ERM SUSTAINABILITY INSTITUTE

ERM TRANSFORMATION SURVEY

Tackling the transformation

The challenges of operationalizing corporate sustainability goals and how to overcome them

December 2024

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Introduction

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Introduction

The sustainability transformation is accelerating, and companies worldwide have responded with ambitious goals and roadmaps. Still, the integration of sustainability goals into the business plans and operations is not moving fast enough for companies to successfully navigate this transition and seize its vast commercial opportunities.

There are signs that converting sustainability strategies into action is the Achilles heel for many companies. An increasing number of organizations - from retail to food to energy to banks - are backing away from their climate, nature, and social commitments or pushing out their delivery timelines.[1] Another telling sign: the Science-Based Target initiative (SBTi) recently removed the decarbonization plans of hundreds of major companies from its approval process because they were insufficiently ambitious and concrete.[2]

The underlying cause is the same: companies and investors have made pledges and set ambitious goals in good faith. However, many are realizing that reaching these goals will take considerable effort. Internal and external barriers stand in the way, such as shortage of funding, lack of necessary policy measures, and challenges translating high-level goals into clear, practical, shorter-term plans and putting them into action.

So, where do we go from here? The first step to more effectively operationalizing corporate goals on climate, nature, and social issues is to take detailed stock of the current situation. That's what the ERM Sustainability Transformation Survey strives to do. It asked respondents how involved they feel with sustainability and how they rate their companies' progress in converting corporate sustainability goals into action. Furthermore, it asked respondents to identify the main barriers to progress and whether their companies invest enough in the best solutions to overcome them.

Our stocktaking is not limited to overall results. This report also explores the respondents' different perspectives—depending on their sector, region, corporate function, and role—and how those perspectives influence their views. As the results will show, the opinions within companies often do not align, while barriers to progress and the solutions to overcome them vary between regions and sectors.

If we want to accelerate the operationalization and integration of sustainability, we first need a clearer picture of where and why progress is getting stuck. We hope the results of our ERM Sustainability Transformation Survey can contribute to that.

About the report

The ERM Sustainability Transformation Survey examines companies' progress in operationalizing broad sustainability goals and strategies. To ensure the results accurately reflect this, we surveyed a mix of C-suite members and operational managers crucial to putting broad goals into practice.

ERM, in collaboration with market research agency Kadence, surveyed 1,475 global respondents, including 390 C-suite and board members and 1,085 managers. We also tried to reach a representative distribution across functions, sectors, regions, and company sizes. The survey was conducted in December 2023 and January 2024. Respondents came from five regions: Europe, North America, South America, Asia-Pacific, and Africa/Middle East.

We asked respondents to share their views on three key sustainability areas: climate, nature, and social issues. The questions were divided into two groups: questions about engagement and progress and questions about the main barriers to sustainability progress, plus solutions to overcome those barriers. The report's results are sub-divided into several sections.

Role

74% Line/ operational manager

26% C-suite

Regions

37% North America

9% Africa / Middle East

32% Europe

8% Latin America

14% Asia-Pacific

Sector

19% Technology

17% Finance

13% Consumer goods

12% Hospitality

10% Power and utilities

10% Food and Agriculture

10% Chemical and pharma

6% Oil and gas

3% Mining

Function

24% Operations, Infrastructure

17% Supply chain procurement

16% Climate/ ESG/ government affairs

16% Finance, legal, investor relations

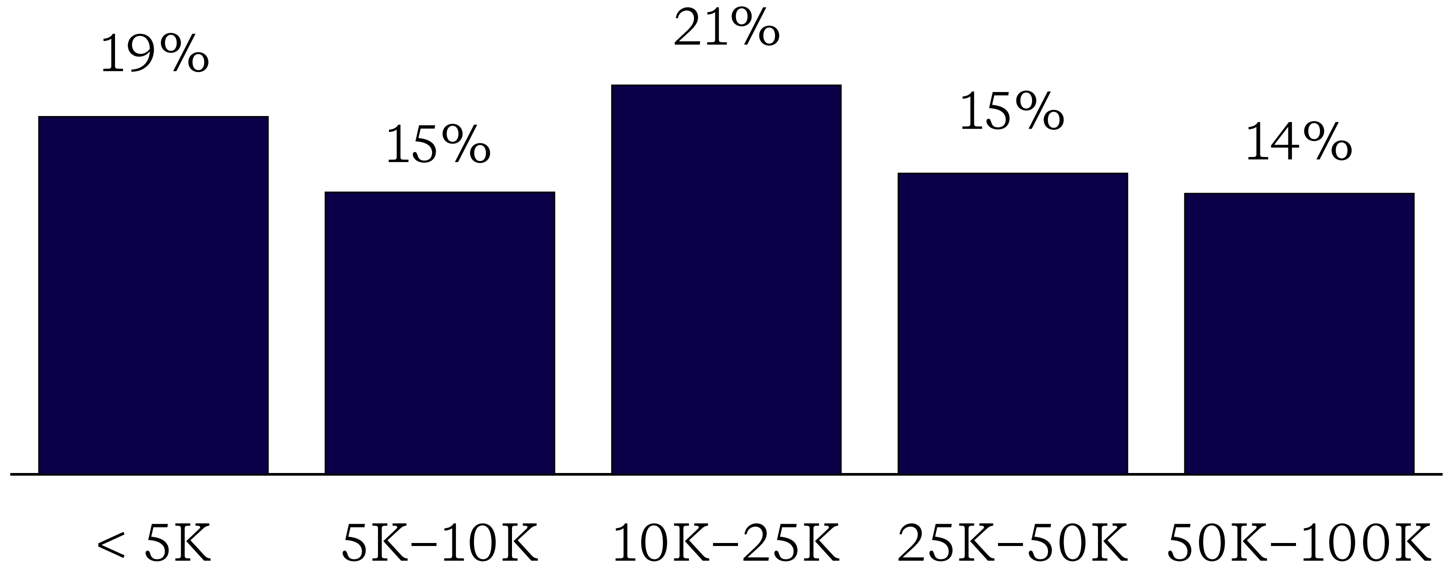
9% Human Resources

8% Marketing and Comms

7% Strategy

3% Other

Company size (number of employees)



Source: ERM/Kadence

Key Insights

Key insights

Companies report that they are making more progress on social issues than climate and nature

Overall, respondents report their companies are making notably more progress on social issues than on decarbonization and lowering impact on nature. The lead of social issues is remarkably consistent across regions and sectors and within companies across functions and levels.

And companies are under-investing in the most promising solutions

Respondents rate the widespread introduction of sustainability-tied financial incentives and better staff training as having the highest potential to boost progress. However, implementation of these solutions is lagging and they are not being prioritized by businesses. Improving ESG data infrastructure is a third relatively neglected high-potential solution.

Crucial functions for operational progress on climate, nature, and social issues feel the least engaged

The lukewarm attitude of pivotal corporate functions works against effectively operationalizing social, climate, and nature goals. Most worryingly, managers in operations/infrastructure feel the least engaged followed by marketing/communication and finance/legal/investor relations.

The lack of financial incentives tied to sustainability performance is the top barrier to action

The top three barriers blocking sustainability progress are sustainability-tied financial incentives, too expensive or unavailable technologies, and a lack of forceful regulation. Except for financial incentives, four of the top five hurdles are external. Surprisingly, respondents don't believe that insufficient internal funding for sustainability initiatives is a significant barrier.

Managers are less involved and more pessimistic than C-suite on sustainability performance

C-suite members more eagerly embrace sustainability as a crucial part of their job than operational managers. They also have a more optimistic view of their company's progress on social, climate, and nature goals. Managers see a lack of executive support and insufficient operational plans as important internal barriers to effective operationalization. They also rate limited shareholder interest as a notably bigger problem than C-suite members do.

Industrial sectors are most bullish on their sustainability performance

The finance, technology, and hospitality sectors are substantially more negative about their company's sustainability progress than the mining, power &utilities, and oil & gas sectors, indicating surprisingly high confidence among the industrial sectors despite their large ESG footprint. Industrial sectors say they are most held back by unavailable technology and insufficient commercial returns, and service sectors by the lack of sustainability-tied financial incentives.

Summary of survey results

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Summary of survey results

FULL SAMPLE RESULTS

Sustainability progress

- Half of all respondents say their company is making very good or excellent progress on sustainability initiatives (climate, nature, and social issues) overall (score of 4 or 5 on a scale from 1 to 5).
- Social issues have the most traction: 57 percent of respondents rate their company's progress in this area as high (score of 4 or 5). Corporate progress on climate (47 percent) and nature (45 percent) gets notably lower scores.

Barriers

- When asked to rank 12 internal and external barriers to sustainability progress, the respondents rated a lack of financial incentives tied to sustainability performance (48 percent) as the biggest hurdle (score of 4 or 5).
- The top three external barriers are expensive or unavailable required technology (43 percent), lack of forceful regulations (41 percent), and limited shareholder interest (40 percent).
- The top three internal barriers are a lack of financial incentives tied to sustainability performance (48 percent), lack of staff motivation and know-how (38 percent), and lack of training and qualified talent (38 percent).

SOLUTIONS

- The 5 most highly rated solutions to speed up sustainability progress are improving circularity and better staff training (both 72 percent), sustainability-tied financial incentives and operational integration of sustainability goals (both 71 percent), and a dedicated budget for sustainability (70 percent).
- When asked about their company's implementation efforts, respondents rank better training, sustainability-tied incentives, and ESG data infrastructure as the most underutilized high-potential solutions.

