

Deloitte 2023 CxO Sustainability Report

Accelerating the Green Transition

Germany



Deloitte.

Global summary

Over the last year, global executives have faced a number of challenges, including economic uncertainty, geopolitical conflict, supply chain disruptions, and talent shortages. While the vast majority of CxOs surveyed share the view that the world can achieve global economic growth while also reaching climate change goals, there continues to be a gap between actions and impact as organizations are slower to implement the “nee-

dle-moving” actions that embed sustainability into the core of their strategies, operations, and cultures, according to Deloitte’s survey of more than 2,000 CxOs across 24 countries.

The following deck examines how Germany’s executives stand out from their global counterparts on key themes.



Key global findings

When asked to rank the issues most pressing to their organizations, many CxOs rated climate change as a “top three issue,” ahead of seven others, including innovation, competition for talent, and supply chain challenges. In fact, only economic outlook ranked slightly higher. Many CxOs (61%) said climate change will have a high/very impact on their organization’s strategy and operations over the next three years. Some 75% said their organizations have increased their sustainability investments over the past year, nearly 20% of whom say they’ve increased investments significantly.

CxOs are highly worried about climate change but also optimistic about their climate actions:

- 62% said they feel concerned about climate change all or most of the time.
- Almost all respondents indicated their companies were negatively impacted by climate change in some way over the last year, and 82% of CxOs have been personally impacted.
- Yet, 78% feel somewhat or extremely optimistic that the world will take sufficient steps to avoid the worst impacts of climate change.

Companies are feeling broad pressure to act across stakeholder groups—from the board/management to customers to employees:

- More than half of CxOs said employee activism on climate matters has led their organizations to increase sustainability actions over the last year—24% of which said it led to a “significant” increase.
- Regulation is also influential: 65% of CxOs said the changing regulatory environment has led their organization to increase climate action over the last year.



Organizations are acting, but struggling to move the needle

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

- For example, 21% of CxOs indicate their organizations have no plans to tie senior leader compensation to environmental sustainability performance and 30% say they have no plans to lobby government for climate initiatives.
- Additionally, when asked about how serious certain groups are about addressing climate change, only 29% of CxOs said they believe the private sector is “very” serious.
- And only 46% say that ensuring a “just transition” is “extremely important” to their organizations, and the view of its importance differs greatly by region and country.

Our report further explores the disconnects between ambition, action, and impact as well as steps CxOs can take to bridge the divide and accelerate progress to a green transition.



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01. Germany country profile

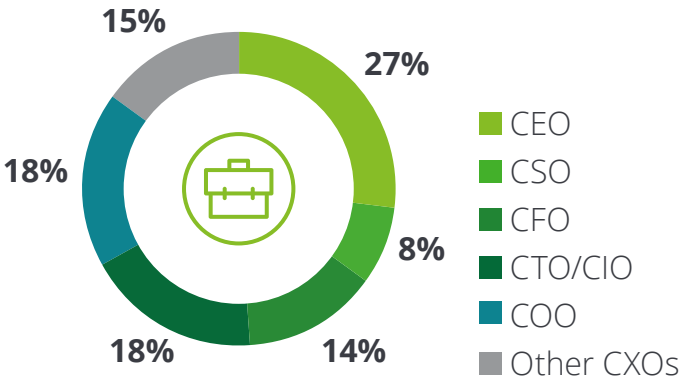
We surveyed 105 executives in Germany.

