



Deloitte 2022 CxO Sustainability Report

The disconnect between ambition and impact | Australia

A letter from Will Symons, Asia Pacific Climate & Sustainability Leader

Deloitte's survey of Australian CxOs demonstrates what many of us have been hearing – corporate Australia is now leading our climate change response, Climate impacts are already being felt and there is great optimism about the opportunities rapid action will provide.

The climate agenda has gone from being Australia's most divisive issue to being something that we (almost) all agree upon – 75% of surveyed Australian CxOs say their companies are very concerned about climate change, and almost all told us their companies and themselves personally have already been impacted.

However, there's a disconnect between the recognition of the need to act, and the actions that must follow.

CxOs are not yet convinced on the link between climate action and the core drivers of value creation – long-term revenue, margin, and asset values.

Demonstrating this link requires the integration of climate change response into corporate strategy.

All but three of the over 100 CxOs surveyed report that their organisation plans to do this within the next three years.

Creating value through a climate change response requires a proper understanding of risk and opportunity, developing a holistic strategy, integrating responses into operating models and workforce capability, and monitoring and disclosing performance.

Much of corporate Australia is already on this journey. However, to avoid dangerous climate change and capture the massive opportunities from the low carbon transition, action needs to significantly accelerate.

Perhaps the most significant deficit in the climate agenda is hope – without this, we retreat into what we know and act to minimise risk when we should be innovating and investing. Australia's CxOs are overwhelmingly optimistic – 89% agree that with immediate action we can limit the worst impacts of climate change.

Now we need to translate this hope and recognition of the need to respond into concrete action.



Will Symons

**Partner, Risk Advisory
Asia Pacific Climate &
Sustainability Leader**

CxO's apprehensions about the planet's climate have increased over the last several months, as has their optimism that immediate action can make a difference.

The business case for change is compelling and broadly accepted – Australia stands to lose \$3.4 trillion by 2070 if we don't act fast, but could gain \$680 billion with rapid, focused action. However, there are multiple disconnects between business leaders' opinions and motivations, the actions their organisations are taking, and the impact they're having according to Deloitte's survey of over **2,000 CxOs across 21 countries**.

The following report examines **the views of Australian executives** on these key themes and the steps they're taking to meet the challenges and opportunities of climate change.



Key findings:

The majority of Australian executives say their companies are very concerned about climate change (75%) and 74% see the world at a tipping point to act—a number that was 52% in a similar [Deloitte survey](#) taken in early 2021. Their concern is influenced by the impact climate change is already having:

- **Almost all respondents (95%)** indicated their companies have already been negatively impacted by climate change, and about half said their operations have been affected (e.g., disruption to business models and supply networks worldwide).
- **Eighty-nine percent of CxOs** have been personally impacted by a climate event (e.g., extreme heat, worsening storms, fires) over the last 12 months.
- Additionally, **stakeholder groups**—including regulators, shareholders, consumers, and employees—are all adding to the pressure to act.

Yet, there is a prevailing sense of optimism: **89% agreed that with immediate action, we can limit the worst impacts of climate change.**

Business leaders who said they’ve taken at least **four of the five** most substantive sustainability actions serve as a model for tackling sustainability with efficiency and effectiveness, while reaping the benefits in return. Those actions are:

-  *Developing new, **climate-friendly products or services***
-  *Requiring **suppliers and business partners** to meet specific sustainability criteria*
-  *Updating or relocating **facilities** to make them more resistant to climate impacts*
-  *Incorporating climate considerations into **lobbying and political donations***
-  *Tying **senior leader compensation** to sustainability performance*

Disconnects exist between ambitions, actions, and impacts

While companies are acting, they are less likely to implement actions that demonstrate they have embedded climate considerations into their culture and have the senior leader buy-in and influence to effect meaningful transformation.

Additionally, CxOs continue to struggle with the short-term costs of transitioning to a low carbon future. The lowest-ranked benefits of climate strategies cited by CxOs were revenue from both longstanding and new business, and the cost of investment.

