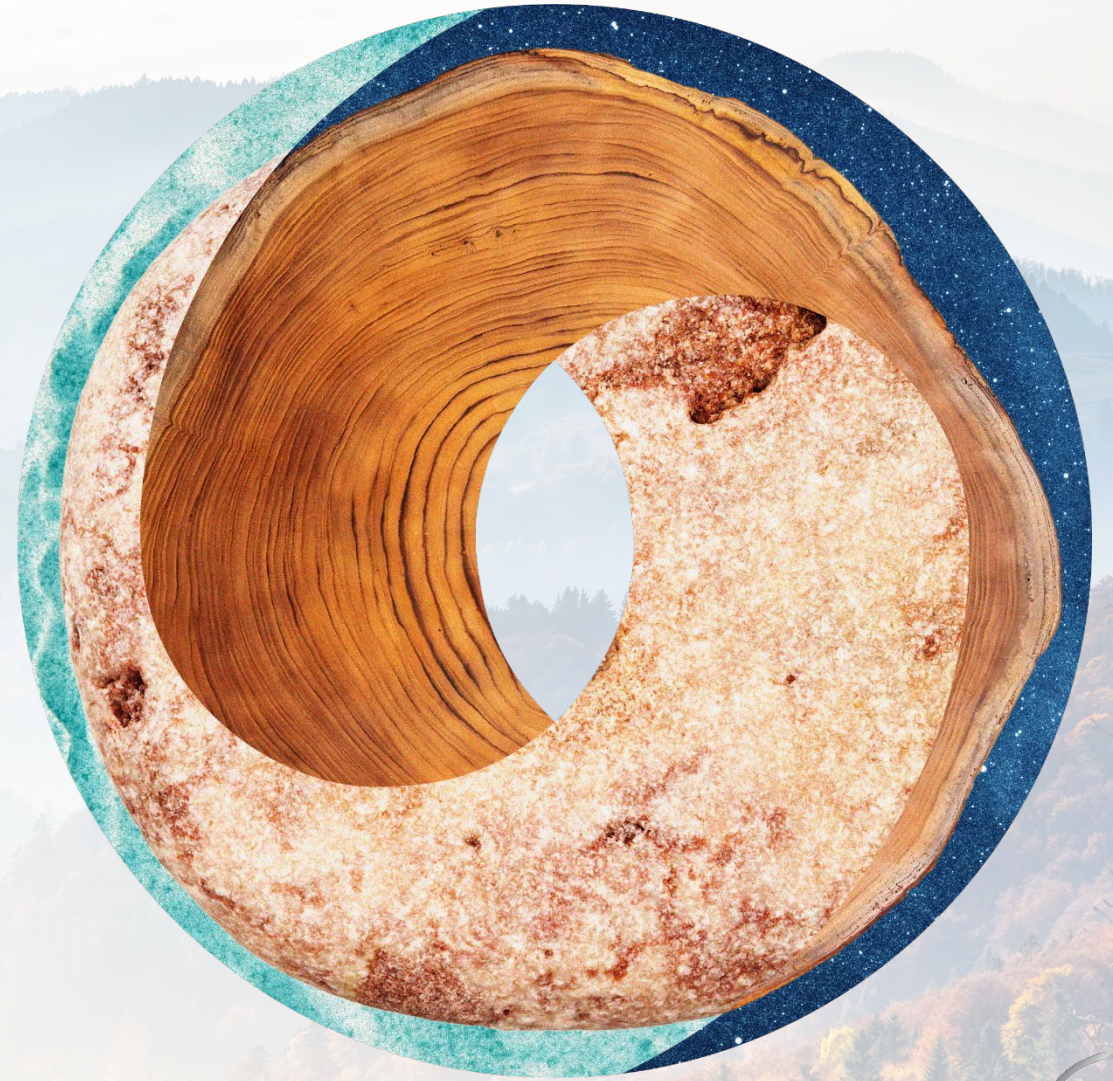




Deloitte 2024 CxO Sustainability Report

Life Sciences & Health Care
Industry insights



November 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.

