

# A World in Balance 2023

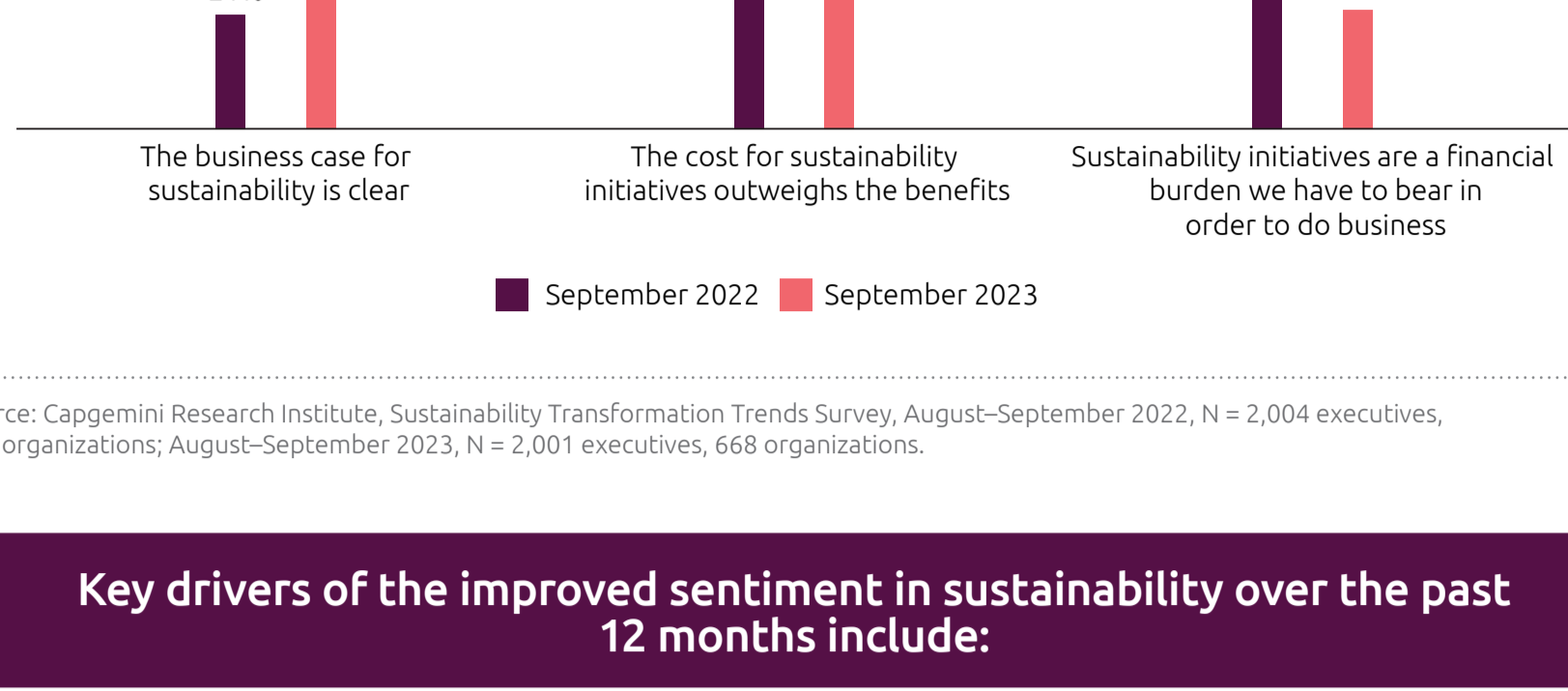
HEIGHTENED SUSTAINABILITY AWARENESS YET LAGGING ACTIONS

## The sustainability business case comes into focus

### More executives see sustainability as a growth opportunity

Over 60% of executives now say that the business case for sustainability is clear

% OF EXECUTIVES WHO AGREE WITH THE STATEMENTS BELOW



### Key drivers of the improved sentiment in sustainability over the past 12 months include:

- Extreme weather affecting every continent
- Costs from climate disasters being consistently high
- Increasing pressure from regulators and new standards coming into force (e.g., CSRD)
- The US Inflation Reduction Act (IRA) gains momentum
- Consumer protections for sustainability gain traction
- More organizations setting net zero targets and/or committing to/validating science-based targets
- More organizations motivated by regulation and revenue potential

## Improved perceptions of sustainability are driving action plans and priorities

### The positive shift in sentiment has not translated to increased sustainability investment yet

In 2023, average annual investment in environmental sustainability initiatives and practices across industries represents 0.92% of total revenue, up from 0.91% in 2022

### However, organizations have progressed in defining sustainability initiatives and redesigning business models

**61%**

of executives say that their organization has a defined priority list of sustainability initiatives to implement in the next three years, up from 49% in 2022

**57%**

say they are in the process of redesigning business/operating models to be more sustainable (37% in 2022)

### Sustainable product design and development have seen only limited advancement

- 60%** of executives say their organization reports a carbon footprint for every product/service they sell, virtually unchanged from 2022 (59%)
- 57%** say circularity is a key component of their sustainability strategy compared to 58% in 2022
- 47%** say they are designing products to serve their intended functions longer, down from 57% in 2022

### Tracking Scope 3 emissions is proving challenging

% OF EXECUTIVES WHO AGREE WITH THE STATEMENTS BELOW\*



### Organizations are still challenged by reporting on environmental sustainability

**48%** of executives say their organization uses a third party to help disclose their environmental impact, down from 54% in 2022

