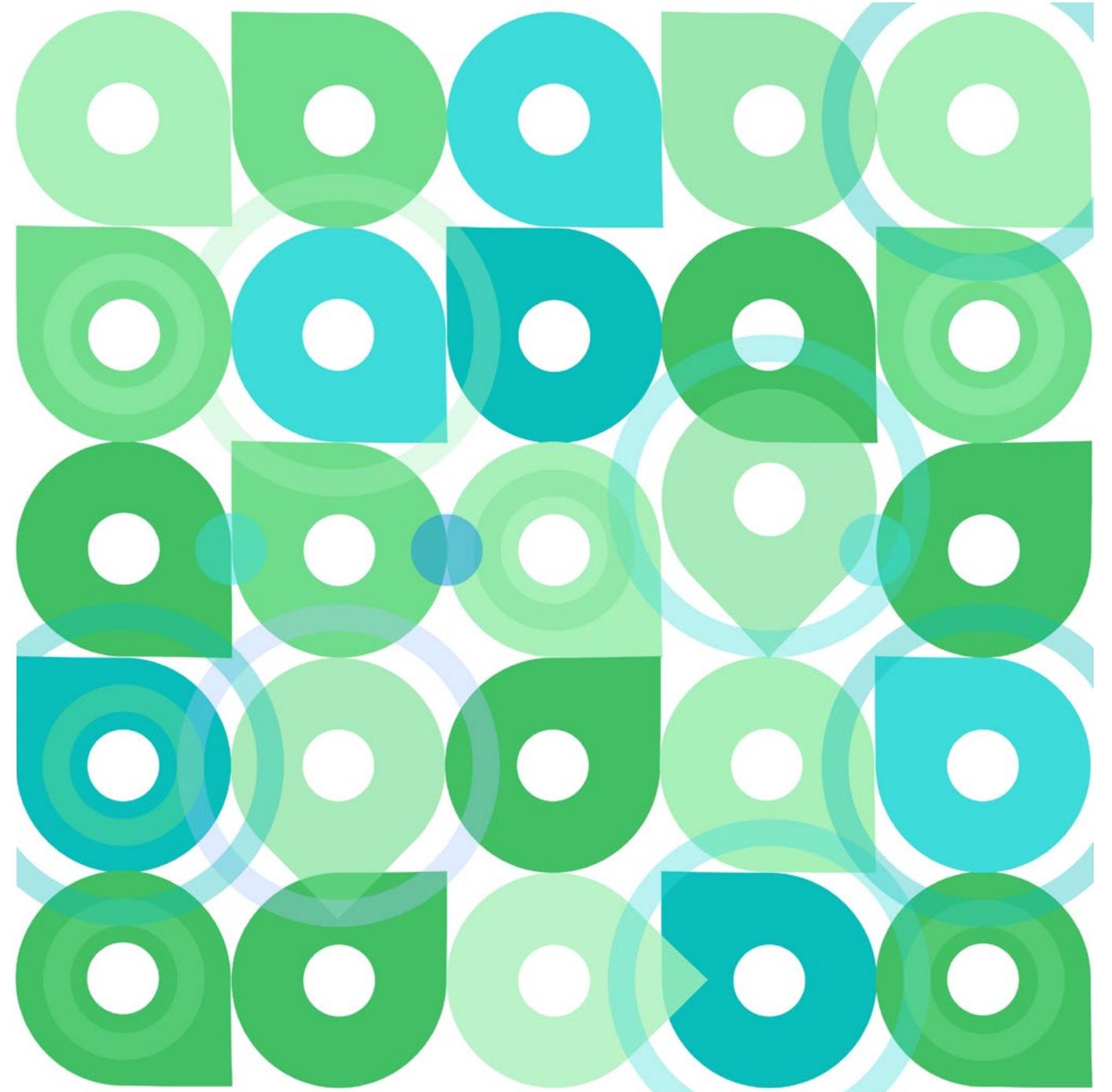


Balancing sustainability and profitability

*How businesses can
protect people, planet,
and the bottom line*



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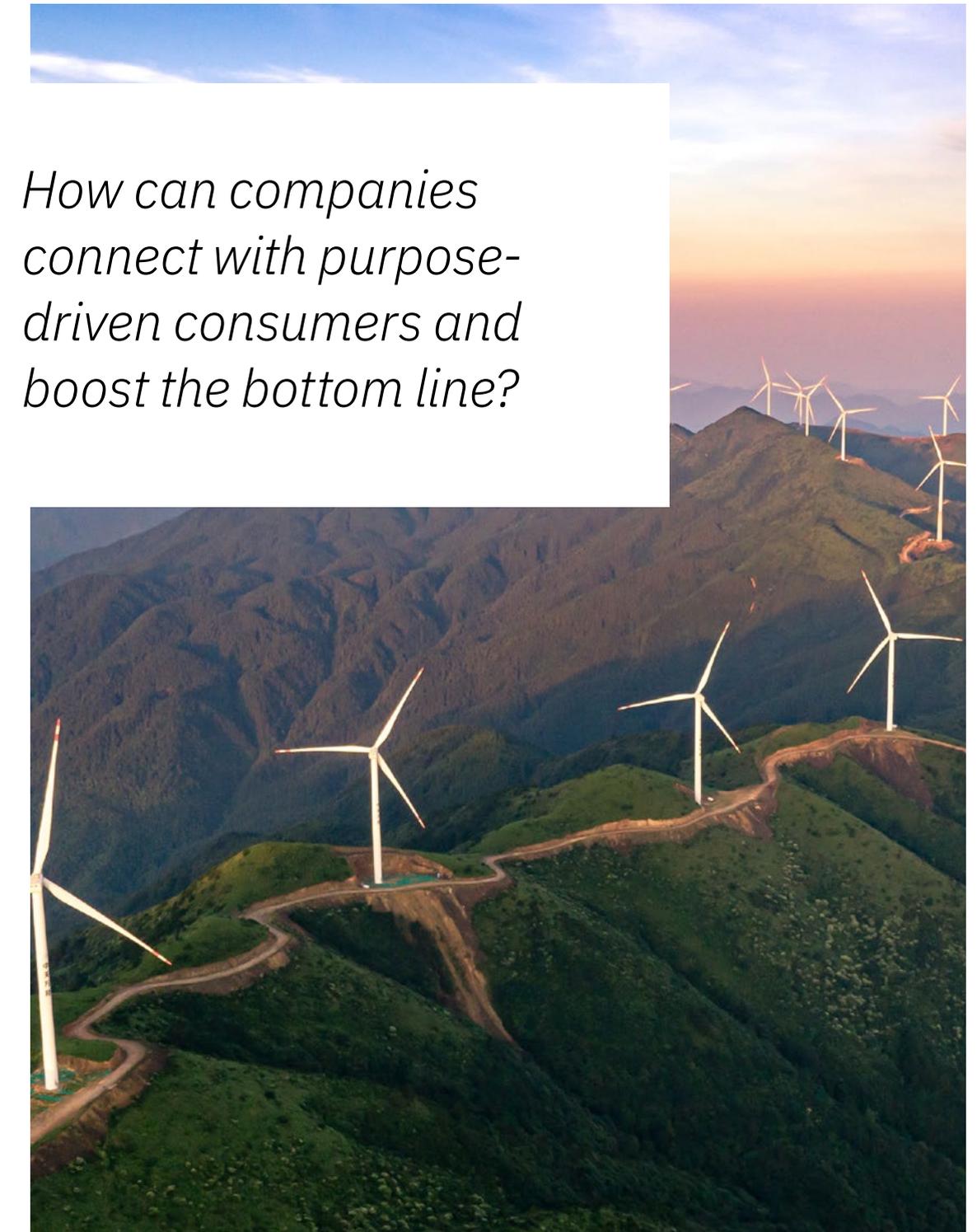
Forging a sustainable future

