# Destination Zero

A deep dive into the global
state of corporate climate action

south pole The Climate Company

# Contents



# Keeping quiet about climate action is setting us back

**Now, more than ever, we must embrace the ethos of continuous improvement. In the midst of the climate crisis, we must work together to create and implement the new blueprints for action across industries, technologies, geographies and ecosystems.**

All companies across every sector must pick up the pace, turning net zero ambition into tangible climate action.

Yet the reality is that most of the world's companies are still doing nothing or very little when it comes to climate action. 92% of listed companies across the world do not have a publicly stated net zero commitment – a truly shocking figure.

However, a small but significant group of climate-conscious companies – those with a dedicated sustainability or CSR lead in senior management – are doubling down on climate action.

Our latest Net Zero Report, based on 2023 data collected for us by an independent market research provider, includes some encouraging findings: the overwhelming majority of climate-conscious companies say they have set a net zero target, and report that this target is vital to their commercial success. Customer demand is the leading driver of climate action.  Among this group, net zero seems to be standard practice, and is considered business-critical.

Based on these results, one would expect such companies to be proudly communicating their climate action. However, when digging deeper into the findings, we see a critical contradiction that has the potential to severely delay our collective efforts on net zero. The survey shows that a majority of surveyed companies are actively decreasing their climate communications.

Our report offers a rare glimpse into this tension, which sits at the heart of corporate climate action today. It reveals that regulation, industry requirements on reporting on climate goals and heightened scrutiny from various stakeholders are the core reasons for companies keeping quiet about their climate goals and progress.

**While it is easy to despair, I am genuinely hopeful. It is clear that corporate climate action is maturing.**

More governments are either writing or implementing laws that push companies to report on their overall sustainability work. This means the trends we are seeing could be the proverbial calm before the (regulatory) storm, which will inevitably require all companies to disclose and discuss their impact on the climate and environment.

We know that  corporate net zero targets need to be underpinned by credible actions if they are to have their intended impact. This includes setting science-based milestones that drive down direct emissions and support collective resilience, and incentivising investments in future climate innovation, beyond corporate value chains. Without these milestones, targets ring hollow.

Against a backdrop of multi-billion-dollar climate disasters, companies will also need to evaluate and quantify both physical climate risks, such as damage to direct operations from flooding, and the financial impact that more frequent and more severe weather events will have on their supply chains. They may even need to have difficult conversations with investors, as climate timelines do not follow ROI timelines. Climate action must finally be seen as an investment in future resilience and long-term business success – rather than as an operating cost or, worse yet, a nice-to-have.

We are steadily moving towards a 'climate-compliant' world, in which standards are continuously improved and collective climate ambition is deeply rooted. The companies leading this movement will bypass 'greenhushing' to communicate their actions and lessons learned in a credible and nuanced way. These efforts may not be perfect, but they will help drive progress, improve standards, and level the playing field.

Make no mistake, it is the committed corporate climate leaders who will blaze the trail down which the climate laggards will eventually be frog-marched by regulators. Which is why, more than ever, it is time for all companies to meet the moment, to step up and, importantly, speak up, on climate action.

**John Davis**
Interim CEO, South Pole

# A global survey

**Now in its fourth year, South Pole's Net Zero Report includes insights from 1,400 global sustainability executives to understand what drives their big climate commitments, what they see as risks, what solutions they are turning to, and how their organisations are progressing on a net zero emissions journey.**

While this is only a sample of climate-conscious companies, our team finds it a valuable proxy for climate action at large, to understand where the rest of the market may be heading within the next six to 12 months. We do recognise, however, that this sample tends to include the more climate-conscious actors across sectors globally, and does not represent all companies.

The findings of this report draw on two key datasets:

## A global survey of climate-conscious companies

We define a "climate-conscious" company as one where the company representative has a clear mandate to act on climate or sustainability. To qualify, a company must:

- have a dedicated Head of Sustainability or similar role, at a director level, who has decision-making authority over their company's sustainability strategy and teams.
- have more than **1,000 employees** (bar companies in Singapore).

**Who responded?**

**1,400** from **12 countries** and **14 sectors.**

**46%** C-suite or owners

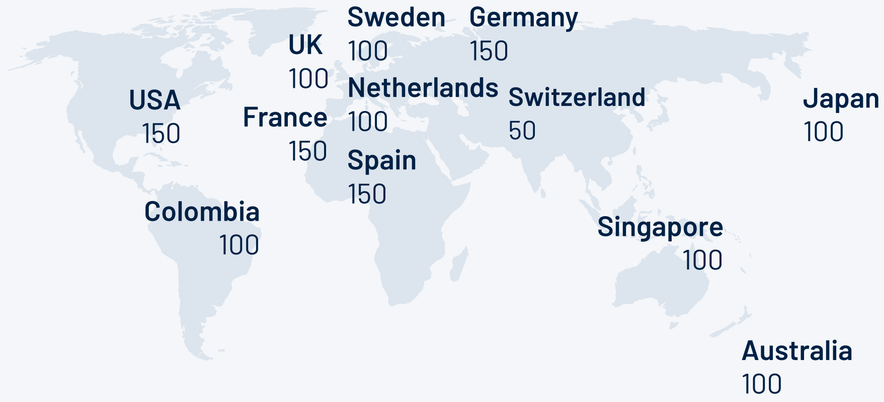
**37%** Senior managers

**17%** Directors

**64%** publicly listed

**25%** privately held

**11%** publicly traded but unlisted




## A global scan of everyday companies

To contextualise our findings and compare them with a broader set of data, our market insights team also analysed South Pole's proprietary database of

**77,000 companies**

including the Global Fortune 500, major stock indices, and all CDP and GRI reporting companies.

# Key findings

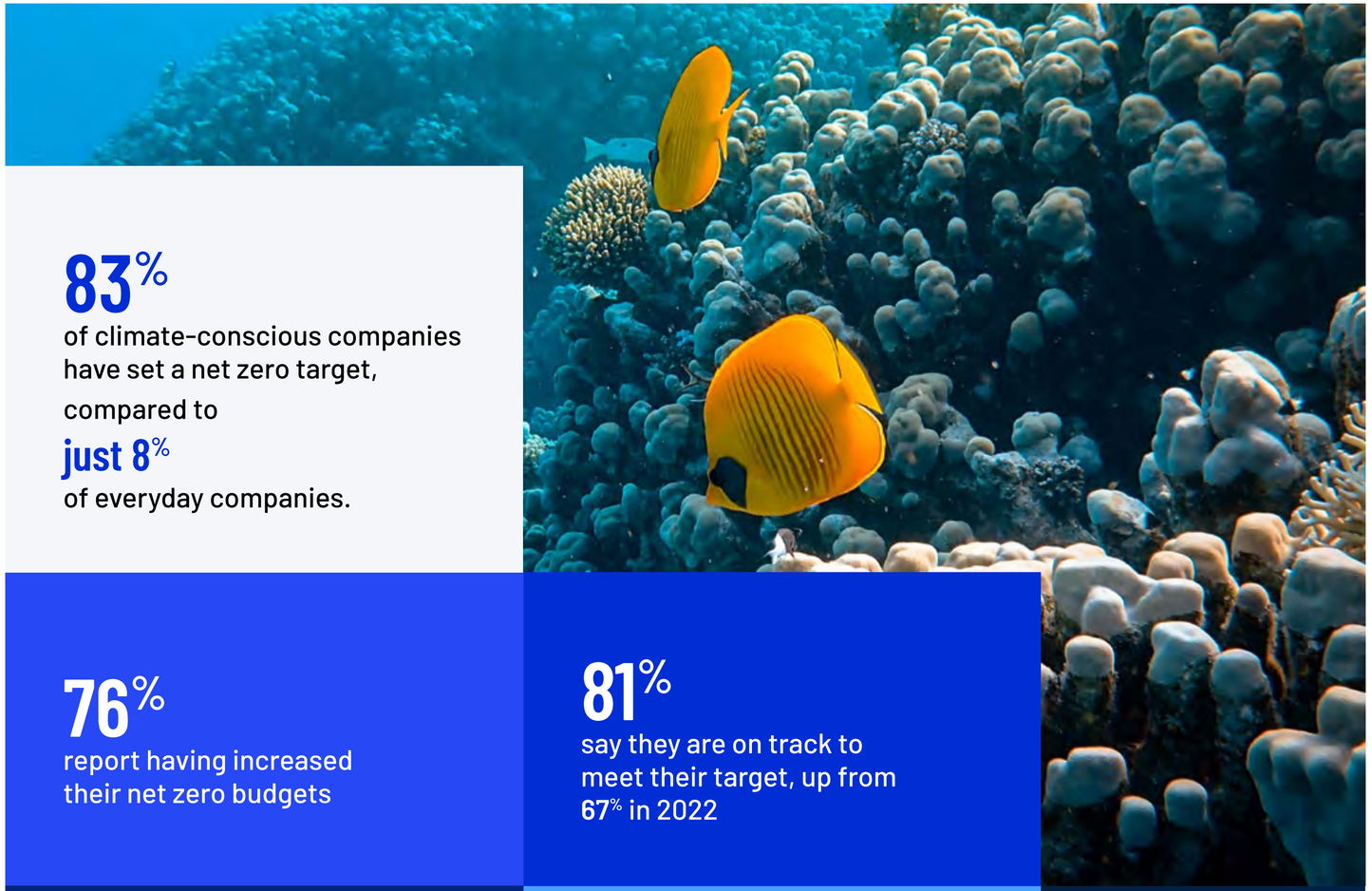
# #1 Climate-conscious companies continue to lead climate action

**Our survey shows that climate action is alive and thriving among climate-conscious companies, with 83% of those having set a net zero target.**

For surveyed companies, 2025-2030 is the most common net zero target year range - in fact **79%** of companies surveyed have set a net zero target date of 2030 at the latest. Also, **81%** of businesses claim to be on track to meet their net zero targets. We wonder if this is realistic and if they truly understand how difficult it is to meet net zero targets, which include their scope 3 emissions.

What is concerning is the inaction among everyday companies not in the climate-conscious cohort. When analysing South Pole's proprietary database of 77,000 listed companies, **only 8%** have set a net zero target.

So, while the world's leaders are leading, the laggards are well and truly lagging. This does not bode well, given climate action urgently needs a unified, global response.



**83%**
of climate-conscious companies have set a net zero target, compared to **just 8%** of everyday companies.

**76%**
report having increased their net zero budgets

**81%**
say they are on track to meet their target, up from 67% in 2022

**28%**
say meeting the goal has been harder than expected

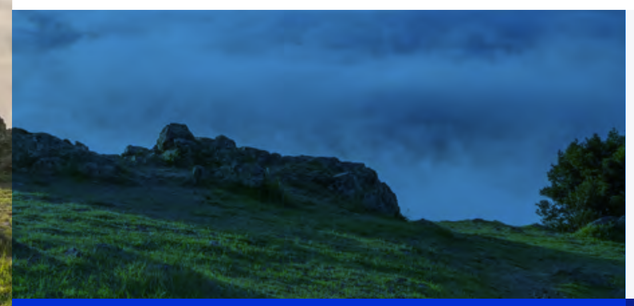
**2025 to 2030**
is the most common net zero target year range

# #2 Greenhush is now the new normal

**Corporate greenwashing has always been a challenge, but the pendulum has swung so far that now even the greenest companies are greenhushing.**

We find this trend concerning, since action from leaders inspires action by followers.

While environmental claims must be backed by robust data so as not to mislead stakeholders, it is equally important that climate leaders set a good example. Being unwilling to communicate climate action out of fear of attack provides climate laggards with the cover to continue stalling on making meaningful change. In our opinion, the level of scrutiny needs to strike the right balance. Companies taking genuine action should be confident to communicate their successes and their lessons learned. This encourages others to follow their lead.



**44%**
of surveyed companies say external communication on climate targets has become more difficult in just the past year

**58%**
are decreasing communications as a result

**18%**
do not plan to publicise their science-based targets (SBTs) at all

**93%**
see the communication of their net zero strategy as being key to commercial success

# #3 Customer demand is the biggest driver of action

**As in 2021 and 2022, customer demand is the leading driver of climate action.**

Notably, brand leadership has dropped out of the top three drivers for the first time. It was **#1** in 2020 and **#2** in 2021 and 2022, but is **#4** this year. This may be related to the significant number of companies planning to reduce their external climate communications and engage in greenhushing.

Meanwhile, factors relating to risk and resilience have become the top drivers of climate action. For example, a better understanding of vulnerabilities in their supply chains and building resilience to future climate catastrophes.

**46%**
see customer demand for low-carbon products as the main driver of net zero

**39%**
consider the need for a more detailed oversight of supply chain risk as the main driver of setting and pursuing net zero targets

**37%**
report pursuing net zero targets to future-proof and build resilience to external shocks

# #4 Investors are taking a wait and see approach

**Uncertainty, fiduciary duty, and short-termism may be preventing investors from backing corporate strategies and initiatives to reach net zero.**

Investor pressure is ranked lowest among the drivers of net zero, yet fear of scrutiny from investors is one of the key reasons that many companies are greenhushing. Investors may have been a driving force in net zero target setting in the past. Today, it's clear investors are adopting a wait and see approach.

**51%**
of environmental service companies report fear of scrutiny as the reason for greenhushing

**57%**
of oil and gas companies report fear of scrutiny from investors as the top reason for greenhushing

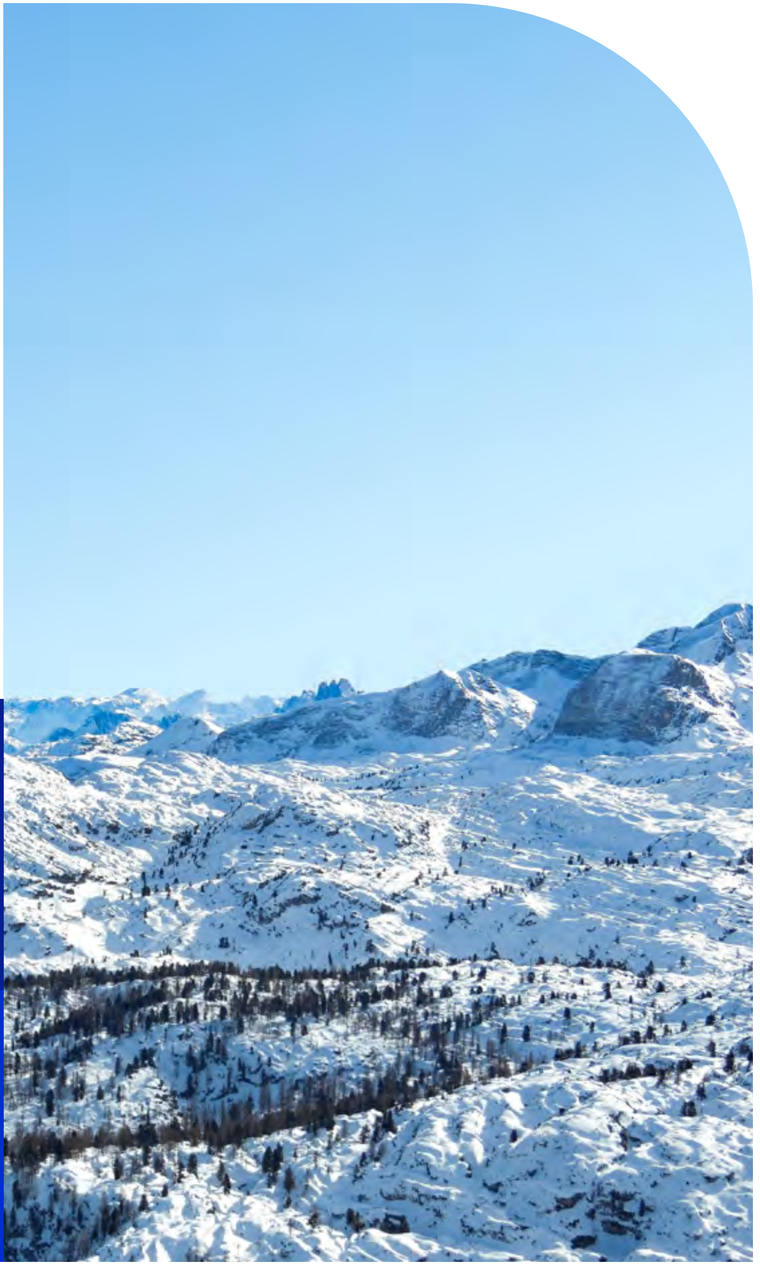
**22%**
of climate-conscious companies report investor pressure as a key driver of net zero - the lowest ranked driver in the survey

# #5 Everyday companies are lagging behind

**In parallel to our net zero survey, our market insights team analysed South Pole's proprietary database of 77,000 companies – including the Global Fortune 500, major stock indices, and all CDP and GRI reporting companies.**

We compared the database analysis with the survey results and found that the database paints a dire picture of how serious companies are about reaching net zero emissions. Of the **77,000** companies, just **8%** have set a net zero emissions target – a **75%** drop compared to the climate-conscious companies surveyed.

Just **2.5%** of database companies have committed to achieving net zero by or before 2030. Around one third have set a date between 2031 and 2040, and around two thirds are looking at 2041–2050. While this is a stark contrast to our surveyed companies, where over three quarters of respondents are aiming to hit net zero targets on or before 2030, the later target dates among everyday companies are a more realistic reflection of how long it will take for the majority of businesses to decarbonise complex scope 3 value chain emissions.



**8%**
of companies in our database of 77,000 have set a net zero target. This is a significant drop from the **83%** of climate-conscious companies who have net zero targets

**45%**
of these have set or committed to SBTs

**66%**
have a target date beyond 2040

# Deep dive

# Ambition is high, will action follow?

**Nearly all surveyed climate-conscious businesses are making a concerted effort to align their corporate climate ambition with science-based emission reduction pathways.**

**83**% of the surveyed climate-conscious businesses say that they have a net zero target, with nearly all of them (99%) being able to confirm a target date. Of this group, 88% claim to underpin their net zero target with a science-based emission reduction target.

The presence of a net zero target is particularly noticeable among publicly listed companies that are traded on a stock exchange (**64**% of the total sample), with 89% claiming to have a net zero target in place.

## Urgency is on the rise

Setting a net zero target is an important commitment to decarbonisation, but it is only meaningful if the target is time-bound, with the level of ambition being measured, in part, by the proximity of that date.

This year, the urgency to meet net zero targets seems to be on the rise, with a notable **79**% of committed companies planning to meet their net zero target by 2030.

Overall, nearly half of all organisations surveyed this year (**42**%) have their eye on 2025-2030 as their target range to meet their corporate net zero targets, but the number of companies pushing for even earlier dates is on the rise: in 2022, just **13**% aimed to reach their net zero target by 2024 or earlier, but this has risen to **37**% in this years survey.

In terms of sectors with the most ambitious target dates, the highest number of businesses planning to meet net zero by 2024 came from the environmental goods and services sector, including renewable energy hardware and services (**71**%), consumer goods (food and beverage) (**62**%), and automobiles and parts (**51**%).

**83%**
of climate-conscious companies have set a net zero target

**87%**
claim to have set or intend to set a science-based target (SBT)

**2025 to 2030**
is the most common net zero target year range

## Spotlight on listed companies

Of the **64**% publicly listed companies in our survey sample:

**89**% claim to have a net zero target

**86**% claim to have a net zero target and SBTs

**85**% of those with a net zero target have a target date on or before 2030

## The bigger picture

In South Pole's proprietary database of 77,000 companies – including the Global Fortune 500, major stock indices, and all CDP and GRI reporting companies – just **8**% have set a net zero emissions target, with **92**% having no targets or progress to show.

While this presents an increase in total net zero commitments compared to 2022, it is still a **75**% drop compared to the climate-conscious companies surveyed.

Of the listed companies with net zero targets, less than half (**45**%) have underpinned those targets with an SBT, and a mere quarter (**25**%) are disclosing to CDP. Both SBTi and CDP reporting are considered proxies for companies moving from target-setting towards implementation.

As for net zero target dates, just **2.5**% of the database companies have committed to achieving net zero by or before 2030. Around **one third** have set a date between 2031 and 2040, and **two thirds** are looking at 2041–2050.

While this is a stark contrast to our surveyed companies, where over three quarters of respondents are aiming to hit net zero targets on or before 2030, the later target dates by everyday companies are a more realistic reflection of how long it will take for the majority of businesses to decarbonise complex scope 3 value chain emissions.

# The South Pole view

Building on our results from 2022 and this year, our analysis suggests that, among climate-conscious companies, setting a net zero goal and a clear target date has become standard practice.

The increased number of companies substantiating their targets with SBTs seems to echo the growth that the Science Based Targets initiative (SBTi) observed in 2022. The number of companies that had their targets validated by the SBTi in 2022 was greater than the total number of validated targets for all previous seven years combined.

Astonishingly, the vast majority of surveyed companies, including hard-to-abate sectors, plan to reach their net zero targets by or before 2030. This raises important questions: are some organisations getting ahead of themselves? And are leaders fully aware of the task of dramatically reducing both direct and indirect emissions across complex value chains in the next six years?