RESULTS BY ROLE: C-SUITE VS. MANAGERS

Sustainability progress

- Averaged over the three sustainability themes, 61 percent of C-suite respondents say they are very to extremely professionally involved with their company's sustainability efforts vs. 45 percent of managers.
- C-suite members also rate overall progress notably higher. On average, 56 percent of C-suite members feel their company is making a good amount or a lot of progress (score of 4 or 5) on operationalizing sustainability themes, compared to 48 percent of managers.

Barriers

- Notably more managers rate the overall impact of barriers to sustainability progress as high, compared to the C-suite (40 vs. 30 percent).
- For C-suite members, the top three barriers are primarily internal: unavailable technology (47 percent), a lack of sustainability-tied incentives (45 percent), and insufficient staff know-how and motivation (41 percent).
- Managers focus more on external barriers: a lack of sustainability-tied incentives (49 percent), and unavailable technology, lack of regulations, and limited shareholder interest sharing second place (42 percent).
- Views diverge most on the lack of integration of sustainability goals into operational plans: 37 percent of managers rate this as a high barrier vs. 28 percent of C-suite. Managers also see limited shareholder interest (42 vs. 35 percent) and a lack of board/executive support (37 vs. 31 percent) as bigger barriers.

RESULTS BY FUNCTION

Sustainability progress

- 42 percent of respondents in operations/ infrastructure say they are very to extremely professionally involved, the lowest score of any corporate function. On the other end, 67 percent of respondents in the ESG/climate function feel the same.
- Respondents working in operations/ infrastructure also gave the lowest ratings on progress. 44 percent think their company is doing a very good to excellent job operationalizing their sustainability goals overall, compared to 57 percent for respondents in Climate/ ESG/gov't affairs.

Barriers

- 46 percent of respondents working in ESG/climate say their companies face a high overall barrier load (the average score over 12 barriers), despite having the highest confidence in their company's progress.
- Respondents in marketing/ communications are disproportionately worried about the lack of sustainability-tied financial incentives (58 percent vs. 48 percent on average). Supply chain/ procurement respondents place the highest emphasis on insufficient market and commercial returns (55 percent vs. 38 percent on average).

RESULTS BY SECTOR

Sustainability progress

- Respondents in finance give their company's progress the lowest score of all nine sectors surveyed: just over 40 percent rate it as a good amount or a lot (score of 4 or 5). Service-oriented sectors, like technology (46 percent) and hospitality (47 percent), also score relatively low.
- On the other end, 79 percent of respondents in the mining sector give their companies high progress scores (4 or 5). Progress in other industrial sectors, like oil & gas (64 percent) and power & utilities (54 percent), also get relatively high marks.

Barriers

- The technology, hospitality, and finance sectors all rate a lack of sustainability-tied financial incentives as the highest barrier (52 percent, 52 percent, and 40 percent, respectively). Too expensive or unavailable technology is the highest barrier in agriculture & food and power & utilities (63 percent and 54 percent). In oil & gas and chemicals & pharma, insufficient market returns are seen as the major hurdle (52 percent and 55 percent).
- Despite low scores for sustainability progress, respondents in service-oriented sectors see relatively few obstacles in their industry. Finance is the most positive. Taking the average of 12 barriers, 31 percent of respondents in finance rate the overall barrier loads as high. For agriculture & food, it is 47 percent.

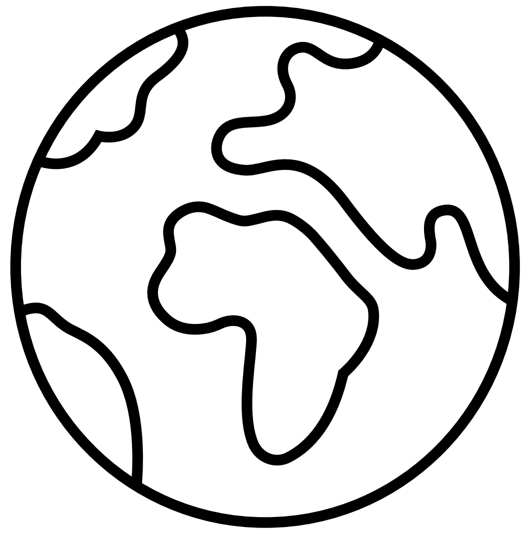
RESULTS BY REGION

Sustainability progress

- Respondents in Asia-Pacific give their company's progress the highest marks (score of 4 or 5) of any region, both on sustainability overall (62 percent) and on all three themes separately: climate (58 percent), nature (57 percent), and social issues (70 percent). Africa/Middle East has the lowest overall score: 42 percent.

Barriers

- 47 percent of respondents from Africa/Middle East feel the overall barrier level to their company's sustainability progress is high, the highest score of any region. With 35 percent, North American respondents feel least impeded by barriers overall.
- Barriers vary by region. The lack of forceful regulations and government incentives are among the top barriers in both Africa/the Middle East and South America. The lack of financial incentives tied to sustainability performance is among the top three barriers in all regions.



Detailed survey results

Section 1: Overall results

Section 2: Results C-suite vs. managers

Section 3: Results by sector

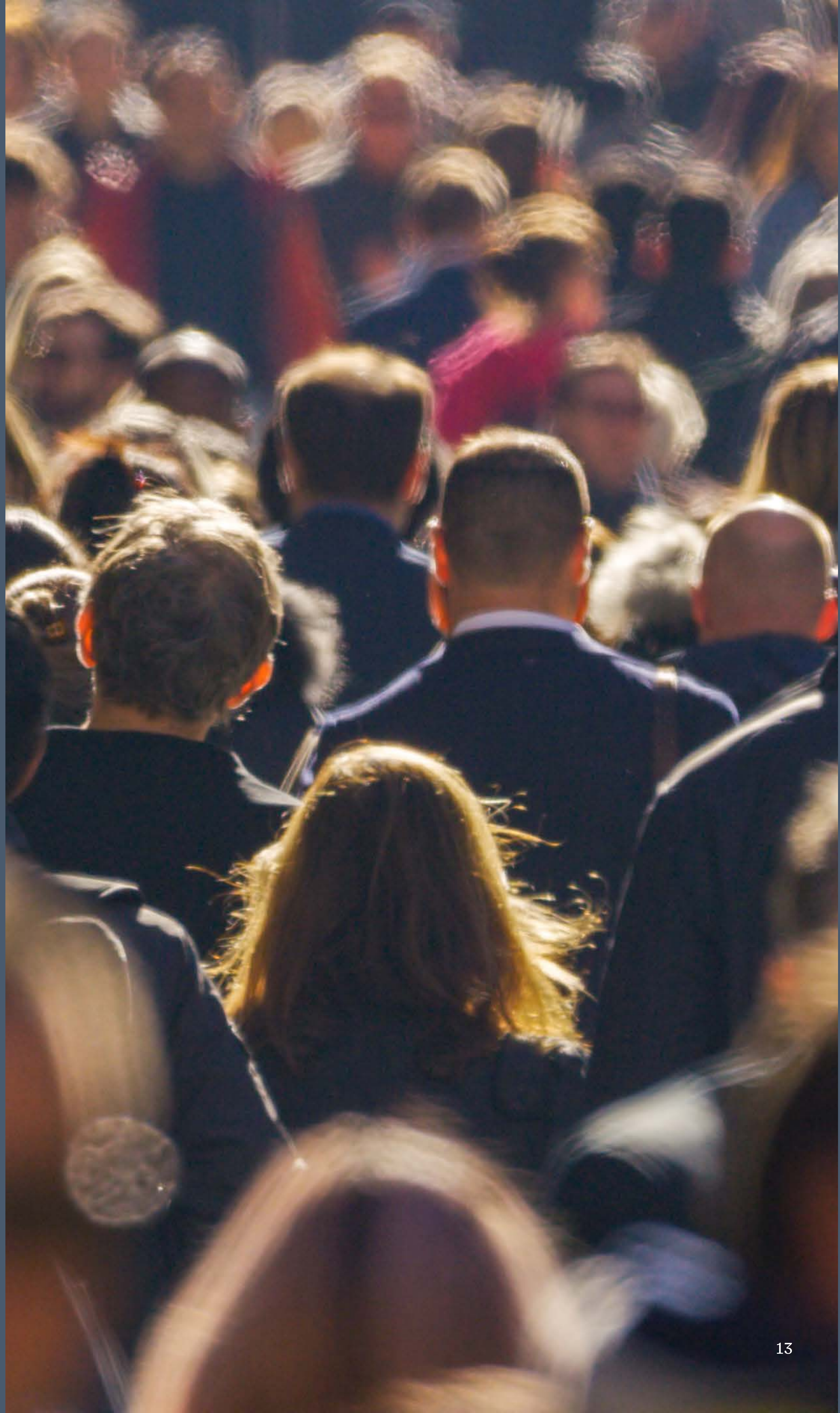
Section 4: Results by function

Section 5: Results by region

SECTION 1: OVERALL RESULTS

Social impact wins, incentives lack, solutions go underutilized

Companies believe they make more progress in advancing social issues than climate and nature goals. The lack of financial incentives tied to sustainability performance is seen as the greatest barrier. Financial incentives and training are seen as top solutions to unlock progress but are insufficiently prioritized by companies.