Today’s executives walk a tightrope, balancing the long-term imperative to protect the planet with the immediate need to preserve the bottom line. In a landscape defined by chaos and disruption, they must hedge against the future costs of inaction while remaining economically viable today.

On a rapidly warming planet, companies across sectors have transformed their business models to forge a sustainable future—one that protects people, planet, *and* profits. In the race to reduce emissions, consumption, and waste, everything is on the table. Supply chains are being recalibrated. Source materials are evolving. Travel requests are carefully scrutinized.

But companies can’t do it alone. Consumers also play an important part. What they’re willing to do defines, in part, how far businesses can go. And while consumers have said they want companies to be stewards for change—and that they’re willing to commit significant personal resources to protect the planet—there has historically been a disconnect between their aspirations and their actions.¹

However, the pandemic may have turned the tide. Last year, the IBM Institute for Business Value (IBV) found that 93% of global respondents said COVID-19 had influenced their views on sustainability.² And over the past year, this trend has intensified. Our February 2022 survey of 16,000 global consumers in 10 major economies found that more than half (51%) of respondents say environmental sustainability is more important to them today than it was 12 months ago (see Methodology on page 20).



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Key findings

51%

of respondents say environmental sustainability is more important to them today than it was 12 months ago.

49%

of consumers say they've paid a premium for products branded as sustainable or socially responsible in the last 12 months.

We also found that consumers' actions are starting to match their intent. In 2021, we found that half of consumers said they were willing to pay a premium for a sustainable brand or sustainable products.³ And this year, 49% of consumers say they've paid a premium for products branded as sustainable or socially responsible in the last 12 months.

Many consumers see these issues through a shared lens. Almost two-thirds (65%) of consumers say that sustainability and social responsibility are at least somewhat linked. To understand how those linkages play out in their daily lives, we asked consumers about their ability to take action with respect to environmental sustainability and social responsibility, highlighting 15 key topics:

- Reducing gender inequality
- Ending poverty and hunger
- Reducing income and opportunity inequality
- Providing access to quality education
- Promoting inclusion and equal access to justice
- Ensuring good health and wellness
- Ending systemic racism
- Securing fresh water supplies
- Reducing ozone layer depletion
- Reducing air, water, and ground pollution
- Protecting rainforests and other ecosystems
- Reducing loss of species and protecting biodiversity
- Supporting the circular economy
- Addressing climate change
- Reducing wildfires and brushfires

We found that a significant portion of people in developed countries find it difficult to make choices that take sustainability and social responsibility into account. And individuals in developing countries often face even more significant challenges.

However, while socio-economic factors—such as where people live, their income level, and how informed they are—influence an individual's ability to act, our research has revealed a few common barriers that hold all people back.

The ability to remove these barriers puts businesses in the driver's seat, giving them the opportunity to make a positive impact on the environment. It all comes down to pulling the levers that will both resonate with consumers *and* boost the bottom line.

“You want to be in the game because you want to be learning,” said Marshall Wilmot, President, Retail and CDO of ATCO, in an interview for our upcoming 2022 CEO Study. “Then you can see what's going to have the best ROI in the future.”

To help executives develop sustainability strategies that will support profitability, our research highlights what habits individuals have already changed, where they would like to do more, and how companies can capitalize on unmet consumer demand for more sustainable choices. By paving a clearer, more accessible path to responsible consumption, executives can do even more to build a sustainable future—for the planet, for their customers, and for their businesses.

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Supporting sustainability at home

Consumers know the choices they make every day influence their environmental footprint—and they're ready to change their behavior to tread more lightly on the planet.

Our research found that 3 out of 4 consumers (77%) say they want to make more sustainable choices at home—and that figure skyrockets to 92% for individuals who are highly committed to sustainability and social responsibility.

This group, which we call People + Planet Guardians, was identified through a cluster analysis that looked at similarities in responses across 15 topics related to social responsibility and environmental sustainability, including ending poverty and hunger, providing access to quality education, ending systemic racism, reducing pollution, addressing climate change, and securing freshwater supplies. For each of the 15 topics, 9 out of 10 People + Planet Guardians rate the topic as very or extremely important to them personally—and almost 8 out of 10 see sustainability and social responsibility as at least somewhat linked.

The portion of respondents that qualify as People + Planet Guardians rose to 45% this year, up slightly from 43% in 2021. And the people within this group have strengthened their already steadfast resolve. Two-thirds of People + Planet Guardians say sustainability is more important to them today than it was 12 months ago.

Yet, despite their passion for protecting the planet, there are still obstacles holding People + Planet Guardians back from taking more sustainable actions. To better understand those barriers, we asked respondents to rank how difficult they think it is to participate in a wide range of environmentally friendly activities at home, from reducing their water and energy consumption to generating and storing their own electricity.

In many instances, we found there was a disconnect between how easy people believe an activity is and whether they're actively doing it. For instance, while roughly 4 in 10 People + Planet Guardians say it's easy to buy recycled products (40%), compost food waste (43%), and recycle electronics and appliances (44%), far fewer are engaging in those activities (see Figure 1).

