Carbon Direct

The State of Corporate Climate Commitment

14 Findings that Reveal How Businesses are Prioritizing Climate Action

June 2024

In collaboration with Wakefield Research WAKEFIELD

SURVEY COMPOSITION

For this report, Wakefield Research, on behalf of Carbon Direct, surveyed 700 finance, sustainability, and compliance professionals at organizations of up to 5,000 employees across the United States and Europe (United Kingdom, France, and Germany).

According to the terms of the Paris Climate Agreement, global emissions should peak in 2025 and must steadily decline every year after—43% by 2030 and 90% by 2050—in order to limit global warming to 1.5 degrees Celsius.

To hit these targets, there are three critical forces that must come together to drive rapid, large-scale decarbonization: policy, private investment, and corporate commitment.

Carbon Direct partnered with Wakefield Research to explore the state of corporate commitment and answer some key questions about corporate climate action:

I. Are companies taking, or planning to take, climate action?

II. What does climate action look like?

III. What is motivating companies and their leaders to act?

IV. What will it take to get more companies to accelerate climate action?

In this report, we highlight **14 findings** that reveal the state of corporate climate commitment, and what it will take to drive the large-scale action needed to achieve climate goals.

PART I

Are companies taking, or planning to take climate action?

#1: Companies without climate mitigation goals are outliers.

Of the more than 700 corporate professionals surveyed, 96% said that their companies either have taken action around climate change or plan to do so.

While organizations vary in terms of climate maturity, 50% of corporate professionals say they have taken steps to reduce their carbon footprint and 46% have plans to take action.

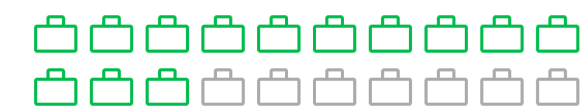
#2: Corporate climate action has accelerated in recent years.

Sixty-five percent of companies who said they have implemented a climate strategy have done so within the past five years.

96%

of companies have taken action around climate change or have plans to do so.

65% of those companies have implemented a climate strategy within the last five years.

