - including other businesses and governments - to develop solutions to climate change.





# The operational impacts of climate events are affecting more than one in four organizations

What are the biggest environmental sustainability/climate change issues already impacting or threatening to impact your organization?\*



## Most impactful environmental issues

- The most cited environmental issue is operational impact as **climate-related events increasingly disrupt business models** and supply networks worldwide. As such, resource scarcity/resource cost—due to both environmental and human causes—also remains a leading issue, keeping consistent with last year’s findings.
- Executives are also wary about the **shifting regulatory and political environments** as this emerged as one of the three foremost concerns in this year’s survey.
- Corporate leaders are also aware of how climate-related events—from devastating wildfires in Australia to disruptive winter storms in Texas—have impacted communities around the world and have sometimes led to **dramatic increases in insurance costs.**



The banking and life sciences/health care industries cited regulatory/political uncertainty as the foremost issue impacting environmental sustainability efforts by a large margin.

\*select top 2

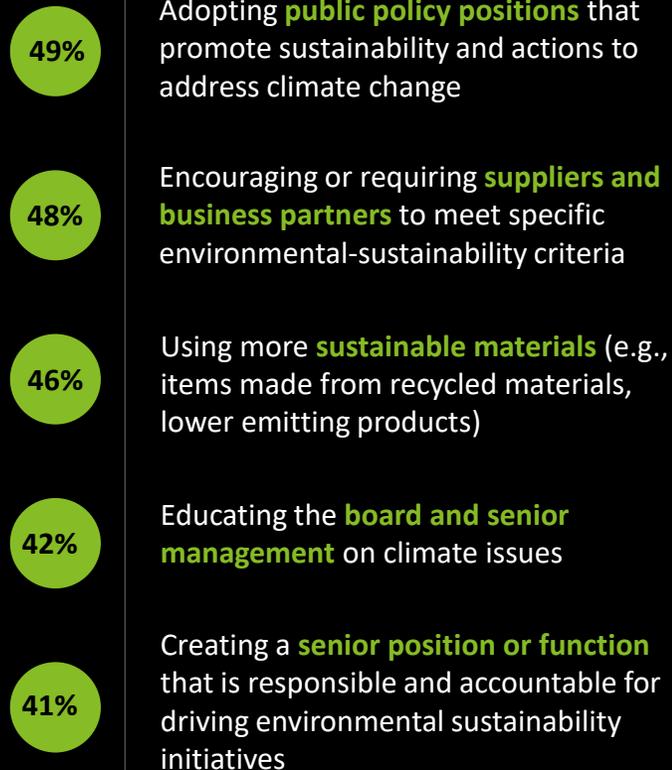
## Current environmental sustainability actions

- The top three actions companies are taking focus on **public policy initiatives, the encouragement of suppliers to meet sustainability criteria, and the use of more sustainable materials.**
- Actions in the past decade have focused on education and awareness, but leading organizations are also exploring more expansive sustainability measures. Last year, only 19% of executives said their organizations focused on **reducing air travel** among employees. That percentage jumped to 38% this year as organizations embraced remote working.
- Companies are also increasingly focusing on senior level buy-in by **continuing to educate leaders about climate issues and tying leaders' compensation to environmental sustainability goals.**

# Leading organizations are moving beyond awareness to more substantial measures ...

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

### ▲ TOP FIVE SELECTED:



### ▲ LARGEST INCREASES FROM LAST YEAR:



## Benefits of environmental sustainability

- As a result of their environmental sustainability efforts, **companies say their customer satisfaction has improved** and executives are seeing a greater measurable impact on the environment, up eight percentage points from last year's survey.
- There also have been noticeable improvements in employee recruitment and morale, indicating that **environmental sustainability efforts are becoming core tenets of organizational culture and brand identity**.
- Profitability and revenue growth also are among the significant positive outcomes organizations are experiencing due to their sustainability efforts. Almost half of companies have seen **improved financial metrics thanks to these initiatives**—a key consideration as leaders work to justify and measure the return on investment from climate efforts.