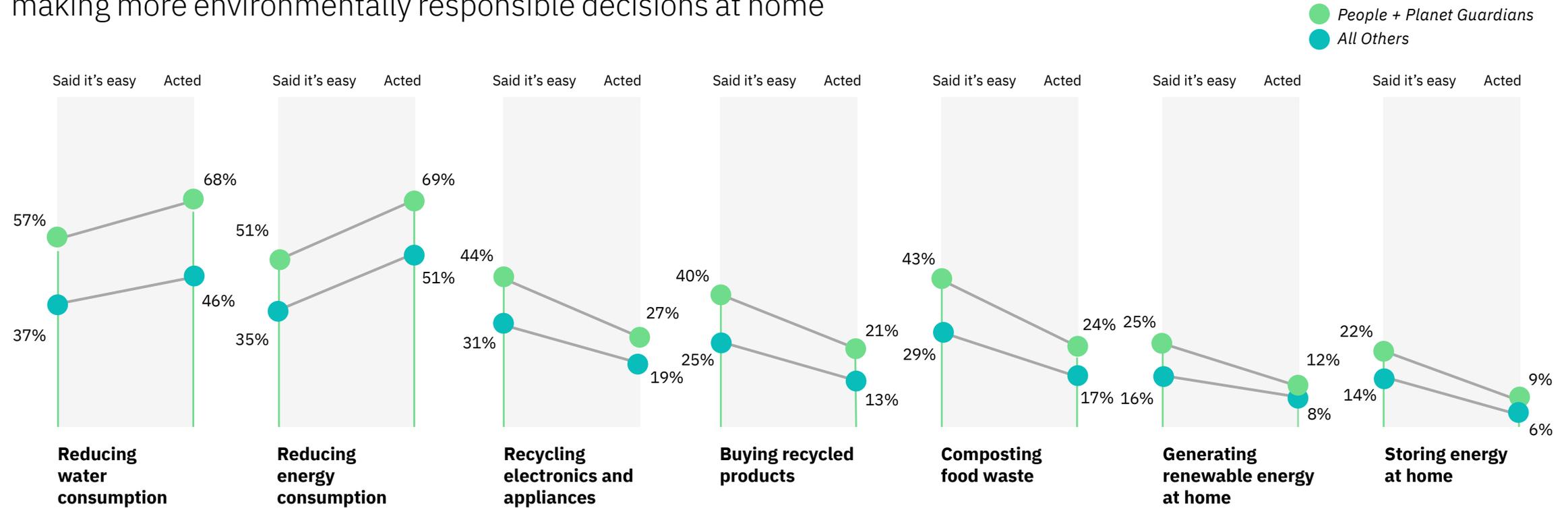
On the flip side, many are taking actions they don't find easy. For example, while just over half of People + Planet Guardians say reducing water (57%) and energy (51%) consumption is easy, more than two-thirds are taking action in these areas.



FIGURE 1

Simplifying sustainability

Perceived difficulty isn't the only obstacle keeping consumers from making more environmentally responsible decisions at home



Those who are not People + Planet Guardians rank things as less easy to do and are taking less action in all areas.

Whether they consider actions to be easy or hard, consumers say there are several actions that businesses, perhaps in partnership with government, could take to help them make more sustainable choices at home, including:

- Offering greater personal incentives to make change, such as rebates or discounts (43%)
- Creating different, more accessible ways to participate (41%)
- Offering less expensive options (40%)
- Ensuring greater awareness of available choices (39%)

Increasing transparency and communication will be critical to helping individuals take more effective and informed actions—and influence others. For example, providing detailed information about sourcing, manufacturing, materials development, and transportation can help them advocate for environmentally responsible companies in conversations with family and friends.

Take action

1.

Enhance communications

Increase transparency and communicate progress toward sustainability goals. Social media videos, on-pack callouts, and QR codes can supplement traditional reporting to help consumers understand how your company is protecting the environment and enabling responsible consumption.

2.

Embrace the circular economy

Design and engineer a sustainable end-of-life for your products, but also help give them new life by educating consumers on how products and packaging can be reused, reclaimed, or recycled.

3.

Educate, inform, and influence

Help consumers share their experiences and success stories with others in their networks. Videos, social media posts, savings calculators, and online articles are all great vehicles to help consumers amplify the conversation—and promote your brand.

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Shopping with a purpose

Global consumers are on the search for sustainable products, transforming a once-niche market segment into a powerful mainstream audience.

In 2022, purpose-driven consumers, who choose products and brands based on how well they align to their values, became the largest segment (44%) of consumers across all product categories.⁴ And their impact appears to be growing.

This study found that, on average, 3 in 5 (64%) consumers say products branded environmentally sustainable or socially responsible made up at least half of their last purchase. And this figure is even higher in India (75%) and China (76%).

What's more, roughly half (49%) of consumers globally say they paid an average premium of 59% for products branded as sustainable or socially responsible, signaling that consumers are willing to support sustainability with their wallets.

And it's not just wealthy people who are willing to spend more for sustainability. 4 out of 10 (43%) consumers in the lower income bracket also say they paid a premium for sustainable or socially responsible products.⁵ That figure jumps above 60% in China and India.

Forward-looking brands are competing to win over purpose-driven consumers, as these shoppers have the potential to be valuable long-term customers and brand ambassadors.⁶ For example, mega-retailer Target recently announced plans for its first net-zero store in California. The retrofit pilot will inform the brand's chain-wide renewable energy investments as it strives to reach its goal of achieving net-zero greenhouse gas emissions by 2040.⁷