Early net zero targets of 2024 among surveyed companies appear unrealistic, not least when compared to the 77,000 businesses in our global database. Of these everyday companies in the database, only about **8%** have a net zero target, and just **2.5%** of them have committed to achieving it by or before 2030.

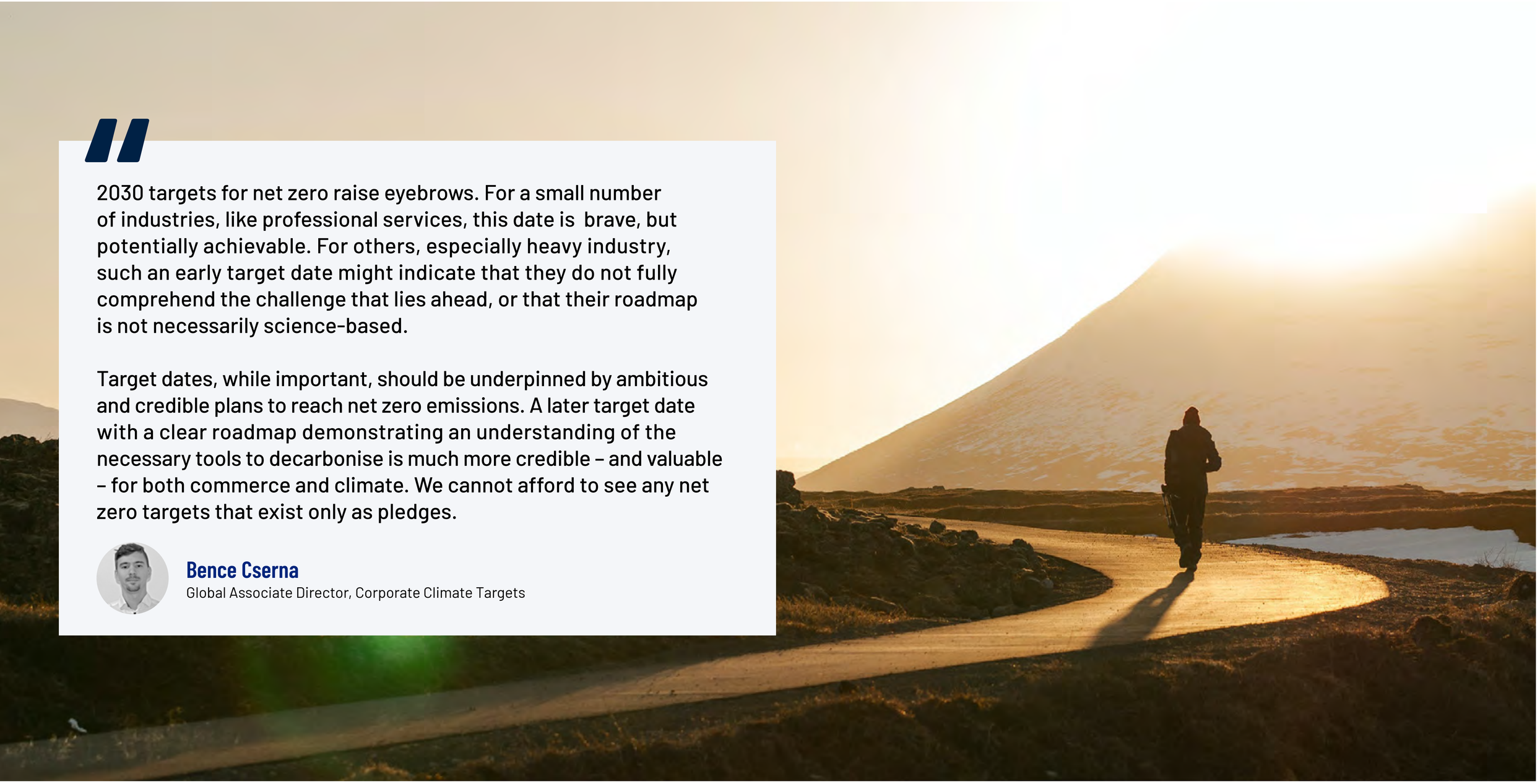
In other words, it is highly unlikely that companies will have mastered the gargantuan task of reducing emissions across scopes 1, 2, and 3 by 2024 – especially in the energy sector. Will we realistically have all the necessary solutions and cross-industry collaboration we need to reach such milestones within a year's time? Our team doubts it.

> **Among climate-conscious companies, setting a net zero goal and a clear target date has now become standard practice.**

The risk we see is that companies are only setting targets for - and speaking about - scope 1 and scope 2 emissions, which is nowhere near close enough to what is required to achieve science-based net zero targets and real reductions in global emissions.

Equally, with just over 2,000 companies to date having approved and validated their SBTs, it is more likely that the **87%** of surveyed climate-conscious companies in our sample have only committed to SBTs as opposed to having had them validated by the SBTi. While commitment is a step in the right direction, it is not enough.

It is also essential to emphasise that having a clear timeframe to reach net zero emissions is important, but it is not the most decisive factor in defining the ambition of a corporate climate target. Alongside time-bound targets, it is even more critical for a company to have clear intermediate goals to slash emissions as well as a detailed, measurable strategy to achieve overall net zero emissions across its operations – specifically in its supply chain.

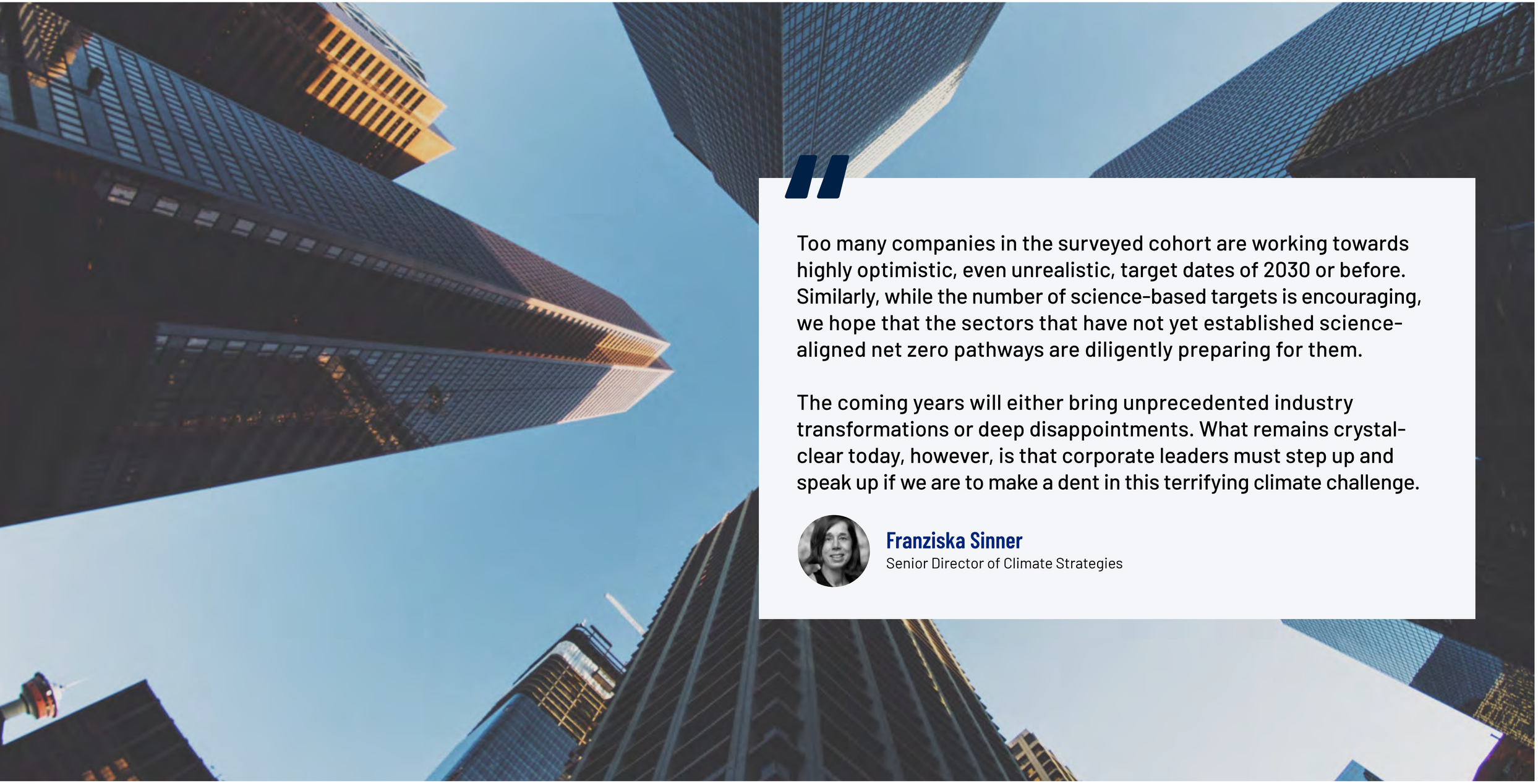


2030 targets for net zero raise eyebrows. For a small number of industries, like professional services, this date is  brave, but potentially achievable. For others, especially heavy industry, such an early target date might indicate that they do not fully comprehend the challenge that lies ahead, or that their roadmap is not necessarily science-based.

Target dates, while important, should be underpinned by ambitious and credible plans to reach net zero emissions. A later target date with a clear roadmap demonstrating an understanding of the necessary tools to decarbonise is much more credible – and valuable – for both commerce and climate. We cannot afford to see any net zero targets that exist only as pledges.



**Bence Cserna**
Global Associate Director, Corporate Climate Targets



Too many companies in the surveyed cohort are working towards highly optimistic, even unrealistic, target dates of 2030 or before. Similarly, while the number of science-based targets is encouraging, we hope that the sectors that have not yet established science-aligned net zero pathways are diligently preparing for them.

The coming years will either bring unprecedented industry transformations or deep disappointments. What remains crystal-clear today, however, is that corporate leaders must step up and speak up if we are to make a dent in this terrifying climate challenge.



**Franziska Sinner**
Senior Director of Climate Strategies

# Harder than it looks?

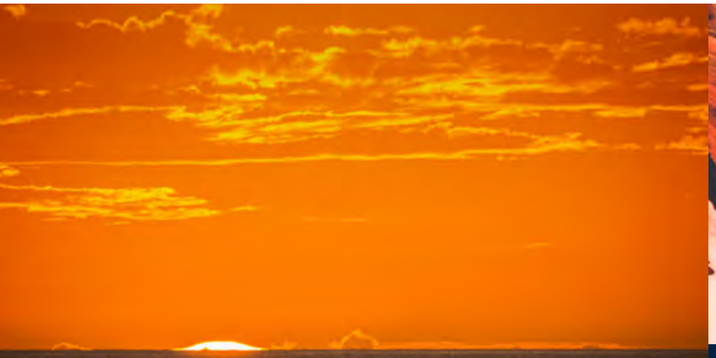
**Nearly a third of polled companies with net zero targets said that they found the delivery of their net zero strategy to be more challenging than they expected.**

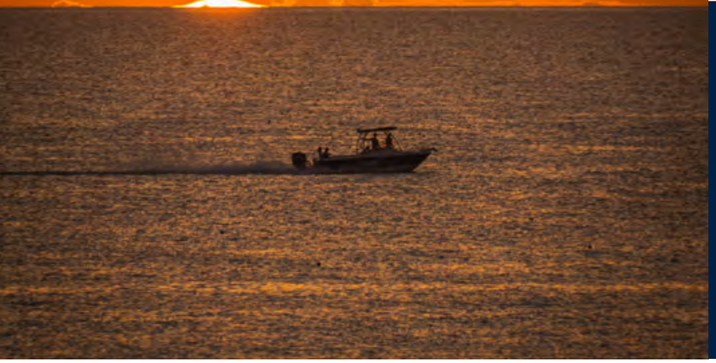
Of all surveyed climate-conscious companies, **28%** said they felt like the delivery of their net zero strategy had been more difficult than they expected, compared to January 2022.

**23%** thought that carrying out their net zero plan was easier than they originally anticipated – a minor but welcome increase from just **17%** in 2022 – while **45%** felt that implementing their strategy was just as difficult as they had predicted. The latter suggests that those leading from the front have accurately assessed what it takes to meet big climate targets like net zero.

Despite the magnitude of reducing both direct and indirect emissions across often complex value chains, and the perceived challenges of doing so, the vast majority of companies with net zero targets (**81%**) feel they are on track to meet their goals. This is a remarkable jump from 2022, where only **67%** of respondents said that their organisations were on track to achieve their net zero targets.

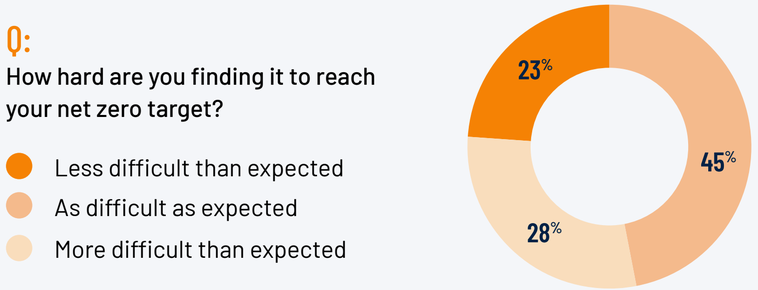
Surprisingly, most companies who claim to be on track to meet net zero commitments have a target date of 2030 or sooner (**84%**). We wonder if this is realistic, and if they are fully aware of the challenges that this entails.





Q:

**How hard are you finding it to reach your net zero target?**




**28%**
say delivering on net zero is harder than expected

**23%**
say delivering on net zero is easier than expected

**81%**
of climate-conscious companies with net zero targets say they are on track to reach their goals, despite **84%** of this group indicating they have a net zero target of 2030 or sooner

# Spotlight on oil and gas

It is worth noting that many surveyed companies who say they are on track to meet their net zero goals come from notoriously hard-to-abate sectors such as metals and mining and oil and gas production. **90**% of metals and mining and **86**% of oil and gas companies with a net zero target - or who intend to set one - say they are on track to achieving those targets.

**53**% of oil and gas companies say reaching the target is just as difficult as they expected, just **30**% say it's more difficult.

Regardless of the level of difficulty, **84**% of all surveyed oil and gas companies have increased or plan to increase their net zero budgets.

**77**% of those claiming to be on track to achieving their targets are listed on the stock exchange. Most oil and gas companies claim to have underpinned their net zero targets with science-based emission reduction goals despite there currently being no clear sector-specific guidance in place for the oil and gas sector.

**86%**
of oil and gas say they are on track to achieving their targets

**77%**
claiming to be on track to achieving their targets are listed on the stock exchange

**84%**
have increased or will increase their net zero budgets

## The bigger picture

Out of the 1,200 oil and gas businesses in our global database of 77,000 companies, only **~8**% have net zero targets in place, and none of them have set SBTs alongside their net zero targets.

Of this small group of oil and gas companies with net zero targets, over **70**% plan to reach their targets after 2040.

# The South Pole view

The fossil fuel industry is rich in knowledge and resources. There are few other sectors in the world that possess the perfect blend of expertise needed for implementing large-scale energy infrastructure projects, which are required for the success of critical climate solutions like carbon capture and storage, technological carbon removals, hydrogen and offshore renewable energy, among others.

This is why it is critical that these companies play a central role in decarbonising our global energy supply. However, we need to face up to the fact that, historically, some fossil fuel companies have slowed down the energy transition. Our survey results now point to a new trend in the industry: the number of oil and gas companies claiming to be on track to meet net zero targets surpasses those of other, easier-to-decarbonise industries.

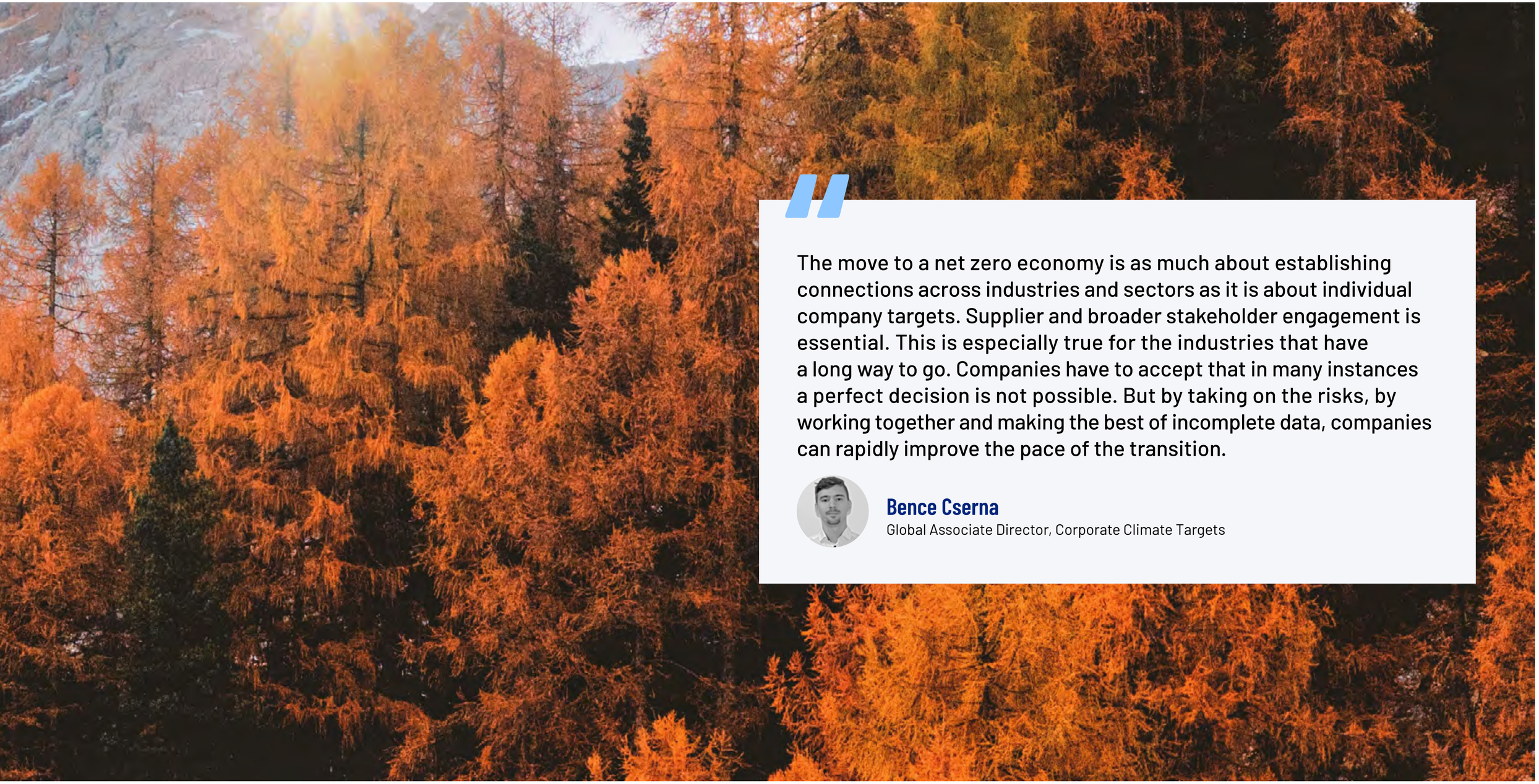
## Stronger policy signals from governments are sorely needed

Similarly, it is surprising to note that most oil and gas companies claim to have underpinned their net zero targets with science-based emission reduction goals – this comes as a shock not least because of **the SBTi's current policy** on refusing SBT commitments from most companies in the oil and gas sector. The current lack of sector-specific guidance may allow too much room for interpretation of what is in and beyond the scope of ambitious, science-aligned net zero targets for those in the energy sector.

These survey results imply that companies from the oil and gas sector either fall under categories excluded by the SBTi, are using unvalidated SBTs, may not be fully aware of what setting an SBT entails, or may think that such claims will improve their brand, no matter whether they are accurate or not.

To bring more credibility to such claims and accelerate the energy transition, we need a universal framework for setting climate targets for the oil and gas industry, which we hope the SBTi will deliver in 2024.