# ... and actions are positively impacting stakeholder satisfaction and the bottom line

In which of the following areas have your organization's environmental sustainability efforts yielded a positive impact?\*



Customer satisfaction/meeting client expectations



Employee recruitment and retention



Financial metrics (e.g., profitability, revenue growth)



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



Employee morale surrounding organizational values, efforts, etc.



Employee participation with organizational sustainability efforts



Brand recognition and reputation



Investor/shareholder satisfaction and/or lower cost of capital



Increased efficiency or productivity (e.g., supply chain efficiency, manufacturing productivity)



All surveyed organizations are seeing positive benefits in some areas and are implementing ways to measure impact

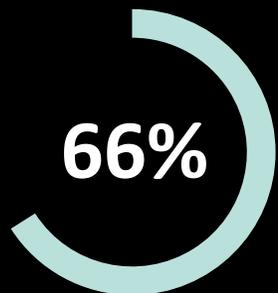
\*select all that apply

# The pandemic has stalled – but not stopped – environmental sustainability efforts

How has the economic downturn and pandemic impacted your organization’s environmental sustainability efforts?\*



\*select one



of executives agree/strongly agree responses to COVID-19 show that **large-scale collective action can have a positive impact** on the environment



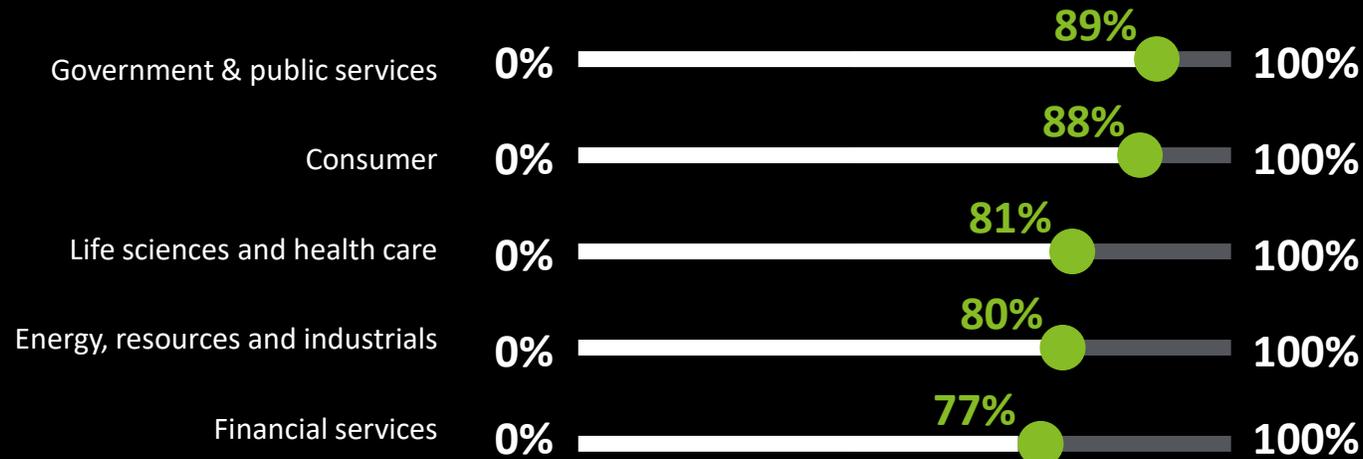
of executives agree/strongly agree they will **continue some of the personal behavior changes they have made** to limit their own impact on the environment

## Impact of the pandemic

- The majority of executives (65%) said their organizations **needed to cut back** on environmental sustainability initiatives in some way due to the pandemic. **The media and industrial products industries were most likely to say they will have to cut back their efforts somewhat over the next 12 months.**
- **Overall, however, no surveyed organizations are planning to stop their efforts completely with no plans to resume**, indicating that environmental sustainability will remain on the agenda despite setbacks from the pandemic.
- In addition to their organizational responses to the pandemic, executives agree overall that individual actions, such as reducing personal travel, demonstrate that **large-scale, collective action can have a positive impact on the environment.** As a result, 68% plan to continue the personal behavior changes they have made to limit their own carbon footprints.