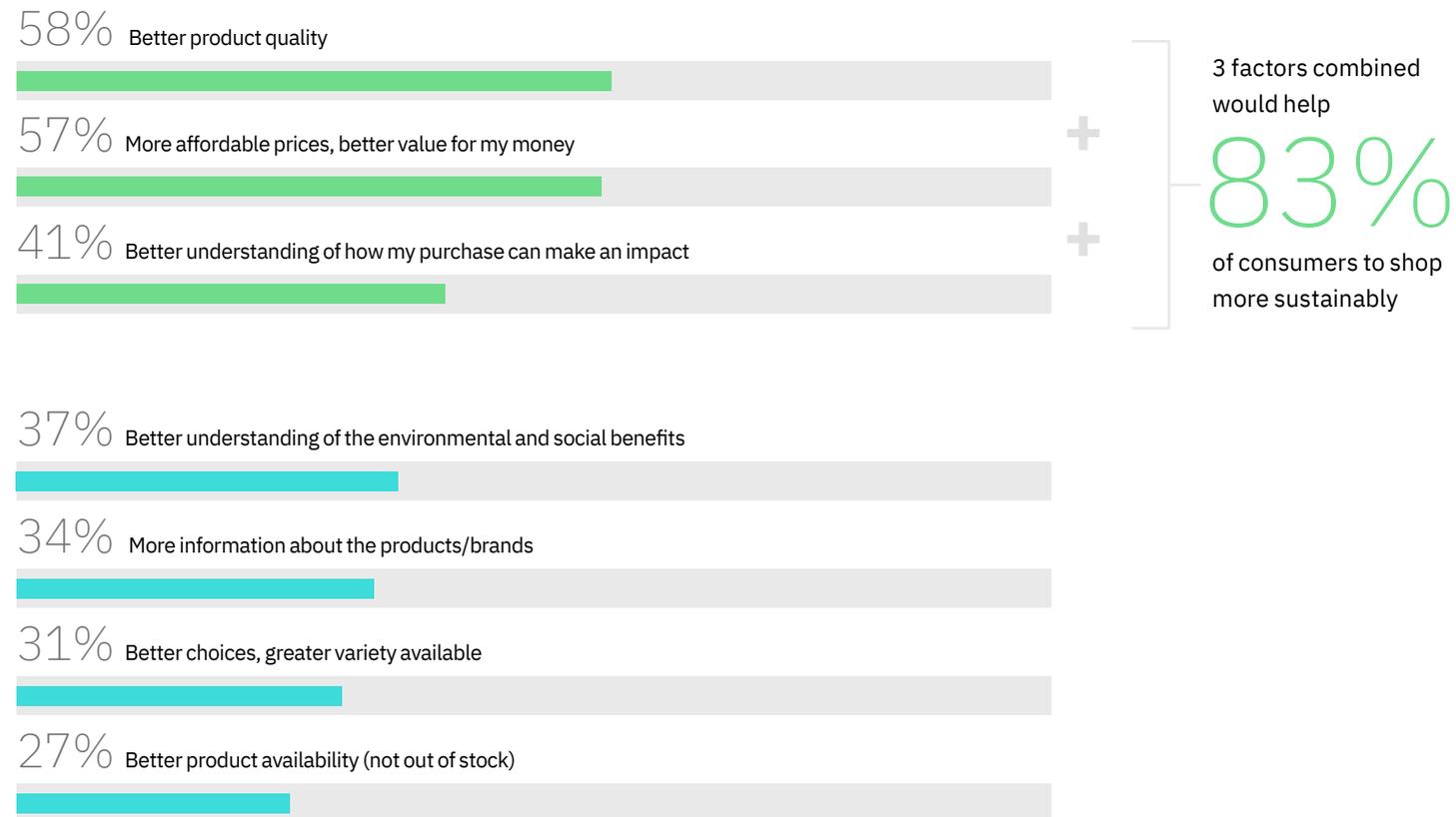


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FIGURE 2

The multiplier effect

A combination of better quality, greater value, and more information would help more than 4 in 5 consumers buy more sustainable products.



Q: What would enable or encourage you to buy more products that are branded as environmentally sustainable or socially responsible?

While consumers are clearly willing to buy—and pay more for—sustainable products, they also say there are several obstacles holding them back (see Figure 2). In line with our findings related to sustainable actions at home, more than 4 in 5 (83%) consumers say a combination of 3 criteria would help them buy more sustainable products:

- better product quality
- better value for the money
- more information on how their purchases can help make an impact

This demonstrates that no single factor enables sustainable shopping as well as taking a combined approach. Consumers aren't just looking for bargain pricing or high-end products. They're asking businesses to meet their needs holistically.

In short, there's no one-size-fits-all approach to developing and marketing sustainable products. Consumers want a full range of environmentally friendly options, with differences clearly communicated, so that they can make the impact—and the investment—that works best for them.

Take action

1.

Improve product quality

Accelerate product design and development innovations using renewable energy, recycled materials, re-engineered packaging, and other sustainable options. Leverage intelligent automation to ensure quality and compliance through different phases of the manufacturing process.

2.

Increase value for money

Offer incentives for consumers to reduce their carbon footprints, such as discounts for customers who consolidate shipments from multiple orders. Leverage intelligent workflows and advanced analytics to improve efficiency while reducing carbon emissions and waste—then pass the savings along to end consumers.

3.

Invest in education

Define clear metrics to measure progress and share outcomes with consumers. Increase transparency around product sourcing and ingredients. Highlight different ways consumers can participate in the circular economy and reduce waste with the products you offer, such as paying a deposit for reusable containers they can return or refill.

Sustainable investing matures

Building a sustainable future won't be cheap—but the necessary investments present a big opportunity for business growth.

To reach net-zero emissions by 2050, annual clean energy investment alone will need to more than triple by 2030 to about \$4 trillion, significantly lifting global economic growth.⁸

Achieving this goal “is going to require a revolution in the production of everything we produce and a revolution in everything we consume,” Blackrock CEO Larry Fink said at a sustainability summit last year. “And that’s going to require a large amount of investment, a large amount of ingenuity, and a large amount of innovation.”⁹

Our survey found that global consumers tend to share this line of thinking, with a majority considering environmental factors when they weigh risk and reward. More than half of all respondents and nearly two-thirds of personal investors agree that climate risk impacts financial risk, and that the return on investment in environmentally sustainable companies will be higher than that of other companies over the next 5 years (see Figure 3). For respondents in China, that figure rises to 76%.¹⁰

As sustainable companies look more and more financially appealing, the portion of people investing in these organizations continues to rise. This year, 62% of personal investors say their portfolios take environmental sustainability into account, up from 48% in 2021.

But what defines a sustainable investment? As regulators struggle to rein in “greenwashing,” or sustainability-focused marketing efforts that intentionally mislead consumers, individuals must think critically to validate companies’ climate-friendly claims.¹¹ And how informed people are about sustainability issues strongly influences how much they trust the statements companies make.

Our survey found that only 27% of those who feel uninformed about sustainability trust corporate statements, while that figure rises to 65% for those who feel highly informed. Willingness to trust also varies widely by country. For example, in France and Spain, roughly 4 in 10 highly informed individuals trust corporate statements on sustainability, while that figure rises to 71% and 84% in India and China, respectively.