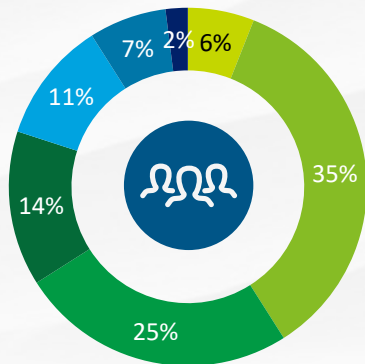
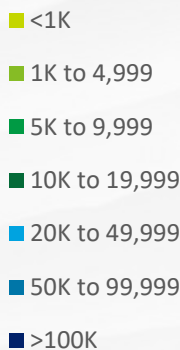
This report provides a view of the current climate action landscape among CxOs globally and explores the latent potential of that middle cohort: what actions they’re already taking, what barriers they face, and what lessons they can learn from leading companies that are modeling what a holistic approach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



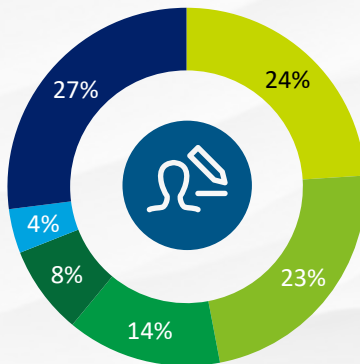
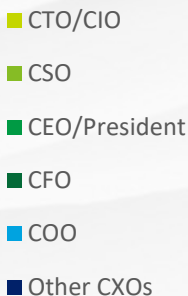
Life Sciences & Health Care business profile

396 executives in the Life Sciences & Health Care industry were surveyed

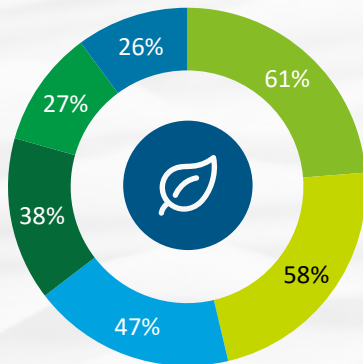
Number of employees



Job title



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



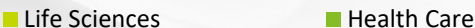
*Some respondents indicated multiple roles within the company have responsibility, resulting in the total percentage across roles exceeding 100%.



Revenue (US\$)