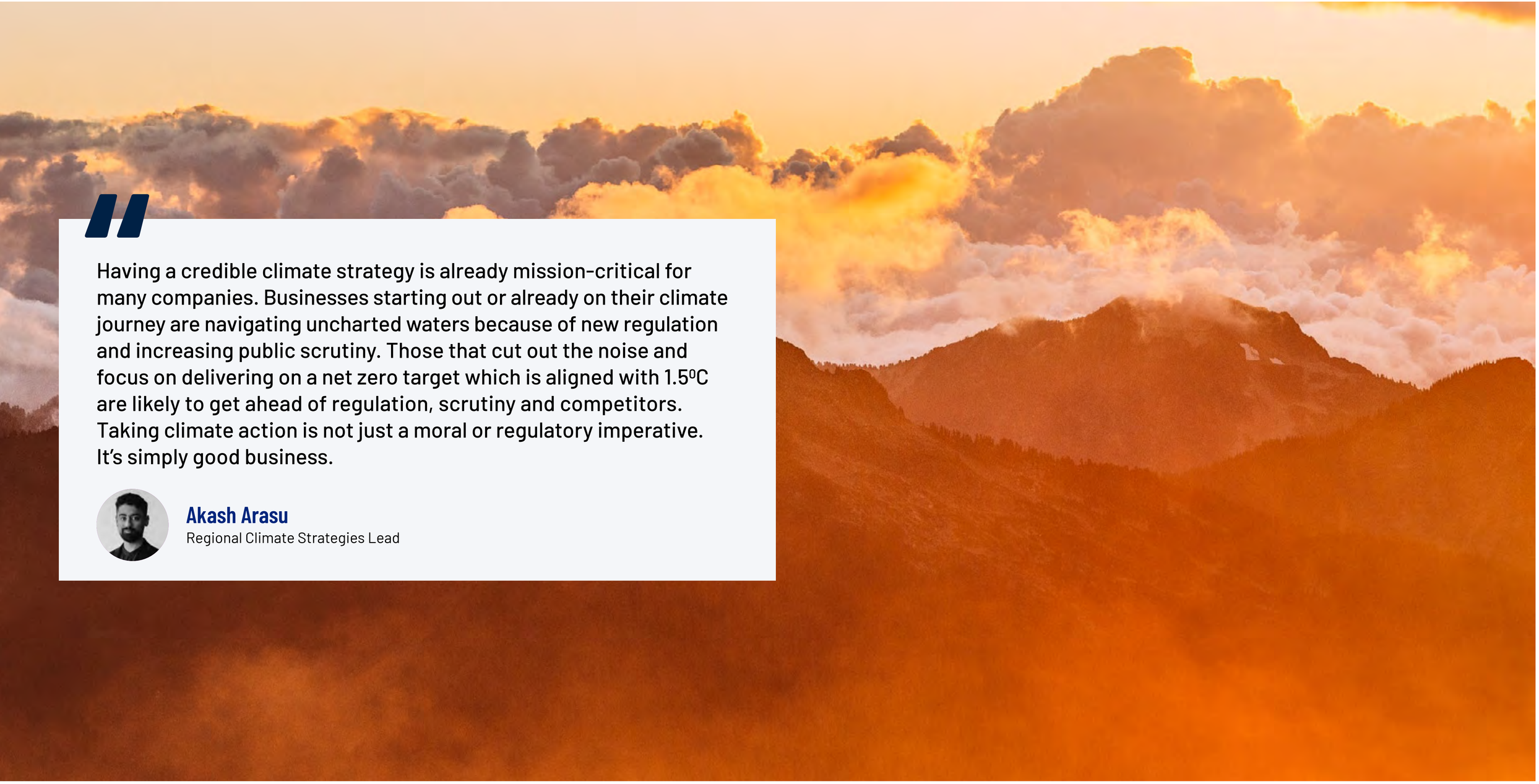
In addition, stronger policy signals from governments are sorely needed - current policies are not strong enough to incentivise a rapid transition away from fossil fuels.



> The move to a net zero economy is as much about establishing connections across industries and sectors as it is about individual company targets. Supplier and broader stakeholder engagement is essential. This is especially true for the industries that have a long way to go. Companies have to accept that in many instances a perfect decision is not possible. But by taking on the risks, by working together and making the best of incomplete data, companies can rapidly improve the pace of the transition.



**Bence Cserna**
Global Associate Director, Corporate Climate Targets



Having a credible climate strategy is already mission-critical for many companies. Businesses starting out or already on their climate journey are navigating uncharted waters because of new regulation and increasing public scrutiny. Those that cut out the noise and focus on delivering on a net zero target which is aligned with 1.5°C are likely to get ahead of regulation, scrutiny and competitors. Taking climate action is not just a moral or regulatory imperative. It's simply good business.



**Akash Arasu**
Regional Climate Strategies Lead

# Investment continues, despite headwinds

## The global economic outlook is bleak, yet climate action continues.

Persistent inflation, low-growth projections, COVID-striken supply chains, ongoing wars and country-level climate ambition falling short all challenge even the most dedicated corporate leader working towards net zero emissions.

When it comes to the hard choice of profit versus planet, are companies choosing their bottom line? It seems the answer is no - at least among climate-conscious companies.

**76%** of all respondents report having **increased their budgets** for meeting net zero targets, with **20%** maintaining existing budgets and just **2%** decreasing investments to reach net zero targets.

This is despite – or maybe because – nearly a third (**28%**) of all companies saying that **reaching net zero was harder than expected.**

Increased budgets were most notable among the environmental goods and services sector, where **94%** claimed to have bumped up their budget for reaching net zero, followed closely by the materials sector (**91%**).

Among companies who said they were **not on track** to achieving their targets, the vast majority are scaling up their efforts by prioritising internal investments such as upskilling staff (**81%**) above bringing in external resources (**71%**) to meet their net zero target.

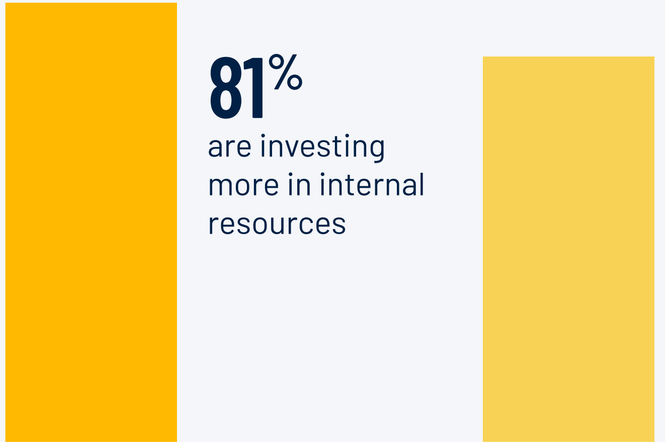
In other words, those not on track to deliver net zero are investing in staff rather than just outsourcing expertise.

**76%**
of climate-conscious companies have increased their net zero budget.

**20%**
of climate-conscious companies have kept their net zero budget the same.

**2%**
of climate-conscious companies have decreased their net zero budget.

**Q:**
If you are not on target, what are you doing to catch up?



**81%**
are investing more in internal resources

**71%**
are hiring third-party support

# The South Pole view

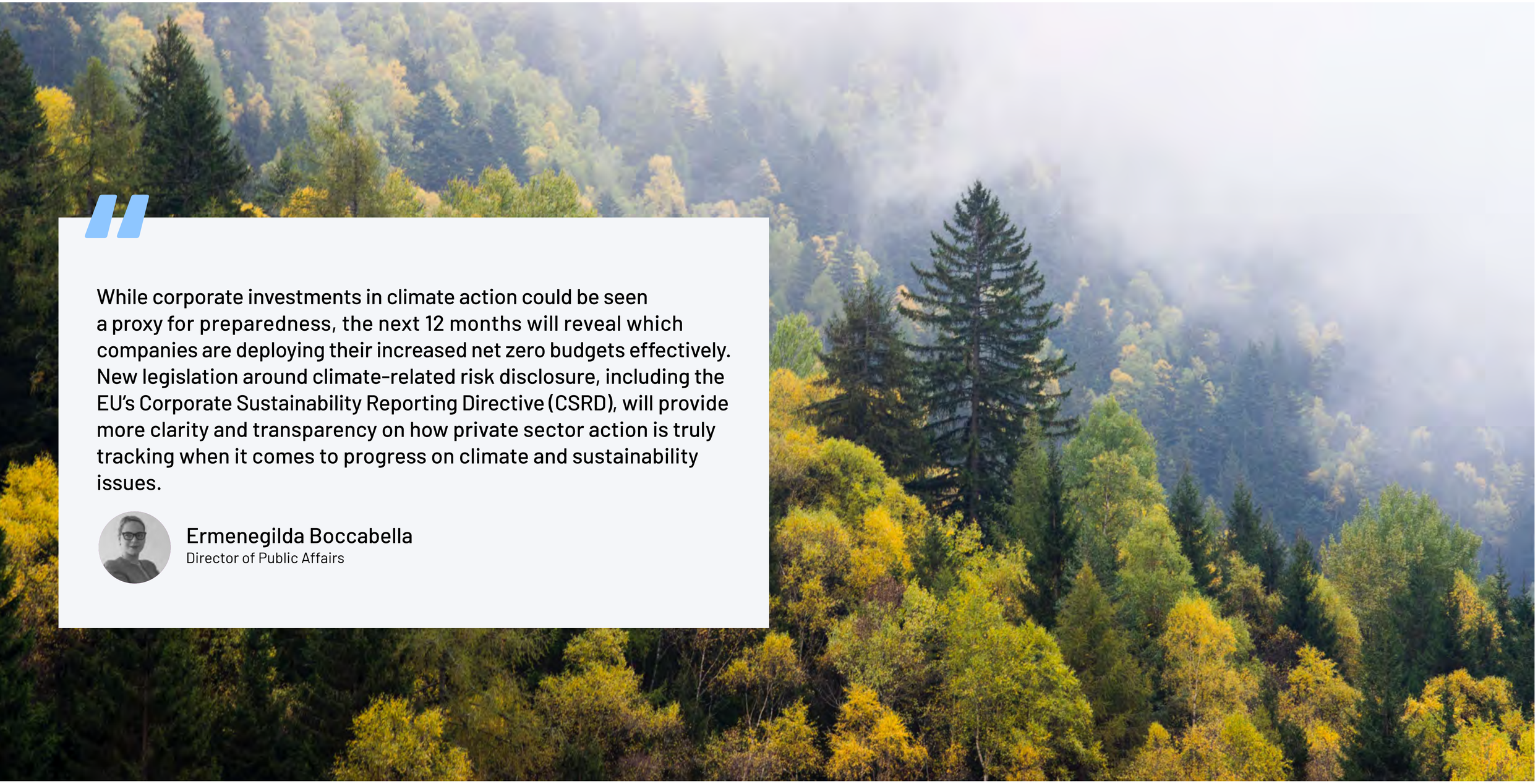
Overall, the research seems to imply that surveyed companies across the board are boosting their climate action budgets. This is despite the bleak global economic outlook and seemingly slow momentum in government climate ambition and regulation.

In a year marked by a record number of billion-dollar climate disasters, is climate action finally seen as an investment in future resilience and long-term business success, rather than just an operating cost? Is action on corporate net zero slowly but surely moving from OPEX to CAPEX?

The sectors that increased net zero budgets the most were environmental goods and services as well as the materials sector. It is likely that the rising cost of raw materials and the growing demand for low-carbon materials are putting more pressure on the materials sector overall, from metals to mining, and plastic to packaging.

## Surveyed companies across the board are boosting their climate action budgets

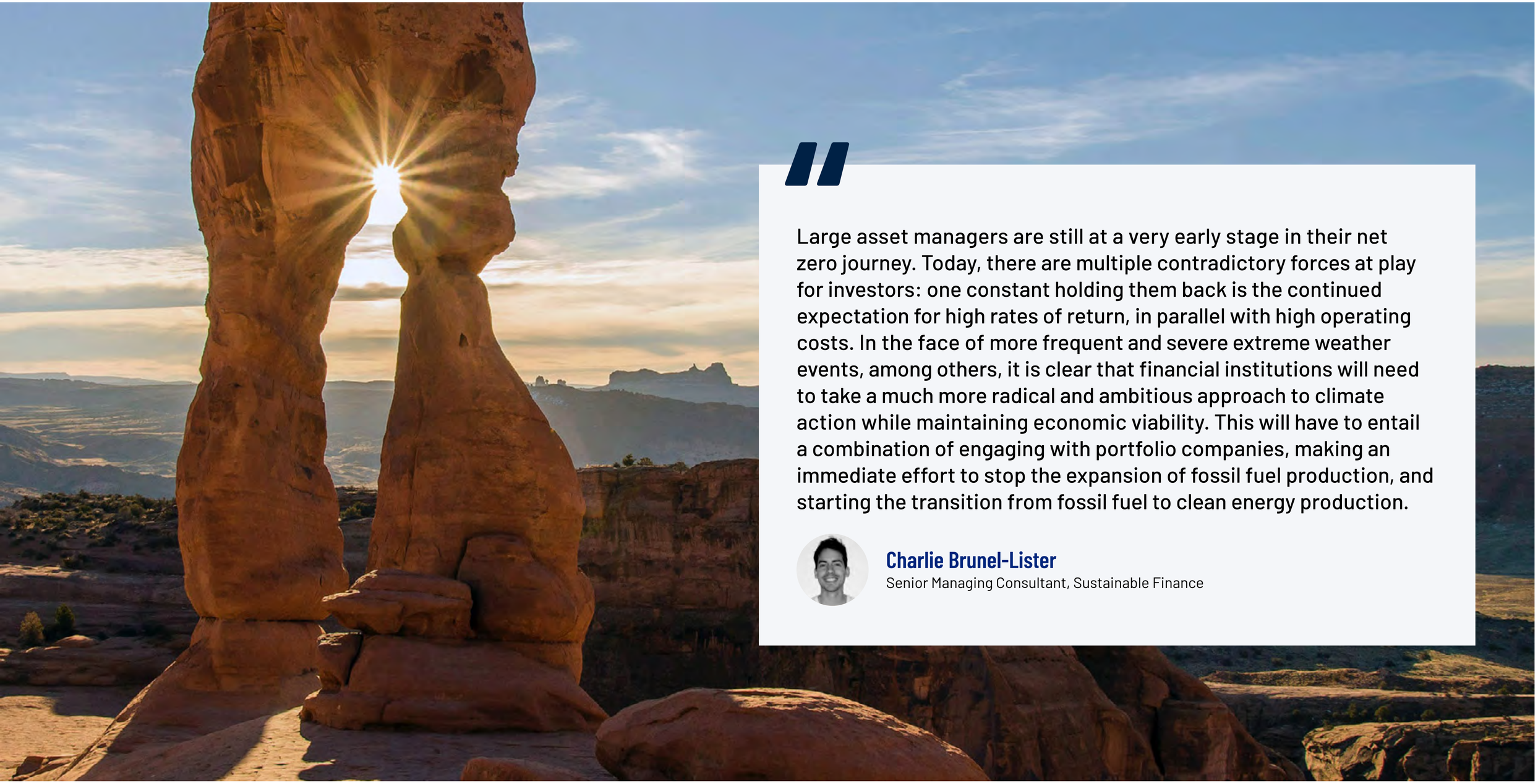
Those procuring supplies – especially environmental goods and services companies – want to get the most bang for their climate buck and spend their budgets in a climate-friendly way. On the other hand, producers of materials have their eye on capturing green premiums as companies work to decarbonise. This creates an incentive to invest in their ability to provide greener materials and packaging.



While corporate investments in climate action could be seen a proxy for preparedness, the next 12 months will reveal which companies are deploying their increased net zero budgets effectively. New legislation around climate-related risk disclosure, including the EU's Corporate Sustainability Reporting Directive (CSRD), will provide more clarity and transparency on how private sector action is truly tracking when it comes to progress on climate and sustainability issues.



Ermenegilda Boccabella
Director of Public Affairs



Large asset managers are still at a very early stage in their net zero journey. Today, there are multiple contradictory forces at play for investors: one constant holding them back is the continued expectation for high rates of return, in parallel with high operating costs. In the face of more frequent and severe extreme weather events, among others, it is clear that financial institutions will need to take a much more radical and ambitious approach to climate action while maintaining economic viability. This will have to entail a combination of engaging with portfolio companies, making an immediate effort to stop the expansion of fossil fuel production, and starting the transition from fossil fuel to clean energy production.



**Charlie Brunel-Lister**
Senior Managing Consultant, Sustainable Finance

# The customer remains king

**For the third year running, customer demand is the #1 reason to pursue a net zero target.**

This is closely followed by the desire to have a better oversight of supply chain risks and to future-proof operations, surpassing the need to stay ahead of competition.

## Resilience is on the rise

Nearly half (**46**%) of all surveyed experts say customer demand for low-carbon products and services is their number one driver to pursue net zero targets, and it is the top driver across all surveyed sectors.

However, we are seeing a marked shift towards managing risk this year when compared to previous years. Alongside meeting market demands, **39**% of all surveyed businesses cited the need for better oversight of supply chain risk as one of the top reasons to pursue ambitious climate targets – making it the second most important driver – followed closely by future-proofing their organisations against external shocks (**37**%).

This focus on resilience is a noteworthy trend, as gaining an oversight of supply chain vulnerabilities, for example, was ranked the least important driver in 2020 and 2021. In 2022 resilience rose to become the third most decisive factor propelling companies towards net zero emissions.

It seems that physical, transition, and liability risks associated with climate change are no longer in some far away future, but have finally become tangible enough to drive business decisions, not least when it comes to addressing carbon hotspots, energy inefficiencies and dependencies on raw materials and/or biodiversity in complex value chains.

## A stronger role for regulation?

Less than a third of all surveyed respondents (**28**%) list regulation as a key driver of net zero. This would suggest regulators could be doing a lot more with both carrots and sticks: for example, making both corporate and global net zero targets more achievable, as well as mandating transparency and change through regulation.

**46**%
of climate-conscious companies rank **customer demand as the #1 driver of action**

**It is ranked #1 by**

**60**% of engineering, construction and building companies

**60**% of environmental goods and services companies

**55**% of metals and mining companies

**39**% cite oversight of supply chain risk and/or vulnerabilities, making it the #2 driver

**28**% cite regulation and/or climate policy, making it the #6 driver

**22**% cite pressure from investors, making it the lowest-ranked driver

# Brand takes a backseat

For the first time, the opportunity to show corporate brand leadership is not the main reason for businesses to set and work towards net zero targets – dropping from being one of the top two drivers historically. Of all surveyed companies, **37**% ranked brand positioning on climate as the most important driver for pursuing net zero targets.

Interestingly, those working in heavy industry – engineering, construction and building – bucked the trend, with **52**% ranking brand leadership as one of the most important reasons to deliver on net zero targets.

# Investors delay action

Worryingly, investor pressure is still ranked as the least powerful driver, with less than a quarter of all respondents (**22**%) saying it played a part in incentivising them to keep on track to meet net zero targets. This was despite the vast majority of publicly listed companies (**64**% of the total sample) claiming to have a net zero target in place (**89**%).

# Every industry is unique

While customer demand is a universal driver of action, each industry faces its own unique set of challenges.

## Media and telecommunications

Risk management was top of mind for the media and telecommunications sector, where surveyed respondents ranked future-proofing and building resilience against external shocks (**47**%) and better supply chain oversight (**45**%) as the most important drivers.

## Healthcare

**46**% of healthcare companies cited having a more detailed oversight of supply chain risks and vulnerabilities as a core driver for pursuing net zero targets. This could be because their operations were challenged by COVID and so are well aware of delivery risk, and seek a more forward-looking view of future business headwinds. Interestingly, **38**% of businesses in the healthcare sector ranked policy and regulation as a driver of net zero, which is considerably higher than the global average (**28**%).

## Utilities

**44**% of utilities cited better or more detailed oversight and data of supply chain risk and/or vulnerabilities as a key driver for taking climate action, suggesting that the physical risk to assets posed by climate change is of growing concern.

## Oil and gas

**46**% of oil and gas companies list future-proofing and the need to build resilience against external shocks as a major driver. Businesses in oil and gas were among the sectors that cited policy and regulation as the fourth most important driver for pursuing net zero targets (**32**%).

## Financial sector

Like oil and gas, future-proofing and building resilience against external shocks is a major driver for the financial sector, cited by **43**% of climate-conscious companies. Respondents included banks, insurance companies, and asset and investment management. The financial sector was one of the few sectors that also ranked policy and regulation as a higher-than-average driver of net zero (**34**%).

# Spotlight on brand leadership

For the first year, brand leadership falls out of our top ten drivers pushing companies towards net zero targets. However, it remains of particular importance to climate-conscious companies in the following countries:

**51**%
**Singapore**

**50**%
**Colombia**

**46**%
**Japan**

# Long-term resilience versus short-term returns

**By Andres Casallas-Ramirez**
Director of Sustainable Finance, South Pole

Uncertainty, fiduciary duty, and short-termism are preventing investors from backing corporate strategies and initiatives to reach net zero.

Investors have undoubtedly been a driving force in net zero targets being set. However, when the time comes to vote on operationalising these targets, a high number of climate and nature initiatives today are being voted down, according to Share Action. We expect that this is because of the short-term cost of transitioning to low carbon practices, imperfect data and guidelines, new regulation, and investor fears of the initiatives failing and/or getting criticised.

Investors' responsibilities to their shareholders - their fiduciary duty - is coming into conflict with the necessary action to reach an organisation's net zero target. Many companies are focused on a 30-year horizon and are willing to invest to ensure the sustainability of their businesses, including the resilience of their supply chains, and to combat the material risks to the commodities they rely on. However, investors are looking at a much shorter timeframe to maximise profits and fulfil their fiduciary duty to shareholders.