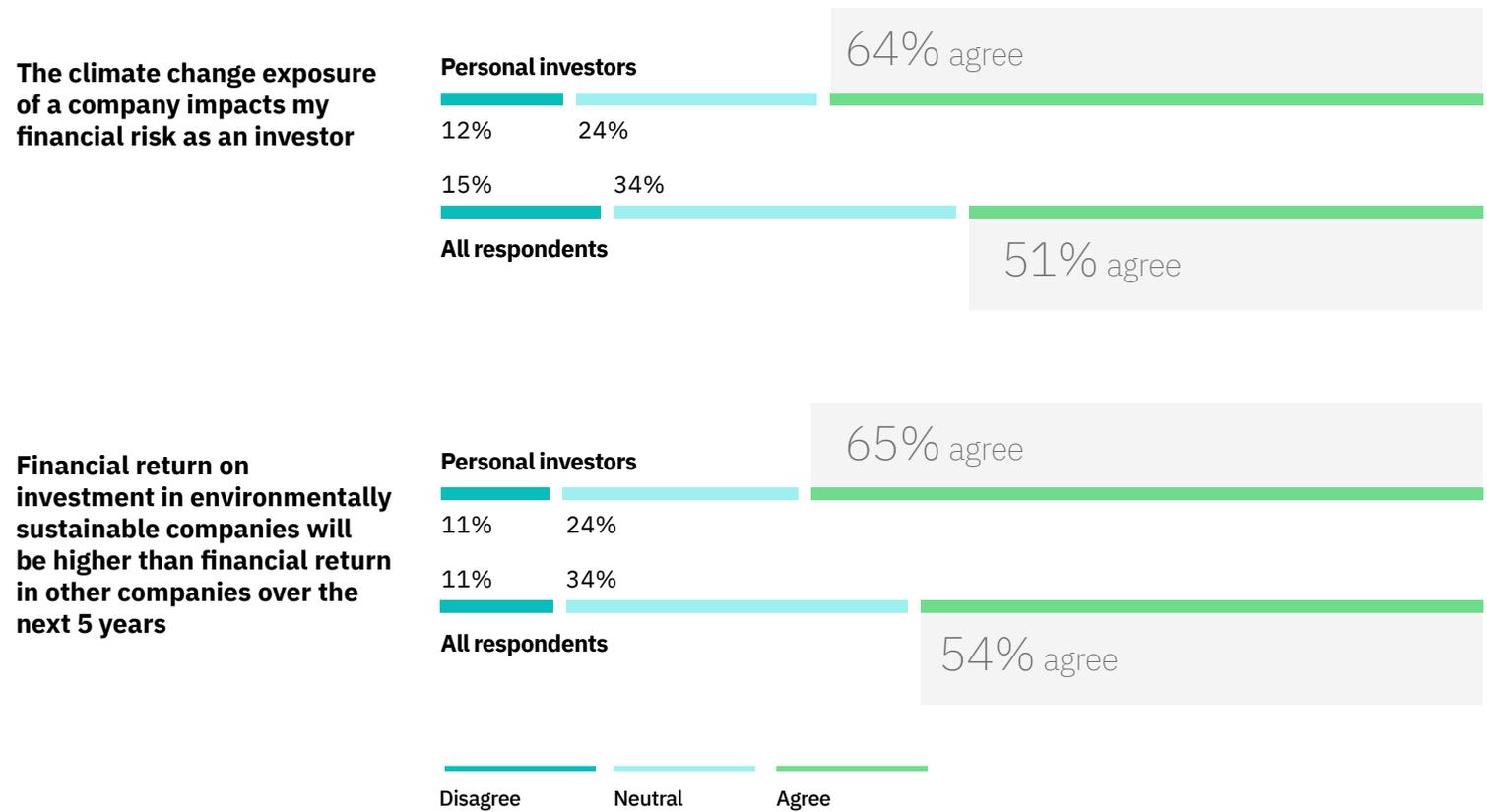


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FIGURE 3

Risk and reward

Nearly 2 in 3 personal investors see climate risk and sustainability as key factors that will influence the performance of their portfolios.



Given this deficit of trust, more than two-thirds (67%) of personal investors say they think they can make a more positive impact on the environment by investing in the sustainability of their home and travel than by investing in company shares or bonds. Plus, more than two-thirds of personal investors say that investing in home renewable energy generation and electric vehicles delivers a positive financial return.

Many personal investors are acting on this belief. Nearly 1 in 4 (23%) made a fresh investment in home renewable energy generation in the last 12 months and another 1 in 4 (26%) plan to do so in the next 12 months.

Companies that want to attract more funds from conscientious investors must consider the trifecta of money, time, and information. While money concerns, including the upfront cost (21%) and the cost over time (9%), top the list of barriers, 7 in 10 respondents cite other factors as the biggest reason they haven't taken more action. Nearly 2 in 5 say they don't have enough time to research and implement more sustainable investments (19%) or that the information is unclear, unavailable, or non-existent (18%).

Investing for a financially and environmentally sustainable future requires knowledge, data, information, and insight. In a landscape where global standards are still evolving and data platforms are emerging, organizations can differentiate themselves through measurement and disclosure. Clearly communicating both the financial and environmental returns of a company's sustainability initiatives may attract a new group of purpose-driven investors.

Take action

1.

Continuously improve reporting

Continuously improve sustainability targets, metrics, and reporting. Keep the relationship between financial and non-financial targets under review. Look within and outside your industry sector when assessing risk and opportunity. Weigh the trade-offs between maintaining the same metrics for easy comparison and updating metrics to keep pace with emerging standards.

2.

Communicate goals

Articulate, report, communicate, and educate stakeholders on sustainability goals and performance. Provide clear, accessible information for investors, employees, and the public. Make materials simple to find, read, and understand, while also providing a deep dive into methodology and data for those who want the added detail.

3.

Reward collaboration

Recognize that the complexity and inter-relationships that drive sustainability performance and reporting may challenge traditional organizational structures and leadership skillsets. Encourage and reward collaboration and invest in skills development where gaps exist.

Sustainability is a talent advantage

Organizations known for environmental sustainability and social responsibility are today's talent magnets.