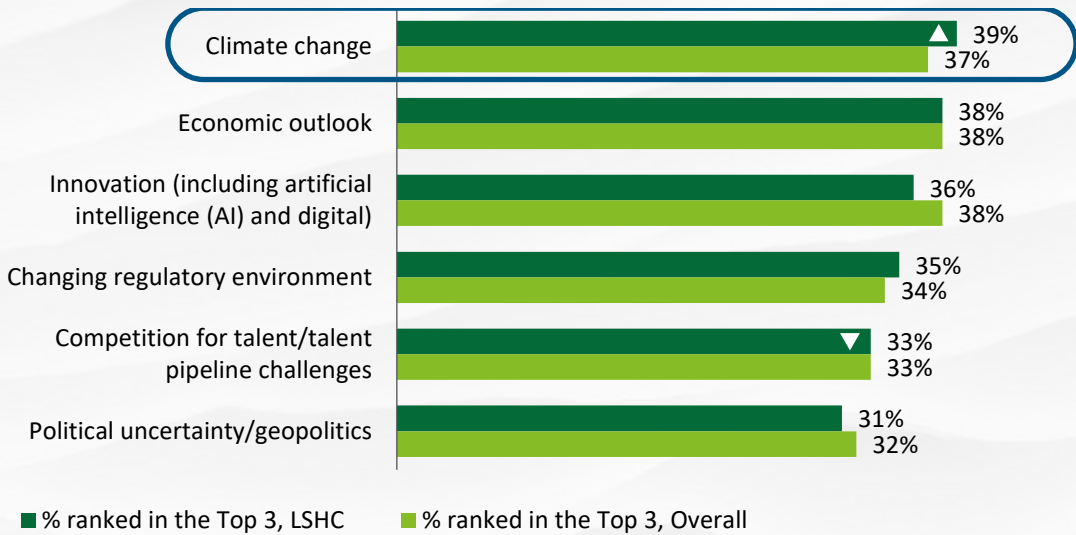
Sectors



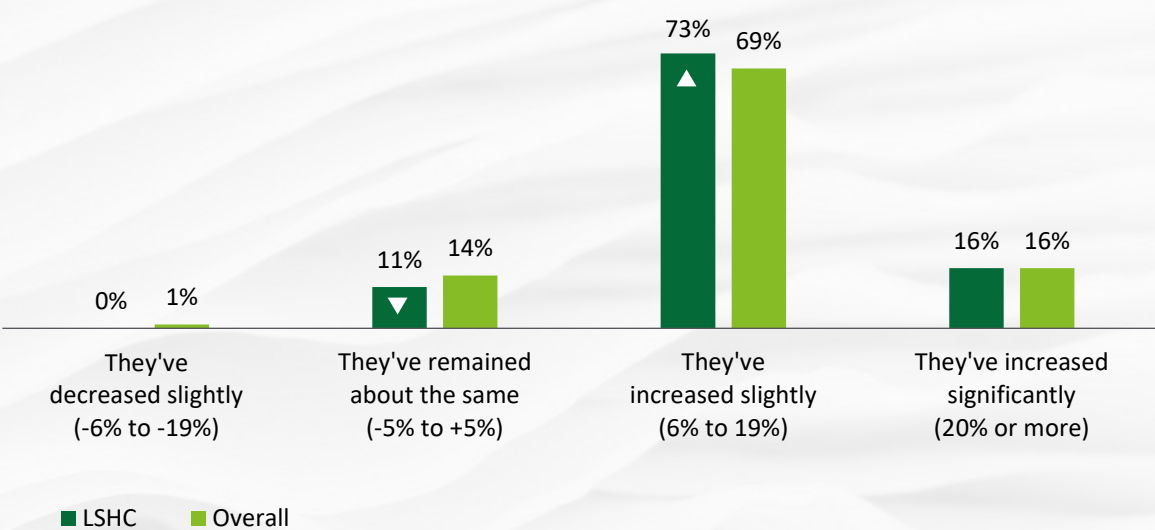
Climate remains a top priority despite many pressing issues



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



How have your sustainability investments changed over the last year?



In the Life Sciences and Health Care (LSHC) industry, climate change remains a top priority despite the presence of many other pressing issues. Specifically, 39% of LSHC organizations rank climate change as one of the top three issues to focus on over the next year, which shows a slight increase compared to the previous year.

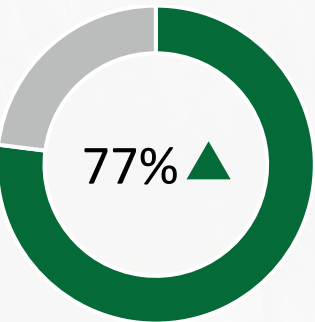
- In terms of sustainability investments over the past year, 73% of LSHC organizations have slightly increased their investments, which is higher than the 69% observed overall.
- Notably, no LSHC organizations reported a slight decrease in their sustainability investments, indicating a strong commitment to maintaining or increasing their efforts in this area.

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

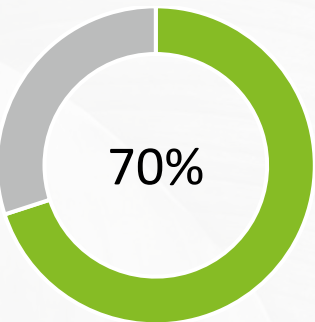
Climate change’s impact on strategies and operations is growing