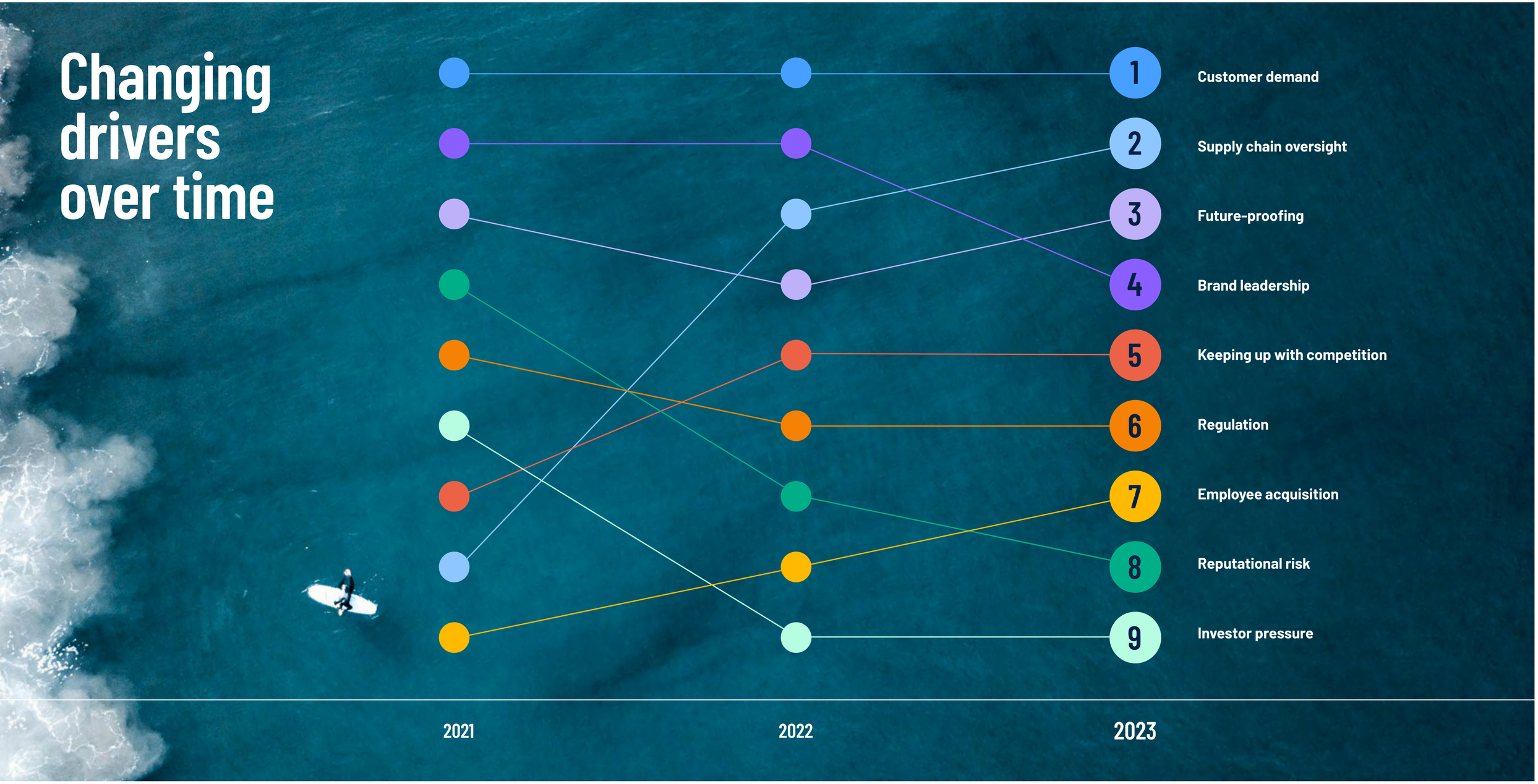
On top of this, there are many unknowns when a company starts to take action to reach its net zero target. Investors, acutely sensitive to risk, often push back on corporate climate action due to poor-quality or nonexistent data. Regulation is constantly evolving, adding to this risk. In fact, many EU funds dropped the word "sustainable" from their title in 2023 due to reporting challenges and incoming regulation. This is a stark contrast to 2022, when 99 funds added the term "sustainable" to their title.

> Many EU funds dropped the word "sustainable" from their title in 2023 due to reporting challenges and incoming regulation

With increasing scrutiny from regulators, the media and consumers, a growing number of investors are adopting a "wait and see" approach. However, climate change is an urgent, ever-evolving and multi-faceted risk to hedge against. Corporate climate action will remain a complex space, with new data, new regulation and new challenges constantly emerging. The moment for perfect data and perfect timing to inform investment decisions may never come. This hesitation hinders meaningful climate action.

With 2030 climate milestones fast approaching, investors ought to work fast to overcome these challenges. The financial power they wield could make all the difference for commerce, communities and the climate.

# Changing drivers over time



# The South Pole view

With the Paris Agreement demanding net zero emissions by 2050, we now have, for the first time, a goal that is shared by countries and companies alike. Governments are slowly but surely starting to implement their national commitments (NDCs) as part of the Paris Agreement, which means that accountability for reaching national and global climate goals is starting to get transferred to the private sector, opening up new areas of collaboration – but also, confusion – between businesses and the public sector.

However, with less than a third of all surveyed respondents (**28**%) listing regulation and/or climate policy as a key driver for net zero, there is more to be done by regulators to make both corporate and global net zero targets more achievable.

> **Government decision-makers should care deeply about stepping up their policy game for several reasons, one of them being building resilience**

Government decision-makers should care deeply about stepping up their policy game for several reasons, one of them being building resilience, which, ironically, is the very same factor pushing most companies to act. Today's corporate decision-makers are keen to ensure that supply chains are not just efficient, but also resilient and reliable. Stalled manufacturing due to missing raw materials or parts hits the bottom line immediately and can make or break a company.

A sector that stood out for us in this regard was the media and telecommunications sector, which ranked the need to future-proof operations and build resilience as the highest driver of net zero. This was interesting, not least against the backdrop of the unexpected rush for digital communications that the world saw during and after the COVID pandemic. This move will have put more pressure on telecommunications infrastructures, resulting in increased energy consumption and related carbon emissions. As remote work becomes permanent practice in many organisations, and as global data traffic continues to grow, the sector's impact on the global climate will come under increasing scrutiny. Many leaders in the industry – including Sky, Virgin Media, and BT – have vowed to join forces to reduce emissions in their supply chains.

Beyond media and telecommunications, corporate climate leaders writ large should be looking at both risk and reward on the way to net zero. And, as new legislation such as EU's directive on corporate sustainability reporting becomes mandatory, businesses will need to evaluate and quantify both physical climate risk – such as damage to direct operations from flooding – and the financial impact that more frequent and extreme weather events will have on their supply chains.

Looking ahead, resilience-building for countries will likely be centred around energy independence following Russia's invasion of Ukraine – an event that sent shockwaves across countries and energy markets alike.

Today, national energy independence is not only desirable, but also very much achievable compared to previous years: renewable energy is cost-competitive compared to fossil fuels, and moving to a more diverse, cleaner energy mix makes for better energy security. In the words of the IEA, "clean energy investment and energy efficiency are key to a secure exit from today's crisis". This is a call to action that will hopefully motivate national oil and gas companies to transition their business models to meet the moment.

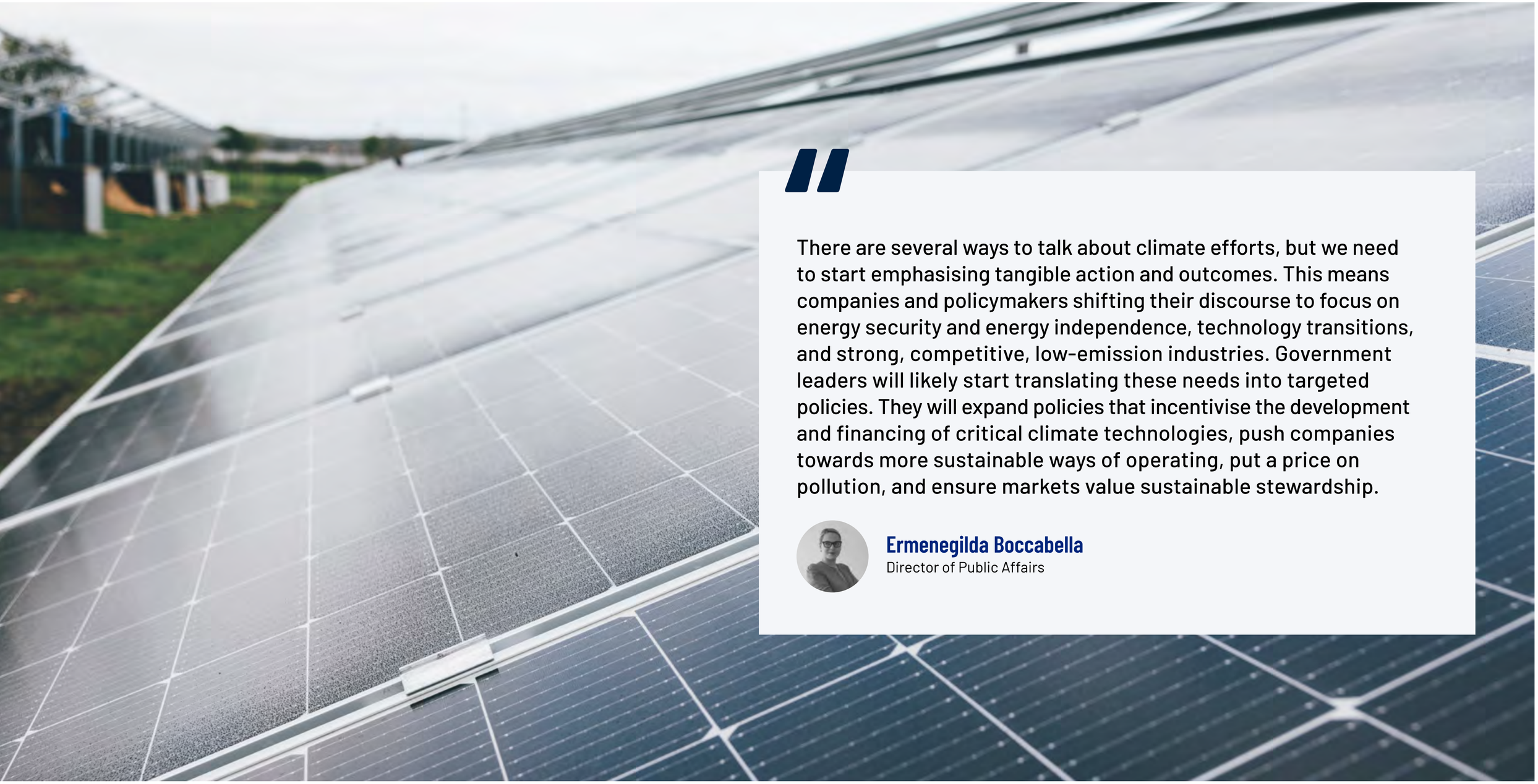
Perhaps unsurprisingly, some of the sectors which are already highly regulated ranked climate regulation higher as the key driver for continuing to pursue their net zero targets - such as healthcare and pharmaceuticals (**38**%), financial institutions (**34**%), and oil and gas (**32**%). In countries where climate legislation is more developed, it is noticeable that regulation and policy are key drivers for corporate net zero targets. This was the case for surveyed companies in countries like the Netherlands (**37**%), the US (**36**%), the UK (**35**%) and France (**35**%).

As we continue to move towards a climate-compliant world, the need to reduce emissions will eventually become mandatory across all sectors. Could the new proof points for true climate leadership emerge from other activities, specifically those that are taken beyond direct value chains?

Due to the extreme energy price increases in 2021 and 2022, we are now seeing a significant demand for renewable energy from corporations. More and more companies are sourcing directly from traditional renewable energy, like wind and solar, through long-term power purchase agreements to hedge against power price volatility, but we also see an increasing desire to invest in renewable fuels such as green hydrogen to reduce the reliance on natural gas.



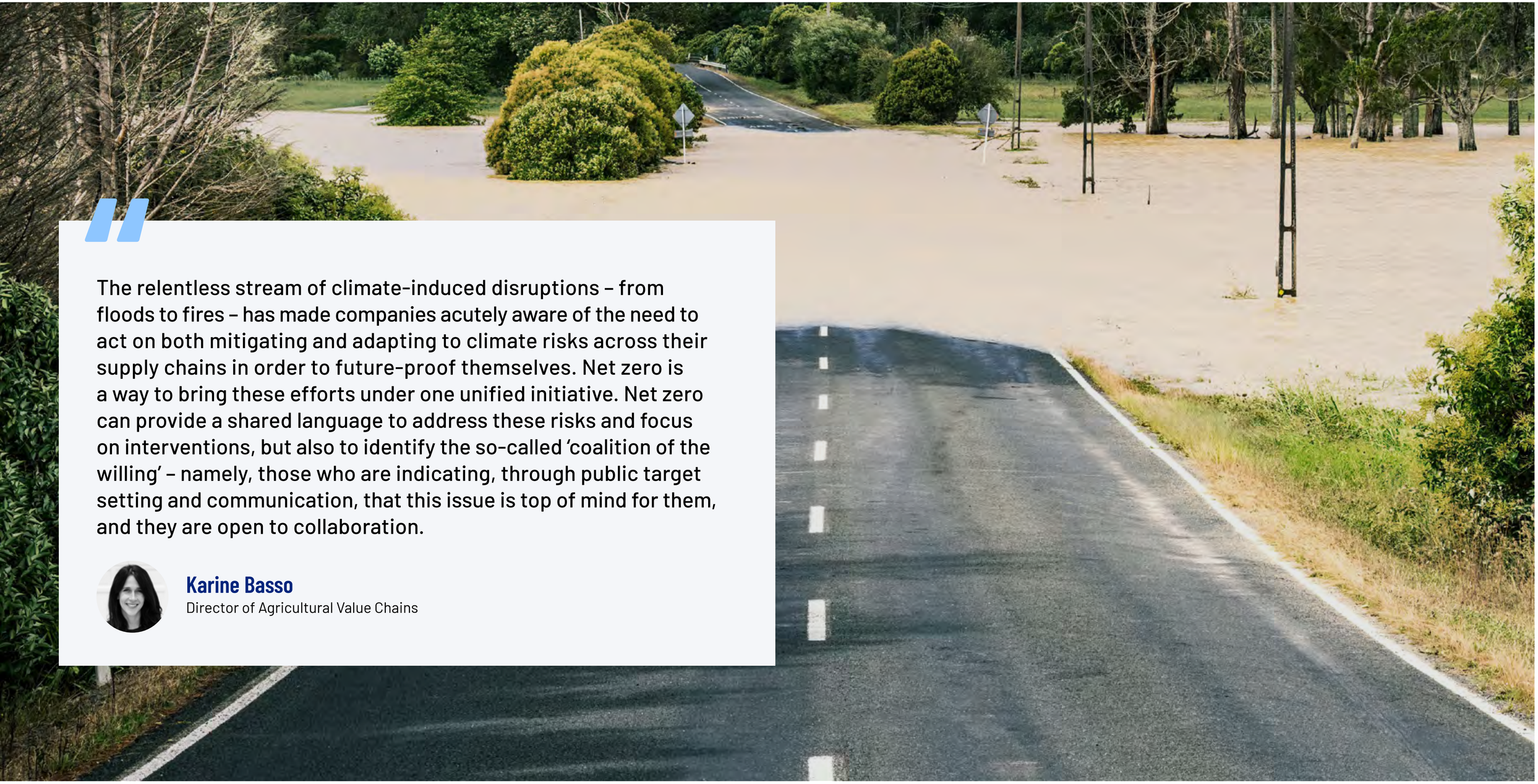
**Antonia Weitzer**
Principal Consultant, Renewable Energy Solutions



> There are several ways to talk about climate efforts, but we need to start emphasising tangible action and outcomes. This means companies and policymakers shifting their discourse to focus on energy security and energy independence, technology transitions, and strong, competitive, low-emission industries. Government leaders will likely start translating these needs into targeted policies. They will expand policies that incentivise the development and financing of critical climate technologies, push companies towards more sustainable ways of operating, put a price on pollution, and ensure markets value sustainable stewardship.



**Ermenegilda Boccabella**
Director of Public Affairs



The relentless stream of climate-induced disruptions – from floods to fires – has made companies acutely aware of the need to act on both mitigating and adapting to climate risks across their supply chains in order to future-proof themselves. Net zero is a way to bring these efforts under one unified initiative. Net zero can provide a shared language to address these risks and focus on interventions, but also to identify the so-called 'coalition of the willing' – namely, those who are indicating, through public target setting and communication, that this issue is top of mind for them, and they are open to collaboration.



**Karine Basso**
Director of Agricultural Value Chains

# Greenhush is now the new normal across all sectors

**Nearly all surveyed companies (93%) see the communication of their net zero strategies as being key to commercial success. Yet nine out of the 14 major sectors surveyed are actively decreasing their climate communications. The age of greenhushing is upon us.**

Since setting their net zero targets and/or investing beyond their direct value chain on their way to net zero, nearly half of all respondents (**44%**) found that communicating their climate goals has become more difficult than before. Only around a quarter (**24%**) felt that the communication of climate targets was the expected level of difficulty, and around a third found it to be less difficult than before.

The vast majority of surveyed companies (**93%**) deem communicating their net zero goals to be business-critical and vital to current or future commercial success, debunking the myth that ESG is bad business. Yet many are staying quiet about their climate action and progress: of those who find that communicating about their climate-related efforts is harder than before, **58%** say they are decreasing their level of external communication as a result of increased difficulty.

In other words, despite recognising the value of communicating climate action, greenhushing is increasing across countries and is present in every sector, with **70%** of all listed companies in the surveyed sample admitting to it. This is despite the majority of all surveyed respondents (**81%**) claiming to be on track to meet their net zero goals.

**70%**
of listed companies responding to the survey admit to greenhushing

**44%**
find climate communications more difficult than before

**58%**
of companies who reported finding climate communications more difficult than before are decreasing their external communications.

**93%**
of climate-conscious companies see communications as key to commercial success

## Doing the most, saying the least

Of the companies with the most ambitious net zero target dates (by 2030 or earlier), **70%** are decreasing communications, with growing industry requirements or regulation given as the #1 reason why. **86%** have increased net zero budgets, making it the group of companies that have increased their budgets the most.

# The green are leading the hush

Digging deeper into specific sectors, a noteworthy **88**% of environmental service companies, including renewables or recycling, admitted to decreasing external communications. This is more than any other surveyed sector, even outstripping those working in oil and gas (**72**%).

The level of greenhush among environmental services is surprising, as **93**% of all companies in this sector claim to be on track to meet their net zero target – with **51**% of all surveyed environmental companies saying that delivering their strategy has been at "the expected level of difficulty". **94**% have even increased their net zero budgets, which is well above the global average of **76**%.

Similar to environmental services companies, consumer goods (food and beverage) companies consider communicating their net zero strategy to be business-critical **(91**%). Despite this conviction, of the consumer goods businesses who find climate communications challenging, the vast majority (**86**%) are greenhushing as a result, and deliberately decreasing their levels of communication.

# More complexity, less comms?

The industries struggling the most with communicating their climate efforts were automobiles and components (**67**%), utilities (**62**%), and companies working in real estate management and development (**60**%).

The response from these businesses is interesting, because they are among the sectors that face some of the biggest disruptions in transitioning to net zero emissions and more circular ways of operating and their respective transformations are, in many ways, linked.

What we know today is that the automotive sector, for example, is going through one of the biggest transformations in its 100+ year history given the switch to e-mobility. This, in turn, will require new, low-carbon automobile supply chains, unprecedented electricity generation to electrify fleets that previously relied on fossil fuels, and better charging and storage infrastructure – a challenge and an opportunity for automobiles and components, utilities and city planners alike.

For example, a disorganised approach to **charging infrastructure** could create major congestion and costs in cities. On the flip side, electric vehicles could be turned into "grid assets" for utilities if integrated into the electric power grid as **"batteries on wheels"**.

A more complex ecosystem for net zero transitions, coupled with closer convergence with other sectors, could potentially also increase complexity around net zero communications, making it harder.

**88**%
of environmental services companies are decreasing external climate communications

**91**%
food and beverage companies consider communications business-critical, yet 86% are communicating less

# What's causing the quiet?

Among the **58%** of surveyed companies who said they were decreasing their level of external communication, over half (**57%**) listed changing regulation and/or more demanding industry requirements on environmental reporting and communications as the main reason for doing so. This was followed closely by heightened scrutiny from customers (**45%**) and lack of sufficient data to inform claims (**43%**). Increased media scrutiny was a key concern for **41%** of respondents, alongside the lack of clear industry guidance on communicating climate claims (**41%**). Investor pressure and scrutiny was ranked the least important reason on average, with **38%** of companies listing it as a reason for decreasing their levels of external communications around climate efforts.

The ranking of these different reasons changes when looking across specific sectors: the top three sectors who said they are decreasing their external communications on net zero goals – environmental goods and services (**88%**), consumer goods (**86%**), oil and gas (**72%**) – all listed pressure from investors as the primary reason for greenhushing. This is unique to the sample, as most other sectors said that regulation is causing greenhushing, by making it more difficult to communicate their goals.

Interestingly, environmental services companies confess to greenhushing for the same reasons as those greenhushing in the oil and gas sector: fear of scrutiny from investors, customers, and the media were all ranked as some of the top factors.