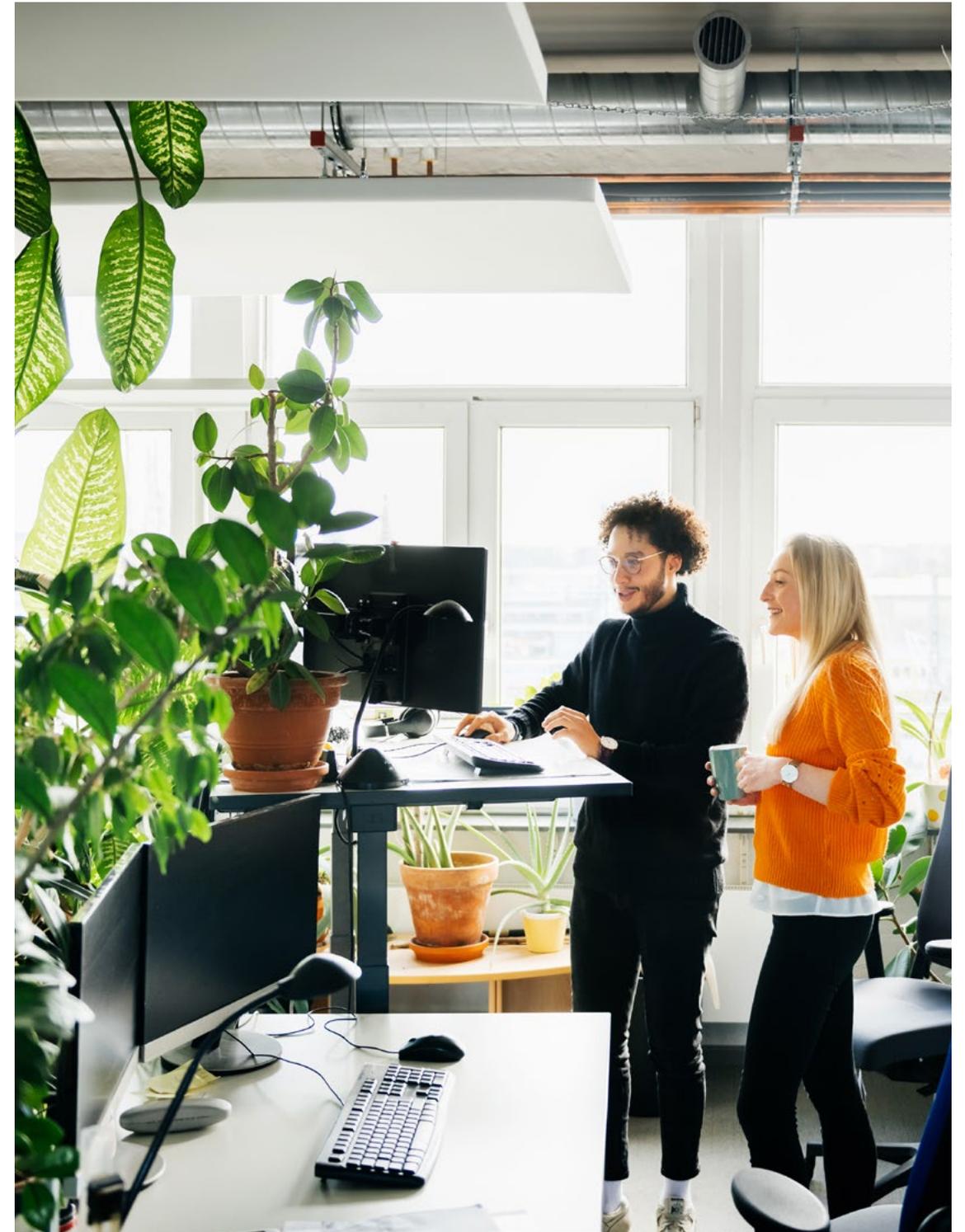
Unilever is a prime example of an organization that uses its position as a sustainability leader in recruitment. The consumer products giant recently reported that employees in 54 of the 75 markets where it tracks staff engagement cite sustainability as the main reason they joined the company's ranks.¹²

Our research reveals that Unilever's experience is part of a much larger trend. 2 out of 3 respondents say they are more willing to apply for (67%) and accept (68%) jobs from organizations they consider to be environmentally sustainable. And that figure rises to 80% for People + Planet Guardians.

However, only 21% of respondents consider their current employers to be sustainable, which could translate to a major talent risk.

Our research found that 1 in 3 of those who changed jobs last year accepted a job with an employer they consider to be environmentally sustainable (35%) or socially responsible (40%). 1 in 3 (34%) accepted a job offer for a role where they can directly influence environmentally sustainable outcomes.

What's more, roughly 1 in 3 (34%) of those who changed jobs in the last year say they accepted a lower salary to work for sustainable or socially responsible organizations. On average, they took a pay cut of 28% (see Figure 4).



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FIGURE 4

Answering the call

1 in 3 employees who changed jobs last year accepted an average pay cut of 28% to work for sustainable or socially responsible organizations.



These findings highlight a huge employee engagement opportunity for companies that are focused on protecting people and the planet. For example, 74% of people who say their employers are environmentally sustainable feel encouraged to contribute new ideas that support environmental sustainability in the workplace, compared to only 56% who don't.

However, only 60% of respondents say they're aware of the progress their organization has made toward their environmental sustainability goals, and just over half (55%) say their employer provides learning opportunities for fostering sustainable practices in the workplace.

Executives can help bridge this gap by opening the lines of communication within their ranks and highlighting the initiatives that help their companies meet their sustainability goals. For example, travel and work location policies have a big impact on a company's carbon footprint, so sharing how new approaches are expected to decrease emissions can help people see the bigger picture. Making or supporting ambitious climate commitments—and showcasing where the company's investments back up those claims—can also help boost employee loyalty and morale.

Take action

1.

Be transparent

Create an open dialogue and feedback loop. Be transparent about the organization's environmental impact and foster a culture where people feel welcome to propose new ways of working—even if it could have a negative impact on the bottom line.

2.

Become a talent magnet

Build a sustainable brand that attracts top talent. Inspire people to take actions to support environmental sustainability by recognizing and rewarding positive actions. Showcase employees who are making an impact to highlight why your company is an employer of choice.

3.

Boost collaboration

Collaborate with partners, suppliers, and industry consortiums. Insist on more robust environmental commitments and actions across your supply chain, and consistently make those commitments known to your employees and shareholders. Consider joining green buying cooperatives and other sustainable initiatives.