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



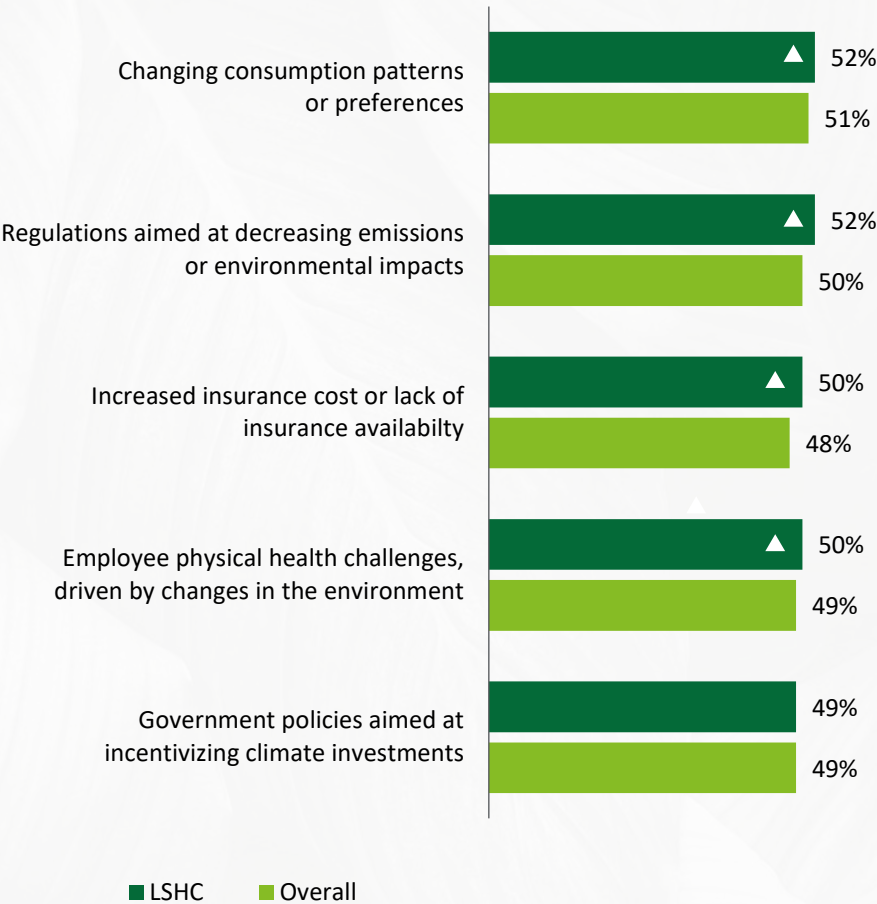
LSHC



Overall



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



77% of executives expect climate change to significantly impact their company’s strategy and operations over the next three years, a noticeable increase from the previous year. This is higher than the overall figure of 70%, indicating a higher degree concern within this industry.

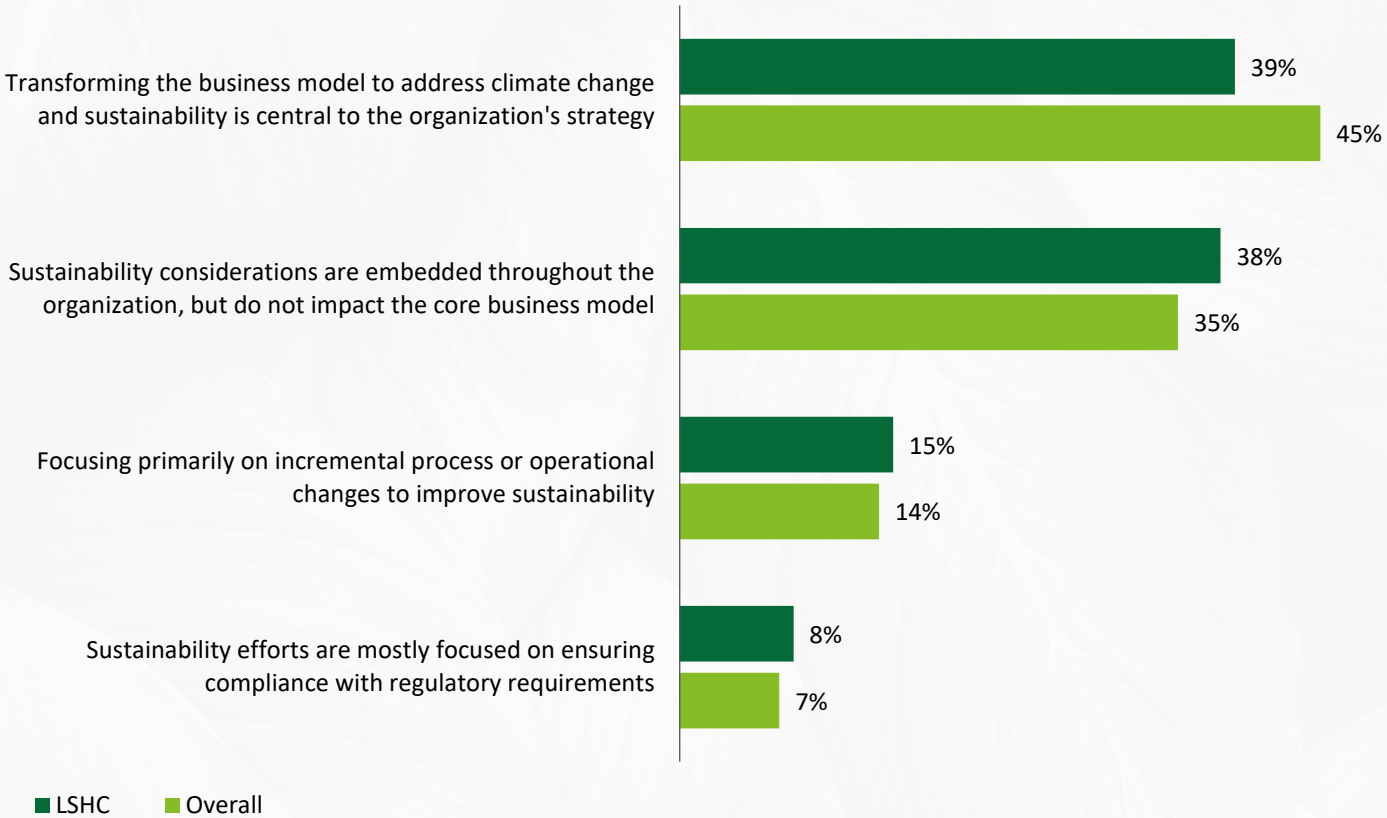
- The top climate challenges already impacting LSHC companies include changing consumption patterns or preferences (52%), regulations aimed at decreasing emissions or environmental impacts (52%), and increased insurance costs or lack of insurance availability (50%).
- Each of these challenges has seen an increase compared to the previous year, reflecting growing pressures on the industry.