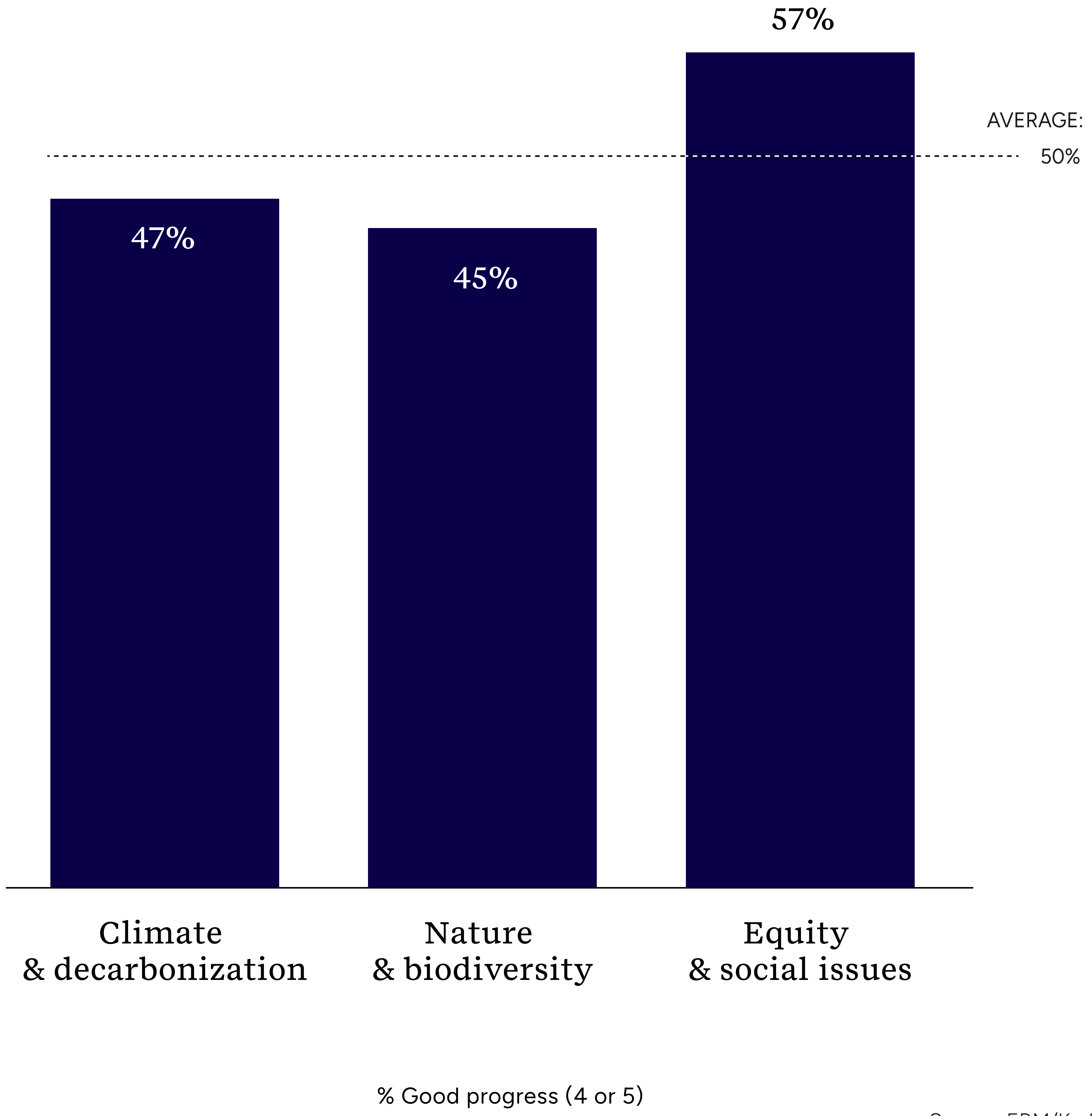
Sustainability progress

- Across three sustainability areas, climate, nature, and social, respondents rate their company's progress on social issues substantially higher than the other themes. Corporate progress on nature goals is rated lowest.

QUESTION:

How do you perceive your company's progress regarding the following sustainability efforts?

Scale of 1 to 5, where 1 means "no progress at all" and 5 means "a lot of progress."



Source: ERM/Kadence

OVERALL RESULTS

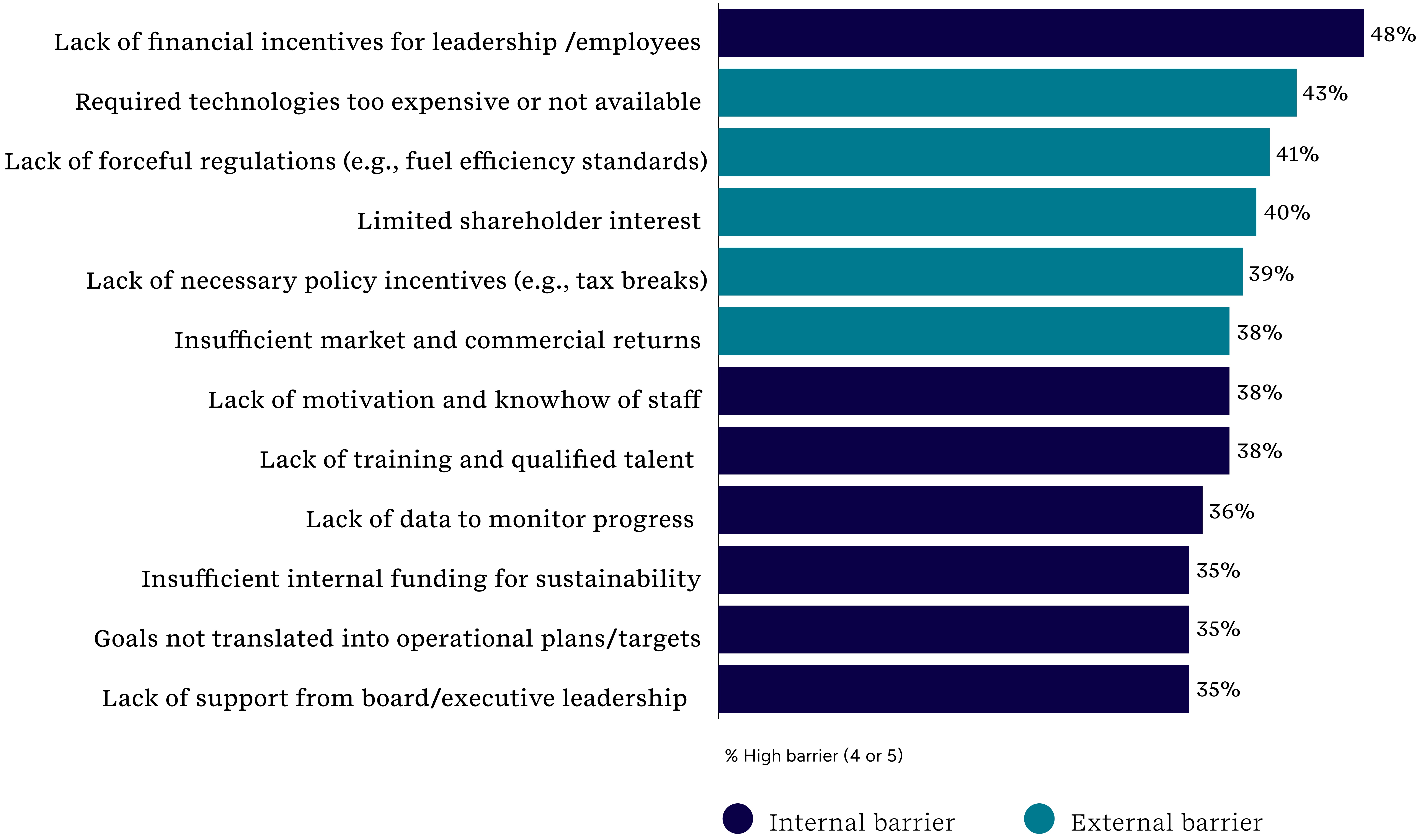
Barriers to sustainability progress

- Respondents see a lack of widespread financial incentives tied to sustainability performance as the biggest barrier to operationalizing sustainability goals, followed by technology that is too expensive or unavailable and a lack of forceful regulations.
- Internally, insufficient training, talent, motivation, and know-how are also significant concerns. However, much of the focus is still on external barriers.

QUESTION:

How much of a barrier are each of the following for your company to making greater progress on ESG and sustainability overall?

Scale of 1 to 5, where 1 means "no barriers at all" and 5 means "a major barrier."