Germany Business Profile

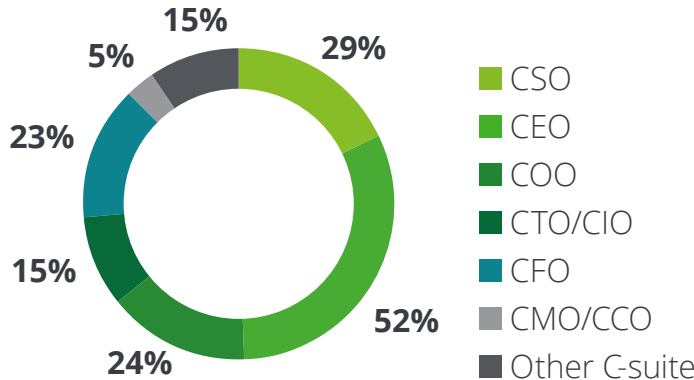


Number of Employees

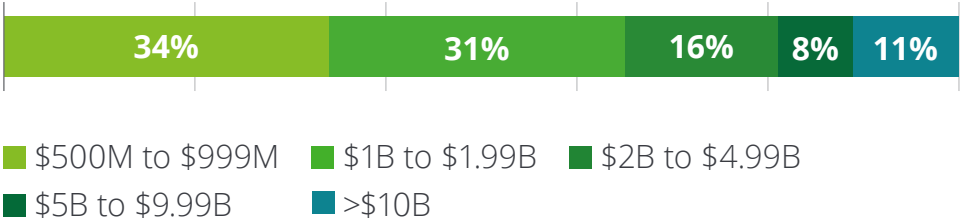
- <1K: 16%
- 1K to 4,999: 29%
- 5K to 9,999: 26%
- 10K to 19,999: 10%
- 20K to 49,999: 8%
- 50K to 99,999: 7%
- >100K: 4%



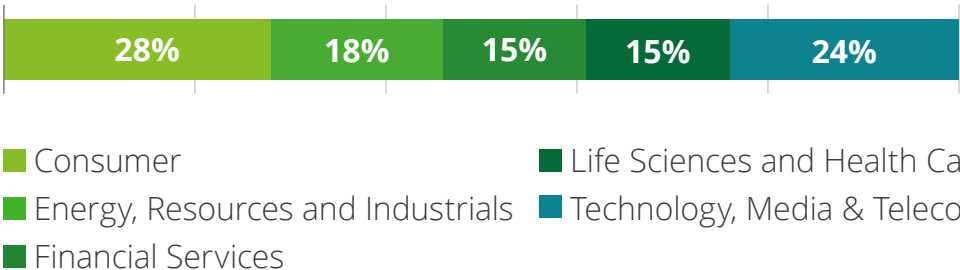
Position(s) at your company responsible for climate goals



Revenue (USD)



Industry



02. Climate remains a top priority despite other pressing issues

- Climate change is one of the top issues in Germany though it ranks slightly below the global average. German CxOs place a greater emphasis on economic outlook and innovation.
- The importance of climate change is seen in German organizations' investments over the last year: 76% have increased their sustainability investments, 20% of which have increased investments significantly. 0% of German organizations surveyed said they decreased sustainability investments.