Our report further explores the disconnect between ambition and action, as well as steps CxOs can take to start to bridge the gap.

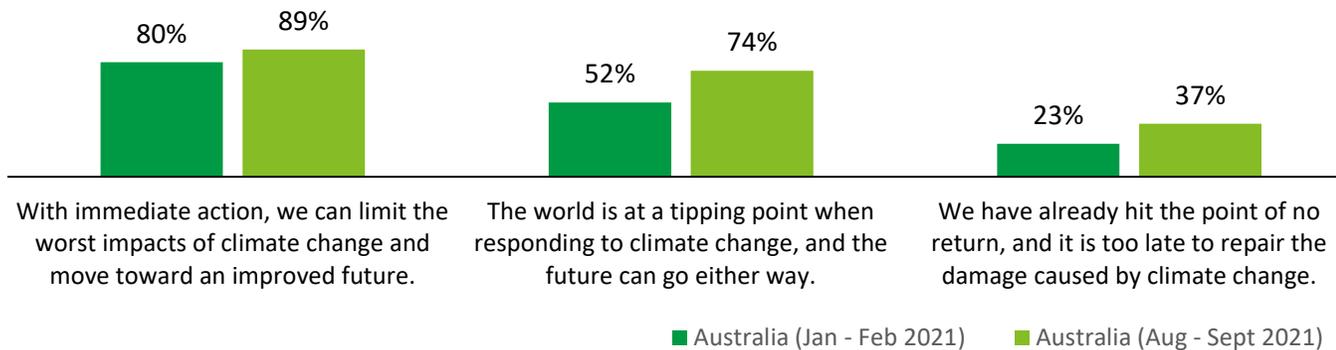


Most executives believe the world is at a tipping point for responding to climate change

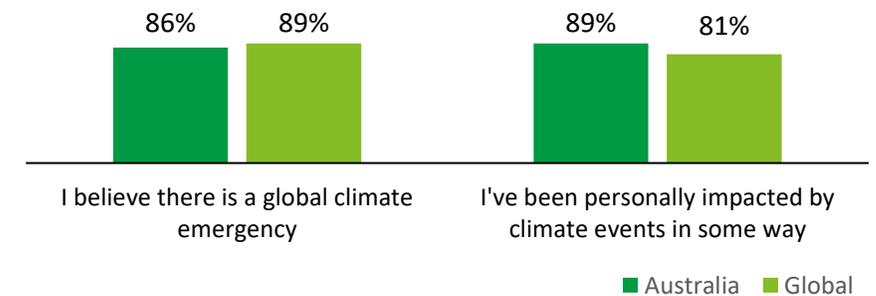
- Concern about climate change has increased over the past few months for CxOs: 74% of Australian executives today see the world at a tipping point for responding to climate change compared to just 52% eight months ago. Despite the gravity of the moment, there is a prevailing sense of optimism as 89% currently (compared to 80% eight months ago) agree that with immediate action, we can limit the worst impacts of climate change.
- Australian CxOs are more likely to have been personally impacted by climate events in some way over the past year compared to global CxOs, citing more frequent and powerful storms, fires, severe drought, and water shortages as particular concerns.



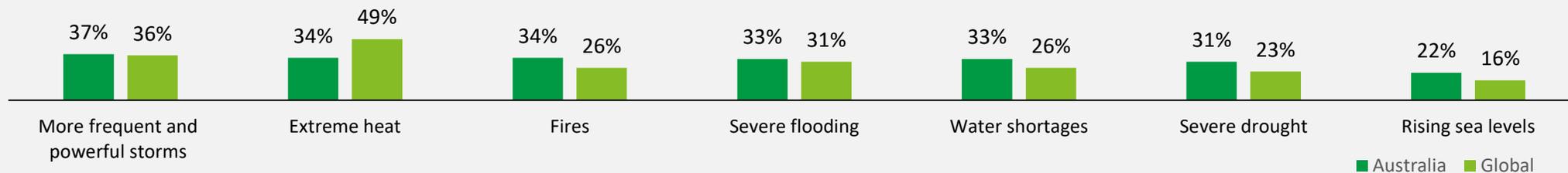
To what extent do you agree or disagree with the following statements related to the environment?