# Some industries plan to ramp up climate actions over the next year...

In your opinion, how concerned is your organization about climate change?  
Concerned/Extremely concerned by industry



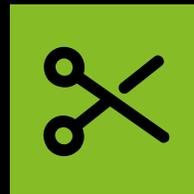
The executives of organizations that are extremely concerned about climate change said ...



**33%**

they will **accelerate** their sustainability efforts over the next 12 months

▲ +10 points from the global average



**9%**

they will have to **cut back** on their efforts significantly over the next 12 months

▼ -13 points from the global average

## Climate change concerns: industry lens

- The government, consumer, and life sciences/healthcare industries are most concerned about climate change with over 80% of executives indicating a high level of apprehension about the future of our planet.
- Among the organizations that are most concerned about climate change, **one third are more likely than others to accelerate their environmental sustainability efforts over the next year** despite the pandemic. These companies are primarily in the energy and consumer industries as they have been most impacted by the scarcity and cost of resources due to climate change.

# ... and most executives feel that businesses and governments can do even more ...

To what extent do you agree or disagree with the following statements?



**81%**

Executives agree/strongly agree **businesses should make even greater efforts** to protect the environment



**72%**

Executives agree/strongly agree **governments should make even greater** efforts to protect the environment



**27%**

Executives agree/strongly agree in the short term, environmental/climate change initiatives will be **less of a priority for businesses** because of the economic impact of the pandemic



**22%**

Executives agree/strongly agree in the long term, environmental/climate change initiatives will be **less of priority for governments** because of the economic impact of the pandemic

## Role of business and government

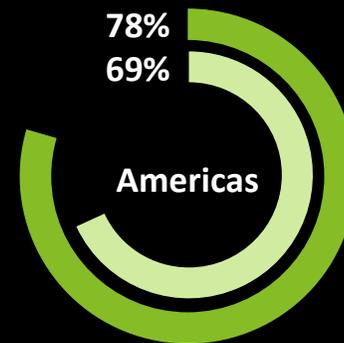
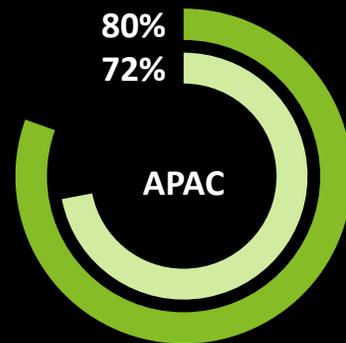
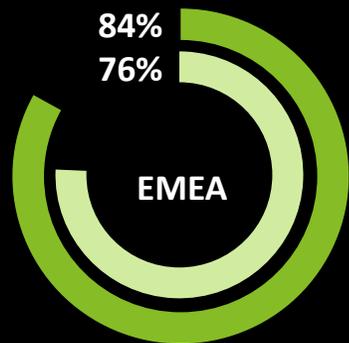
- Most executives believe that business and government have **central roles to play** in addressing climate change and protecting the environment.
- Moreover, there is a consensus that **sustainability efforts need to be stepped up**—81% of executives believe this to be true for businesses, and 72% believe this to be true for governments.
- Business leaders also believe that **governments and businesses should prioritize sustainability strategies** in both the short and long terms, even in the context of the pandemic and current economic downturn.

# ... but expectations vary slightly by region

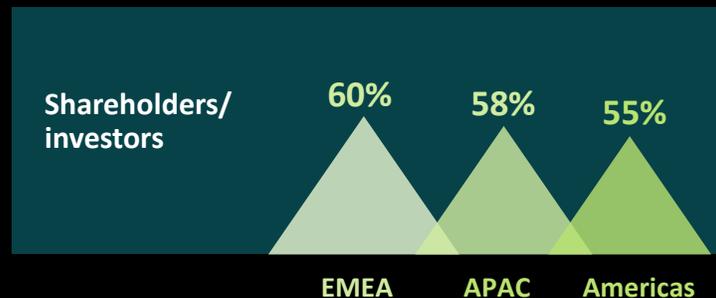
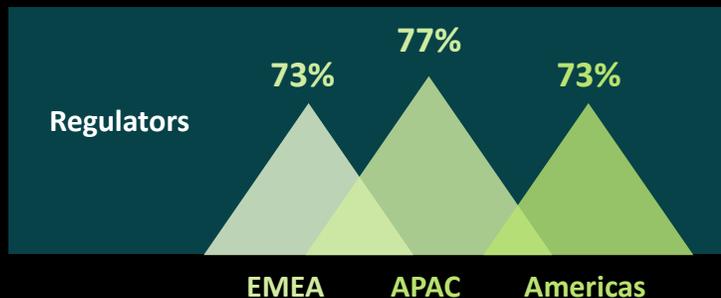
To what extent do you agree or disagree with the following statements?