Source: ERM/Kadence

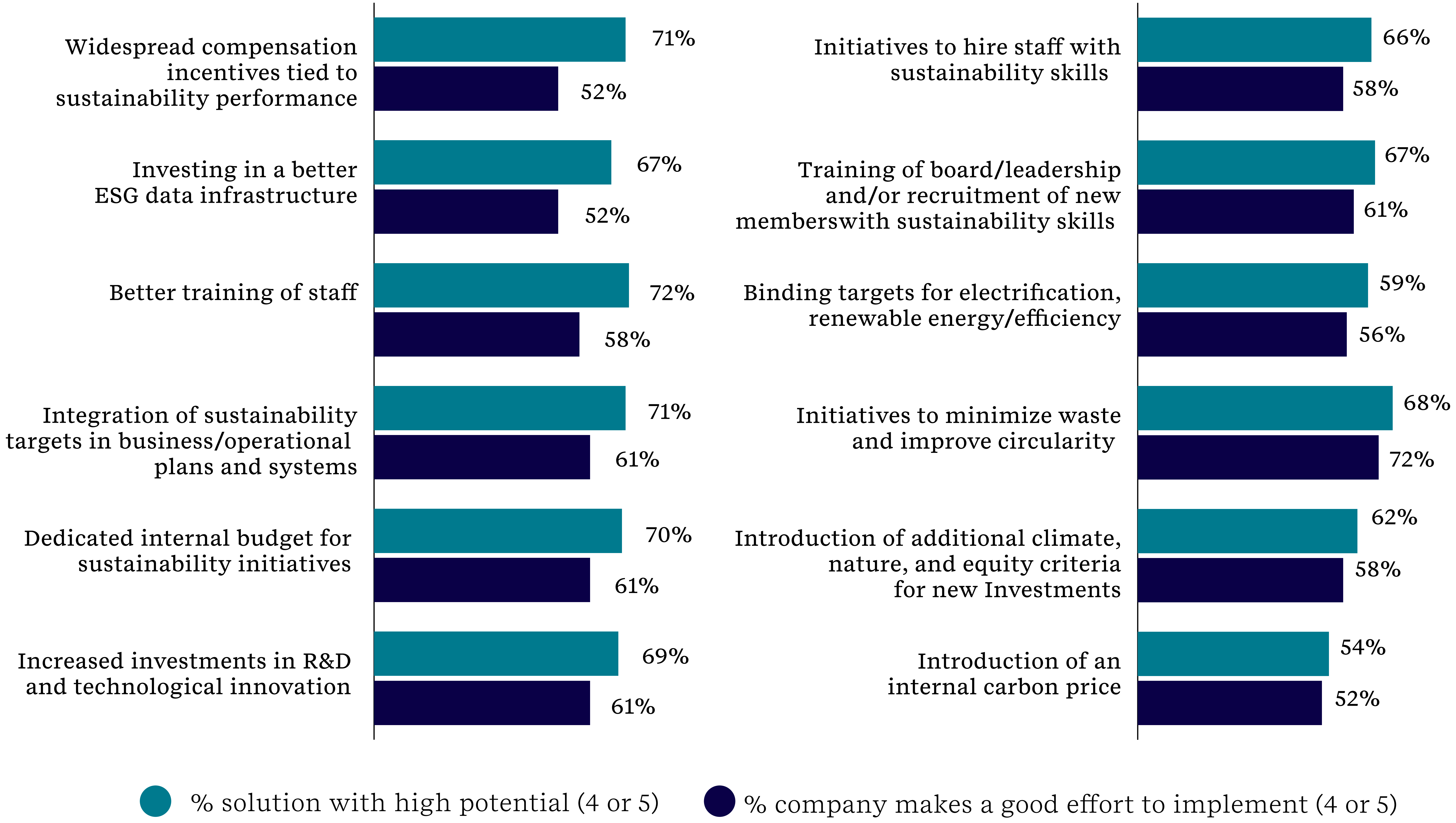
Promising solutions and rate of implementation

- Respondents rate improving circularity, widespread sustainability-tied incentives, better training, and systematic integration of sustainability targets as the most promising solutions, but efforts to implement them are often not aligned.
- Widespread financial incentives, better staff training, and better ESG data infrastructure show the biggest gaps between their potential and actual implementation and prioritization.

QUESTIONS:

If implemented, which of the following solutions could have the greatest potential to accelerate your company's overall progress on sustainability?
Scale of 1 to 5, where 1 means "no potential at all" and 5 means "a lot of potential."

How much effort does your company put into implementing the following solutions?
Scale 1 to 5, where 1 means "no effort at all" and 5 means "a lot of effort."



Source: ERM/Kadence

Key takeaways

The social category includes a broad range of issues such as diversity, equity & inclusion, human rights, community engagement, and many others. The high progress scores for social impact raise the question: Do they reflect progress on social issues across the board? Do companies measure progress in just one or two sections, and do they have a full understanding of the full breadth of their social impacts?

The progress scores for nature and climate are close, which indicates that nature goals are gaining traction quickly and have almost pulled alongside decarbonization goals (which have a much longer history) in importance.

With the exception of insufficient sustainability-tied incentives, which is seen as the biggest barrier, companies still overemphasize external barriers for hindering operationalization.

Survey data shows that companies underutilize the most effective solutions such as operational support (ESG data infrastructure and integration of sustainability) and employee engagement (sustainability-tied incentives and better training).

SECTION 2: RESULTS C-SUITE VS. MANAGERS

Enthusiasm gap, diverging views on hurdles

Managers and C-suite members are separated by an enthusiasm gap at many levels. C-suite members feel more professionally involved with sustainability than managers, have more faith in their company's sustainability progress, and see fewer barriers to achieving more. Managers also see higher internal hurdles standing in the way of the operationalization of sustainability goals.

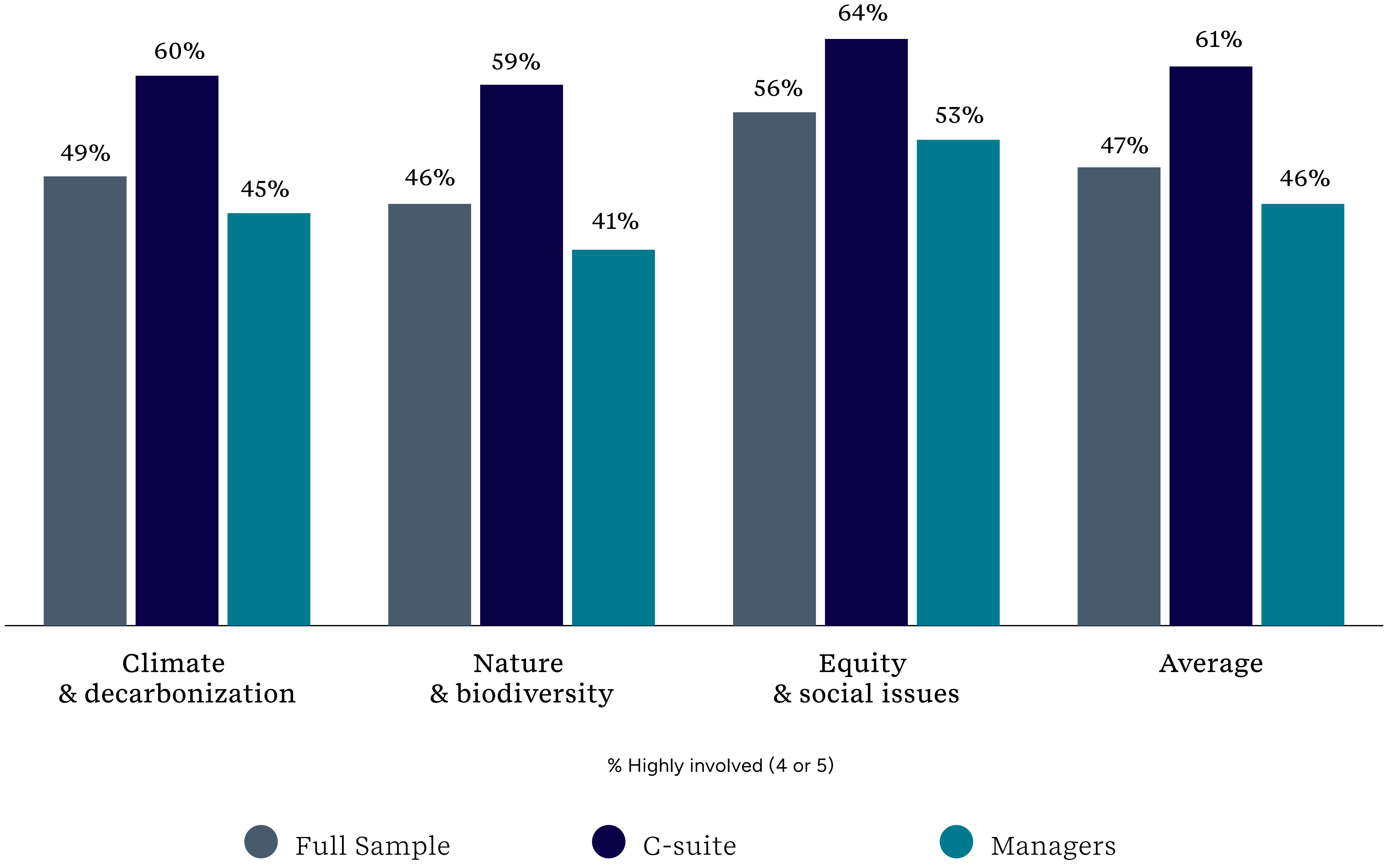
Professional involvement

- C-suite respondents feel substantially more professionally involved with sustainability than managers. The gap is most significant for nature. The difference in professional involvement is the smallest for social issues, but it is still notable.

QUESTION:

Which of the following best describes your professional involvement in your organization's sustainability initiatives?

Scale of 1 to 5, where 1 means "not involved" and 5 means "extremely involved."