### Our research reveals that environmental sustainability is financially viable

We identified a set of frontrunners, who have progressed further on their sustainability transformation than the rest of the companies we surveyed. In 2023, only 8% of organizations in our survey is categorized as a sustainability frontrunner. From 2021 to 2022, frontrunners realized:

**12%** higher revenue per employee compared with the average

**5%** higher EBIT margin compared with the average

## Social sustainability is moving up the corporate agenda

### Social sustainability is becoming a key priority for organizations

**56%** of executives say that their organization is increasingly focusing on the social dimension of ESG

### Organizations are putting most effort into social sustainability initiatives for their own workforces

% OF EXECUTIVES WHO AGREE WITH THE STATEMENTS BELOW (SEPTEMBER 2023)



### Organizations are not supporting workers in the supply chain effectively

**38%** of executives restrict their sustainability suppliers to those that pay a living wage

**63%** of millennials aged 25 to 40 expect organizations to only work with suppliers who pay a living wage

### Accessibility and affordability require more attention

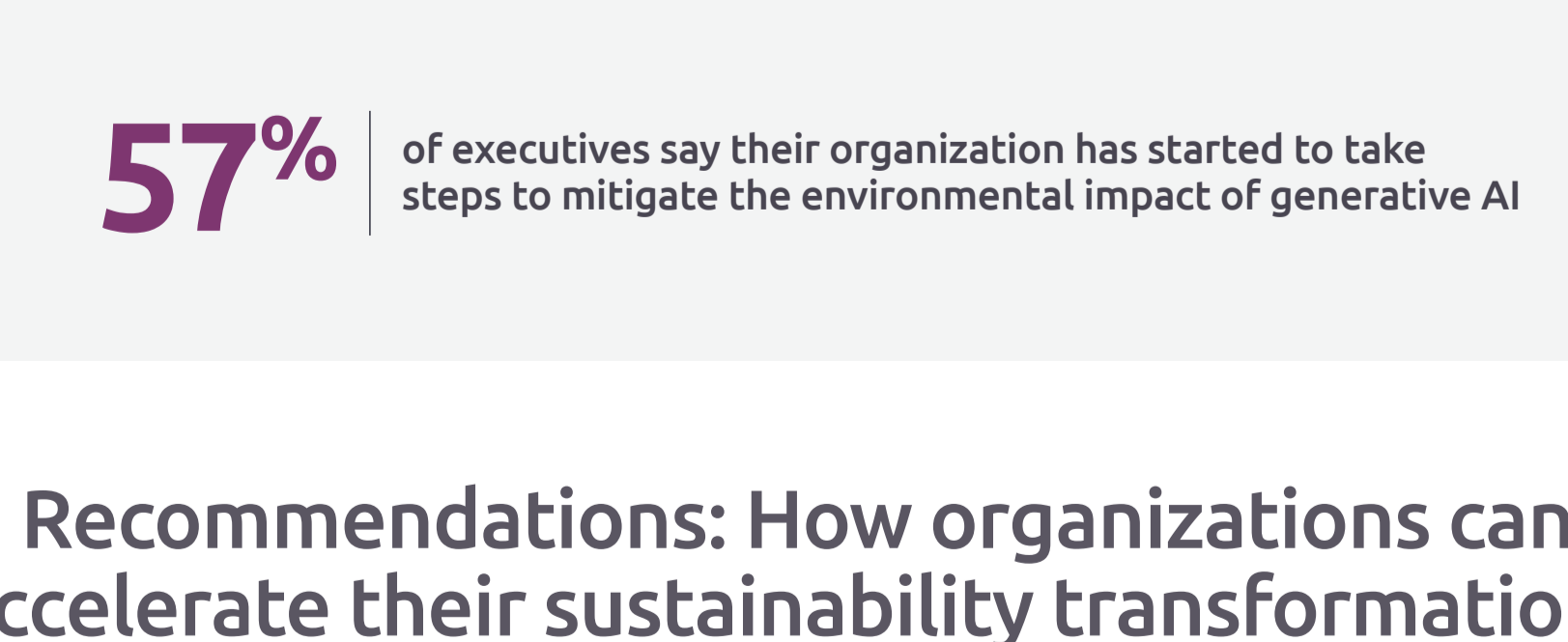
**42%** of executives say their organization makes products/services accessible to people with disabilities/health conditions/impairments

**40%** say their organization makes products/services affordable to local markets

## Generative AI has promising use cases for sustainability

### Generative AI is expected to be a core focus within sustainability strategies

% OF EXECUTIVES BY INDUSTRY WHO AGREE WITH THE STATEMENT: GENERATIVE AI WILL PLAY A KEY ROLE IN OUR ORGANIZATION'S SUSTAINABILITY TRANSFORMATION EFFORTS (SEPTEMBER 2023)



**57%** of executives say their organization has started to take steps to mitigate the environmental impact of generative AI

## Recommendations: How organizations can accelerate their sustainability transformations

To transform effectively requires enterprise-level co-ordination, functional involvement, and an overhaul of the operating model and business processes. Our 2023 research has led us to make six additional recommendations to last year's list:

- Ensure sustainability is a boardroom priority
- Embed social sustainability in the business strategy
- Focus on quantifying Scope 3 emissions accurately
- Embrace circular and inclusive design
- Close the intention-action gap
- Explore the potential of technology to achieve climate goals

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