Low-carbon transportation goes the distance

Net-zero travel is on the horizon. As consumers strive to shrink their personal carbon footprints, travel and transportation companies are investing in low-carbon technologies that promise to revolutionize the sector.

United Airlines, for instance, recently announced plans to offer flights on a new fleet of zero-emission electric planes in the United States in 2026.¹³ Our research found that low-carbon transportation options are gaining ground with consumers overall. More than 1 in 3 (35%) say they've either stopped using personal cars that run on gasoline or use them less due to environmental sustainability concerns. Plus, roughly 1 in 3 consumers say environmental impact factors are now more important to them than convenience, cost, and comfort when purchasing travel.

Electric vehicles (EVs) have also made significant headway, with nearly 4 in 10 consumers travelling by private electric car at least monthly in the last year. That figure skyrockets to 71% in China. Yet, gas-, diesel-, and hybrid-powered private vehicles are still the most common travel modes across countries, with between 66% and 86% of respondents having traveled in this way in the past 12 months.

However, roughly 4 in 10 of those who care deeply about the environment say their environmental concerns compelled them to reduce or eliminate travel by traditionally powered private cars and airplanes in the last year. And almost half of all travelers increased their use of EVs in the last year for the same reason.

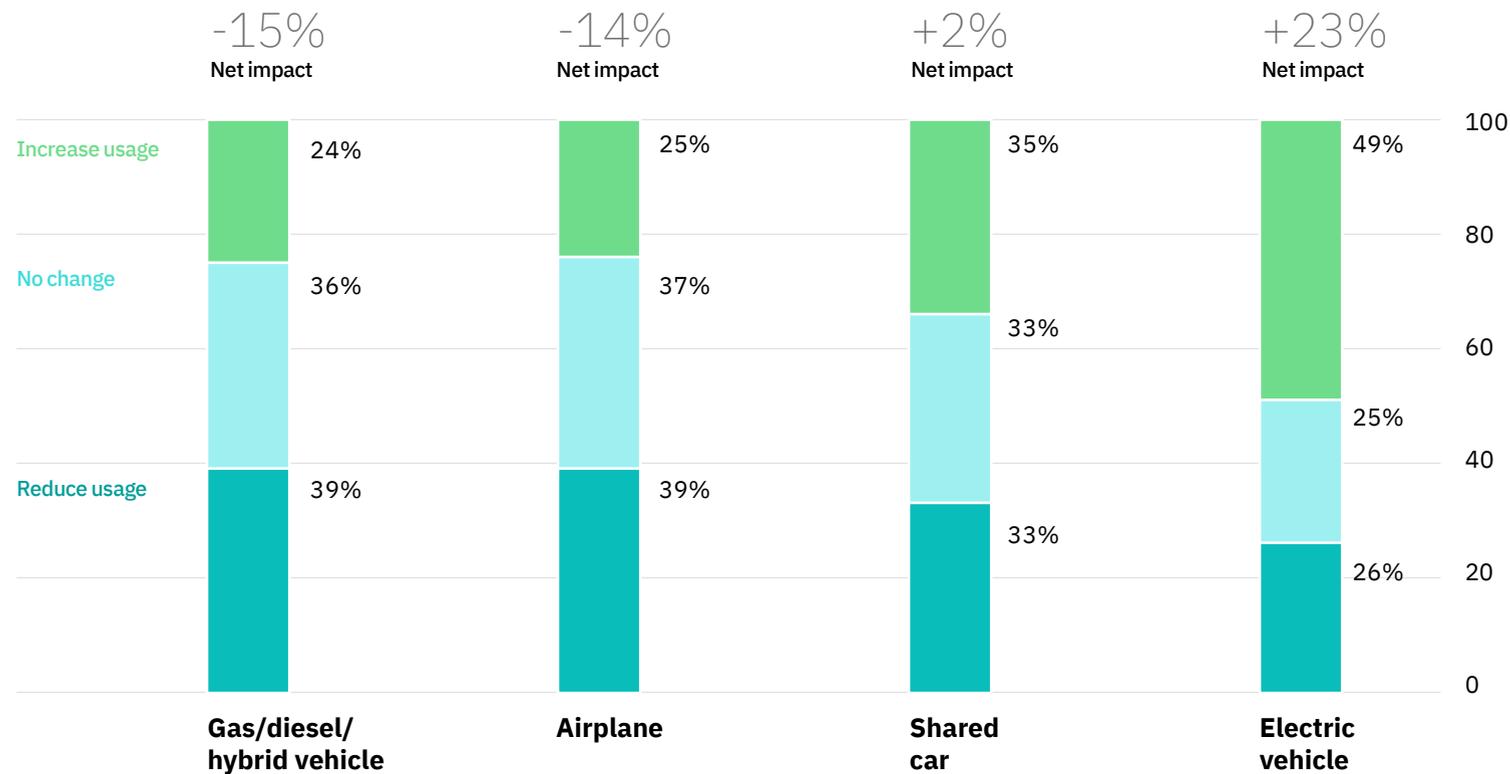


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FIGURE 5

EVs in the fast lane

Demand for electric vehicles increased 23% among those who care deeply about the environment



Q. To what extent do environmental sustainability concerns impact the decisions that you have made about travel modes in the past 12 months?

This shift has decreased demand for traditionally powered vehicles and airplanes by 15% and 14% respectively and increased demand for EVs by 23% in the last year among those who care deeply about the environment (see Figure 5).

However, consumers say there are still several barriers preventing them from making more sustainable travel choices. Notably, more than one-third (34%) of all respondents say they’ve already done everything they possibly can to reduce the environmental impact associated with their travel—and for respondents who say sustainability is important to them, that figure jumps to 40%.

Educating travelers about new options, or the full range of sustainable choices available to them, can help businesses connect with these conscientious consumers. Highlighting a variety of environmental metrics—and how different travel modes and companies compare—can help consumers see where they have more power to reduce their carbon footprint than they might think.

Take action

1.

Measure environmental impacts

Educate consumers on how their travel decisions impact the environment. Encourage the use of online calculators to estimate how travel decisions affect personal carbon footprints. Ensure that the carbon impacts of various travel options are clear to travelers during the shopping and booking process.

2.

Enable sustainable travel

Enable the shift to more environmentally friendly travel modes when possible. Continue to invest in lower carbon travel alternatives, including sustainable fuels, fleet electrification, and energy-efficient buildings and power systems. Actively market sustainable alternatives as they continue to emerge and mature.

3.