# Europe leads the hush

When looking across regions, businesses in Sweden (**80%**) and France (**72%**) rank among the highest of those finding it increasingly difficult to communicate their net zero goals. They were also among the regions where companies were greenhushing and decreasing their external communications the most, with **79%** of Swedish companies and **82%** of French companies admitting to doing so.

The main factors complicating climate communications for French companies were more demanding regulation or industry requirements on communicating environmental goals (**54%**), lack of sufficient data to inform claims (**51%**), and heightened scrutiny from customers (**50%**). Companies based in Sweden rated lack of sufficient data (**53%**) and investor and media scrutiny (both at **50%**) as the top reasons affecting their communications around climate goals.

Only US-based companies found communications around corporate climate action less daunting, with **56%** stating that external communications around climate efforts were less difficult than before, which is why it was perhaps unsurprising that within the surveyed sample of climate-conscious companies, **60%** of American companies were increasing – rather than decreasing – their level of external communications on climate action.

# Stuck on neutral

A notable **67%** of all companies said that carbon or climate-neutral claims were fit for purpose. Nearly a third (**31%**) believe that these claims are fit for purpose as long as they evolve with regulation. In other words, nearly all surveyed businesses (**98%**) see carbon or climate neutrality as suitable for accurately describing their climate activities.

Diving into detailed responses by sector and country, **88%** of environmental services companies believe, surprisingly, that carbon-neutral claims are fit for purpose as they are, with the equivalent figure being **67%** for oil and gas companies. Support for carbon and climate neutral claims is highest in countries that have brought in new regulation or are already under comprehensive legislation when it comes to corporate climate action and/or corporate sustainability claims, including the US (**100%**), followed by France (**98%**) and Germany (**98%**).

**57%**
of all companies cited changing regulation as the #1 reason to decrease communications

**67%**
say they think carbon- or climate-neutral claims are fit for purpose

# The South Pole view

It seems that companies today have a clear incentive to act on climate, driven by customer demand and the business opportunity this brings.

However, a lack of clear government or industry policies, heightened media scrutiny, and little or complex guidance on best practices mean that companies are not seizing this opportunity to speak up on their climate action. And what a waste that is, not only for those companies, but for our planet.

Similarly, many companies seem to be interpreting the rise in regulation around climate claims as an effective ban. Regulation should bring clarity, build trust and level the playing field. Instead, in the short term, it has removed confidence and slowed action: companies who are not yet equipped to report find it easier to step back and say nothing.

The reason why environmental services companies may see claims like carbon-neutral as fit for purpose when businesses in oil and gas do not is likely due to how different sectors define these terms, and the requirements around claiming it. Environmental services companies likely apply a stricter definition and understanding of the requirements to meet carbon and climate neutrality compared to other organisations, which is at the core of the problem today. While climate litigation cases are rising around the globe, corporate climate claims still feel very subjective and are being interpreted differently by different companies.

Will the steady stream of corporate climate claim guidance coming online solve the challenge? Must we rely on climate litigation cases to bring about the clarity companies need? Or do companies need to wait for the climate claim regulation on the horizon – from the EU to Australia – to move ahead with confidence?

> **It is clear the bar for environmental services companies is higher when it comes to climate action.**

## Time to level the playing field

The trend of green companies leading the "hush" is also highly concerning. If the businesses that were built to serve the net zero economy are greenhushing the most, what does this mean for other sectors who have even more work to do? Are they losing their nerve, as they see similar companies being criticised by the media and NGOs? Or is the problem that we are holding all sectors to the same level of scrutiny when it comes to evaluating their net zero transformation – and if so, should we?

Following new climate regulations is part of the daily work of the environmental services sector – and expertise for the net zero transition is often baked into many of these companies.

One of the key reasons for greenhushing among environmental services companies seems to be investor pressure, which is not all that surprising: investors will often invest in environmental services as part of their own decarbonisation plans and, when faced with new and complex regulation, they will also want to limit the risks presented in their investee companies communicating and making claims about their climate action.

At the same time, it is interesting to observe that while **55**% of all oil and gas companies perceive communications on climate action to be more difficult than before, fewer oil and gas companies are greenhushing and decreasing their level of external communications (**72**%), compared to environmental services (**88**%). Could it be that heavy emitters are more used to being at the centre of attention and stakeholder scrutiny, compared to newer environmental industries? Or maybe they are used to managing the inescapable climate-related disclosure, given their mandatory reporting obligations?

It seems to us that the risk of being criticised is greater for companies founded on a green promise, as the bar for such companies is higher when it comes to climate action.

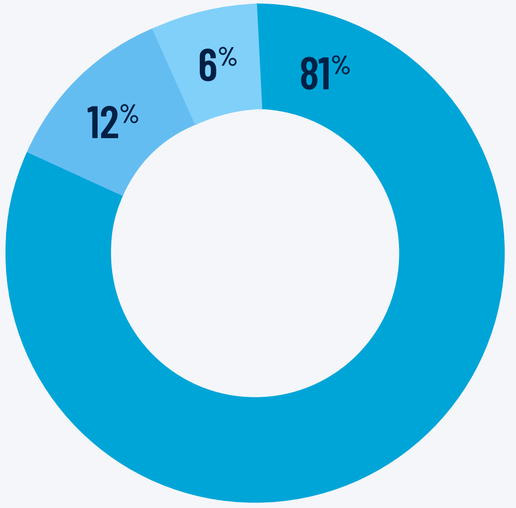
In answering these questions, it is key to note that environmental goods and services companies sell their products predominantly based on their positive environmental impact (and this is why their customers buy them, too). In stark contrast, oil and gas companies largely focus their climate-related communications on reputation management and on complying with regulation (for example, sustainability reporting or participating in compliance markets).

The continuing dependency of our global economies on hydrocarbons also means that the bottom lines of oil and gas companies are more affected by market fluctuations than climate communications. In other words, the risk of imperfectly communicating climate-related efforts – or products, in the case of green companies – and getting criticised for it is far greater for environmental services companies than it is for oil and gas. Their business model is more vulnerable.

Ultimately, if we wish to see dramatic change and deter greenhushing, sectors must have a level playing field when it comes to communicating and evaluating climate action and ambition – and this will only truly happen with more regulation. Standards should be high for all, but scrutiny should be higher for those sectors that still have the furthest to go – especially energy-intensive private businesses with high and very-hard-to-abate emissions in loosely regulated jurisdictions.

Q:

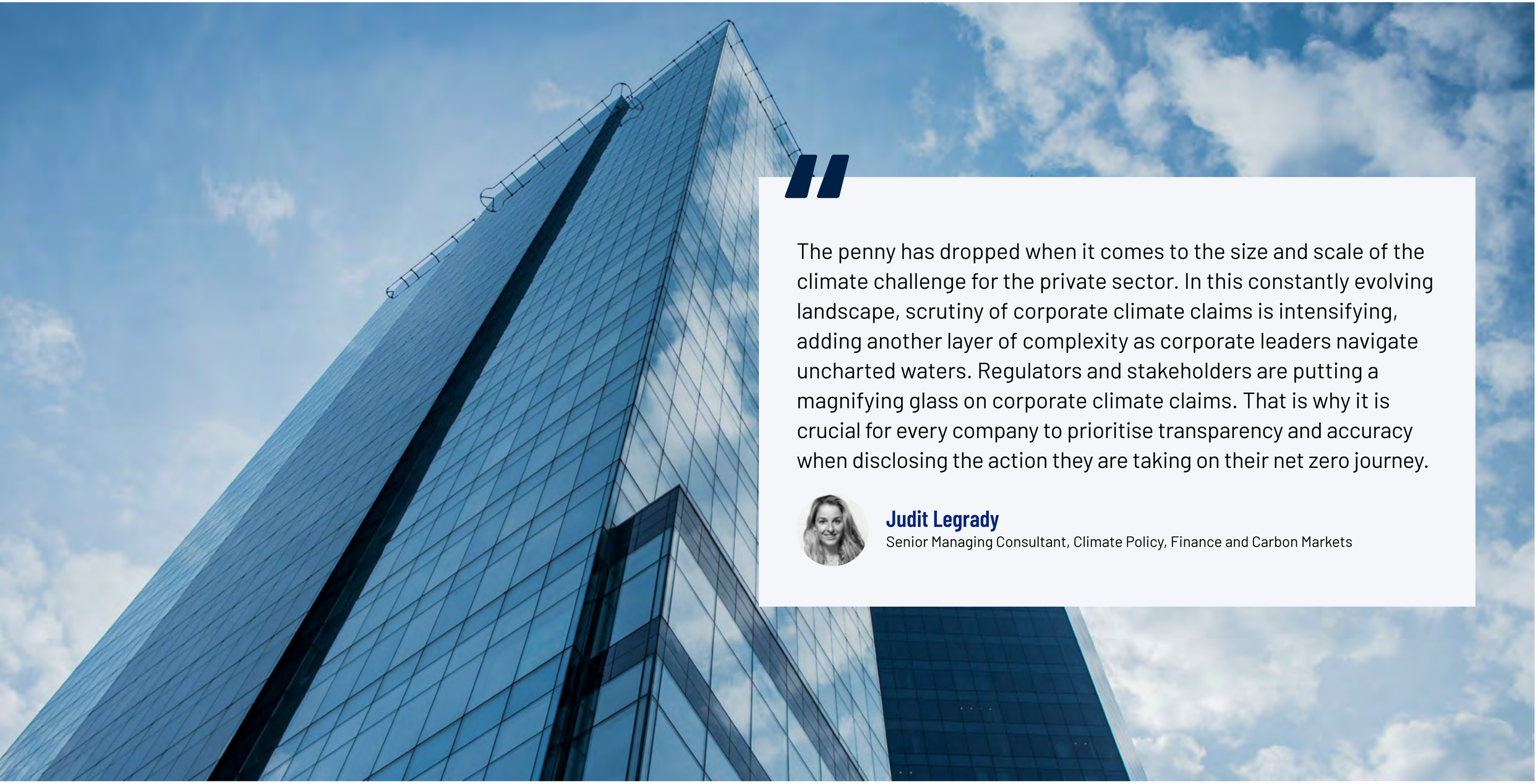
Is communicating your net zero strategy important to your company's commercial success?




- Yes, it helps us keep up with competitors and/or meet our regulatory requirements
- Yes, but it will become **less important** soon
- No, but it will become **more important** soon

Faced with new regulation, global uncertainty and extreme scrutiny, it is worrying – but not surprising – that many corporate climate leaders are deciding to greenhush. Communicating climate action is a way to effectively engage stakeholders and share lessons learned, especially with industry laggards. It is also critical to increasing sales. As the saying goes, "nothing is more expensive than a missed opportunity" – and we urge companies not to miss this opportunity to communicate. More than the bottom line is at stake.

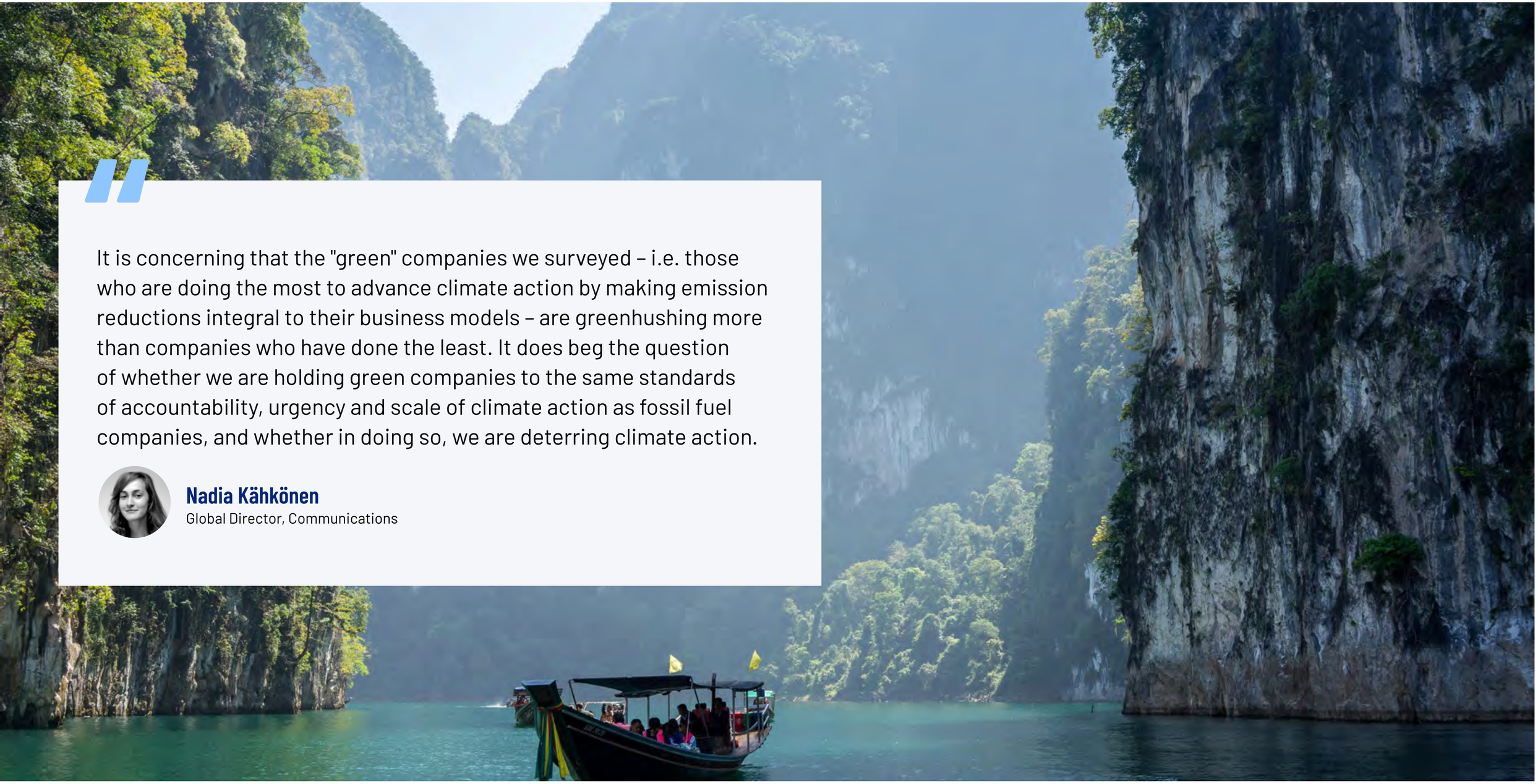
**Isabel Hagbrink**
Senior Global Director, Head of Communications



> The penny has dropped when it comes to the size and scale of the climate challenge for the private sector. In this constantly evolving landscape, scrutiny of corporate climate claims is intensifying, adding another layer of complexity as corporate leaders navigate uncharted waters. Regulators and stakeholders are putting a magnifying glass on corporate climate claims. That is why it is crucial for every company to prioritise transparency and accuracy when disclosing the action they are taking on their net zero journey.



**Judit Legrady**
Senior Managing Consultant, Climate Policy, Finance and Carbon Markets



It is concerning that the "green" companies we surveyed – i.e. those who are doing the most to advance climate action by making emission reductions integral to their business models – are greenhushing more than companies who have done the least. It does beg the question of whether we are holding green companies to the same standards of accountability, urgency and scale of climate action as fossil fuel companies, and whether in doing so, we are deterring climate action.



**Nadia Kähkönen**
Global Director, Communications

# How to avoid the greenhushing trap

**By Kata Bors**
Head of Client Communications, South Pole

Companies should communicate their net zero targets and investments in credible climate action with pride. Let's not forget that these companies are among the **8%** globally that are doing something about climate change, versus the **92%** that are doing absolutely nothing, as of today.

But accurate and transparent climate communications is easier said than done. Here is how companies can navigate the complex space of claims and sound environmental communications:

## 1. Consider the business case

Greenhushing is counterproductive from a business perspective. Companies should not overestimate the risk of being criticised and lose sight of the long-term opportunity to create a trusted brand that is synonymous with climate action.

## 2. Get the basics right

Everything companies communicate must be founded on climate science. They should set realistic targets, revise them periodically, report on progress, continuously improve their data and, finally, engage their organisation and wider ecosystem to deliver on plans.

## 3. Stand for the cause, not your company's role in it

The end-goal should always be climate impact, not brand profile. Brand awareness matters, but it cannot be the guiding star that directs climate activities and investments. Businesses must build a robust foundation for action, and cannot show off in one area if they are miles behind in another. If companies focus on impact, they will earn brand loyalty.

## 4. Accept being challenged

Being open to fact-based criticism while proudly demonstrating the action that companies are taking with the support of an upskilled media team will help them weather many storms.

## 5. Make your successes (and failures) open source

Celebrating climate successes can be rewarding. Sharing lessons learned can be equally valuable. It helps other companies avoid similar pitfalls and gives businesses a chance to communicate how their organisation overcame challenges.

# Technology and nature on equal footing

**Climate-conscious companies are exploring all avenues to meet their net zero targets.**

The majority of surveyed companies are looking to technological solutions when working towards their net zero targets – either ones that reduce emissions from industrial processes (**40**%), such as carbon capture and storage (CCS) and carbon capture and utilisation (CCU), or that neutralise emissions from those processes (**32**%), such as direct air capture (DAC).

Alongside technological solutions, investments into nature-based solutions (NbS) such as ecosystem protection, via voluntary carbon credits were ranked overall as one of most important solutions when working towards net zero targets (**32**%).

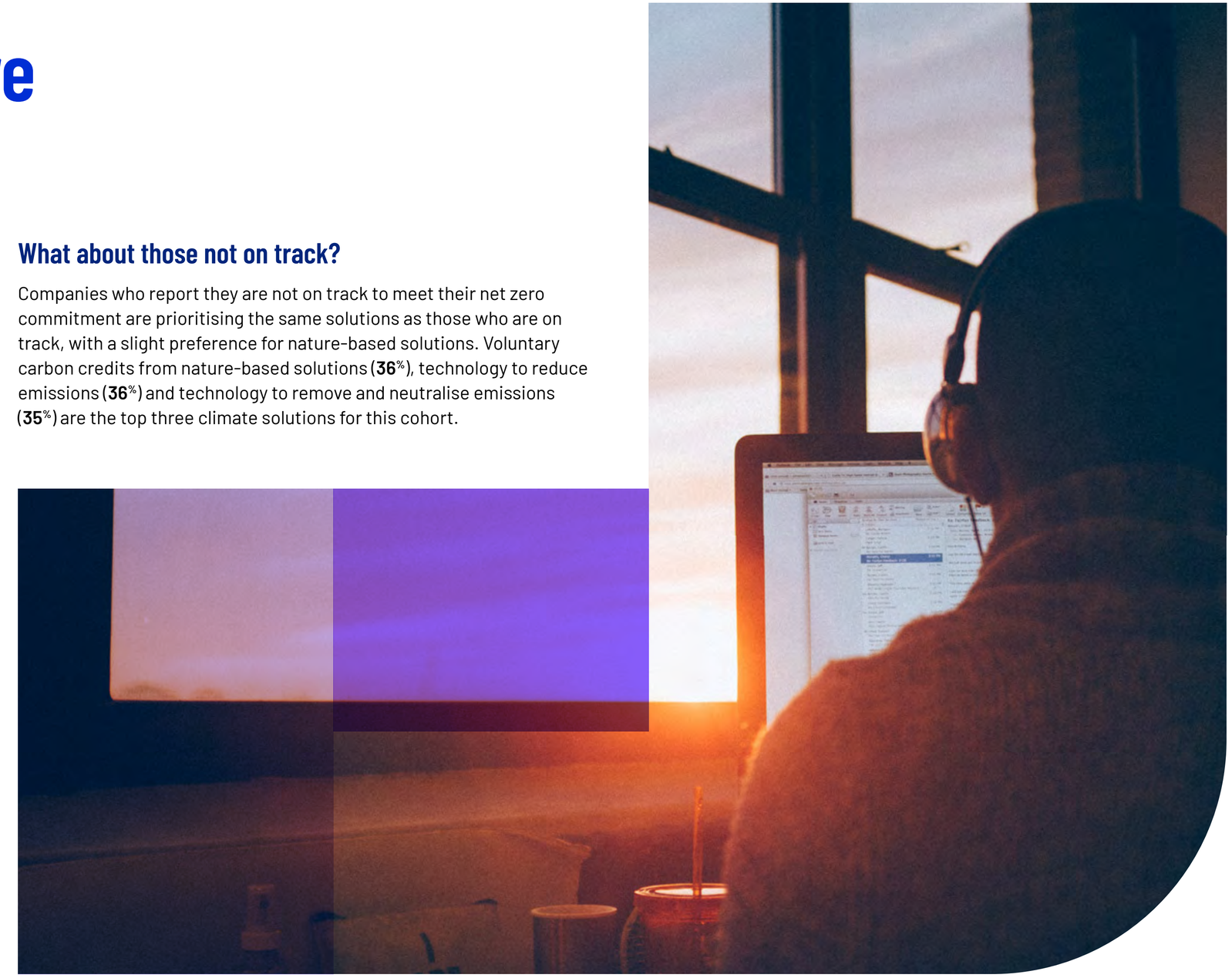
The use of renewable energy (**29**%) and investments in energy and resource efficiency (**28**%) – both of which have been top choices for surveyed companies in the past – have dropped in the overall ranking of preferred solutions. The same applies to greening supply chains, which has consistently been listed as the third most important solution in the past three years. Only **27**% of surveyed businesses said they were prioritising reductions in scope 3 on their way to net zero emissions, in joint fifth place together with new product or service delivery models (**27**%).

