As global headwinds slow momentum, how can we accelerate climate action?

EY 2023 Sustainable Value Study

Second Annual Study

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EY 2023 Sustainable Value Study:

Executive summary

The EY 2023 Sustainable Value Study finds that companies' progress on sustainability is slowing at a time when climate action needs to accelerate if we are to meet the 1.5-degree goal set out in the Paris Agreement.

Compared to the 2022 study, the survey results show progress has slowed:

- Reported greenhouse gas (GHG) emissions reductions has declined from a median of 30% to 20%.
- The median target year reported for companies to achieve their climate ambitions has slipped from 2036 back to 2050.
- The number of climate change actions that organizations reported as complete has also fallen from an average of 10 in 2022 to just four, out of a possible 32 benchmarked in the survey.

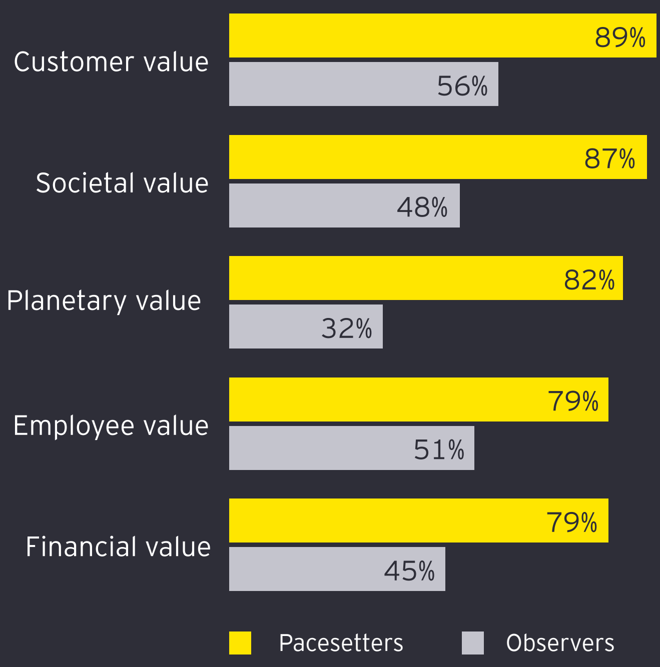
External pressures are impacting businesses' ability to accelerate sustainability efforts, with only 34% of those surveyed planning to spend more to address climate change, down from 61% in 2022.

As gains become harder to make, fewer organizations are leading the charge on climate action, with only 7% of those surveyed qualify as "pacesetters" – organizations taking the most action on climate change – compared to 32% in 2022.

Despite the challenges, our research shows that companies leading on action are creating significant value for society, their business, and the planet.

Leading organizations are showing that moving forward on sustainability is still generating value

% reporting higher-than-expected value captured



To segment companies, we created an index based on 32 potential actions to address climate change. The highest scoring group, pacesetters, completed an average of 14 actions compared to one completed action in the lowest group, observers.

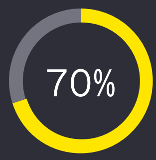
About the study

The second annual EY 2023 Sustainable Value Study draws on insights from a global survey of 520 Chief Sustainability Officers (CSOs) or those with equivalent responsibilities in their organization. Organizations with these sustainability roles have reached at least a basic level of maturity about addressing climate change. These results are not representative of all businesses but are focused on those who have begun their climate journey. In addition, we conducted in-depth interviews with sustainability leaders at seven companies across six industries.

Making progress will require far greater collaboration. Our study highlights three key areas for accelerating progress by:

Empowering CSOs as transformational agents

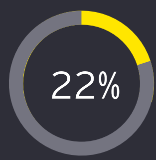
- CSOs are struggling with cross-functional collaboration and a slow pace of progress.
- This is driving dissatisfaction: four in 10 CSOs are not committed to staying in their current role.
- Transformational CSOs – those with the most resources and organizational influence – are making better progress on decarbonization, are creating more value and are more satisfied.



of transformational CSOs are capturing higher-than-expected financial value (vs. 47% of other CSOs)

Using government policy to drive action across the organization

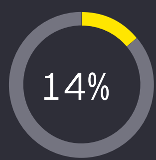
- Few CSOs think regulatory demands are limiting them from being future-focused and strategic.
- Preparing for reporting integrates organization-wide issues (e.g., planning, budgeting, measurement), improving decision-making and performance.
- Companies operating in a multispeed world can benefit by moving their business at the pace required by the most regulated geographies where they operate.



of CSOs think regulations and reporting requirements are barriers to their sustainability initiatives

Focusing on scope 3 emissions, enhancing supply chain collaborations, and embracing technology

- Businesses are struggling to know where to start with scope 3 emissions reduction.
- Transformational CSOs are emphasizing the supply chain as a key investment area and are collaborating more with chief operation and supply chain officers.
- 78% of transformational CSOs see the potential for technology, particularly AI, to optimize their supply chains and reduce emissions.



of transformational CSOs need better collaboration with their chief operation or supply chain officers (vs. 40% of other CSOs)

The EY 2023 Sustainable Value Study shows sustainability progress is not keeping pace. Levers to adopt organization-wide, value-led sustainability include:

1. Focus on value creation
2. Develop, appoint and support a transformational CSO
3. Leverage regulatory and reporting as tools for improvement
4. Commit to collaboration
5. Use data and technology to accelerate progress

Read the full 2023 EY Sustainable Value Study at ey.com/sustainablevalue

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