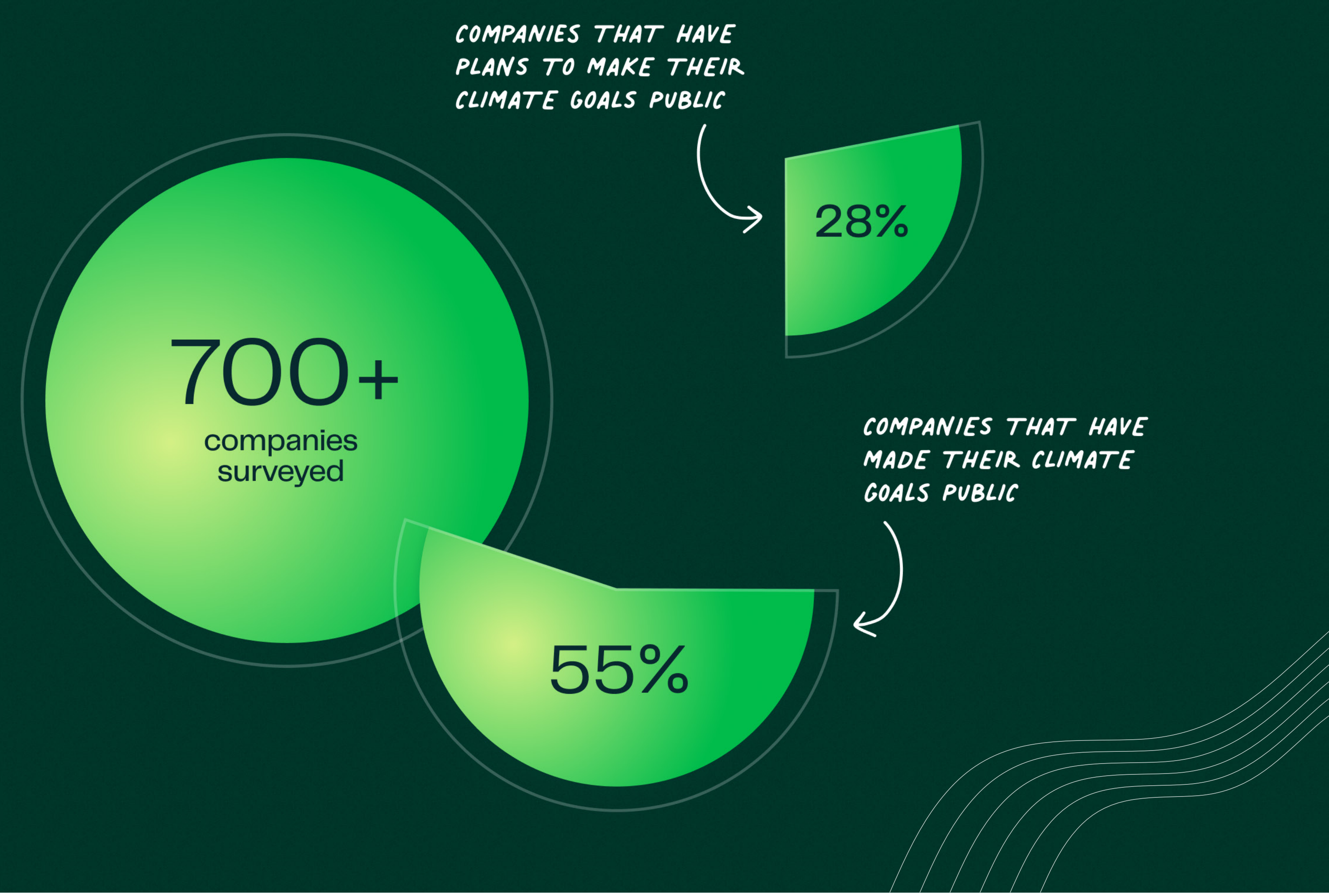


Large companies are more likely to have an established climate strategy

Small base size; findings are directional.

PART II

What does climate action look like?



#3: Corporate transparency is part of the climate playbook.

Eighty-three percent of company professionals said their company has or plans to make their climate goals public.

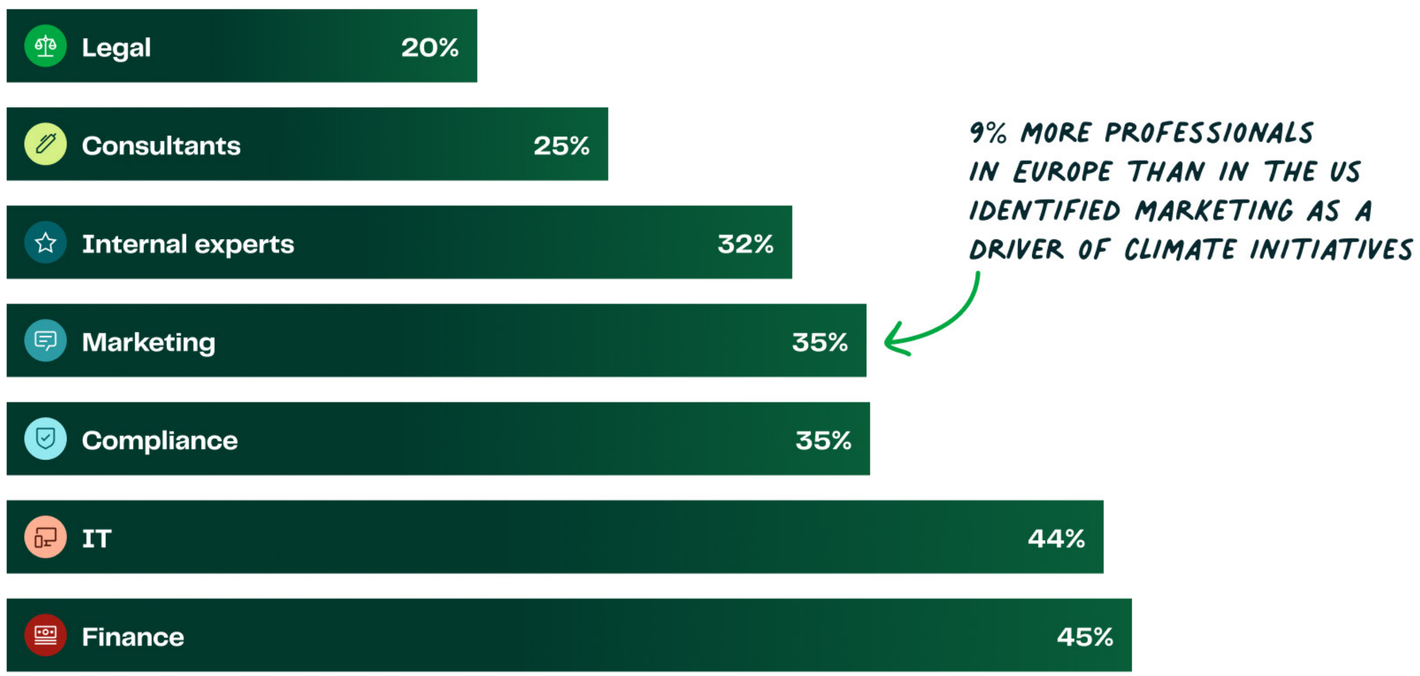
More than half (55%) of corporate professionals say their companies have already made their climate goals public, while a quarter (28%) say they plan to do so in the future.