Agree/Strongly agree by region

- = Businesses should make even greater efforts to protect the environment
- = Governments should make even greater efforts to protect the environment



What influence does public pressure from the following stakeholders have on your organization's environmental sustainability efforts? Significant/moderate influence by region

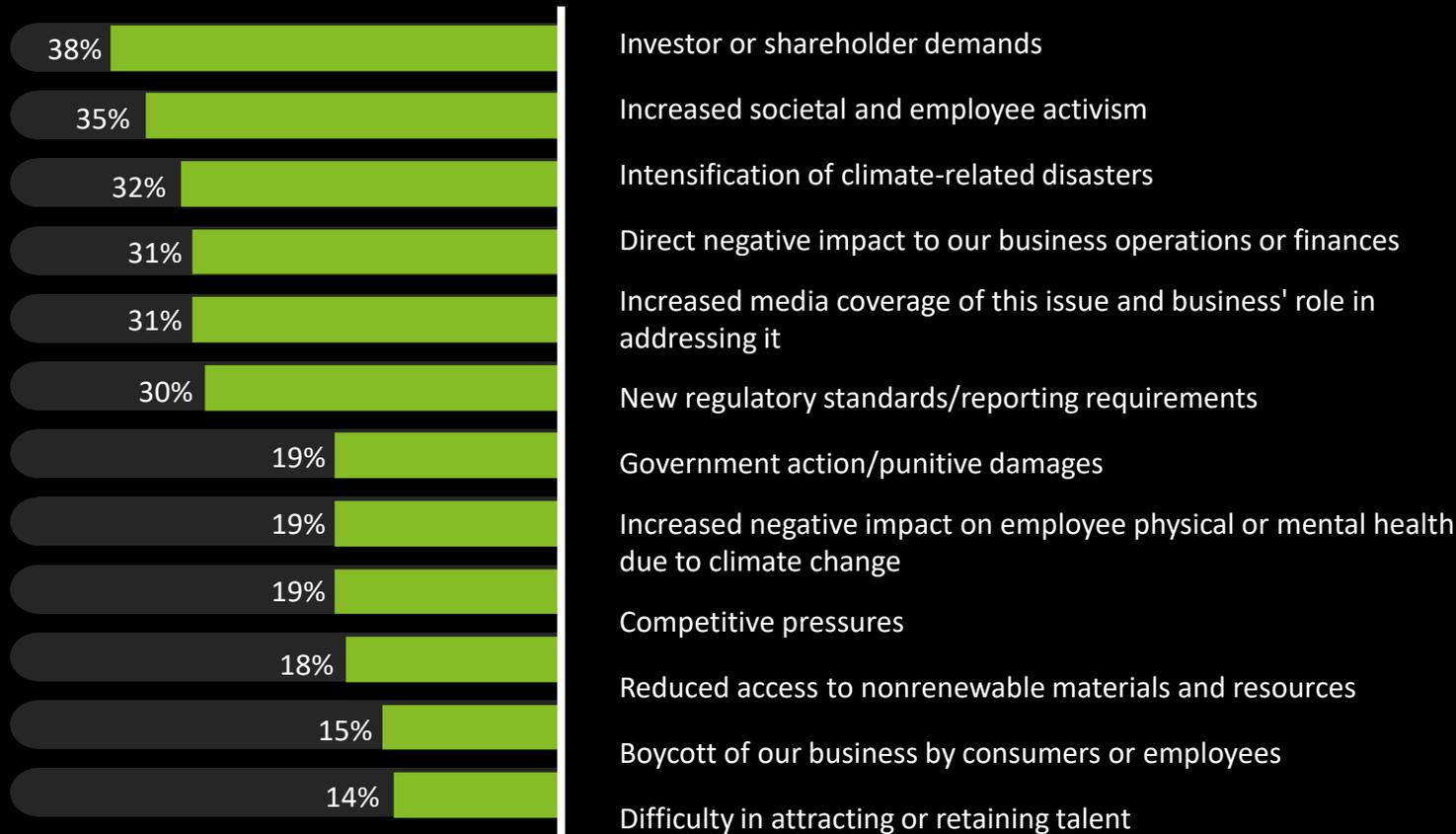


## Elevated expectations: regional lens

- A majority of executives in all three regions agree or strongly agree that **both business and government should make greater efforts to protect the environment.**
- Executives in EMEA and APAC are most likely to indicate that **businesses should do more to protect the environment.** Leaders in the Americas in particular have higher expectations for businesses to lead climate efforts (nine point difference between business and government).
- **The role of regulators is significant in all surveyed regions,** especially in APAC, as 77% of executives feel that regulators have the most impact on sustainability efforts.
- **Executives in EMEA are also more concerned about shareholders** and how their near-term demands will shape the environmental sustainability agenda.

# External pressure continues to impact environmental sustainability actions

What would motivate your organization to increase its environmental sustainability efforts in the future?



\*select top 3

## Motivators of sustainability

- Environmental sustainability initiatives are being primarily **driven by stakeholder pressure**. Investor demands became the top motivating factor for these efforts, up five percentage points from last year's survey.