Source: ERM/Kadence

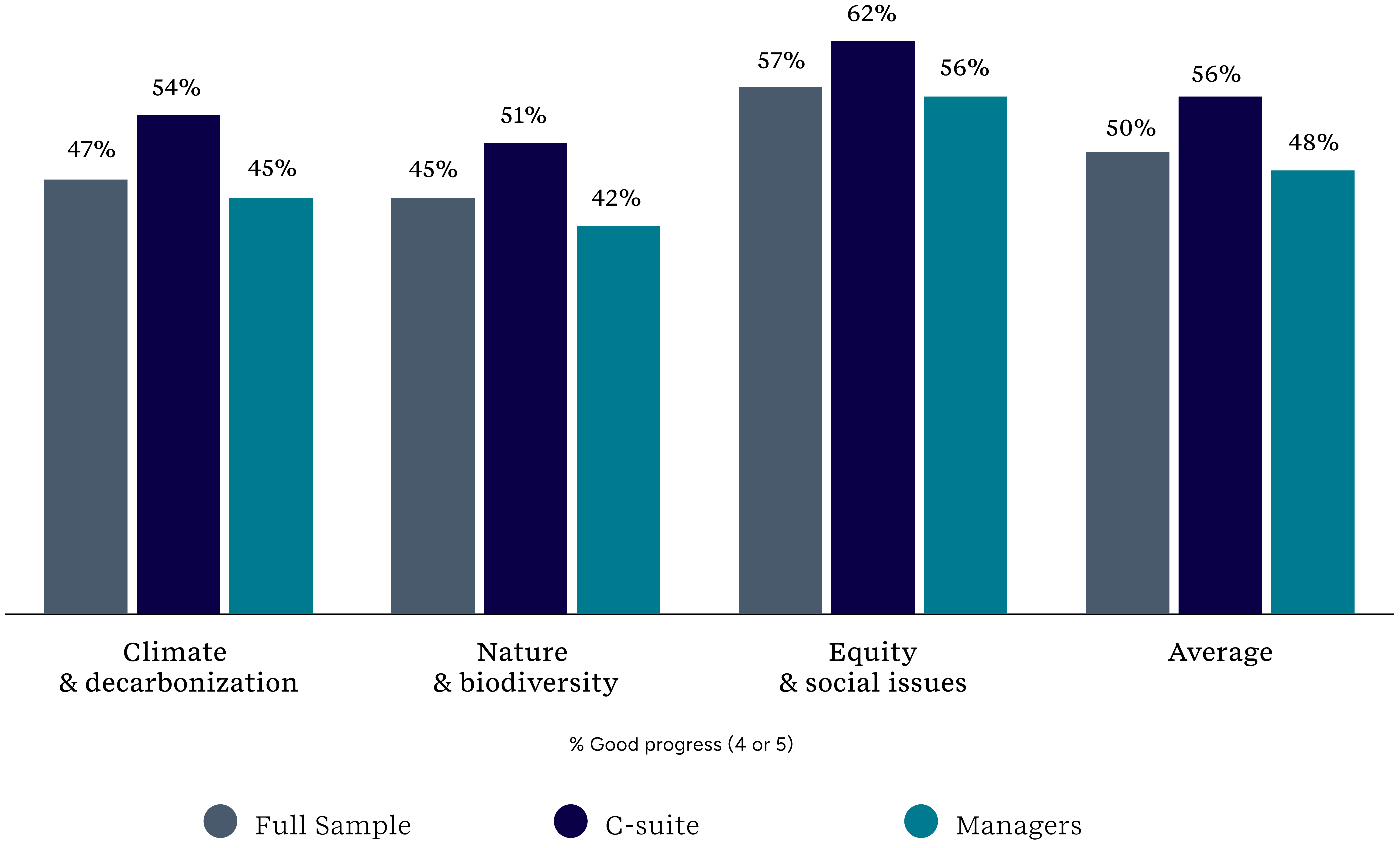
Company progress on sustainability initiatives

- When asked about the progress their company is making, the high score percentages of C-suite respondents come down compared to their professional involvement scores. The percentages for managers stay roughly the same or go slightly up.
- The C-suite is still notably more bullish on progress than their managers, but the gap is smaller compared to professional involvement scores.

QUESTION:

How do you perceive your company's progress regarding the following sustainability efforts?

Scale of 1 to 5, where 1 means "no progress at all" and 5 means "a lot of progress."



Source: ERM/Kadence

C-SUITES VS MANAGERS

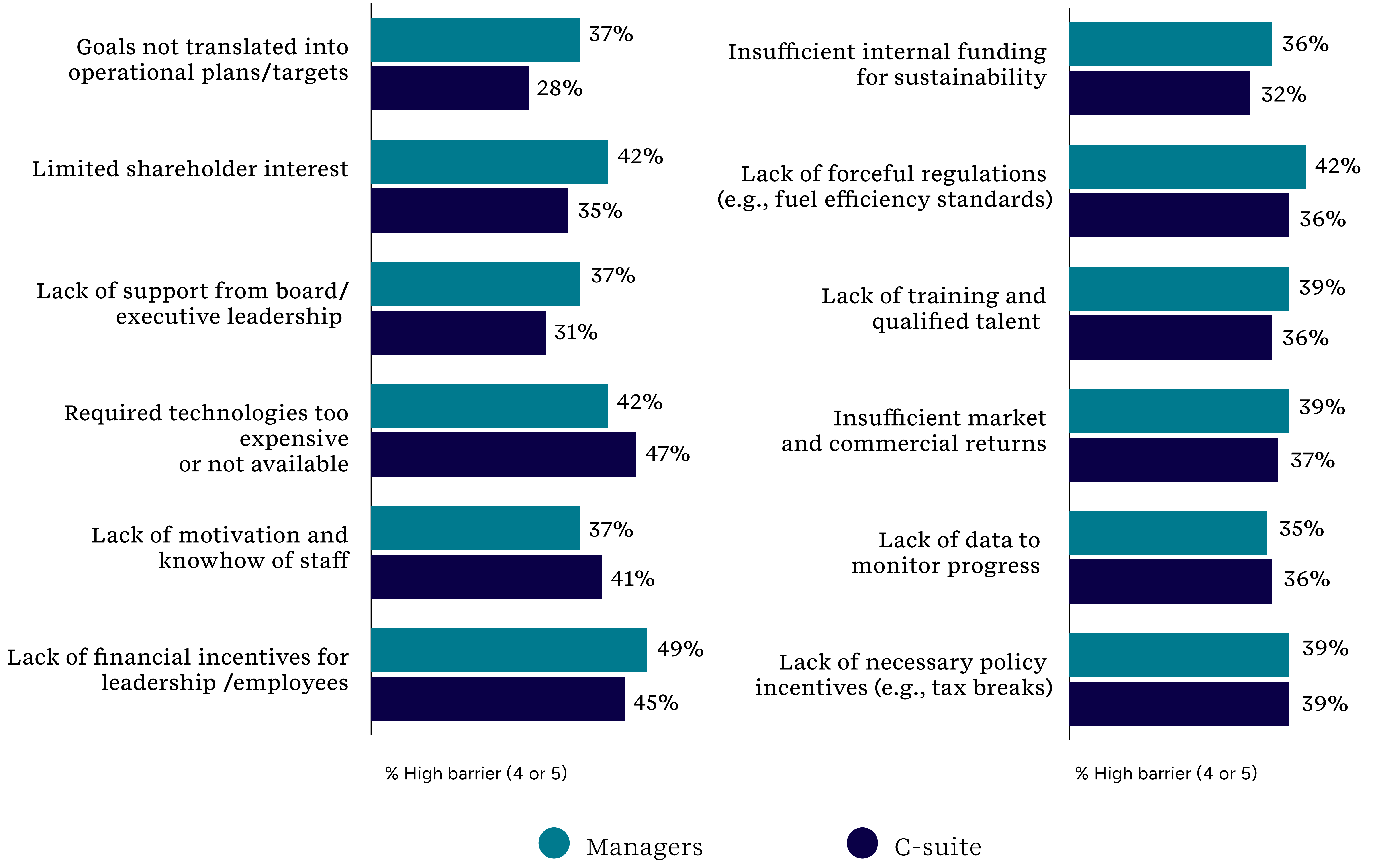
Barriers to progress on ESG and sustainability overall

- Managers feel their company's sustainability progress is more impeded by the impact of barriers overall than C-suite members.
- Both C-suite and managers rate unavailable technologies and a lack of widespread sustainability-tied incentives as top barriers to sustainability progress in their company.
- But there are also distinct differences. Managers see a lack of executive support and insufficient operational plans/targets as notably higher internal barriers than C-suite members. The same is true for limited shareholder interest.
- C-suite and managers agree that a lack of sustainability capacity and skills is an important internal barrier but disagree on the underlying source. C-suite members see the staff's lack of motivation and know-how as the primary driver, while managers emphasize the lack of training and talent.

QUESTION:

How much of a barrier are each of the following for your company to making greater progress on ESG and sustainability overall?

- Scale of 1 to 5, where 1 means "no barriers at all" and 5 means "a major barrier."



Source: ERM/Kadence

Key takeaways

There are significant gaps in perception of various sustainability-related issues between C-suite and managers, which may be hindering faster progress.

Managers point out a lack of executive support and integration of sustainability goals into operational plans. This suggests managers feel insufficiently supported in their assignment to operationalize sustainability goals, which may explain their low professional enthusiasm for sustainability.

The results also indicate that despite their higher awareness of sustainability's strategic significance, C-suite members insufficiently grasp what managers need to put sustainability goals into concrete action.