To what extent do you agree or disagree with the following statements related to the environment?



Have you been personally impacted by any of the following in the last twelve months? (select all that apply)

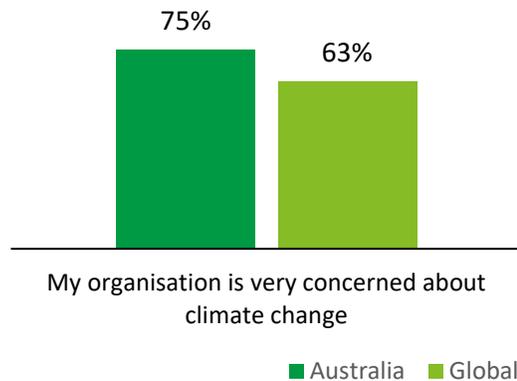


Respondents express concern and say their companies have been affected by climate change

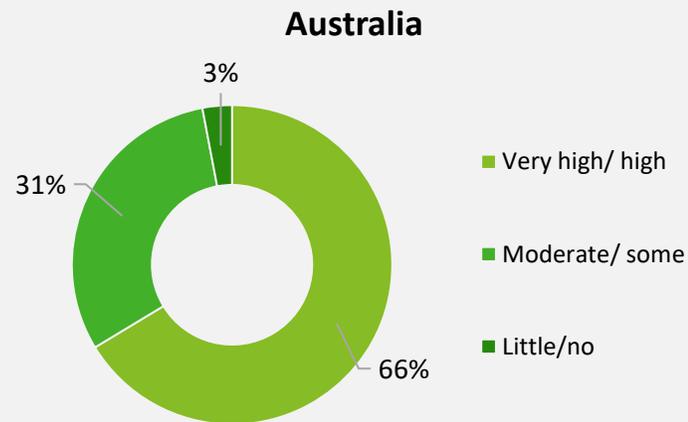
- Seventy-five percent of Australian CxOs say their companies are concerned about climate change; a figure higher than the global average which places them among the top 10 countries polled on concern about climate change. The majority of Australian CxOs are focused on incorporating climate into their strategies and operations over the next three years.
- A majority of Australian executives say their companies are already affected by climate change, citing operational and regulatory impacts, mitigation costs, pressure from society, and resource scarcity.



How concerned is your organisation about climate change?

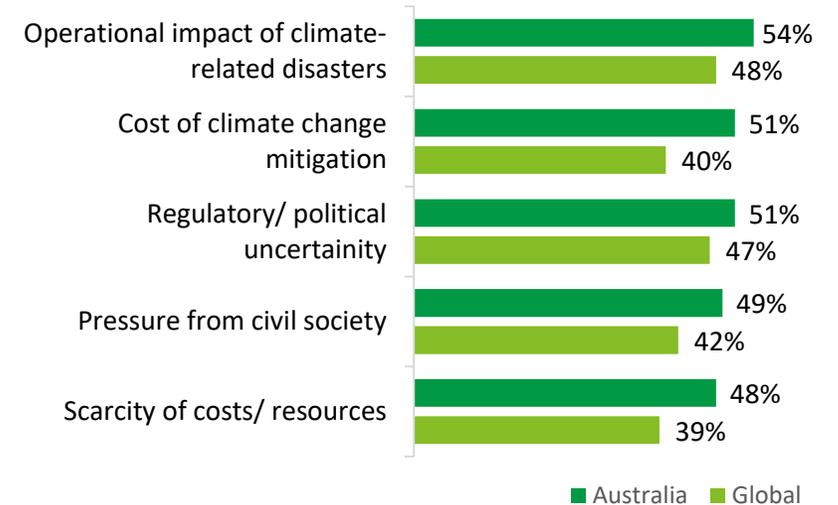


To what degree do you expect climate change to impact your company's strategy and operations over the next three years?