Encourage efficiency

Encourage customers to travel more efficiently and help them prioritize sustainable travel. Show travelers where they can bundle trips and find ways to share travel modes when appropriate. Incentivize travelers to choose your brand by publicizing your sustainability credentials and promoting loyalty program tie-ins.

How businesses can become stewards of change

The sustainability imperative is approaching a precipice. If we don't make big changes in the short term, climate change will take many options off the table. As UN Chief António Guterres put it, the world is "sleepwalking toward climate catastrophe"—and the problem is only getting worse.¹⁴

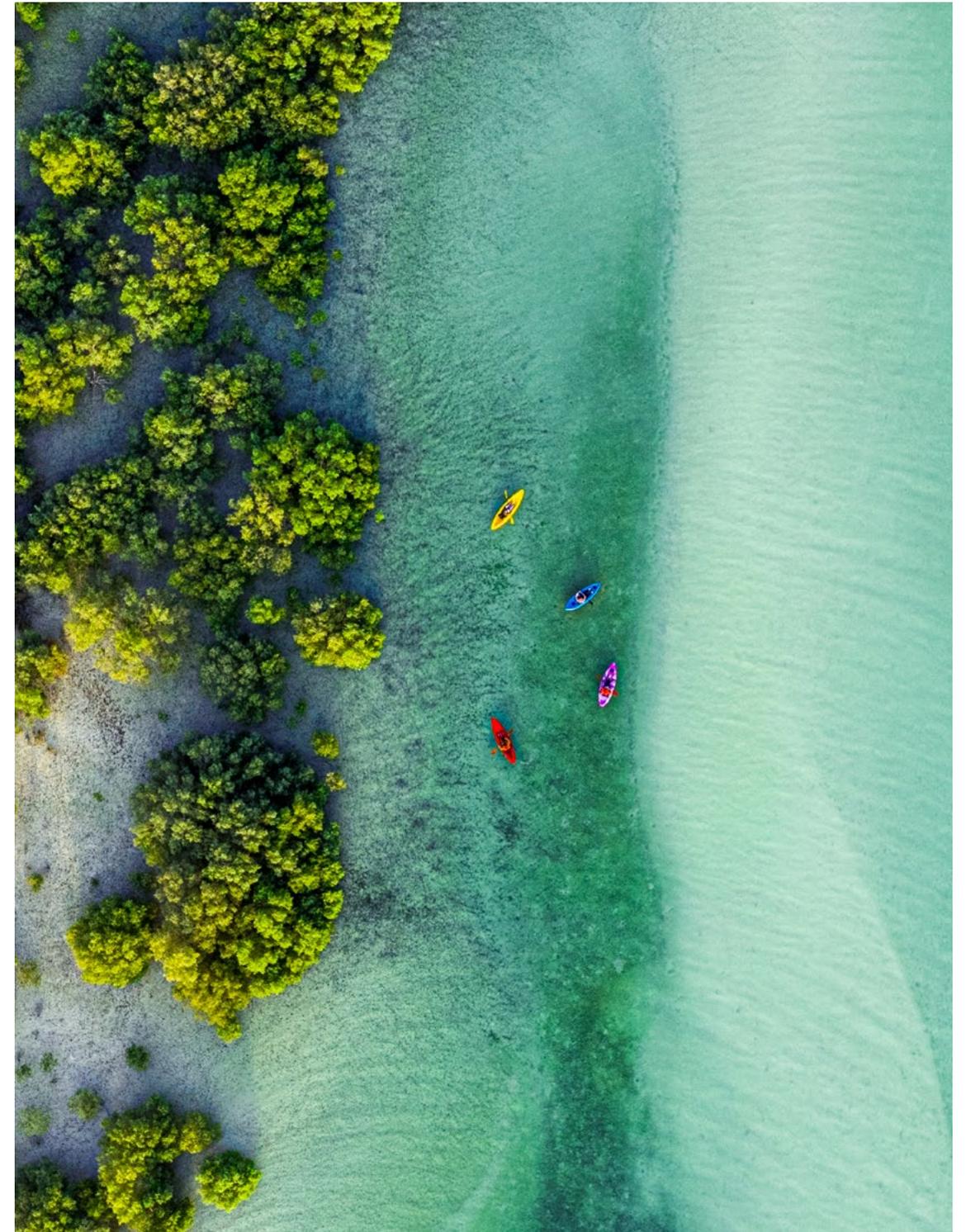
While no single nation—let alone a single organization—can reverse the tide, the decisions executives make can have a ripple effect across the global economy. In fact, a recent study by the World Economic Forum found that just 8 supply chains account for 50% of all global emissions.¹⁵

This opportunity to make a positive impact isn't lost on execs. Recent IBV research found that almost 4 in 10 (39%) executives said that environmental sustainability is a top priority for them today, and more than half (53%) said it will be a top priority in 3 years. However, while 86% of organizations have a sustainability strategy in place, just over 1 in 3 (35%) have acted on that strategy.¹⁶

What can help businesses overcome this inertia? It all starts with a mindset shift.

"One thing that I've learned is, don't wait to be perfect in everything to embrace sustainability or be more proactive on it," said Guy Cormier, Chair of the Board, President, and CEO of Desjardins Group, in an interview for the IBV's upcoming 2022 CEO Study. "No one is perfect on the planet right now. We just have to do everything we can to change the situation."

With the fate of the planet hanging in the balance, collaboration must become a top priority. When executives across sectors come together to discuss challenges and share solutions, new doors spring open and awe-inspiring ideas take shape. And if the private sector, global governments, and NGOs join forces—with everyone pushing toward a shared destination—humanity may be able to chart a course to a sustainable future.



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Methodology

In February 2022, we conducted a survey of 16,349 respondents across 10 countries (Brazil, Canada, China, France, Germany, India, Mexico, Spain, United Kingdom, United States) to better understand:

1. The extent to which perspectives around environmental sustainability have changed since last year
2. The extent to which individuals are taking action to address environmental sustainability in their personal lives
3. The barriers preventing individuals from taking more action around environmental sustainability

We analyzed responses by age group, income, employment status, and investment activity, as well as habits relating to shopping, travel, and at-home decisions. We also analyzed responses by leveraging a cluster analysis that examined similarities in responses across 15 topics related to social responsibility and environmental sustainability. This cluster analysis enabled us to define a respondent group highlighted in the report, which we call People + Planet Guardians.

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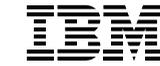
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