#4: Companies with a public goal are much more likely to have taken action.

Of the 50% of company professionals who said their organization has taken steps to decarbonize, four-fifths (83%) have made their goal public.

Larger companies (>200 employees) are more likely to have taken action than smaller companies. Fifty-nine percent of companies with more than 500 employees and 52% of companies with 201 to 500 employees have taken action on climate change, compared with just 39% of companies with 200 employees or fewer.

Respondants said more than one team is responsible for executing climate action plans in their organization



#5: Carbon emissions measurement is on the rise.

Four-fifths (80%) of company professionals surveyed said they have measured their climate impact through carbon accounting at least once. Fifty-two percent of respondents said their company measures emissions annually.

#6: Carbon emissions measurement correlates to climate action.

Sixty-one percent of companies that calculate their footprint annually have both set a public goal and begun working towards it. By comparison, only 26% of companies that have set a public goal but have not yet taken action measure emissions annually.

#7: Climate and sustainability efforts require cross-functional action.

A majority of company professionals (76%) said that responsibility for climate and sustainability initiatives is spread across more than one team.

The results of this survey reinforce studies by Boston Consulting Group, Accenture, and others that emphasize the role of the finance team in corporate climate programs, with 45% of professionals in the US and 44% in Europe saying that the CFO plays a primary role in action. However, the majority of professionals said that more than one department or role beyond the CEO and the board bears responsibility for climate action.

#8: Energy consumption and efficiency are among the top areas of focus for climate action.

Almost two-thirds of corporate professionals said their organizations are trying to limit their energy consumption or become more energy efficient. In addition to the 63% who said they are trying to become more energy efficient or limit their energy consumption, 40% said they are transitioning to renewable energy sources to power their operations.

63%

of organizations are trying to limit their energy consumption or become more energy efficient.

Spotlight on climate ownership

The role of marketing depends on geography. In Europe, 40% of professionals identified marketing as a primary driver of climate initiatives, compared to just 31% in the US. This trend was driven largely by companies in the UK, where 47%* of respondents identified marketing as a key stakeholder, compared with 41%* in France and just 26%* in Germany.

The larger the company, the more prevalent the role of the legal department in climate action becomes. Among small companies (200 employees or fewer), 19%* said legal was a climate stakeholder, compared to 17%* of medium companies (201–500 employees) and 28%* of large companies (over 500 employees).