What are the top climate change issues already impacting your business? (select all that apply)

95% of Australian respondents who say their company has already been impacted by climate change (compared to 97% globally)

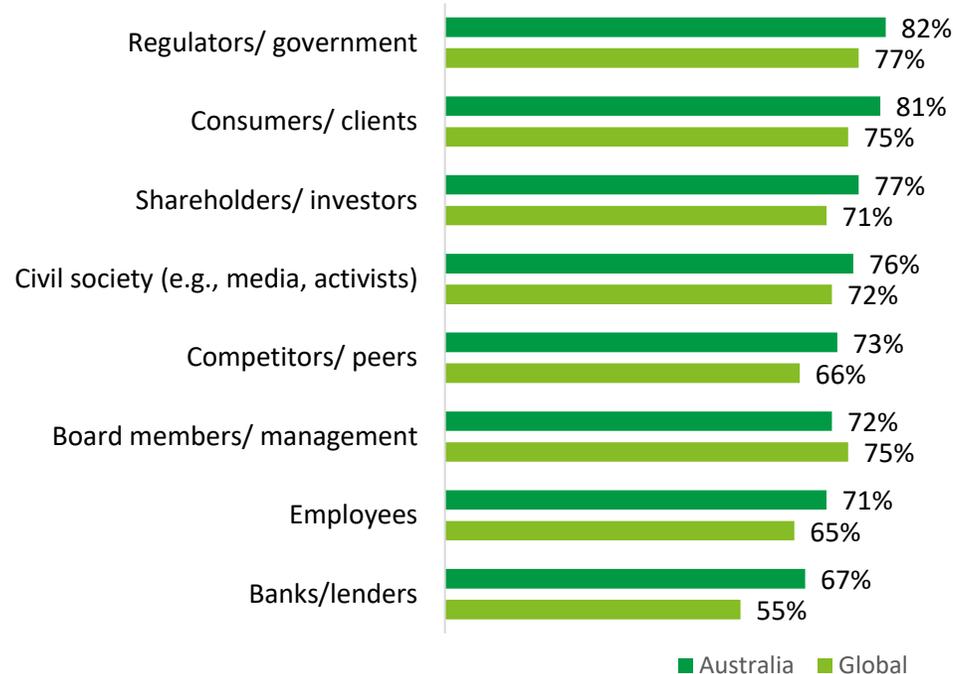


Stakeholders are pressuring companies to act; CxOs believe government also shares responsibility

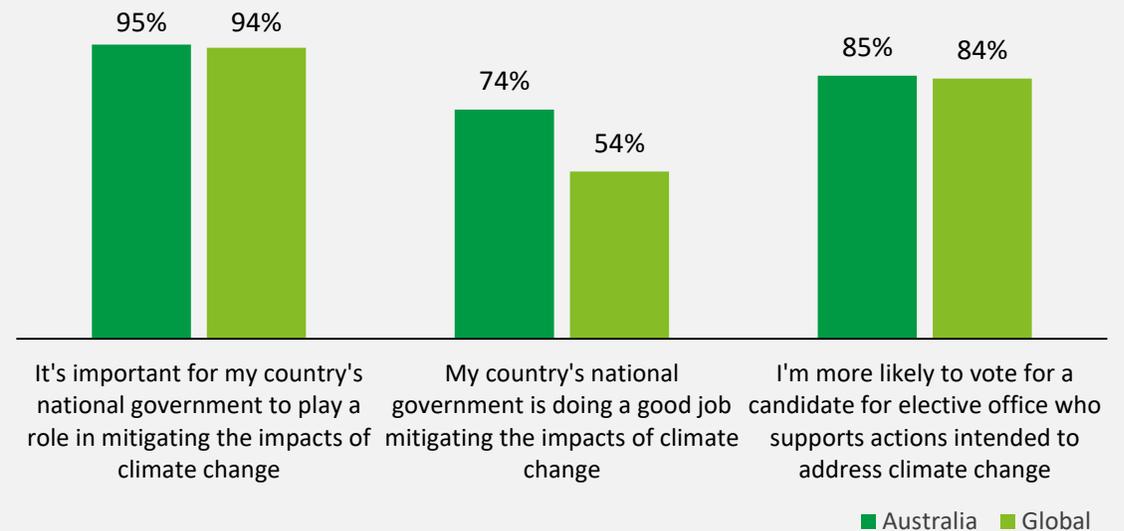
- Australian companies are feeling a moderate-to-large degree of pressure to act on climate from different stakeholder groups. With regulatory and political uncertainty emerging as a key climate issue facing businesses, it's unsurprising that regulators/ government is the top influencer on these issues.
- A majority of CxOs believe it is important for the Australian Government to mitigate climate impacts, noting it would impact their voting choices in elections.