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Many organizations take comprehensive approaches to corporate sustainability



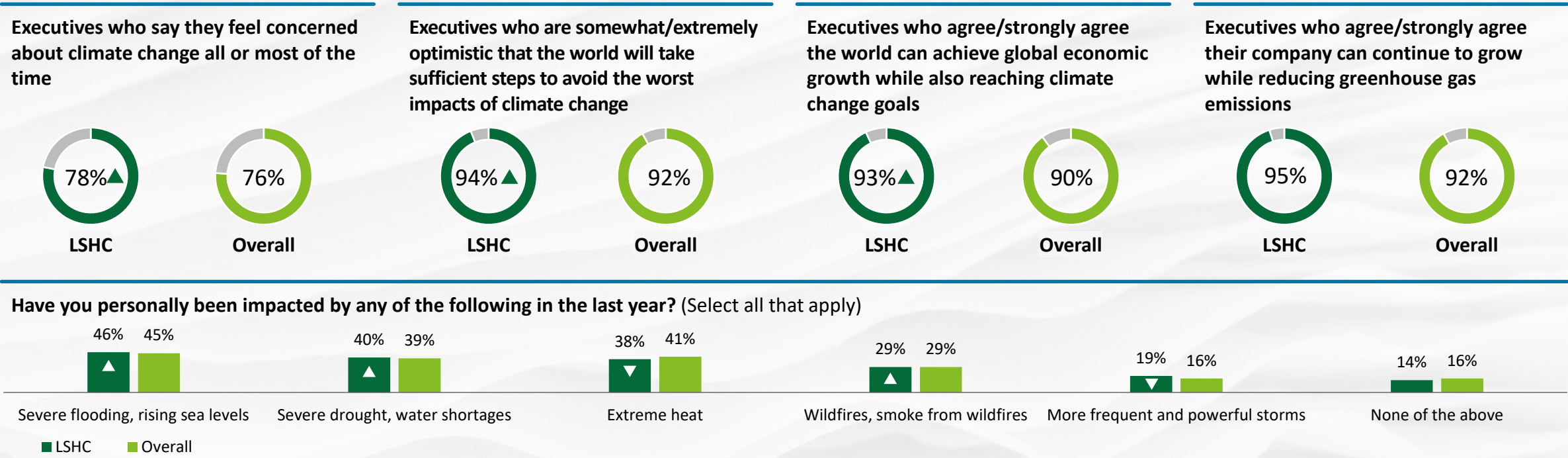
Which of the following statements best describes your company’s current approach to environmental sustainability and climate change challenges? (Select one)



In LSHC, 39% of executives report that transforming the business model to address climate change and sustainability is central to their organization's strategy, slightly lower than the overall average of 45%.

- Additionally, 38% of LSHC companies have embedded sustainability considerations throughout their organization, aligning closely with the overall average.