**Small base size; findings are directional.*

Spotlight on climate actions

Companies are being selective in how many goals they implement to try to reduce their climate impact. Eighty-three percent say they are focusing on three or fewer sustainability initiatives. Beyond reducing energy consumption and shifting to renewables, respondents identified the following actions aimed at addressing their carbon emissions.

- **38%** are purchasing carbon credits to address harder-to-abate emissions
- **33%** are trying to reduce business travel
- **32%** are prioritizing sustainable vendors in their supply chains

39%*

of medium companies (201 to 500 employees) have purchased carbon credits as part of their climate strategy, as compared to 33%* of larger companies (> 500 employees).

**Small base size; findings are directional.*

44%

of US companies indicate they are increasing use of energy-efficient technologies as part of their sustainability strategy, versus 36% of European companies.

While only 38% of companies are purchasing carbon credits, other studies show a strong correlation between decarbonization efforts and carbon credit purchasing.

According to a recent study from Ecosystem Marketplace, companies purchasing credits on the voluntary carbon market are also more committed to reducing emissions.

3x

more capital invested to reduce emissions across their value chain

2x

more likely to be decarbonizing year-over-year

PART III

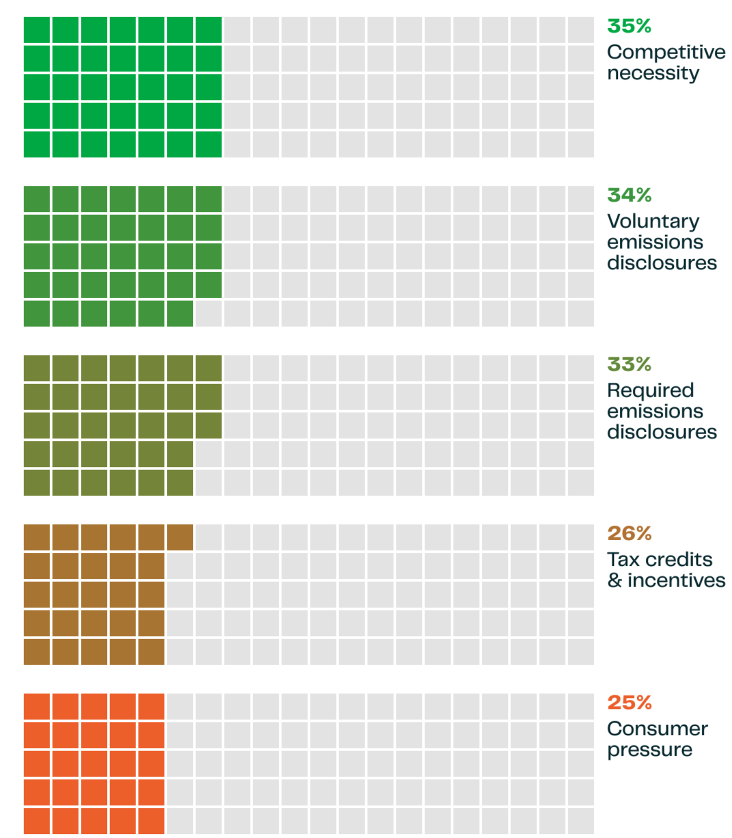
What is motivating companies and their leaders to act?

#9: Motivations for climate action are complex and varied. There is no single factor driving most companies.

Eighty-one percent of companies identified three or more factors motivating their climate action plans.

Across respondents, motivations for climate action were split almost equally across ten different factors, including regulations, pressure from consumers and investors, competitive necessity, media trends, and partner requirements.

- Industrial competitive necessity (35%), required emissions disclosures (33%), and voluntary emissions disclosures (34%) topped the list.
- At the bottom of the list were consumer pressure (25%), tax credits and incentives (26%), and ESG strategy (29%).