- **Activism is also playing a bigger role** in generating momentum, as employees and external advocates demand greater climate action from corporations.
- The effects of climate change are also top of mind, as **intensification of climate-related disasters** took the third spot this year--a jump from seventh in last year's survey.
- Direct negative **impacts to business operations** also remained a top motivator, demonstrating that organizations are increasingly aware of how climate change will impact their core operations.

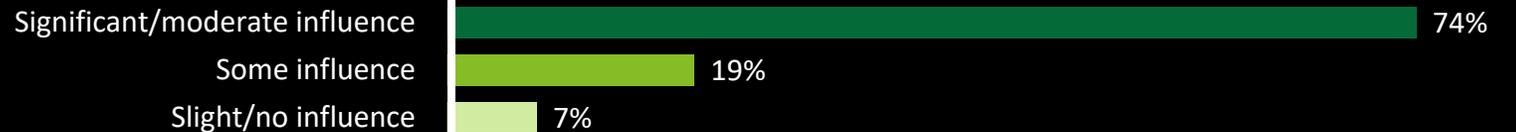
## Impact of public pressure

- **Regulatory and political uncertainty emerged as a top climate issue facing businesses.** Investors and companies both recognize the lack of a common, consistent way to measure and report on key Environmental, Social, and Governance (ESG) issues. Standard setters, accountants, and various industry and regulatory bodies are actively collaborating to support the creation of a single, globally accepted system of environmental sustainability reporting.
- Consumers and shareholders also remain important (both 58%) as they **influence near-term strategies** that impact the bottom line.
- Employees rank last with 48% of executives identifying employees as being highly influential in this space. This demonstrates that while employee and **external activism remain top of mind for executives**, other stakeholder groups hold greater near-term influence over organizational decision-making related to environmental sustainability.

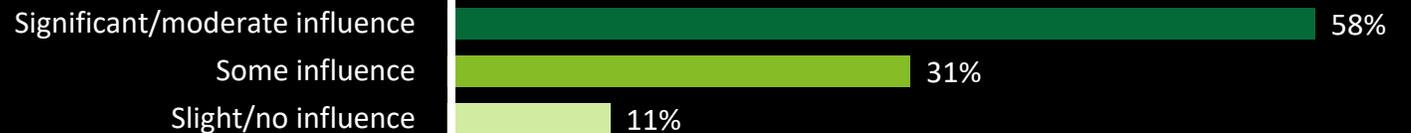
# Regulators have a significant impact on environmental sustainability strategies