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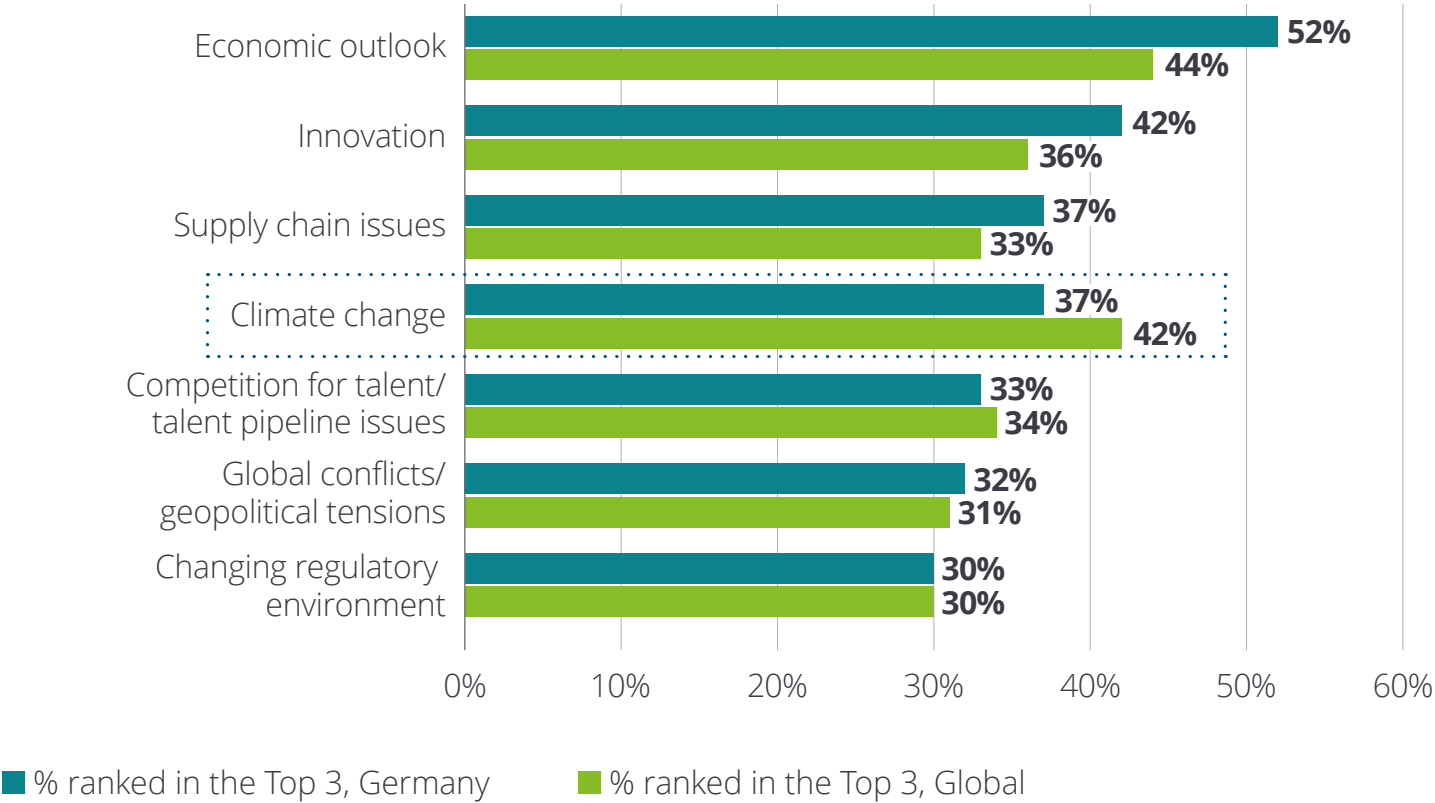
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What does your organization see as the most pressing issues to focus on over the next year? (rank in order of importance)