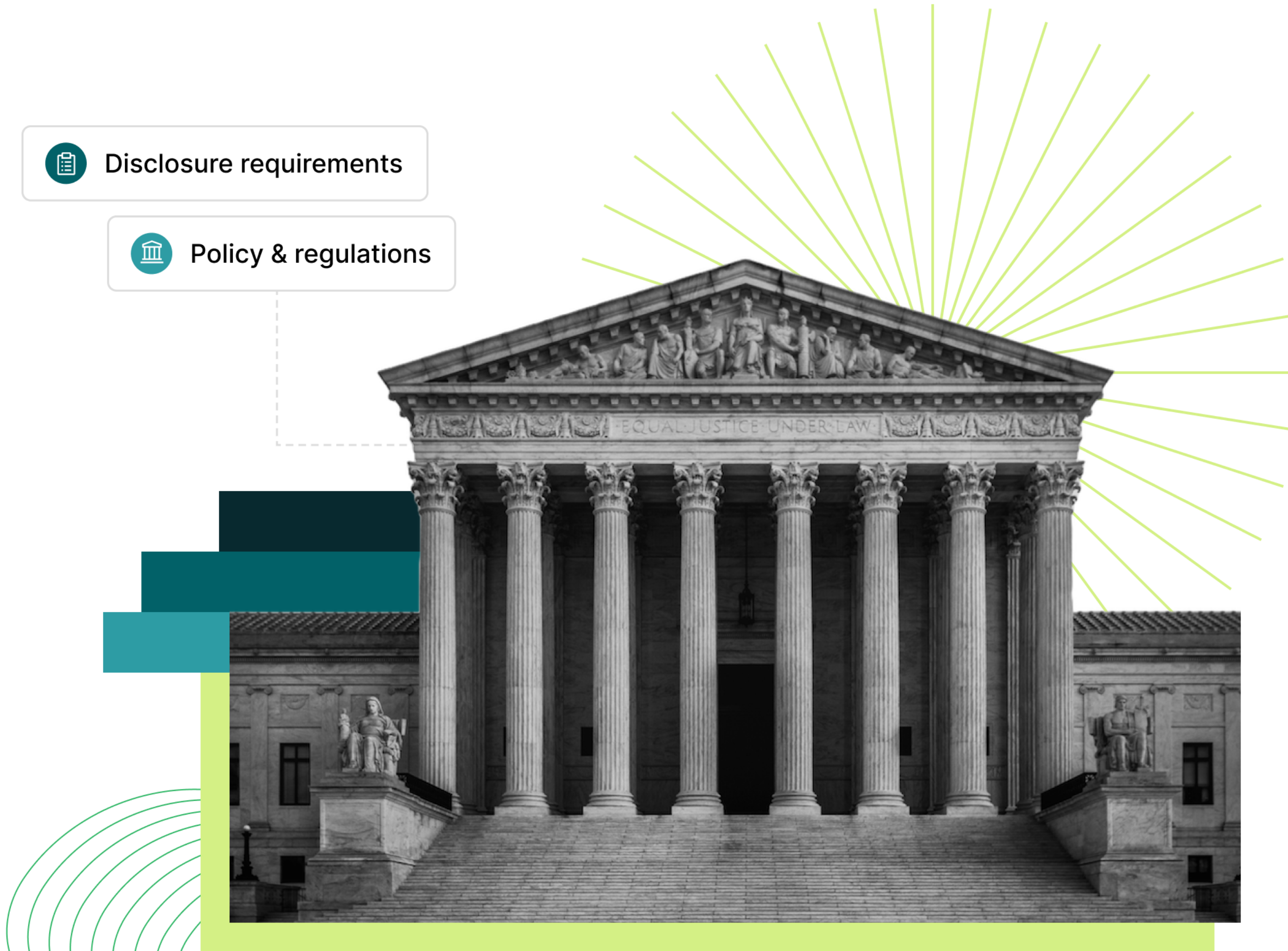
#10: Motivations for climate action vary by company size.

Thirty-two percent* of large companies (more than 500 employees) cited requirements from regulators and partners as primary motivators of climate action.