SECTION 3: RESULTS BY FUNCTION

Crucial commitment lacking, function-specific barriers present challenges

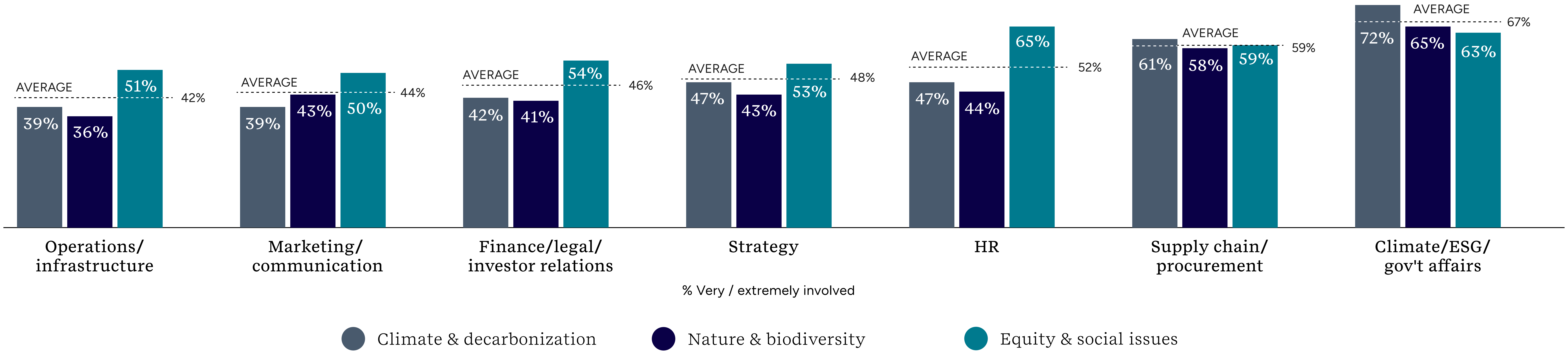
Commitment to sustainability is missing in crucial places. Managers working in operations, finance, and marketing score lowest on personal involvement, while they are crucial to integrating climate, nature, and social goals into business operations. The barriers they see are different, with people in finance blaming a lack of financial incentives and people in operations pointing out unavailable technology.

Professional involvement in sustainability initiatives

- Some corporate functions vital to operationalizing sustainability are lukewarm at best. Respondents in operations/infrastructure rate their overall professional involvement with sustainability initiatives lower than any other function, followed by marketing/communication and finance/legal/investor relations.
- Zooming in on individual themes, the involvement scores for nature and climate initiatives are notably lower than for social ones across the three functions.
- At the other end of the spectrum, respondents in climate/ESG/gov't affairs and supply chain/procurement give substantially higher overall involvement scores. The gap between individual themes is also notably smaller, while both functions stand out for feeling most involved with climate, not social initiatives.

QUESTION:

Which of the following best describes your professional involvement in your organization's sustainability initiatives in any of the following areas?
Scale of 1 to 5, where 1 means "not involved" and 5 means "extremely involved." -



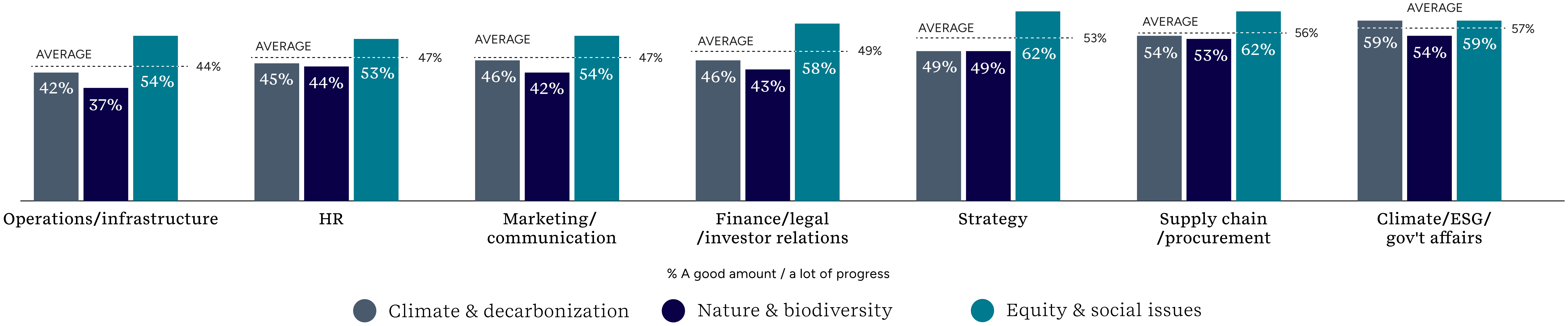
Source: ERM/Kadence

Company progress on sustainability initiatives

- How functions perceive their company's progress on sustainability roughly follows the same pattern as their stated professional involvement, but there are some interesting differences.
- The three least involved functions rate their company's progress on sustainability initiatives higher than their own involvement. For the two most involved functions, it is the other way around.

QUESTION:

How do you perceive your company's progress regarding the following sustainability efforts?
Scale of 1 to 5, where 1 means "no progress at all" and 5 means "a lot of progress."



Source: ERM/Kadence

FUNCTION

Barriers to sustainability progress

- Respondents in operations/infrastructure, marketing/communication, and finance/legal/investor relations rate the overall impact of barriers to sustainability progress as relatively low despite being among the most skeptical about their company's progress.
- However, views on individual barriers to progress differ. Respondents in HR, finance/legal/investor relations, and marketing/communications see a lack of sustainability-tied financial incentives as the top hurdle. People in operations/infrastructure view expensive or unavailable technology as the main sticking point.
- Respondents in climate/ESG/gov't affair, while most bullish on progress, also rate the overall impact of barriers higher than any other function. They worry most about limited shareholder interest and insufficient financial incentives but are also the only ones who rate insufficient internal funds as a serious drag.

QUESTION:

How much of a barrier are each of the following for your company to making greater progress on ESG and sustainability overall?
Scale of 1 to 5, where 1 means "no barriers at all" and 5 means "a major barrier."

	Climate/ESG/gov't affairs	Supply chain/ procurement	Human resources	Operations/ infrastructure	Marketing/ communication	Strategy	Finance/legal/ investor relations
Highest perceived barrier	Limited shareholder interest Lack of financial incentives for leadership /employees **50% each**	Insufficient market and commercial returns **55%**	Lack of financial incentives for leadership /employees **53%**	Required technologies too expensive or not available **46%**	Lack of financial incentives for leadership /employees **58%**	Lack of financial incentives for leadership / employees **52%**	Lack of financial incentives for leadership /employees **48%**
2nd highest perceived barrier	Required technologies too expensive or not available Insufficient internal funding **49% each**	Required technologies too expensive or not available **45%**	Insufficient market and commercial returns **46%**	Lack of forceful regulations (e.g., fuel efficiency standards) **45%**	Required technologies too expensive or not available Lack of forceful regulations (e.g., fuel efficiency standards) **44% each**	Insufficient commercial and marketing returns **43%**	Limited shareholder interest **38%**
3rd highest perceived barrier	Lack of data to monitor progress **47%**	Lack of necessary policy incentives (e.g., tax breaks) **44%**	Limited shareholder interest **45%**	Lack of financial incentives for leadership /employees **44%**	Lack of necessary policy incentives (e.g., tax breaks) **42%**	Lack of necessary policy incentives (e.g., tax breaks) **40%**	Required technologies too expensive or not available Lack of motivation and knowhow of staff **36%**
AHBP*	46%	41%	41%	40%	40%	36%	34%

*AHBP: Average high barrier perception (average of 12 barriers)

Source: ERM/Kadence

Key takeaways

Results suggest crucial functions for operationalizing sustainability are still underinvested, especially in climate and nature initiatives. Finance/legal, operations/infrastructure, and marketing/communications are the least engaged functions. Low involvement of these functions will negatively impact a company's ability to identify cost-cutting and commercial opportunities of sustainability.

Most functions are more engaged on social issues than climate and nature. This could indicate that many functions are disproportionally focused on internal social initiatives.

Perceived barriers vary substantially from function to function and companies should consider a function-specific approach to overcome barriers

SECTION 4: RESULTS BY SECTOR

Industrial sectors most bullish, service sectors emphasize social

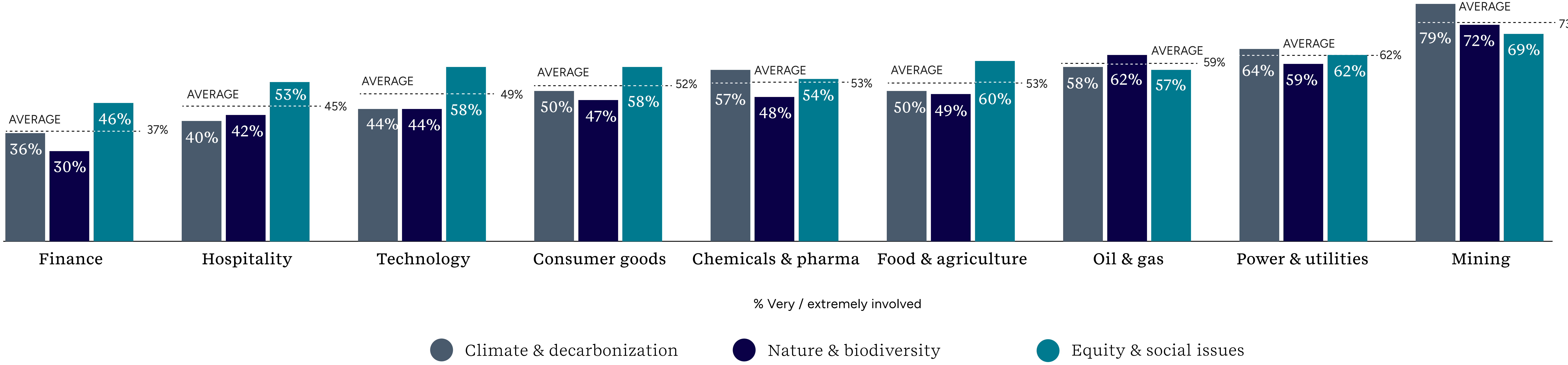
Industrial companies feel more involved with sustainability than service-oriented sectors and also rate their progress higher. Service companies are notably more focused on social issues than climate or nature. Service sectors also emphasize a lack of sustainability-tied financial incentives as the biggest barrier, while industrial sectors point at unavailable technologies and a lack of commercial potential.