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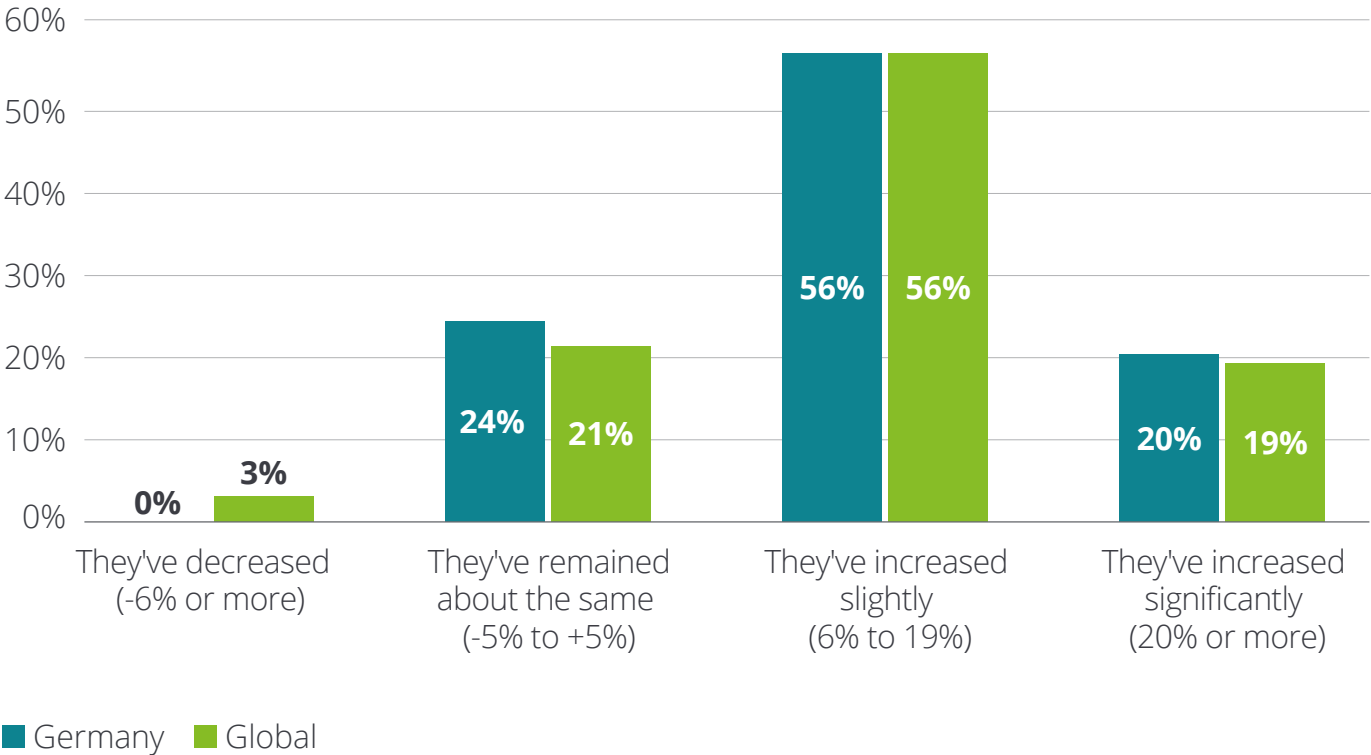
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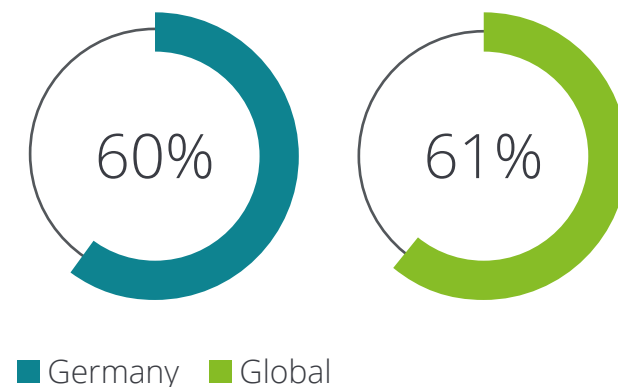
How have your sustainability investments changed over the last year?



03. Organizations feel the impact of climate change

- 60% of German CxOs say climate change is likely to impact their companies' strategies and operations to a "high/very high" degree over the next three years, which is similar to the global average.
- Many German companies are already feeling the impacts of climate change. Over half (and significantly higher than the global average) report being affected by resource scarcity/cost of resources. 41% report being affected by the regulation of emissions and changing consumption patterns.

To what degree do you expect climate change to impact your company's strategy and operations over the next three years? (selected high/very high)