To what extent does your company feel pressure (to a large/moderate extent) to act on climate change from your stakeholders? (select all that apply)



% agree/ strongly agree with the following statements related to government's role in mitigating climate change



There are disconnects between CxOs' ambitions and the actions their companies are taking

- While Australian companies are more advanced than the global average and are much more likely to be implementing the tougher, “needle-moving” actions defined by Deloitte’s analysis, it is clear there is more they can be doing to ensure their actions meet their ambition.
- Companies are less likely to have implemented actions that demonstrate they have embedded climate considerations into their cultures and have the senior leader buy-in to effect meaningful transformation. This includes actions like tying executive compensation to sustainability performance and requiring suppliers and business partners to meet a sustainability criteria.

*Which of the following actions/adaptations has your company already undertaken as part of its sustainability efforts?
(select all that apply of up to 15 actions)*



TOP ACTIONS TAKEN

68%

Using more sustainable materials (e.g., recycled materials, lower emitting products)
Global = 67%

61%

Including monitoring of climate risk in corporate governance processes
Global = 51%

60%

Increasing the efficiency of energy use
Global = 66%

60%

Developing new climate-friendly products or services
Global = 49%

57%

Training employees on climate actions and impact
Global = 57%



HARDER TO IMPLEMENT, NEEDLE-MOVING ACTIONS*

60%

Developing new climate-friendly products or services
Global = 49%

51%

Requiring suppliers and business partners to meet specific sustainability criteria
Global = 46%

47%

Updating/relocating facilities to make them more resistant to climate impacts
Global = 44%

50%

Incorporating climate considerations into lobbying/ political donations
Global = 40%

48%

Tying senior leaders' compensation to sustainability performance
Global = 37%

*As defined by Deloitte’s analysis

Benefits of climate strategy and obstacles that impede impact

- Australian CXOs listed employee morale, brand recognition and reputation, and addressing climate change as the top-three benefits of their climate efforts. The bottom three were all financial – revenue from longstanding businesses, cost of investment, and operating margins – perhaps suggesting CXOs continue to struggle with the short-term costs of transitioning to a low carbon future.
- Australian CXOs were less likely to cite measurement and insufficient supply of low-emissions inputs, and costliness as challenges to driving sustainability efforts, but more likely to be concerned about alienating a subset of their customers or employees.



I strongly believe my company's current sustainability efforts have/will have a positive impact on the following (select all that apply)