Motivations also vary by geography.

- At 36%, competitive necessity is the leading motivator for US companies. Mid-size companies feel this more acutely compared to small and large companies. Forty-six percent* of companies with 201–500 employees indicated competitive necessity is a major reason for enacting climate policies. By comparison, 32%* of small companies (200 employees or less) and 17%* of large companies (more than 500 employees) said the same.
- European companies are considerably more likely to act based on media coverage of climate action and its influence on public perception. Among European companies who have taken steps to reduce their carbon footprint, those in Europe are more likely to cite environmental trends in media (40%) as their leading motivator than those in the US (28%).

*Small base size; findings are directional.



70% of potential workers prefer to work for an employer with a meaningful environmental plan.

$73B is spent on products and services marketed as sustainable in the US.

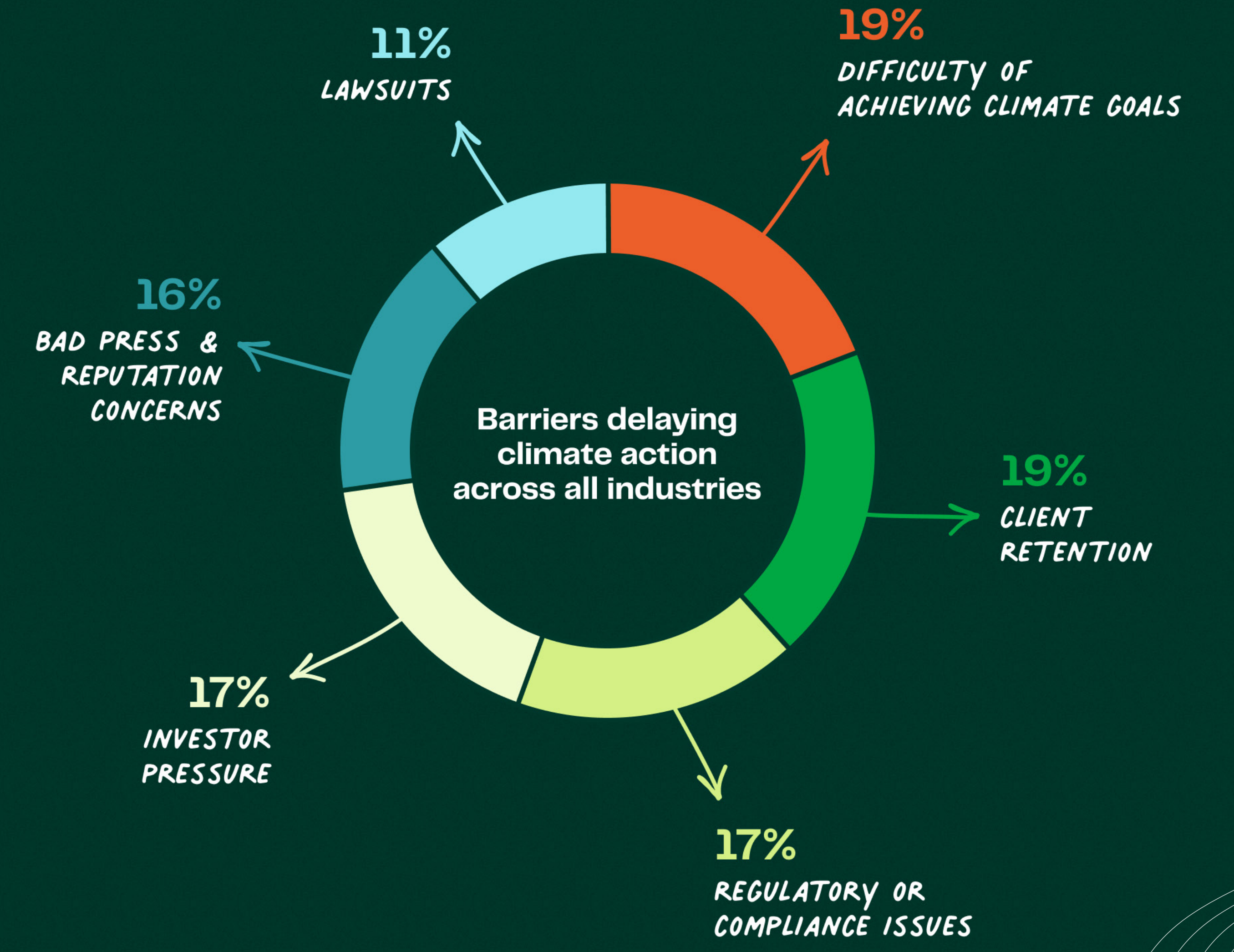
Spotlight on motivations

Unsurprisingly, competitive necessity and disclosure requirements were most frequently cited by corporate professionals as motivations for acting on climate change.

- In 2023, the European Union and California each enacted significant climate disclosure requirements for both public and private companies, with the US Securities and Exchange Commission following suit in March 2024.
- There is also mounting consumer and competitive pressure around climate action. According to a survey by the Green Business Bureau, over 70% of potential workers reported that they prefer to work for an employer with a meaningful environmental plan. In 2022, US consumers spent $73 billion on products and services marketed as sustainable. The US Federal Government—the largest purchaser in the world—has proposed requiring climate disclosure for its suppliers.

PART IV

What will it take to get more companies to accelerate climate action?