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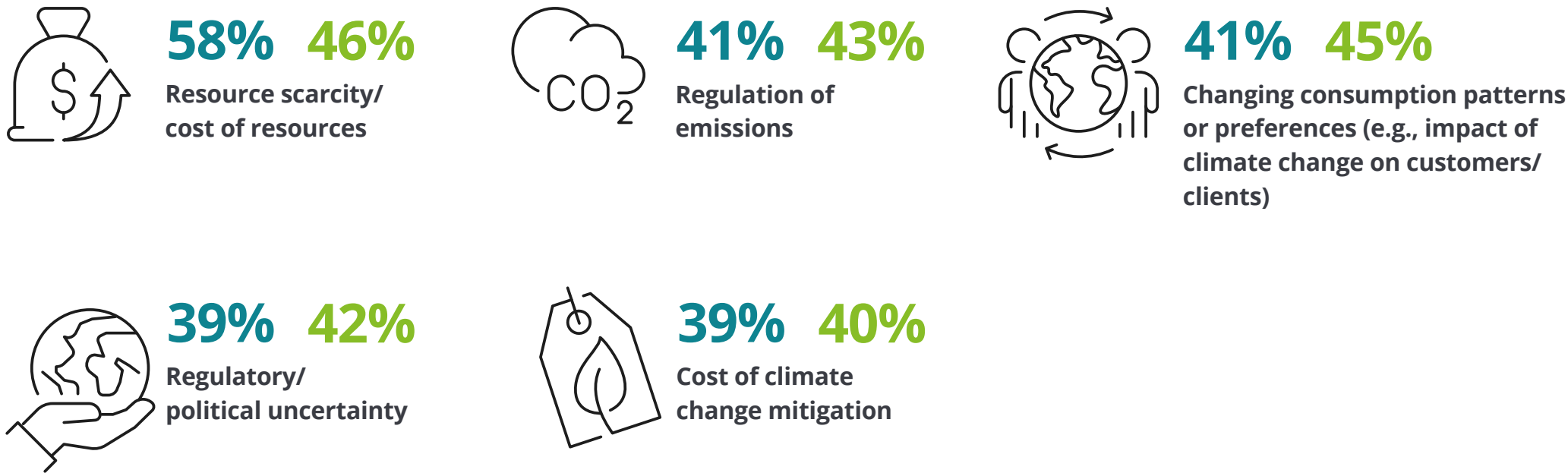
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Top climate issues already impacting companies
(select all that apply)



■ Germany ■ Global

04. CxOs are worried about climate change but optimistic about climate action

- 60% of German CxOs are optimistic that the world will take sufficient steps to avoid the worst impacts of climate change (much lower than the global average). 48% say they feel concerned about climate change all or most of the time (also lower than the global average).
- 81% of German CxOs (compared to 82% of global) have been personally impacted by climate events in some way with extreme heat, water restrictions, and wildfires the most frequently-cited issues.



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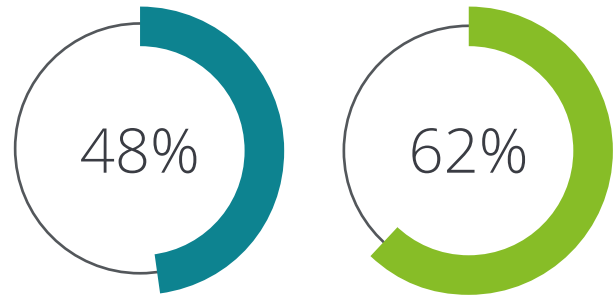
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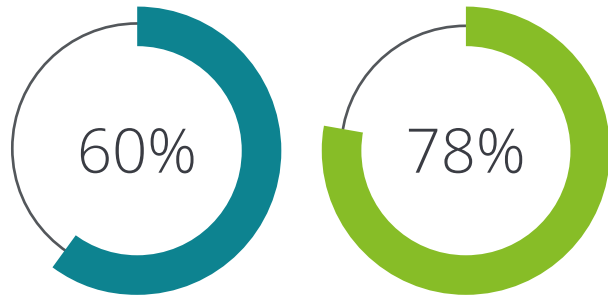
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 Leaders who say they feel concerned about climate change all or most of the time