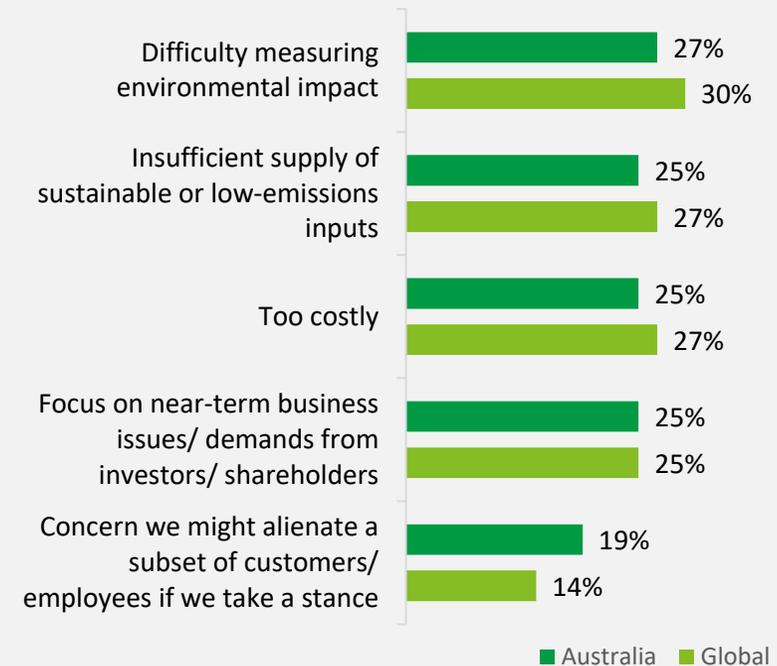
▲ TOP FIVE BENEFITS SELECTED



▼ BOTTOM FIVE



Top five obstacles to driving sustainability efforts (Select top 2)



Climate-leading organisations pursue the future with purpose

The survey data indicates CxOs need to address several disconnects when it comes to their sustainability ambitions and actions versus actual impact. But there are reasons to be hopeful.

The survey revealed a group of leading organisations who have implemented at least four out of five of the “needle-moving” sustainability actions. In Australia, **26%** of respondents are climate leaders.



Developing new climate-friendly products or services



Requiring suppliers and business partners to meet specific sustainability criteria



Updating/relocating facilities to make them more resistant to climate impacts



Incorporating climate considerations into lobbying/political donations



Tying senior leaders' compensation to environmental performance

While each organisation, industry, and region needs to customise its own sustainability strategies, these actions are important markers of leadership as they require having: a mindset that sees both the risks of inaction and the opportunity of sustainability; a culture that embeds climate directly into business strategy; buy-in from senior leaders; and the ability to influence third parties, including business partners, governments, and regulators.

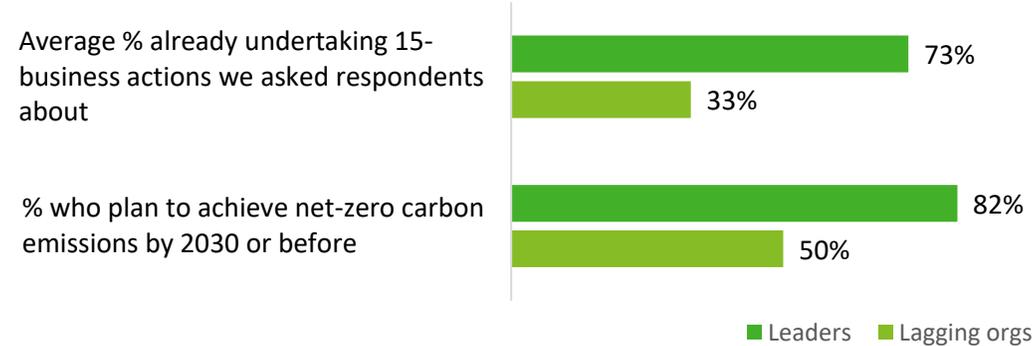
Actions and characteristics that set climate leaders apart

- On the other hand, those organisations who had only implemented one or zero of these leadership actions – **21%** of Australian organisations – have catching up to do.
- The benefits of being a climate leader rather than a lagging organisation are clear, and they are evident in nearly every part of our survey.