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



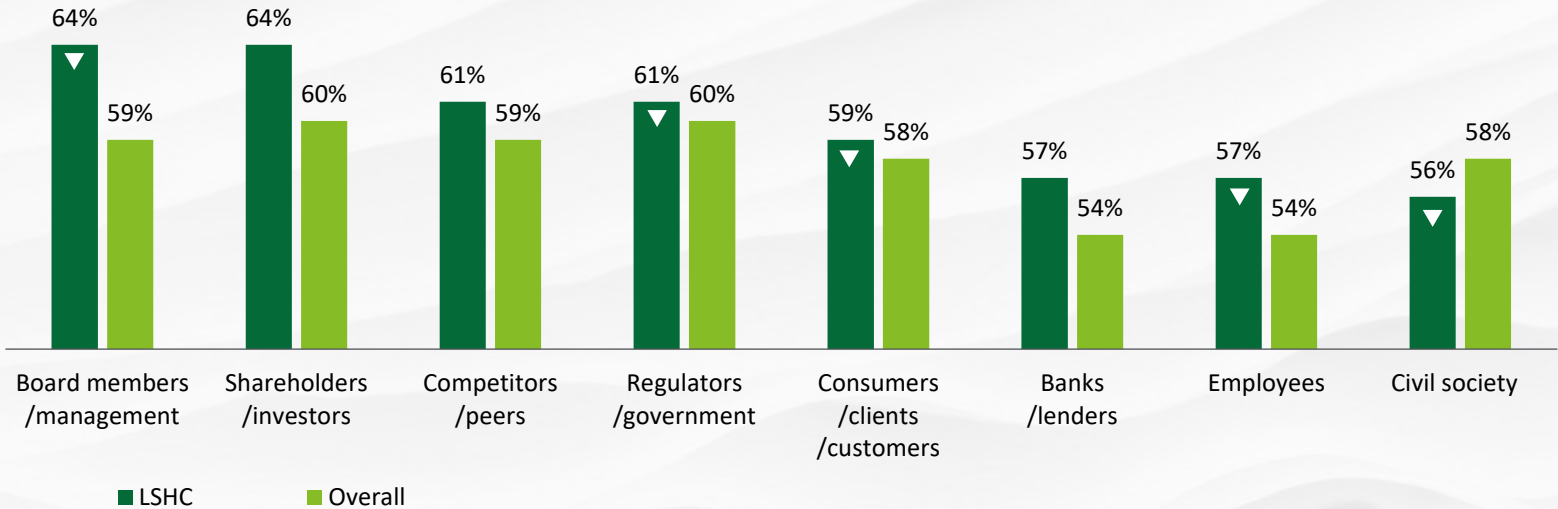
Overall, the LSHC industry executives express strong concern and optimism regarding climate change, with a majority experiencing personal impacts and showing confidence in the industry's ability to grow while addressing climate challenges.

- 78% of executives feel concerned about climate change most of the time, slightly higher than the overall average. Additionally, 94% of LSHC executives are optimistic that the world will take sufficient steps to help avoid some of the worst impacts of climate change, which is higher than the overall average.
- Regarding personal impacts from climate change over the last year, almost half of LSHC executives report being affected by severe flooding or rising sea levels, slightly higher than the overall figure. Meanwhile, 40% of LSHC executives have been impacted by severe droughts or water shortages.

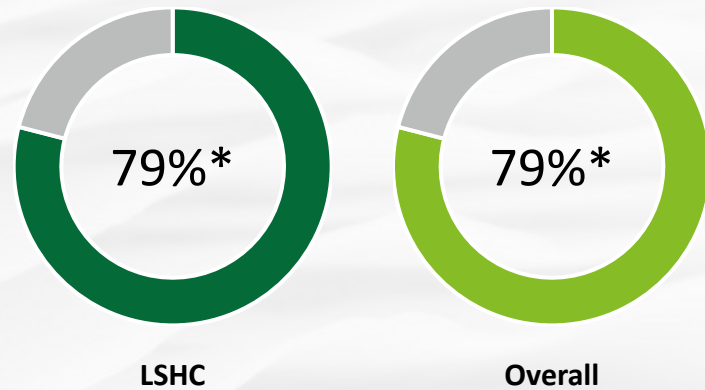
Companies feel broad pressure from stakeholder groups



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 stakeholders' groups to increase climate action



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

Executives are experiencing broad pressure from various stakeholder groups to act on climate change. Notably, 64% of LSHC executives report feeling pressure from both board members/management and shareholders/investors, which is higher than the overall averages of 59% and 60%, respectively

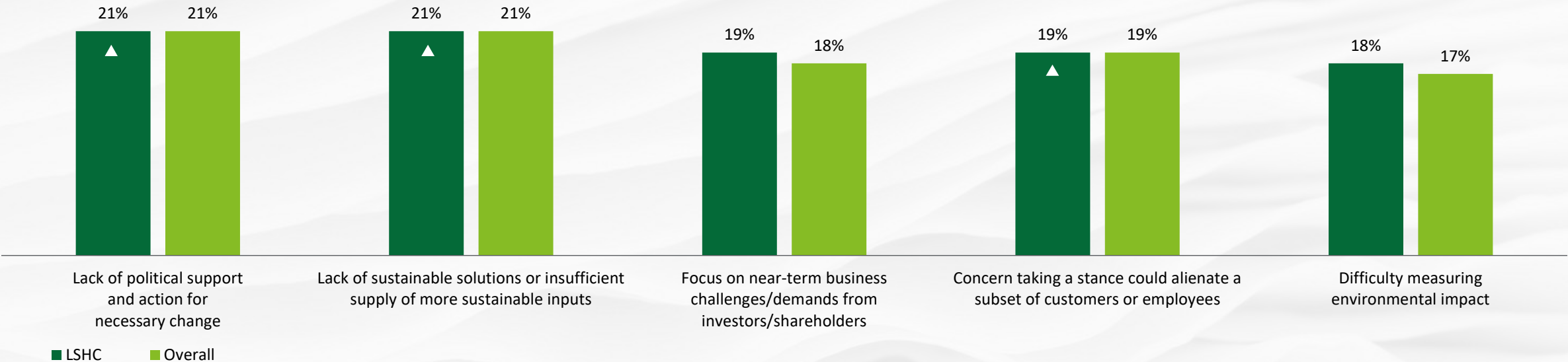
- LSHC executives report other stakeholder groups, such as consumers/clients/customers and banks/lenders, exert slightly less pressure on, though these figures still closely align with overall averages.
- The level of pressure felt by executives in the LSHC industry to increase climate action matches overall trends, indicating a broad-based demand for a higher level of action.