Professional involvement

- Respondents in the finance, hospitality, and technology sectors feel the least professionally involved in sustainability initiatives, with notably lower scores for climate and nature.
- Respondents in oil & gas, power, and mining feel the most professionally involved overall, particularly in climate initiatives. In general, involvement in climate, nature, and social initiatives are closer together in all three sectors.
- The emerging pattern is that predominantly service-oriented sectors feel notably more engaged with social initiatives, while most industrial sectors, to a lesser extent, are more geared towards climate. Oil & gas respondents stand out for being most involved in nature initiatives.

QUESTION:

Which of the following best describes your professional involvement in your organization's sustainability initiatives?
Scale of 1 to 5, where 1 means "not involved" and 5 means "extremely involved."



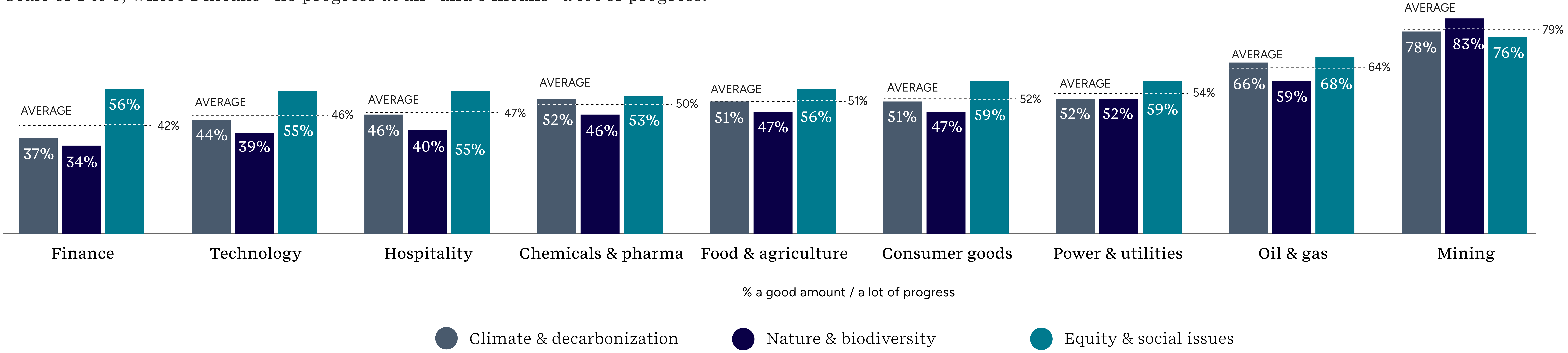
Source: ERM/Kadence

Company progress on sustainability initiatives

- How sector respondents perceive their company's progress on sustainability roughly follows the same pattern as their stated professional involvement, with a few notable exceptions.
- Respondents working in power & utilities rate their company's progress notably lower compared to their professional involvement . Mining , oil & gas , and finance notably go the other way.
- Perhaps surprisingly, power & utilities, oil & gas, and mining are the sectors with the highest confidence in their sustainability progress despite their relatively large footprint in various sustainability areas.

QUESTION:

How do you perceive your company's progress regarding the following sustainability efforts?
Scale of 1 to 5, where 1 means "no progress at all" and 5 means "a lot of progress."



Source: ERM/Kadence

Barriers to sustainability progress

- Respondents in the finance and hospitality sectors rate the overall impact of barriers (the average of 12 barriers) to sustainability progress as relatively low, even though they are also among the most skeptical about their company's progress. Consumer goods respondents also rate barrier impact as low.
- Agriculture & food, and power & utilities report the highest overall barrier load.
- Barriers are sector-specific. Unavailable required technology (agriculture & food, power & utilities) and insufficient commercial returns (oil & gas, chemicals & pharma) are most prevalent in industrial sectors. In contrast, service sectors (finance, technology, hospitality) see a lack of sustainability-tied financial incentives as the main barrier.

QUESTION:

How much of a barrier are each of the following for your company to making greater progress on ESG and sustainability overall?*
- Scale of 1 to 5, where 1 means "no barriers at all" and 5 means "a major barrier."

	Agriculture & food	Power & utlities	Chemicals & pharma	Oil & gas	Technology	Hospitality	Consumer goods	Finance
Highest perceived barrier	Required technologies too expensive or not available 63%	Required technologies too expensive or not available 54%	Insufficient market and commercial returns 55%	Insufficient market and commercial returns 52%	Lack of financial incentives for leadership/ employees 52%	Lack of financial incentives for leadership / employees 52%	Lack of financial incentives for leadership / employees 49%	Lack of financial incentives for leadership/ employees 40%
2nd highest perceived barrier	Lack of financial incentives for leadership/ employees 55%	Lack of necessary policy incentives (e.g., tax breaks); Limited shareholder interest 50%	Limited shareholder interest 52%	Lack of financial incentives for leadership/ employees 53%	Lack of forceful regulations (e.g., fuel efficiency standards) 45%	Insufficient market and commercial returns 44%	Insufficient market and commercial returns 43%	Lack of financial incentives for leadership/ employees 37%
3rd highest perceived barrier	Insufficient market and commercial returns 50%	Lack of training and qualified talent 49%	Required technologies too expensive or not available 51%	Limited sharehiolder interest 50%	Required technologies too expensive or not available 43%	Lack of motivation and knowhow of staff 46%	Lack of forceful regulations (e.g., fuel efficiency standards); Goals not translated into operational plans/targets 40%	Limited sharehiolder interest 36%
AHBP**	47%	45%	43%	41%	40%	39%	38%	31%

*Mining sector is not included in this chart due to limited sample size

** AHBP = Average high barrier perception (average of 12 barriers)

Source: ERM/Kadence

Key takeaways

The scores of engagement and perceived progress vary for each industry and don't always align with objective, quantified assessments of how these industries perform on sustainability issues.

Considering their notably strong focus on social initiatives, companies in service-oriented sectors should assess if they underinvest in climate and nature initiatives.

High engagement scores for industries with high environmental and social footprints may indicate that these companies feel more acute societal and regulatory pressure to act, creating a higher awareness of ESG issues.

High self-reported progress scores in the power, oil & gas, and mining sectors run counter to the public perception of sustainability progress in these sectors. The scores could reflect that respondents in these sectors see their companies act on sustainability more frequently than in the past. .

Since perceived barriers vary substantially from sector to sector, companies should focus on solutions that most effectively address the most prevalent barriers in their sector.

SECTION 5: RESULTS BY REGION

Asia-Pacific embraces, Africa/Middle East struggles

Whether it is climate, nature, or social initiatives, companies in Asia-Pacific rate their progress higher than any other region. North America and Africa/Middle East are on the other side of the spectrum. In the latter case, the low score is explained by high barriers. North American companies, however, feel the least impeded by barriers overall but still rate their company's progress as low.