Just a quarter of all surveyed companies were considering the use of future fuels, like green hydrogen, to deliver on their climate targets.

Only **20**% of all companies said they would prioritise materials innovation, software for climate action, and carbon credits from projects that were not nature-based solutions.

## What about those not on track?

Companies who report they are not on track to meet their net zero commitment are prioritising the same solutions as those who are on track, with a slight preference for nature-based solutions. Voluntary carbon credits from nature-based solutions (**36**%), technology to reduce emissions (**36**%) and technology to remove and neutralise emissions (**35**%) are the top three climate solutions for this cohort.



# Top ranked net zero enablers

**Technological solutions** to reduce emissions from industrial processes*
40%

**Technological removal** including direct air capture and biochar
32%

**Nature based** voluntary carbon credits
32%

**Use of renewable energy**
29%

**Energy and resource efficiency**
28%

**New product or service delivery models** such as service-based offerings instead of ownership
27%

**Greening supply chain** to measure and address scope 3
27%

**Future green fuels** such as green hydrogen
25%

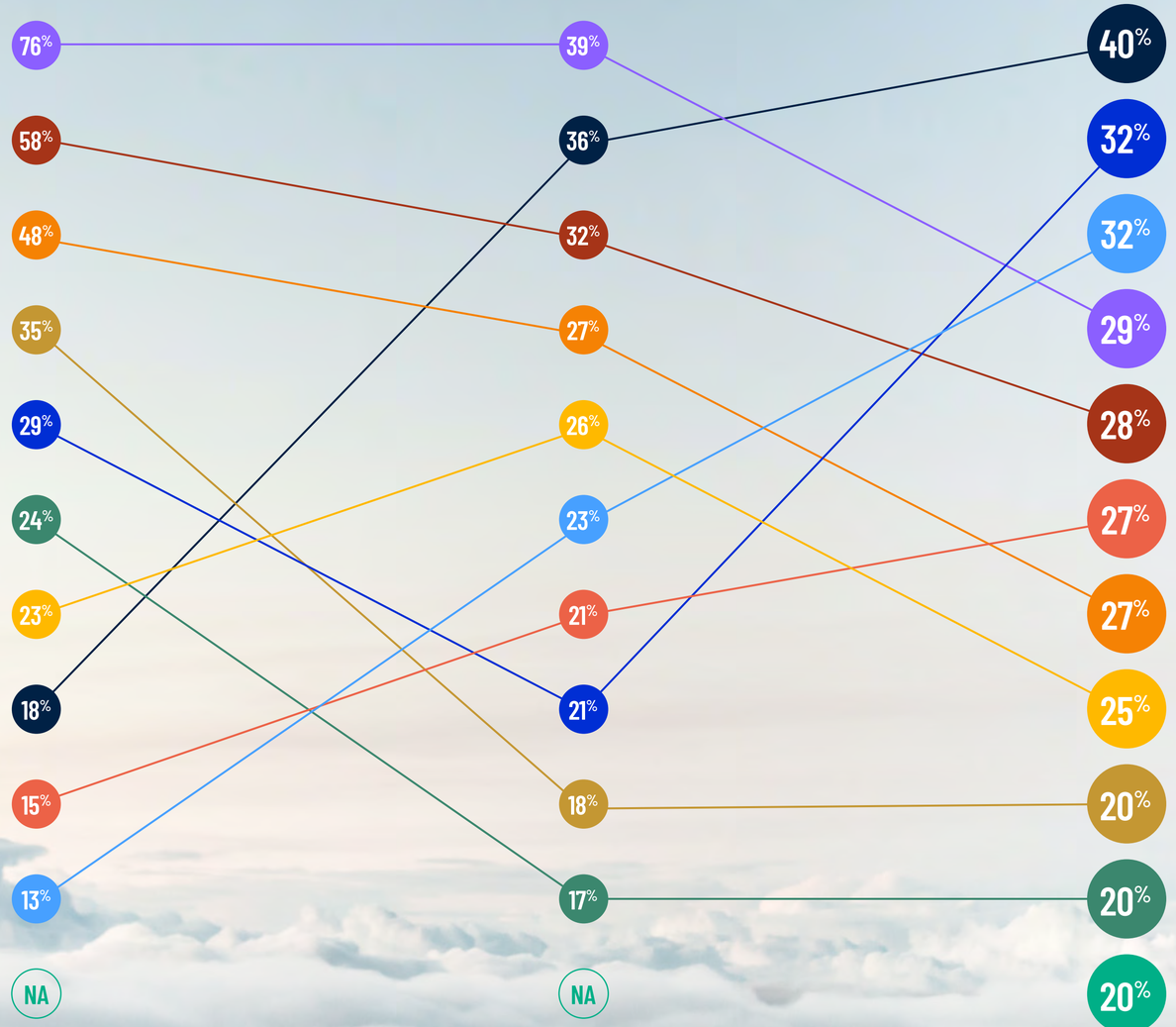
**Materials innovation**
20%

**Voluntary carbon credits** of any type
20%

**Software for climate action**
20%

*Including Carbon Capture & Storage and Carbon Capture & Utilisation.

# Changing enablers over time




**Technological solutions**
to reduce emissions from industrial processes*

**Technological removal**
including direct air capture and biochar

**Nature based**
voluntary carbon credits

**Use of renewable energy**

**Energy and resource efficiency**

**New product or service delivery models**
such as service-based offerings instead of ownership

**Greening supply chain**
to measure and address scope 3

**Future green fuels**
such as green hydrogen

**Voluntary carbon credits**
of any type

**Materials innovation**

**Software for climate action**

*Including Carbon Capture & Storage and Carbon Capture & Utilisation.

# Sector by sector

Different enablers are favoured by different sectors. This page shows you which sectors rank which enablers higher than the average.

## Technological carbon removals

is an important enabler for

**55%** of environmental goods and services companies

**53%** of heavy industry companies such as engineering, construction and building

**52%** of IT companies including software and hardware

Higher than the average of **40%**

## Nature based

voluntary carbon credits are an important enabler for

**52%** of real estate management and planning companies

**42%** of materials companies such as metals and mining

**40%** of financial services and food and beverage companies

Higher than the average of **32%**

## Future fuels

is an important enabler for

**33%** of healthcare companies

**32%** of utilities

**31%** of transport companies

Higher than the average of **25%**

## Greening the supply chain

is an important enabler for

**36%** of food and beverage companies

Higher than the average of **27%**

## Materials innovation

is an important enabler for

**30%** of materials and automobile and parts companies

Higher than the average of **20%**

## Investment in voluntary credits

is an important enabler for

**32%** of oil and gas companies

Higher than the average of **20%**

# The South Pole view

Looking at this year's prioritisation of solutions for net zero targets, it is surprising that, beyond technological carbon reductions, the other solutions that can help achieve direct decarbonisation – renewable energy, energy and resource efficiency, and greening supply chains – were not ranked higher.

Perhaps this is an indication that those further along on their climate journey have exhausted most of the key, foundational solutions to decarbonise and are now exploring ways to address the hardest-to-abate emissions with new technologies. Demand and uptake of renewable energy, for example, shows no sign of slowing with S&P Global reporting a **60**% quarter-on-quarter increase in the second quarter of 2023.

Similarly, when considering the latest best practice set out in the SBTi's Corporate Net Zero Standard, companies would only be using technological carbon removals such as DACs between 2040 and 2050 to neutralise their remaining emissions and reach net zero.

Technological carbon reduction solutions, like CCS and CCU, are mainly focused on addressing scopes 1 and 2 – which will be key for decarbonising heavy industries with many hard-to-abate emissions and few solutions available to them today.

On the other hand, the latest ranking of solutions may also reflect the current perception of quality among corporate buyers: technological carbon removal solutions are the shiny new solution on the market and they come with a higher price tag than, for example, nature-based removals such as reforestation projects.

But price alone is not a marker of quality or effectiveness when it comes to climate solutions. Sometimes existing, cheaper solutions - like protecting the forests that we have - are the most cost-effective ways of mitigating global warming, while also preserving biodiversity.

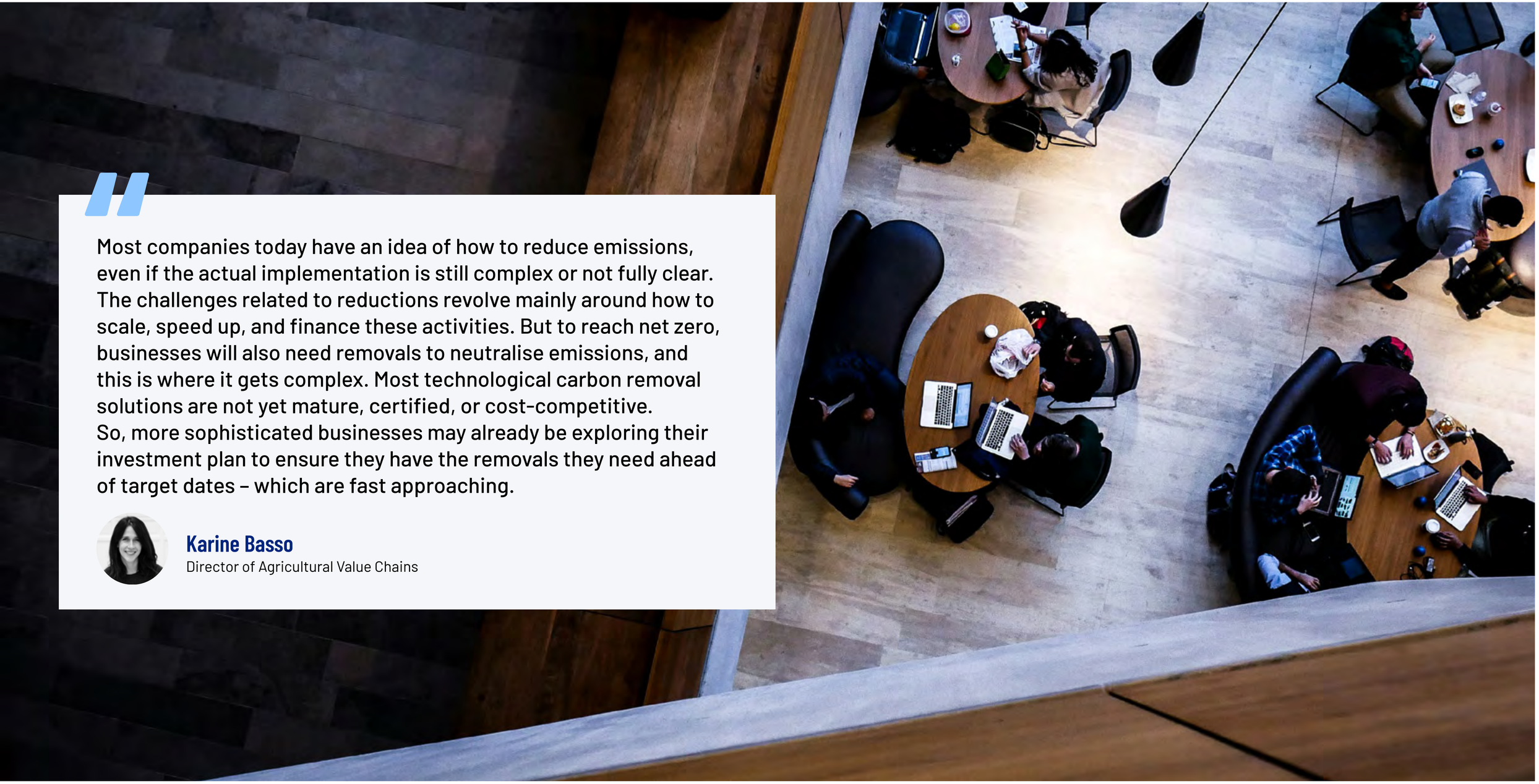
## Organisations must make use of multiple solutions to reach their goals

Similarly, the high ranking of technological carbon reduction solutions like CCS and CCU, which are primarily focused on addressing scopes 1 and 2, may also imply that heavy industry, for example, is finally waking up to opportunities that decarbonisation and more circular ways of operating can provide to better insulate them against the risk of future energy, climate, and financial shocks. This may have been prompted by, for example, new sector-specific guidance for iron and steelmakers worldwide on science-aligned net zero pathways.

Overall, the fact that no solution was overwhelmingly preferred by all companies may indicate that there is a growing understanding that achieving net zero is challenging and highly complex, and that organisations must make use of multiple solutions to reach their goals.

Many of the solutions are, in fact, complementary and should not be considered in isolation.

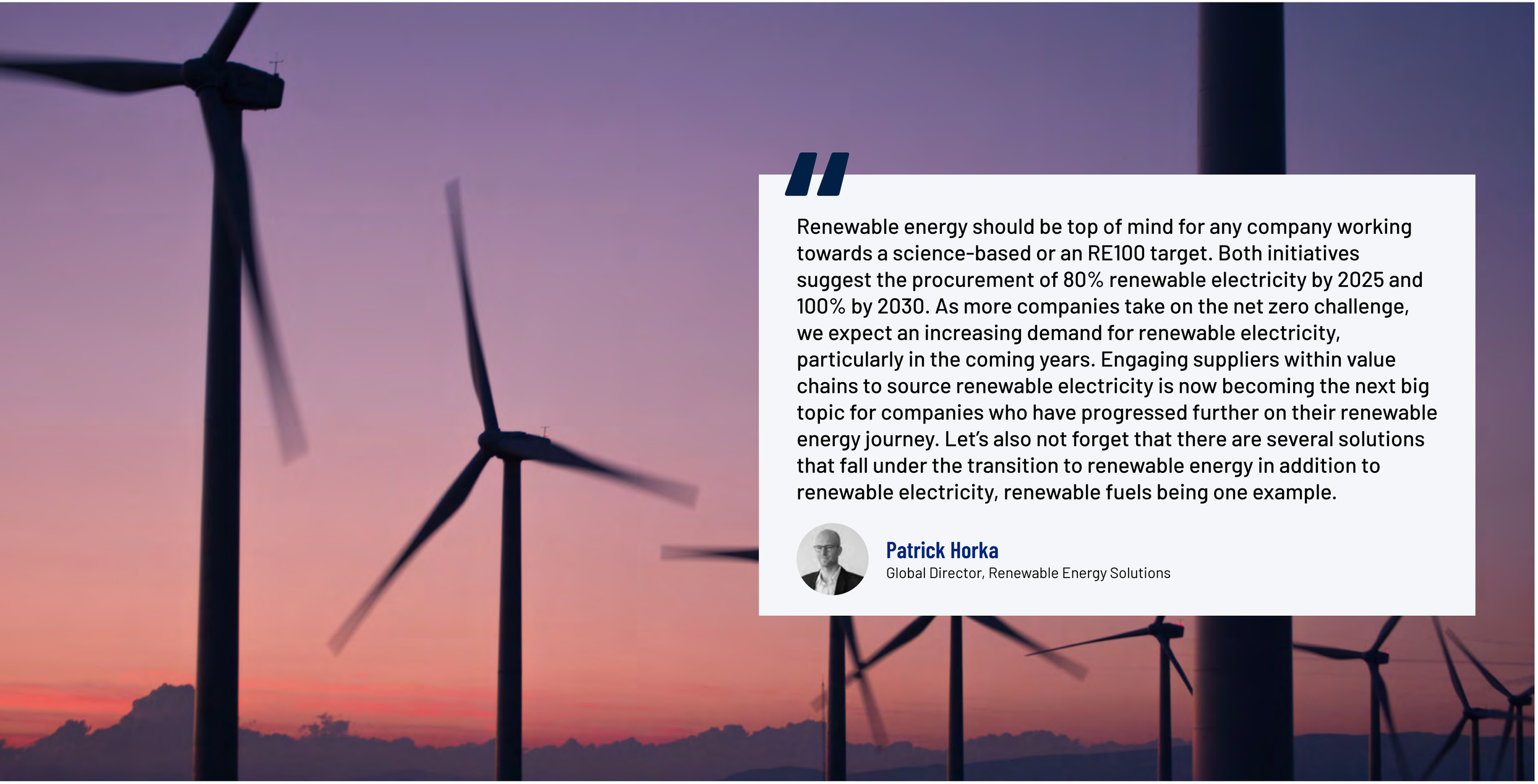
The current ranking of climate levers could, on the other hand, also mean that there is not enough clarity on which solutions are the most cost-effective and efficient, and hence the choice of solutions is more prone to being influenced by the media and market trends.



Most companies today have an idea of how to reduce emissions, even if the actual implementation is still complex or not fully clear. The challenges related to reductions revolve mainly around how to scale, speed up, and finance these activities. But to reach net zero, businesses will also need removals to neutralise emissions, and this is where it gets complex. Most technological carbon removal solutions are not yet mature, certified, or cost-competitive.
So, more sophisticated businesses may already be exploring their investment plan to ensure they have the removals they need ahead of target dates – which are fast approaching.



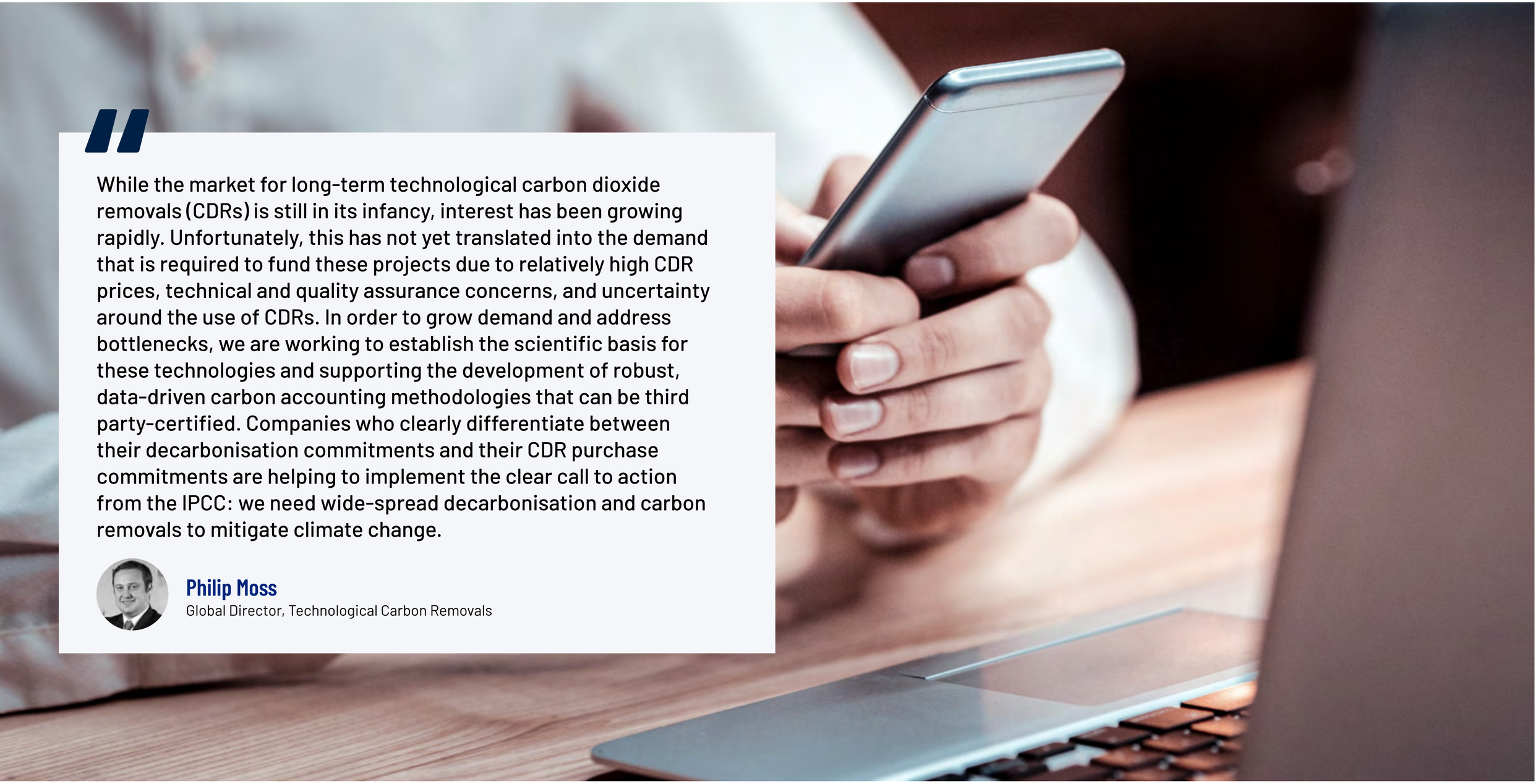
**Karine Basso**
Director of Agricultural Value Chains



> Renewable energy should be top of mind for any company working towards a science-based or an RE100 target. Both initiatives suggest the procurement of 80% renewable electricity by 2025 and 100% by 2030. As more companies take on the net zero challenge, we expect an increasing demand for renewable electricity, particularly in the coming years. Engaging suppliers within value chains to source renewable electricity is now becoming the next big topic for companies who have progressed further on their renewable energy journey. Let's also not forget that there are several solutions that fall under the transition to renewable energy in addition to renewable electricity, renewable fuels being one example.