What influence does public pressure from the following stakeholders have on your organization's environmental sustainability efforts?\*

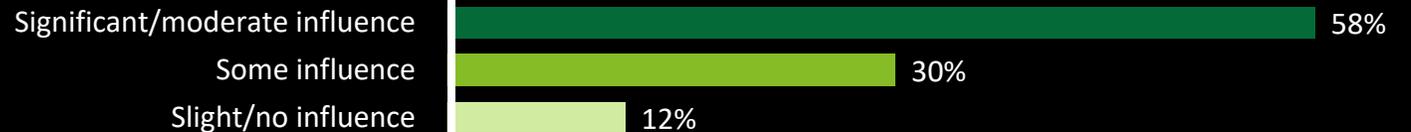
## REGULATORS



## CONSUMERS/CLIENTS



## SHAREHOLDERS/INVESTORS



## EMPLOYEES



\*select 1 response per grouping

# Short-term thinking impedes environmental sustainability efforts at scale

What are the main obstacles to driving environmental sustainability efforts from an organizational perspective\*? *Top five of all selected*



37%

Focus on near-term business issues/demands from investors/shareholders



30%

Concern we might alienate a subset of customers or employees if we take a stance



29%

Difficult to justify return on investment



28%

Lack of regulatory/reporting requirements



23%

Hard to measure impact we are making on the environment

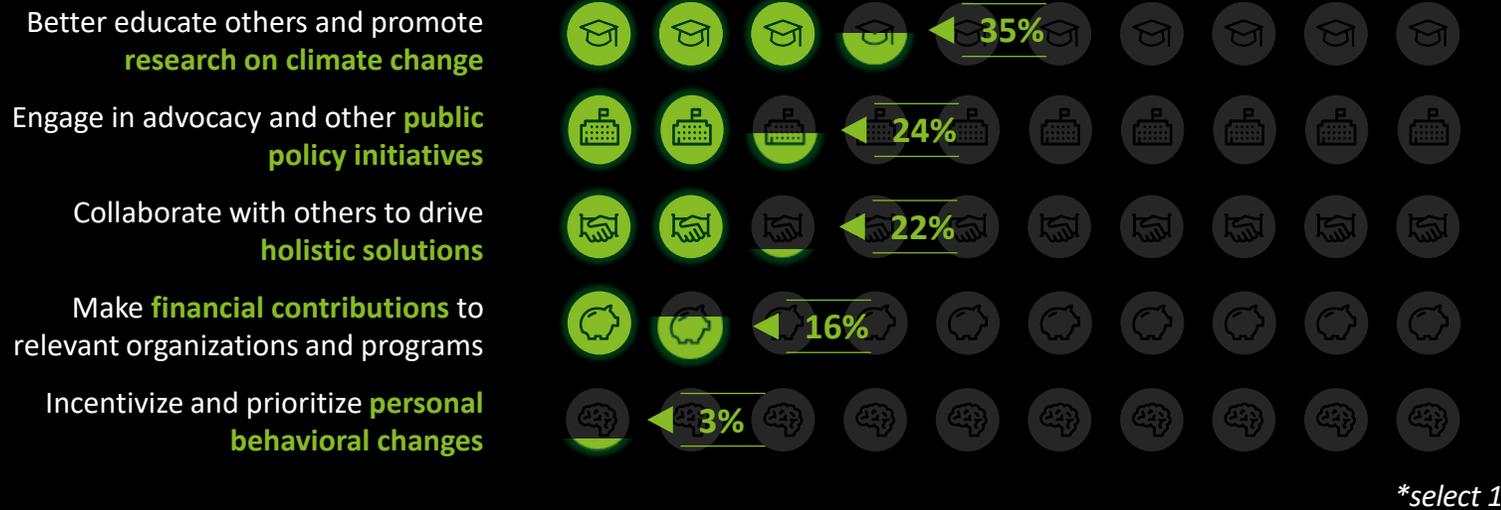
\*select 2

## Obstacles to environmental sustainability

- While executives recognize the value of sustainability efforts, our survey indicates they are impeded by short-term thinking. A **focus on the near-term emerged as the top obstacle** this year—up to 37% from 30% in 2020 — which aligns with companies’ hyperfocus on the ongoing impacts of the pandemic.
- Customers are increasingly expecting organizations to commit to climate action. **Executives are less concerned about alienating a subset of customers or employees than last year.** What was the top concern last year at 42% fell to 30% this year—a significant drop as both customers and employees become central to the climate conversation.
- Executives also seem to increasingly understand the need to act. Lack of senior leader buy-in was a leading obstacle in last year’s study (38%), but **leaders are increasingly seeing how climate change action—or inaction—can impact their people, customers, and bottom line** (only 17% cited lack of leadership buy-in as a major obstacle).

# Executives believe education and collaboration are pivotal for progress

Which of the following actions would make the most progress on increasing environmental sustainability, if taken by your organization?\*



Does your organization intend on participating in the UN Climate Change Conference (COP26) in November 2021?\*



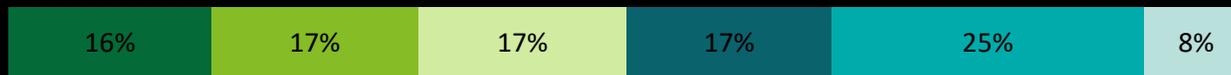