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

A varied set of barriers adds further complexity to helping address climate action



Top five obstacles cited to driving sustainability efforts



In the LSHC industry, several barriers add complexity to helping drive sustainability efforts. The top obstacles include a lack of political support and action for necessary change, with 21% of LSHC executives identifying this as a major challenge.

- Equally, 21% of executives cite the lack of sustainable solutions or an insufficient supply of sustainable inputs as a significant challenge, which matches the overall perspective.
- Additionally, executives are concerned that focusing on near-term business challenges and demands from investors or shareholders may hinder sustainability efforts.

▲ ▼ 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 for LSHC executives so far

41%▲

Addressing climate change

Overall = 39%

38%▼

Employee morale and well-being

Overall = 37%

38%

Operating margins

Overall = 37%

37%▲

Asset values

Overall = 35%

37%▲

Investor returns and/or addressing expectations

Overall = 34%

Top five benefits expected by LSHC executives in the next five years

40%

Addressing climate change

Overall = 37%

38%▼

Supply chain efficiency and/or resilience

Overall = 36%

38%▼

Innovation around offerings and/or operations

Overall = 38%

37%

Customer satisfaction and loyalty

Overall = 36%

37%▼

Brand recognition and reputation

Overall = 36%

The perceived benefits of climate action have diversified significantly, moving beyond just recognition and reputation. Currently, 41% of LSHC executives see addressing climate change as the top benefit of sustainability efforts, a slight increase over the previous year.

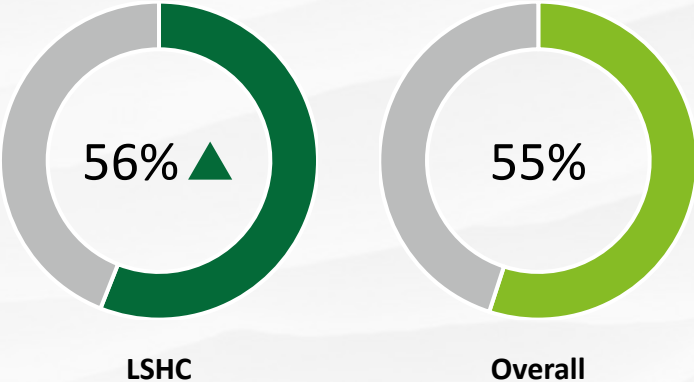
- However, employee morale and well-being have seen a slight decrease, now at 38%, still closely aligned with the overall average.
- Looking ahead, 40% of LSHC executives expect addressing climate change to remain the top benefit in the next five years.