#11: Cost and prioritization are the two biggest barriers delaying climate action, tied at 41% of responses.

- Companies in the financial services industry cited regulatory or compliance issues (21%) and client retention (19%) as their most common concerns.
- Professional services organizations cited the difficulty of achieving climate goals (20%), followed by concerns about client retention (19%).

#12: Emissions measurement is likewise delayed because of cost and competing priorities.

Among the 20% of organizations that have never measured their carbon emissions, 41% said their business was focused on other things or concerned it would cost too much.

Concern about measuring emissions incorrectly (34%) is the next most commonly mentioned barrier.

#13: Incentivizing climate action will require more than one approach.

Ninety-eight percent of corporate leaders said that driving more companies to act will require a combination of external factors. The top factors identified by professionals include:

- Increased regulations
- Knowledge of what is needed to make an impact
- Mandatory public reporting of carbon emissions
- Additional tax or financial incentives
- Legal threats

#14: Companies want to get climate action right.

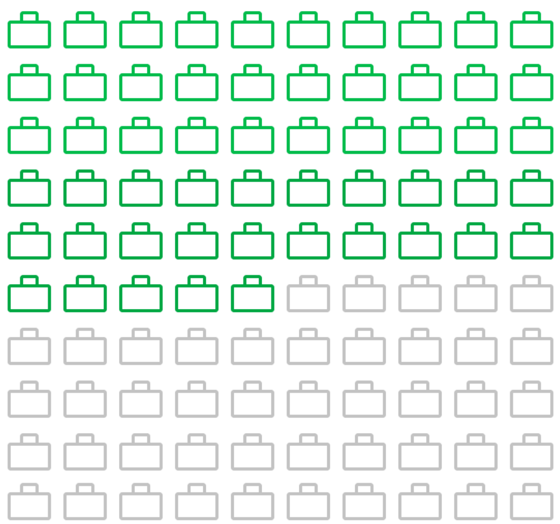
Seventy-seven percent of corporate professionals said they would invest more into their climate strategy if they were to receive backlash.

Over a quarter (31%) of professionals said they were concerned about lawsuits, and 30% said they were concerned about reputation risks associated with climate action. These concerns, however, don't seem to actually be impeding climate action. On the contrary, more than three-fourths say they would invest more in their climate strategy if they were to receive backlash, and over half (55%) have already made climate plans public.

77%

of corporate leaders said they would invest more into their climate strategy if they were to receive backlash.

And, 55% have already made their climate plans public.



The top factors to incentivize companies to take climate action