**Patrick Horka**
Global Director, Renewable Energy Solutions



While the market for long-term technological carbon dioxide removals (CDRs) is still in its infancy, interest has been growing rapidly. Unfortunately, this has not yet translated into the demand that is required to fund these projects due to relatively high CDR prices, technical and quality assurance concerns, and uncertainty around the use of CDRs. In order to grow demand and address bottlenecks, we are working to establish the scientific basis for these technologies and supporting the development of robust, data-driven carbon accounting methodologies that can be third party-certified. Companies who clearly differentiate between their decarbonisation commitments and their CDR purchase commitments are helping to implement the clear call to action from the IPCC: we need wide-spread decarbonisation and carbon removals to mitigate climate change.



**Philip Moss**
Global Director, Technological Carbon Removals

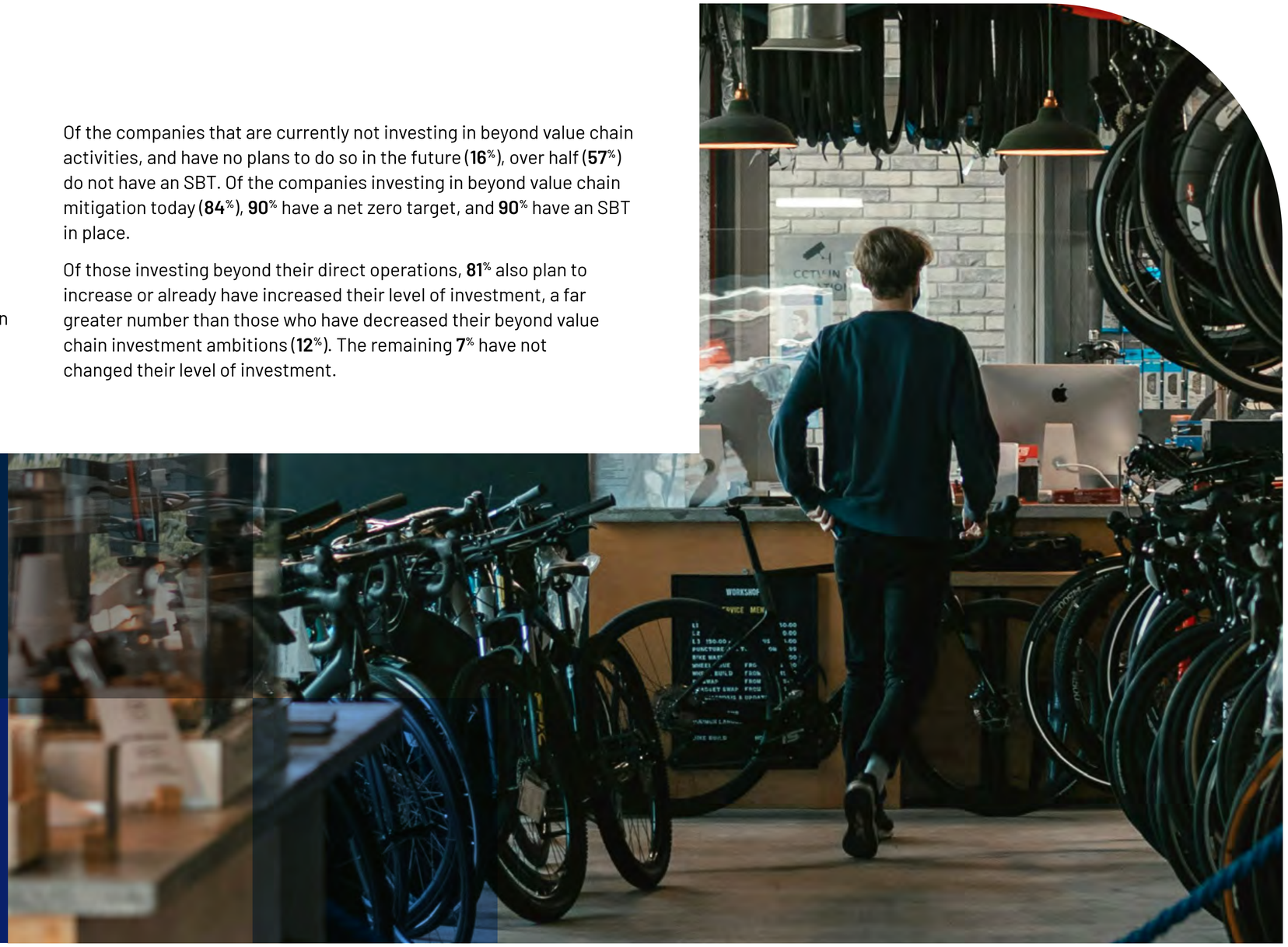
# The new zero?

**In parallel to net zero, the majority of climate-conscious companies are also investing beyond their direct value chains – with most also planning to increase their level of investment.**

The majority of all surveyed companies (**84**%) say they are actively investing beyond their company's direct value chain. **13**% say that while they are not currently investing beyond their direct operations, they plan to do so within the next two to three years. Only **3**% of companies say they have no plans to invest in environmental or climate action beyond their value chains.

Of the companies that are currently not investing in beyond value chain activities, and have no plans to do so in the future (**16**%), over half (**57**%) do not have an SBT. Of the companies investing in beyond value chain mitigation today (**84**%), **90**% have a net zero target, and **90**% have an SBT in place.

Of those investing beyond their direct operations, **81**% also plan to increase or already have increased their level of investment, a far greater number than those who have decreased their beyond value chain investment ambitions (**12**%). The remaining **7**% have not changed their level of investment.



**84%**
are investing in climate action beyond their direct value chains

**81%**
plan to increase their level of investment

# What's driving action?

The drivers for beyond value chain action are largely the same as those for pursuing net zero, with customer and stakeholder demand and risk management being the strongest motivator, and investor pressure the weakest.

**41**% of all companies said that customer/stakeholder demand for low- or zero-carbon products and services was their main driver for investing in beyond value chain action, followed closely by better or more detailed oversight of and data on supply chain risks and vulnerabilities (**38**%) and the need to futureproof and build resilience to external shocks (**37**%). The desire to defend against reputational risk (**26**%) and the desire to meet investor pressure (**24**%) were ranked as the weakest two drivers for companies when it came to investing in beyond value chain activities.

In terms of sectors with the most ambitious target dates, the highest number of businesses planning to meet net zero by 2024 came from environmental goods and services, including renewable energy hardware and services (**71**%), consumer goods (food and beverage) (**62**%), and automobiles and parts (**51**%).

# What about communications?

For an overwhelming majority of climate-conscious companies, communicating beyond value chain mitigation is seen as essential to business success.

### Top drivers for environmental goods and services companies

**54**% customer/stakeholder demand for low or zero-carbon products and services

**46**% the opportunity to show corporate leadership on climate action

**39**% better or more detailed oversight of and data on supply chain risk and/or vulnerabilities

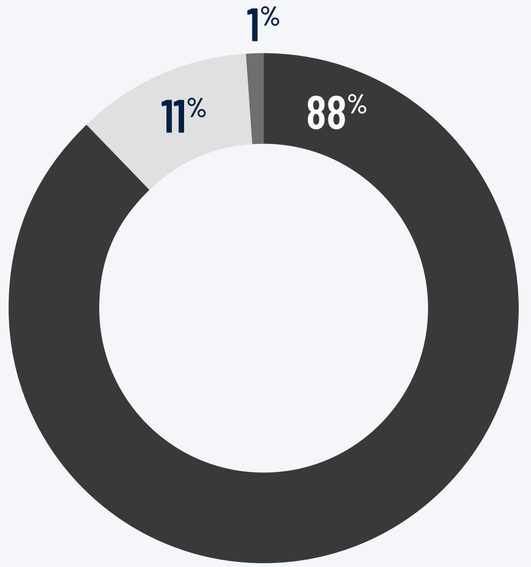
### Top drivers for oil and gas companies

**40**% future-proofing and building resilience against external shocks

**39**% better or more detailed oversight of and data on supply chain risk and/or vulnerabilities

**36**% keeping up with competitors' climate commitments

**Q:**
**Is communicating your beyond-value-chain investments important to your company's commercial success?**



# Sector by sector

The top sectors prioritising beyond value chain investments included environmental services (**96**%), consumer goods (food and beverage) (**94**%), real estate management and planning (**93**%), and consumer goods (retail, fashion) (**90**%), with the majority of respondents from these same sectors also planning to increase their investments.

A total of **88**% of oil and gas representatives say that they are actively investing in activities beyond their direct value chains, and **84**% of them already have increased or plan to increase their level of investment.

Interestingly, while heavy industry (**76**%) and the IT sector (including software and hardware) (**74**%) had the lowest number of respondents investing in beyond value chain mitigation today, they had the highest number of companies planning to ramp up investment in the near future: **20**% and **25**% respectively.

# Spotlight on the APAC region

The level of investment in beyond value chain activities varies across regions. Interestingly, the Asia-Pacific region aligns perfectly with the global average, with a few countries standing out:

**90**%
**Australia**

**80**%
**Singapore**

**84**%
**Global and APAC average**

# The South Pole view

The allure of net zero for brand leadership seems to be fading in tandem with the increasing number of climate policies. With climate regulation on the horizon, investments in beyond value chain mitigation will likely become a more important marker of brand positioning and leadership over time, compared to net zero compliance.

Alongside net zero, beyond value chain investments will also be key to survival, especially when it comes to companies building resilience to external shocks and **future-proofing both themselves and the societies they operate in**. These activities encompass all investments and actions that a company takes beyond its decarbonisation targets to mitigate emissions outside of its value chain.

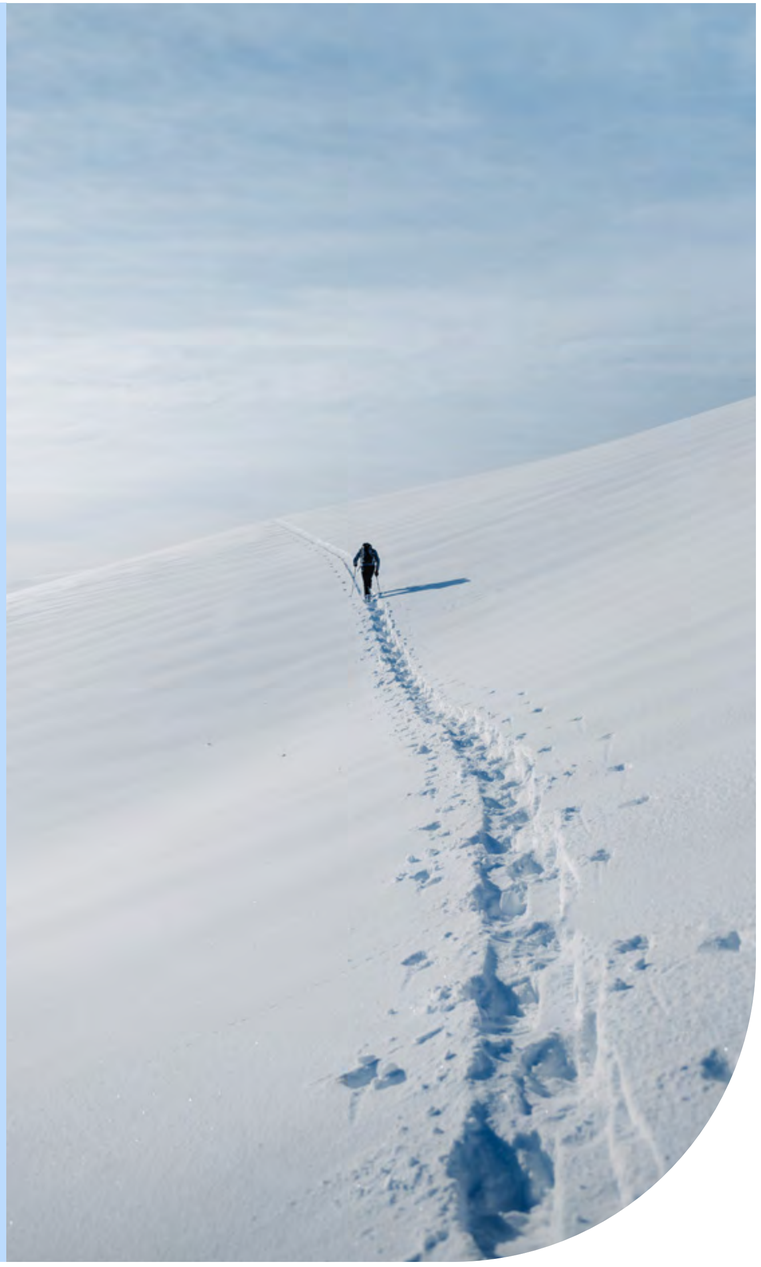
It is unsurprising that certain sectors are ahead of others when it comes to investing in activities and technologies within their broader ecosystem of operations. Companies with complex agricultural value chains, such as food and beverage or fashion businesses, for example, rely on the wellbeing of their suppliers and the vitality of the landscapes they source from. Failing to invest in both will directly impact their ability to obtain key commodities and deliver goods, now and in the future.

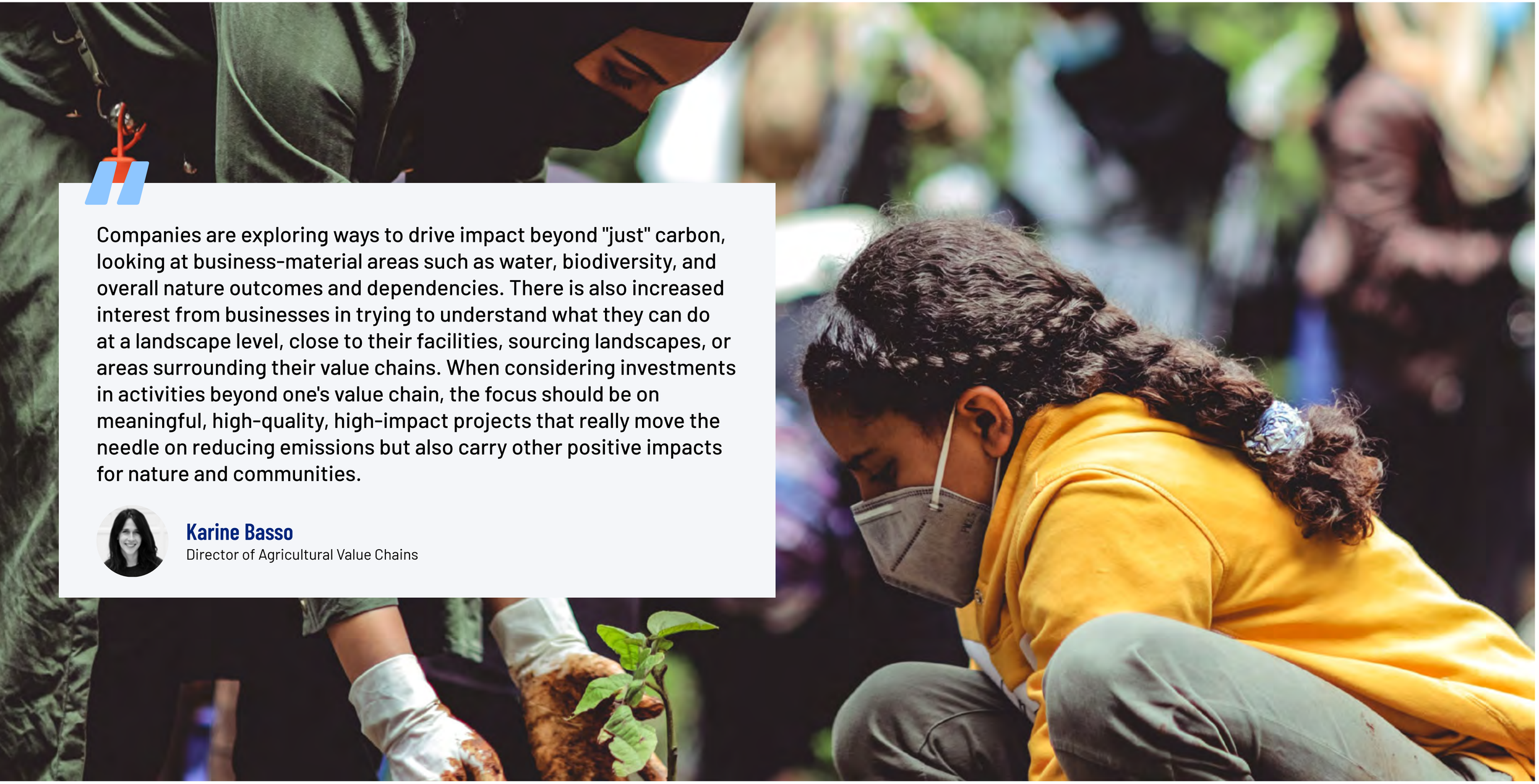
Many businesses beyond just the food sector are still unprepared for the impact of longer hot seasons and shorter cold seasons on their supply chains and on the raw materials they rely on. Investments beyond value chains help support their efforts in adapting to a changing climate.

> ## Many businesses are still unprepared for the impact on their supply chains

Alongside risk management and resilience-building, many businesses are also aware of changing customer expectations. A new generation of consumers expect companies not only to reduce their environmental footprint but, in parallel, to actively grow their positive handprint when it comes to safeguarding precious ecosystems and at-risk communities. According to a **consumer sentiment study done under the UN Convention on Biological Diversity**, over **80%** of respondents, especially Generation Z and Millennials, believe that companies have a moral obligation to "ensure that they have a positive impact on people and biodiversity".

The most effective way for companies to safeguard their social licence to operate is to show - rather than tell - how they are playing a bigger part in creating a more equitable, climate-resilient future for all, beyond their own operations.

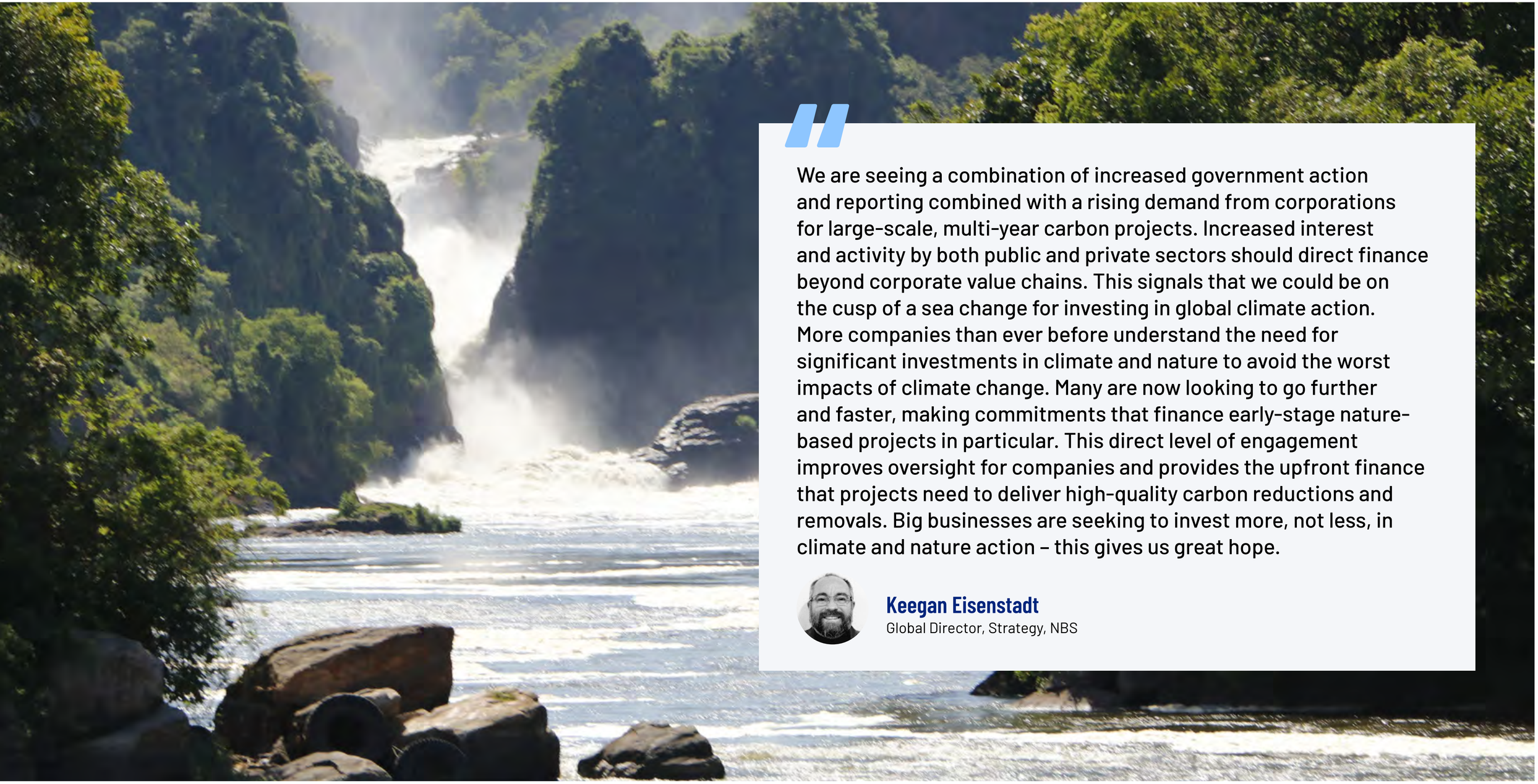




Companies are exploring ways to drive impact beyond "just" carbon, looking at business-material areas such as water, biodiversity, and overall nature outcomes and dependencies. There is also increased interest from businesses in trying to understand what they can do at a landscape level, close to their facilities, sourcing landscapes, or areas surrounding their value chains. When considering investments in activities beyond one's value chain, the focus should be on meaningful, high-quality, high-impact projects that really move the needle on reducing emissions but also carry other positive impacts for nature and communities.