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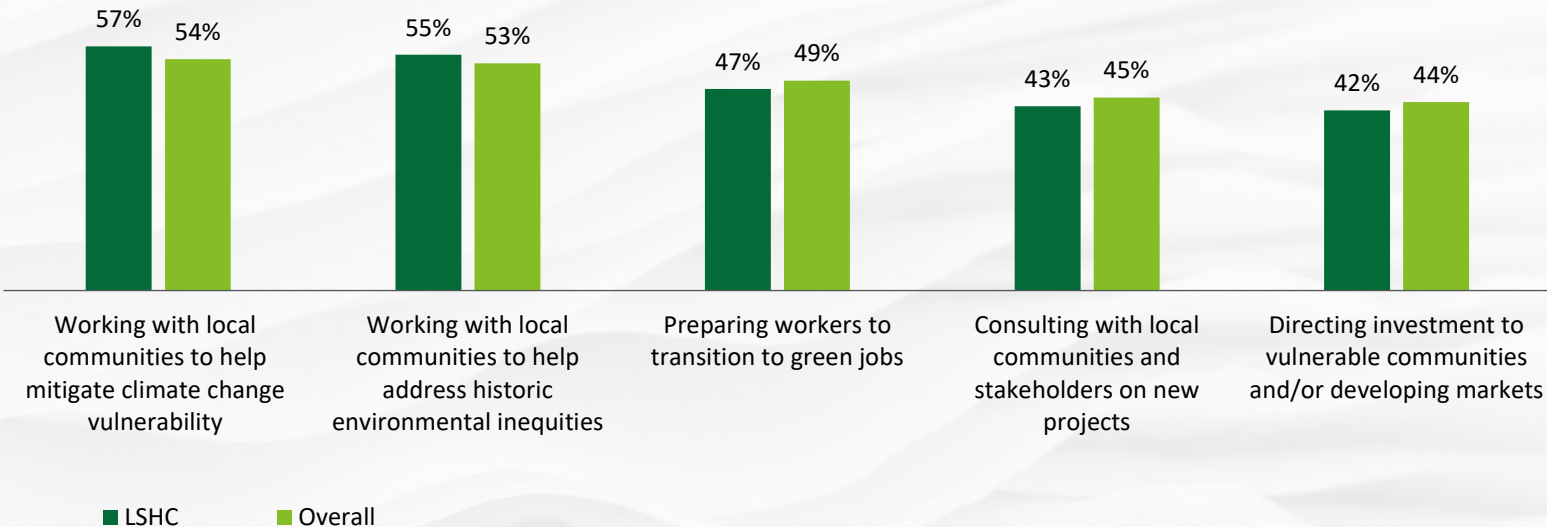
The importance of climate equity and a just transition in sustainability efforts continues to grow



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



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



The emphasis on climate equity and ensuring a just transition in sustainability efforts is increasingly recognized as critical. Currently, 56% of LSHC executives consider these aspects to be extremely important, slightly higher than the overall average of 55%.

- When examining how organizations are integrating climate equity into their sustainability strategies, 57% of LSHC companies are working with local communities to help mitigate climate change vulnerabilities, compared to 54% overall. Additionally, 55% are helping address historic environmental inequities in collaboration with local communities, slightly above the overall rate of 53%.

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

goals

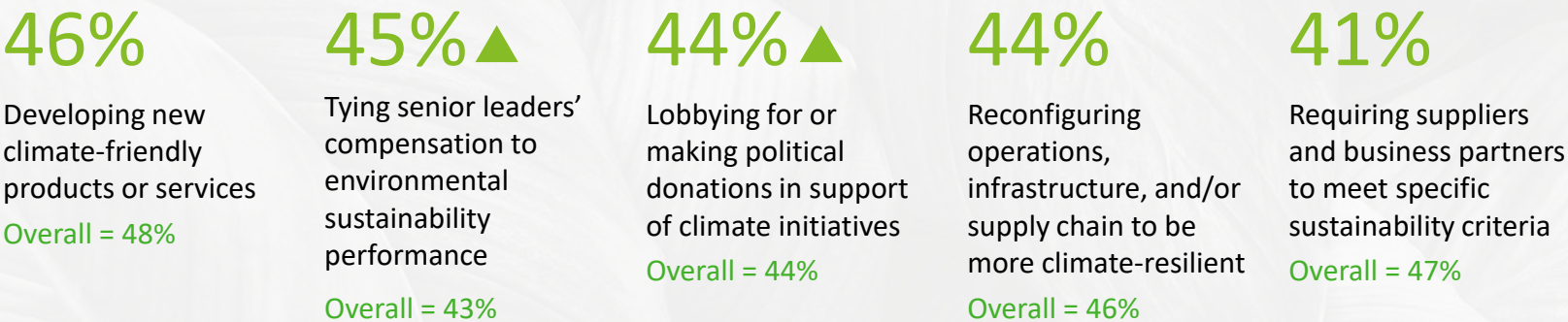


Which of the following actions/adaptations has your company already undertaken as part of its sustainability efforts? (Select all that apply)

Top actions taken by LSHC executives



Harder-to-implement, needle-moving actions*



* As defined by Deloitte Global analysis

While LSHC organizations are generally in step with overall trends, there are areas where they are either leading or lagging slightly behind in their sustainability efforts.

- Organizations are actively implementing a variety of sustainability actions to help meet environmental goals. Half of LSHC companies are adopting technology solutions to help achieve climate or environmental goals, matching the global average.
- When it comes to more challenging, needle-moving actions, 46% of LSHC companies are developing new climate-friendly products or services, which is slightly below the overall rate of 48%. Notably, 45% are tying senior leaders' compensation to environmental sustainability performance, which is above the overall average of 43%.

▲ ▼ Arrows indicate increases or decreases in percentage compared to 2023 where applicable.

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