Leaders are more concerned*



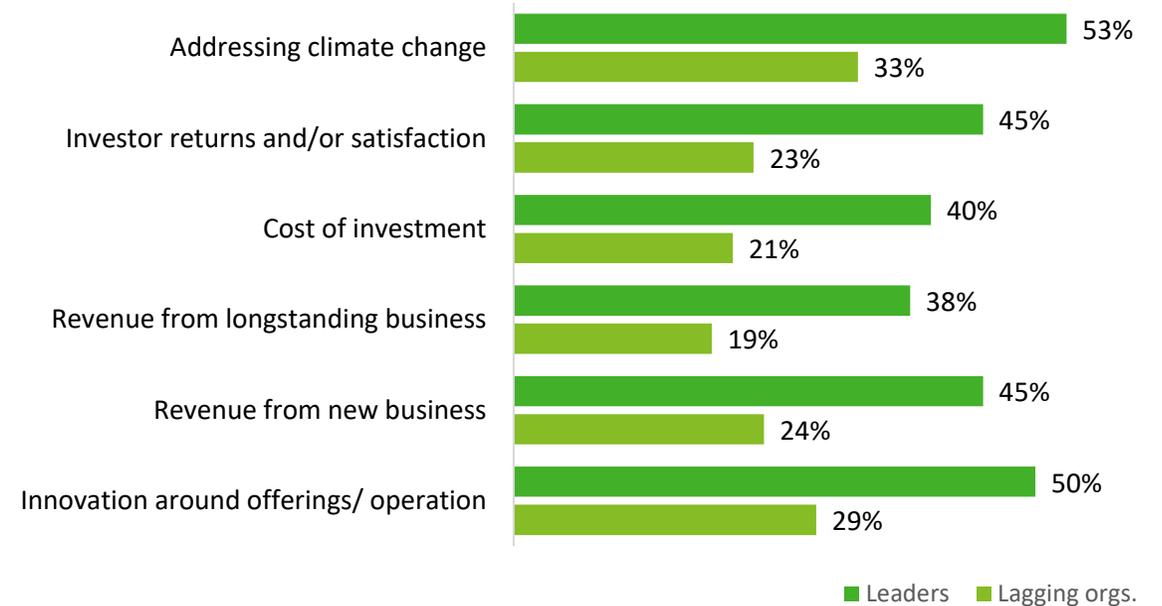
Leaders are more active*



Leaders see greater benefits to their climate strategy*



I believe my company's current environmental sustainability efforts have/will have a positive impact on...



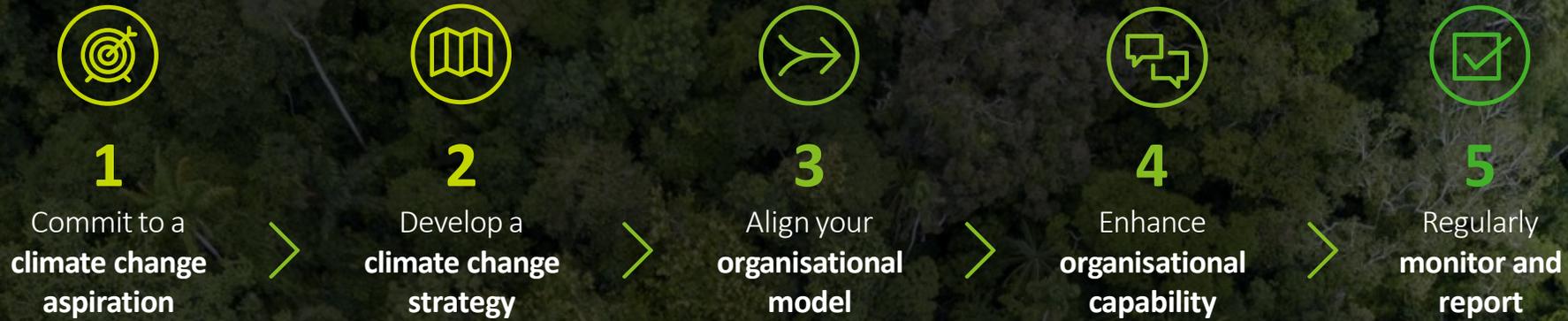
*Note: Graphs on this page represent Global data, not country-level data. Country-level data for leading and lagging organisations would be too small of a number to be statistically accurate.

To meet the climate challenge, entire industries and economies will need to transform. No sector can stand still, and those organisations that don't respond quickly will lose relevance, value and their best employees.