## Pathways to progress

- Our survey found that executives believe environmental progress is primarily made through collective action and engagement. **When asked which actions are most impactful from an environmental sustainability perspective, executives highlighted education and the promotion of science-backed climate research.** This is by far the top-cited answer at 35%.
- Other top answers point to collaboration as a means of driving holistic solutions and furthering public policy initiatives. This is demonstrated by the fact that a majority of organizations are already planning to participate in the UN Climate Change Conference (COP26) in November 2021. **Global executives feel that change will be made through collective action rather than through financial incentives or personal behavioral changes.**

# Methodology

The report is based on a survey of 750 executives. The survey, fielded in collaboration with Oxford Economics between January and February 2021, polled respondents from 13 countries. All major industry sectors were represented in our sample.

## Industry



- Financial services
- Energy, resources and industrials
- Technology, media and telecom
- Consumer
- Life sciences and health care
- Government and public services

## Global annual revenue



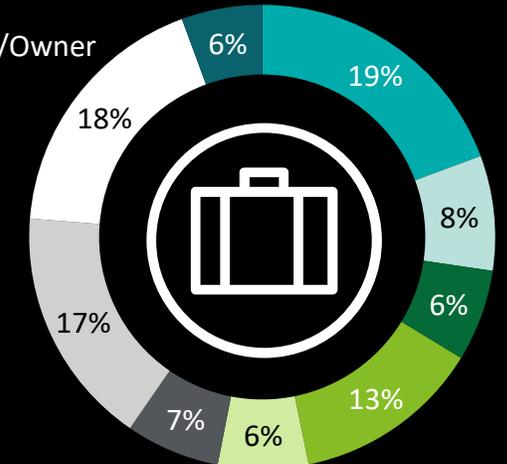
- US\$250 million to US\$499 million
- US\$500 million to US\$749.9 million
- US\$750 million to US\$999.9 million
- US\$1 billion to US\$1.9 billion
- US\$2 billion to US\$4.9 billion
- US\$5 billion to US\$9.9 billion
- US\$10 billion or more

## Country breakdown

Australia	75	Brazil	50	Canada	75	China	75	Denmark	25	France	50	Germany	50	India	75	Japan	75
		South Africa	25	Sweden	25	UK	75	US	75								

## Job Title:

- CRO/CSO/CSRO/Other social responsibility role
- Chief Executive Officer/President/Owner
- Chief Financial Officer
- CIO/CTO
- Chief Marketing Officer
- Chief Operating Officer
- EVP/SVP/VP
- Chief Diversity Officer/Chief People Officer/CHRO
- Other C-suite



# Learn more

Our thought leadership and eminence provides perspectives on environmental sustainability and on the individual and collective strategies that must be taken to drive responsible climate choices.

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