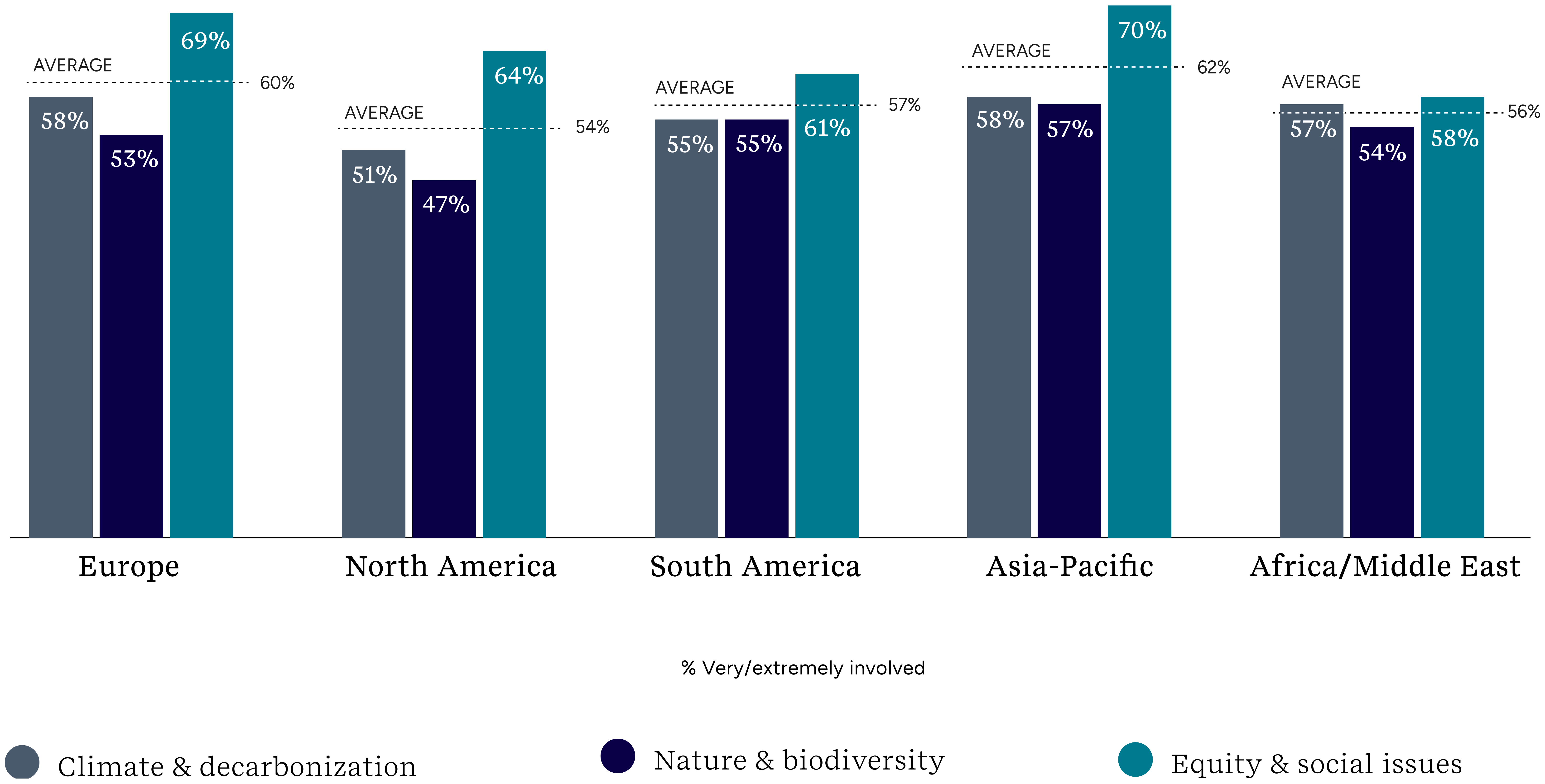
REGION

Corporate progress on sustainability initiatives

- Asia-Pacific is the big winner across the board. Respondents in Asia-Pacific gave their company's progress on sustainability initiatives the highest marks of any region overall but also for progress on each of the three sub-themes: climate, nature, and social. Respondents from North America and Africa/Middle East are the least enthusiastic about their company's overall progress.
- Progress on social initiatives receives the highest scores in all regions, but there is considerable variation from region to region. In Europe, the United States, and South America, social progress is notably ahead of climate and nature. In Asia-Pacific and Africa, progress on all three themes is significantly closer together.

QUESTION:

How do you perceive your company's progress regarding the following sustainability efforts?
Scale of 1 to 5, where 1 means "no progress at all" and 5 means "a lot of progress."



Source: ERM/Kadence

Barriers to sustainability progress

- Taking the average of 12 barriers, North American respondents worry least that barriers will impede their companies' overall sustainability progress. This is even though North American respondents also rate their companies' progress on sustainability initiatives fairly low. South America comes in second.
- At the other end, respondents from Africa/the Middle East reported facing the highest barriers, followed by Europe in second place.
- Looking at the most impactful individual barriers, the scores show that each region has a distinct profile. The only barrier to corporate sustainability progress in the top three for all regions is the lack of financial incentives for leadership and employees linked to sustainability performance.
- Results in Africa/Middle East and South America show that the main barriers are notably tilted toward government policy, both incentives and regulation. In contrast, the top three hurdles Asia-Pacific respondents raise are all internal.

QUESTION:

How much of a barrier are each of the following for your company to making greater progress on ESG and sustainability overall?
Scale of 1 to 5, where 1 means "no barriers at all" and 5 means "a major barrier."

	Africa/Middle East	Asia-Pacific	South America	North America	Europe
Highest perceived barrier	Lack of necessary policy incentives (e.g., tax breaks) 56%	Lack of financial incentives for leadership/employees 53%	Lack of forceful regulations (e.g., fuel efficiency standards) 50%	Lack of financial incentives for leadership/employees 42%	Lack of financial incentives for leadership /employees 51%
2nd highest perceived barrier	Lack of forceful regulations (e.g., fuel efficiency standards) 55%	Insufficient internal funding for sustainability 47%	Lack of financial incentives for leadership/employees 48%	Lack of forceful regulations (e.g., fuel efficiency standards) 39%	Required technologies too expensive or not available; Limited shareholder interest 46% each
3rd highest perceived barrier	Lack of financial incentives for leadership/employees 54%	Insufficient market and commercial returns 45%	Lack of necessary policy incentives (e.g., tax breaks) 43%	Required technologies too expensive or not available; Lack of motivation and knowhow of staff 38% each	Lack of training and qualified talent; Insufficient market and commercial returns 42% each
AHBP*	47%	45%	37%	35%	41%

* AHBP = Average high barrier perception (average of 12 barriers)

Key takeaways

The high scores in Asia-Pacific suggest a fast-growing awareness of the region's physical and economic vulnerability to climate change and its effects on nature and communities. Extreme weather events have disproportionally affected AsiaPacific, while the region heats up at twice the average global speed.[3]

Results indicate that in Africa/Middle East, investments in corporate sustainability initiatives are notably held back by a lack of government action to create a predictable investment environment.

The relatively high barriers European respondents experience may be an expression of the frustration many European companies feel about the large amount of new sustainability regulation in the region.

The contradictory scores for North America indicate a culture where skepticism and commercial pragmatism often live side by side. The success of wind power in Texas, a state where climate skepticism is politically dominant, illustrates that.[4]

Conclusion and recommendations

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The ERM Sustainability Transformation Survey results show that, despite having many broad sustainability goals in place, the internal organization at many companies isn't fully ready yet to implement these targets into their business operations effectively. However, the sustainability transformation marches on, and companies must speed up the implementation of their climate, nature, and social goals to avoid risks and seize its many commercial opportunities. Their future business resilience depends on it.

The road to successful implementation of sustainability goals is long and will take bold innovation and experimentation to get it right. However, to take on that challenge, companies' internal organization has to be ready first. Based on the survey findings, below we share some recommendations to get companies in the right mindset. Introduce widespread financial incentives tied to sustainability performance that are substantial and well-structured

Introduce widespread financial incentives tied to sustainability performance to accelerate progress

Sustainability-tied financial incentives consistently come up as the top solution to overcome barriers to sustainability progress. Still, it also ranks as the solution that companies underutilize the most. However, financial incentives need to be well-structured to have the desired effect. For example, they should apply to both C-suite and operational managers, make up a substantial share of an individual's total compensation, be tied to transparent, measurable metrics, and be tailored to individual responsibilities and functions. Independent oversight to ensure incentives are rigorously tied to short-term and long-term sustainability performance is another crucial feature.

Ramp up sustainability training and education for C-suite, board, and managers

Better training is a high-potential, cost-effective solution to unlock operational progress on sustainability, yet it is relatively underutilized. At the top level, companies should assess the sustainability-related competence and awareness gaps of the board and executive leadership and devise a bespoke plan to address these, for example, through a revolving sustainability training program and assigning external experts as mentors. Companies should also continuously train operational staff on sustainability to achieve buy-in and develop essential skills and qualities. They should diversify curriculums, reflecting differences in functional roles and sustainability readiness.

Equip managers with the operational tools to implement sustainability goals

Managers feel corporate sustainability goals are disconnected from operational plans and data collection. Companies need to invest in a granular ecosystem of specific targets, detailed data, and hands-on monitoring to embed sustainability goals into business operations. For example, they can integrate sustainability metrics into the performance dashboards of key leaders across the business, making sustainability an integral part of their day-to-day decisions. Substantial and concrete targets for sustainability-aligned OPEX and CAPEX ensure that the integration gets funded.

Foster cross-functional collaboration and understanding to spread engagement, especially to vital corporate functions that currently feel uncommitted

Implementation of sustainability goals is only as good as the operational departments that must execute it. As it turns out, vital corporate functions – operations, finance, marketing – are not entirely on board, and departments often don't speak the same language. Companies need to close that gap, for example, by translating the growing body of sustainability jargon, standards, and frameworks into clear language that the company's operational staff can understand and implement. Or by creating an internal "buddy" system, pairing sustainability and operational professionals to better understand each other's goals, motivations, challenges, and realities.

Understand and focus on the barriers that are under your immediate control

With the exception of insufficient sustainability-tied incentives, companies still mainly blame external barriers for impeding operationalization. However, many barriers and solutions are much closer within reach than many companies realize. Clearing internal hurdles will not only unleash cost savings, commercial value, and creative energy, but also make companies more effective in devising strategies to lift the most persistent external barriers.

High-impact sectors should investigate possible blind spots

Several sectors with extensive environmental and social footprints are surprisingly content with their sustainability progress. They should critically assess why their positive views contradict many objective assessments of their progress.

Analyze your perception of high progress on social issues

Social is a broad category that includes diversity scores within the company, human rights in the supply chain, and community engagement strategies underpinning capital project development, and many other issues. Many companies perceive their progress on social issues to be higher than what external assessments indicate. Do you have a full view of company's impact on social issues and is your company really making progress on social issues across the board or in just one or two sections?

Endnotes

1 Financial Times (2024), How companies are starting to back away from green targets. Retrieved from: https://www.ft.com/content/c9fee776-1471-442c-aae8-8d78fe60faeb

2 SBTI (2024), Final campaign results published, including commitments removed. Retrieved from: https://sciencebasedtargets.org/blog/final-campaign-evaluation-report-published

3 IMF (2024), Asia's Climate Emergency. Retrieved from: https://www.imf.org/en/Publications/fandd/issues/2021/09/asia-climate-emergency-role-of-fiscal-policy-IMF-dabla

4 Texas Comptroller of Public Account (2023), Wind overview. Retrieved from: https://comptroller.texas.gov/economy/economic-data/energy/2023/wind.php

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The ERM Sustainability Institute

The ERM Sustainability Institute is ERM's primary platform for thought leadership on sustainability. The purpose of the Institute is to define, accelerate, and scale sustainability performance by developing actionable insight for business. We provide an independent and authoritative voice to decode complexities. The Institute identifies innovative solutions to global sustainability challenges built on ERM's experience, expertise, and commitment to transformational change.

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