**Karine Basso**
Director of Agricultural Value Chains

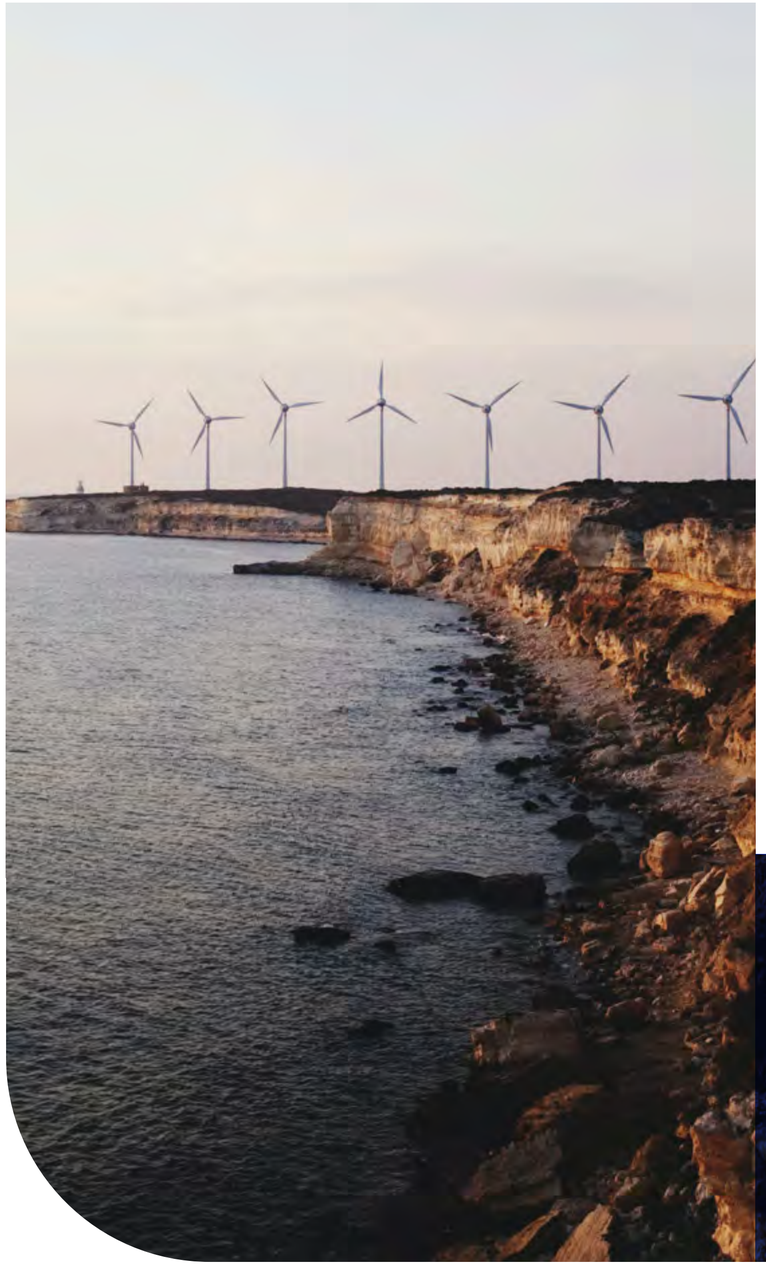


We are seeing a combination of increased government action and reporting combined with a rising demand from corporations for large-scale, multi-year carbon projects. Increased interest and activity by both public and private sectors should direct finance beyond corporate value chains. This signals that we could be on the cusp of a sea change for investing in global climate action. More companies than ever before understand the need for significant investments in climate and nature to avoid the worst impacts of climate change. Many are now looking to go further and faster, making commitments that finance early-stage nature-based projects in particular. This direct level of engagement improves oversight for companies and provides the upfront finance that projects need to deliver high-quality carbon reductions and removals. Big businesses are seeking to invest more, not less, in climate and nature action – this gives us great hope.



**Keegan Eisenstadt**
Global Director, Strategy, NBS

# Conclusion

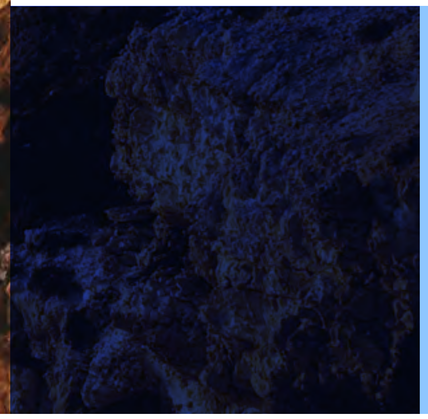


# What does best-in-class net zero look like today?

**To achieve real climate impact, companies must focus on science-based steps and transparent progress today, rather than waiting for the perfect moment to act.**

Our research suggests that there are still too few companies worldwide setting credible, achievable, and science-based climate targets. The majority of those that have set targets are not communicating them for fear of scrutiny and backlash.

In today's divided age, one of the few things that most of us can agree on is that we must dramatically increase the speed and scale of climate action today to avoid the irreversible effects of climate change tomorrow. We must find effective ways to finance clean technology, fair transitions, and global emission reductions. In all of this, the private sector's role in ramping up climate finance is critical, particularly in light of the slow pace of action by governments.



## Steps to achieve true climate impact

Despite global financial and regulatory uncertainty and technical complexity that continues to dominate the climate action landscape, key steps can already be taken to successfully embed a net zero target within an organisation's climate strategy. A clear climate journey – which should align with the requirements of the SBTi – will give the C-suite the direction they need to lead the way and help engage all departments in the delivery of a net zero target.

At the core of this corporate journey is the need to radically reduce emissions across all scopes and fund global climate action beyond direct value chains. The key steps to achieving this are outlined in the graphic on the following page.

Ambitiously decarbonising direct and indirect operations will require a whole host of activities that help shift outdated systems and mindsets. This means making the most of the critical levers and solutions already at a company's disposal in order to decarbonise while proactively planning for the future by financing and adopting new innovations.

While many climate innovations are still being developed, several of these reduction opportunities are accessible and achievable today. Along the journey to decarbonising **90**% of our emissions by 2050, we must use the solutions that are already available and develop the necessary technological solutions to reach that last **10**% – this will take us over the finish line.

# Net zero – what will it take?

## 1. Reductions

A trajectory to reduce emissions across the entire value chain, unique to each sector. This means having a net zero target based on science[1], with interim milestones on how to get there, all consistent with a 1.5°C mitigation pathway.

## 2. Funding global climate action

Financing projects and solutions to mitigate emissions outside of a corporate value chain.

## 3. Neutralisation

Once emissions have been reduced to residual levels, companies must eradicate unavoidable residual emissions with carbon removals to achieve net zero.

1. The Science Based Targets initiative defines achieving net zero as when emissions have reduced by 90% on average when compared to the base year, with residual emissions being neutralised through removal activities.

# Moving ahead with ambition and confidence

We need more companies to increase the speed and scale of their climate action, and to make net zero emissions desirable and acceptable among customers, investors, partners, the media and legislators alike. This is a tall order. But by working closely with suppliers, among other solutions, companies can help educate their partners and co-create solutions and approaches that prioritise emission reductions.

For leaders to have the ambition, ability and, importantly, the confidence to address the climate crisis, we must hold all sustainability solutions to the highest standards, and strive for continuous improvement. At the same time, we cannot demand instant perfection. Those who are trailblazing new solutions or working on reaching their targets should be applauded and assisted. We must work together to achieve the transformative changes our societies and economies need, and learn and share valuable lessons on the way.

# About the research

# Research approach

In this year's report, South Pole zeroes in on 1,400 large organisations across 14 sectors and 12 countries with a dedicated sustainability or corporate social responsibility (CSR) lead to look at how proactive companies are moving towards net zero emissions and the challenges they face.

This report also provides an analysis of more than **77,000** global companies and tracks their climate commitments. This sample comes from a database that includes (and is not limited to) CDP and GRI reporting companies and companies listed on the Global F500, FTSE 100 and DAX30 stock indices. Comparing the survey results with a comprehensive analysis of South Pole's vast database of companies with climate commitments offers a unique perspective on how serious companies are about achieving net zero emissions.

Since 2022, South Pole has expanded the scope of its net zero research by working with leading market research consultancy Sapio Research. This year, Sapio Research helped South Pole conduct a survey of **1,400** organisations around the world that have a strong focus on sustainability and **more than 1,000** employees[1]. The survey, comprising multiple choice questions on net zero targets, science-based targets (SBTs), and decarbonisation efforts that climate-conscious organisations are undertaking or plan to undertake, was conducted in 2023 via email invitation to an online survey. There is a high level of confidence in the results[2].

All respondents were CSR decision-makers within each organisation, which means that the organisations surveyed already have a relatively active orientation towards climate and sustainability issues. While this prevents us from using the survey results to make general conclusions about the market as a whole, the survey helps us to build a picture of what some of the world's climate-conscious companies are doing for the climate, while shedding light on their most pressing challenges.

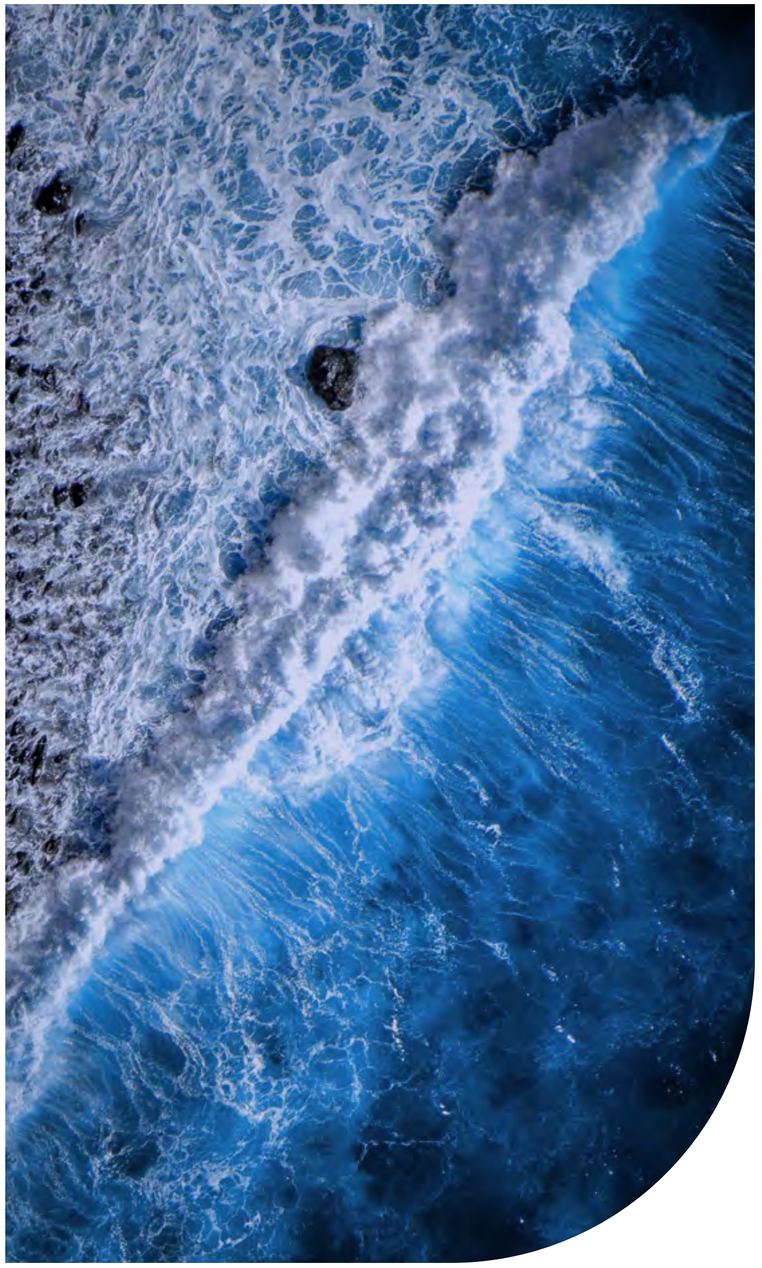
The fact that all survey respondents are CSR/sustainability/climate decision-makers also means that while the respondents may not necessarily all be leaders or technical experts, the survey's main takeaways may reflect more "progressive" organisations than the average in that region or sector, which we believe can serve as a "proxy" for where the rest of the market may be heading. The results and insights remain highly relevant to the target audience of this report, who are presumed to have a higher-than-average interest in sustainability and climate action overall.

Most respondents held owner or C-suite level positions (**46**%) but the sample also included directors (**17**%), and senior managers (**37**%) across a number of different functions.

While **76**% of organisations identified as working in a heavy-emitting industry[3], surveyed professionals represented a broad range of sectors, **14** in total, including: industry and manufacturing; consumer goods and services; media and telecoms; IT (software and hardware); real estate; healthcare and pharmaceuticals; transportation (road, rail, shipping, aviation); automobiles and components; finance and investments; environmental goods and services (including renewable energy hardware and services); metals and mining; energy (oil and gas production); and utilities (gas and electricity).

Respondents came from **12** globally representative regions: Australia, Colombia, Germany, France, the Netherlands, Japan, Singapore, Spain, Sweden, Switzerland, the UK and the US.

Compared to previous editions of South Pole's net zero report, the majority (**75**%) of all companies surveyed were either publicly listed on the stock exchange (**64**%) or publicly traded (**11**%), with most of all respondents (**45**%) reporting an annual revenue of above USD **100 million**.



# Database deep-dives

Since 2021, South Pole's market insights team has compared the relevant sections of the survey results with our market-leading global climate commitment database of **over 77,000** companies. This enabled us to put our findings into the broader context of the climate marketplace.

The database includes:

- all CDP reporting companies
- all GRI reporting companies
- major stock indices (Global F500, FTSE100, DAX30)
- top revenue/market cap companies in major regions

In this report, insights from South Pole's database are clearly distinguished from the results of the survey and draw on the most comprehensive screening of publicly disclosed net zero targets and SBTs. These include global pledges and initiatives such as the Climate Ambition Alliance, BCorp Net Zero, Business Ambition for 1.5ºC (part of the Science Based Targets initiative, or SBTi), and corporate net zero commitments (company websites/annual reports).

## Demographics

**1,400** Total respondents

## Country of residence

| Colombia | Japan | Netherlands | Sweden | Singapore | Switzerland |
|---|---|---|---|---|---|
| 100 | 100 | 100 | 100 | 100 | 50 |
| **England** | **US** | **France** | **Germany** | **Spain** | **Australia** |
| 150 | 150 | 150 | 150 | 150 | 100 |

## Role type

**39%** of respondents were C-level executive

**37%** of respondents were senior managers

**17%** of respondents were directors

**7%** of respondents were owners

## Size of company

| # of employees | 151 to 250 | 251 to 500 | 501 to 1,000 | 1,001 to 5,000 | 5,000+ |
|---|---|---|---|---|---|
| % of respondents | 1% | 2% | 2% | 72% | 23% |

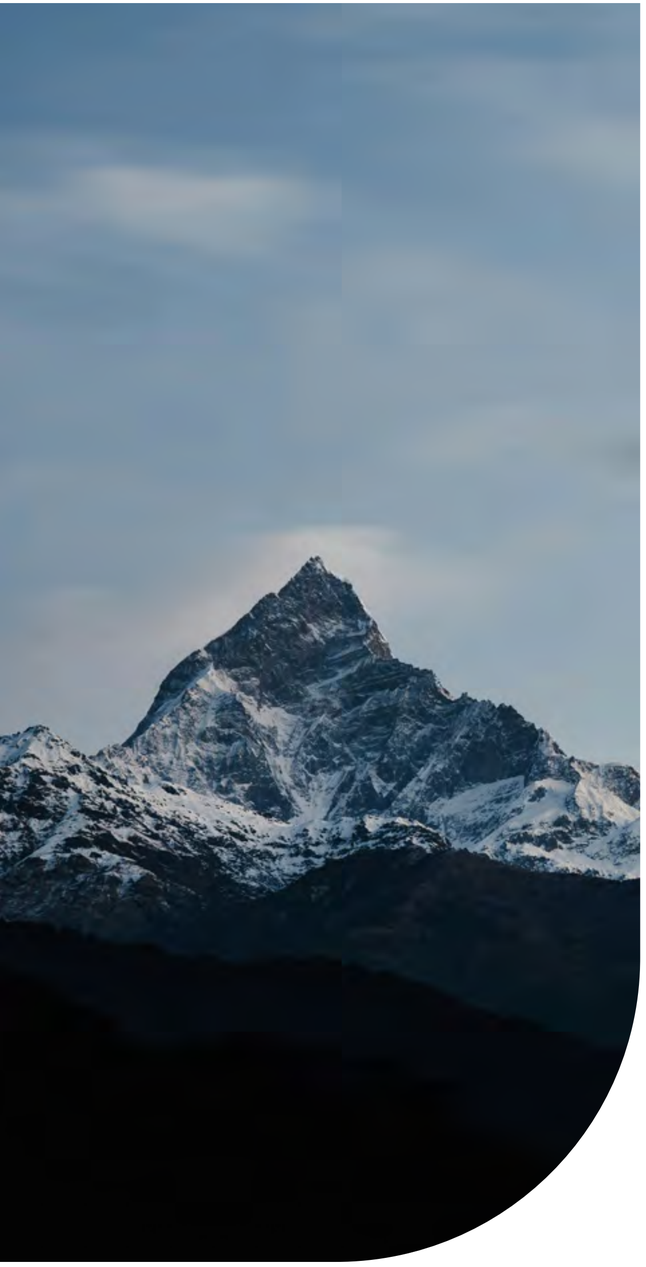
## Company status

**64%** of organisations are publicly listed on the stock exchange

**25%** of organisations are privately held

**11%** of organisations are publicly traded but not listed on a stock exchange

1. With the exception of Singapore, where organisations with 250+ employees were also surveyed.
2. At an overall level, results are accurate to ± 2.8% at 95% confidence limits, assuming a result of 50%.
3. Respondents who replied "yes" to the question "Do you work in a heavy-emitting industry? (i.e. do your organisation's industrial activities emit large amounts of carbon dioxide [CO2], nitrous oxide, methane, or other greenhouse gas)". These sectors included the following: 90% of all surveyed companies from the energy (oil and gas production) sector identified as heavy emitters, as well as 89% of surveyed companies in utilities (gas and electricity), consumer goods (food & beverage),and real estate, followed by 87% of surveyed companies in metals and mining.



# Authors

**Lead author:**

Nadia Kähkönen, *Global Director, Communications*

**Co-authors:**

Isabel Hagbrink, *Senior Global Director, Head of Communications*

Ben Peacock, *Creative Director*

Jonathan Jones, *Senior Content Strategist*

# Expert contributors

John Davis, *Interim CEO*

Renat Heuberger, *Senior Advisor and Co-founder*

Franziska Sinner, *Senior Director of Climate Strategies*

Bence Cserna, *Global Associate Director, Corporate Climate Targets*

Akash Arasu, *Regional Climate Strategies Lead*

Philip Moss, Global Director, *Technological Carbon Removals*

Karine Basso, *Director of Agricultural Value Chains*

Michiel de Man, *Global Director, Technology Strategies, Agriculture*

Patrick Horka, *Global Director, Renewable Energy Solutions*

Antonia Weitzer, *Principal Consultant, Renewable Energy Solutions*

Adam Sipthorpe, *Senior Manager, Carbon Portfolio Offering for Technological Carbon Removals*

Erick Ratajczak, *Senior Managing Consultant, Renewable Energy Solutions*

Kata Bors, *Head of Client Communications*

Judit Legrady, *Senior Managing Consultant, Climate Policy, Finance and Carbon Markets*

Ermenegilda Boccabella, *Director of Public Affairs*

Charlie Brunel-Lister, *Senior Managing Consultant, Sustainable Finance*

Andres Casallas-Ramirez, *Director Sustainable Finance*

Parth Vaidya, *Global Senior Manager, Market Insights*

Akmal Alfarizi, *Associate Specialist, Market Insights*

**A special note of appreciation to our talented designers and creatives:**

Eva Kiss, Kerrianne Poulos, Danielle Sellers , Rachel Nicholls, Zuzana Zaloudek, Indra Fachru


2025EN, 01.2024/V1