Each company, industry, and region faces unique challenges when developing their climate change response. The climate agenda is new and challenging for many executives – it is clear they want to act, but may not be clear on what steps to take.

Deloitte has supported many of Australia's largest corporates to reduce risks and capture value from the climate agenda. Based on this experience, we have developed a clear, five-step end-to-end climate-led transformation process, provided on the following page.





1

Your climate change aspiration should comprise decarbonisation and adaptation targets addressing the latest climate science and the Paris Climate Agreement. Leaders must be aligned behind it, and it should be actionable and translated into targets aligned with how your organisation creates value. Targets should be set for what you control – Scope 1 and 2 emissions and your broader value chain (Scope 3).

2

Develop a climate change strategy based on a holistic understanding of risks and opportunities – for your assets, people, and operations. This should be aligned with your enterprise strategy and use a range of different future scenarios. It should comprise tactical (now), transitional (next) and transformational (final) initiatives and innovations.

3

Align your organisational model so capital, operating, technology and governance decisions are focused on delivering on your climate change strategy. A portfolio-wide view should be taken, aligning your organisation structure and composition to address identified risks and opportunities and realising value through early divestments and acquisitions.

4

Enhance your organisational capability to enable strategy execution, innovation and transformation. Your leadership will need to be confident and accountable, with the ability to clearly communicate your climate change aspiration, and with incentives aligned with its realisation. Targeted education across the organisation will be critical.

5

Organisations need to regularly monitor and report performance for all stakeholders, including management, regulators, investors, financiers, employees, customers, suppliers and citizens. This should be data-driven, embedded within your existing monitoring and reporting systems, provide clear validation of the efficacy of climate-related initiatives, and enable real-time adjustment of settings to improve performance.

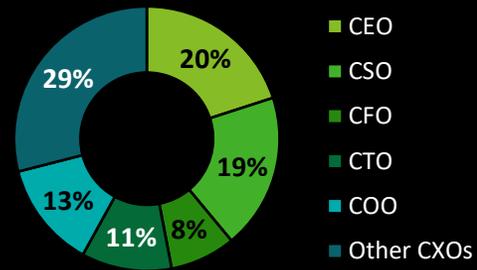
The report is based on a survey of 2,083 C-level executives. The survey, conducted by KS&R Inc. and Deloitte, during September and October 2021, polled respondents from 21 countries: 44% from Europe/South Africa; 31% from the Americas; and 24% from Asia Pacific. All major industry sectors were represented in our sample. Additionally, KS&R and Deloitte conducted select, one-on-one interviews with global industry leaders. We surveyed **102 executives** in Australia.

Australia Country Profile:

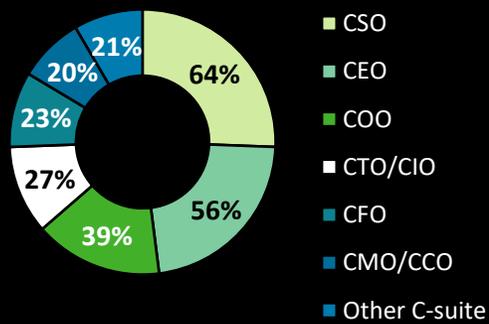
Number of Employees

- <5K: 35%
- 5K to 9,999: 29%
- 10K to 19,999: 19%
- 20K to 49,999: 12%
- >50K: 5%

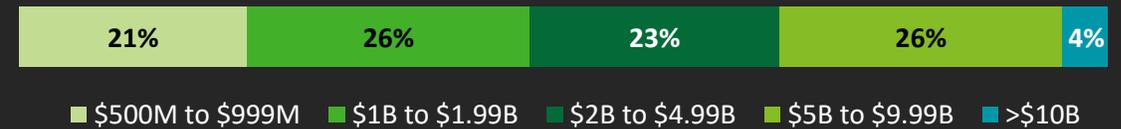
Job Title



Position(s) at your company responsible for climate goals



Revenue (USD)



Industry





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