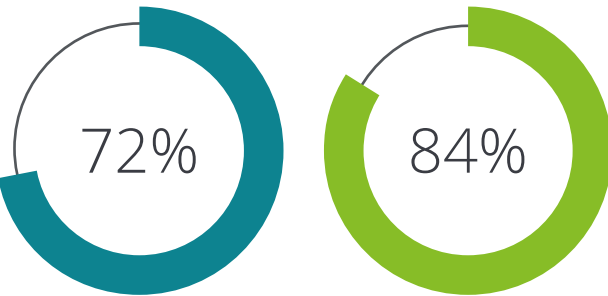


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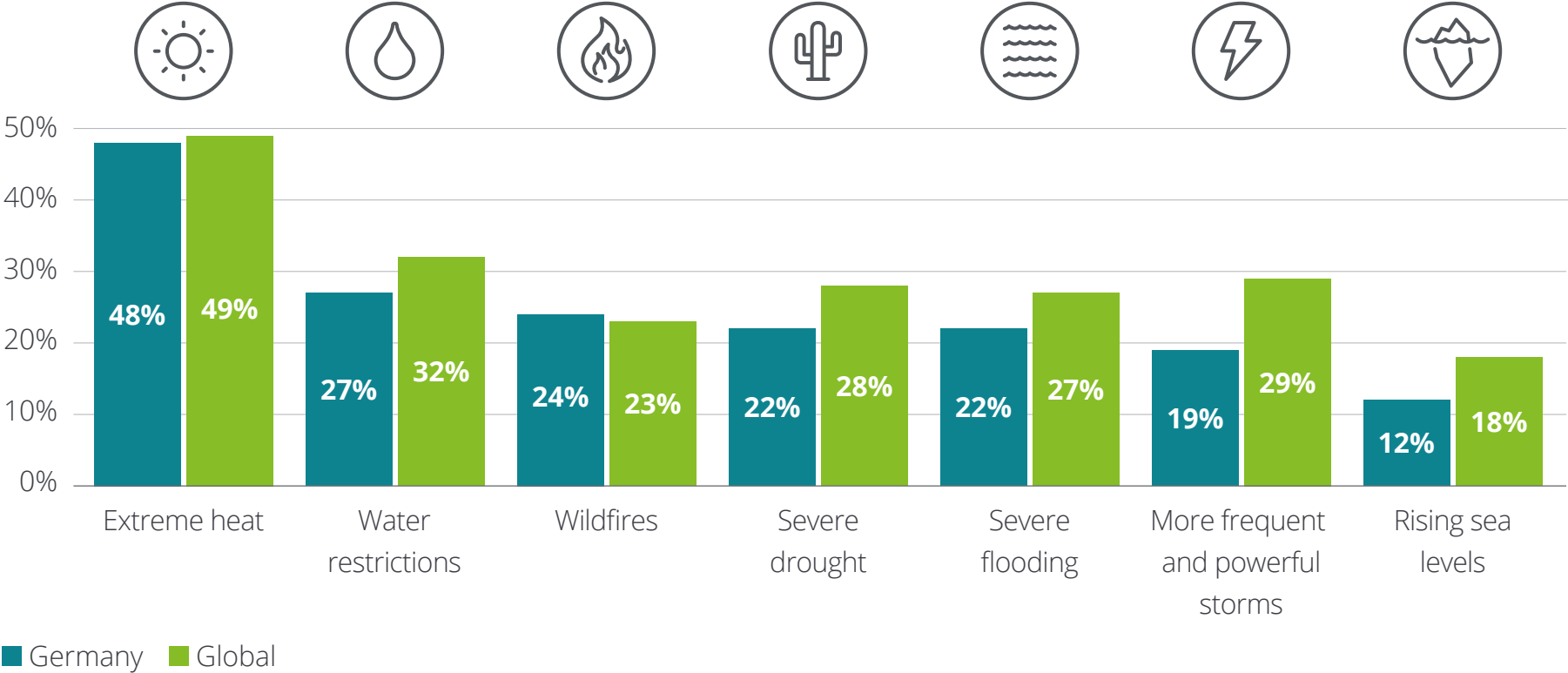
 Leaders who are somewhat/extremely optimistic the world will take sufficient steps to avoid the worst impacts of climate change



 Executives who agree/strongly agree the world can achieve global economic growth while also reaching climate change goals

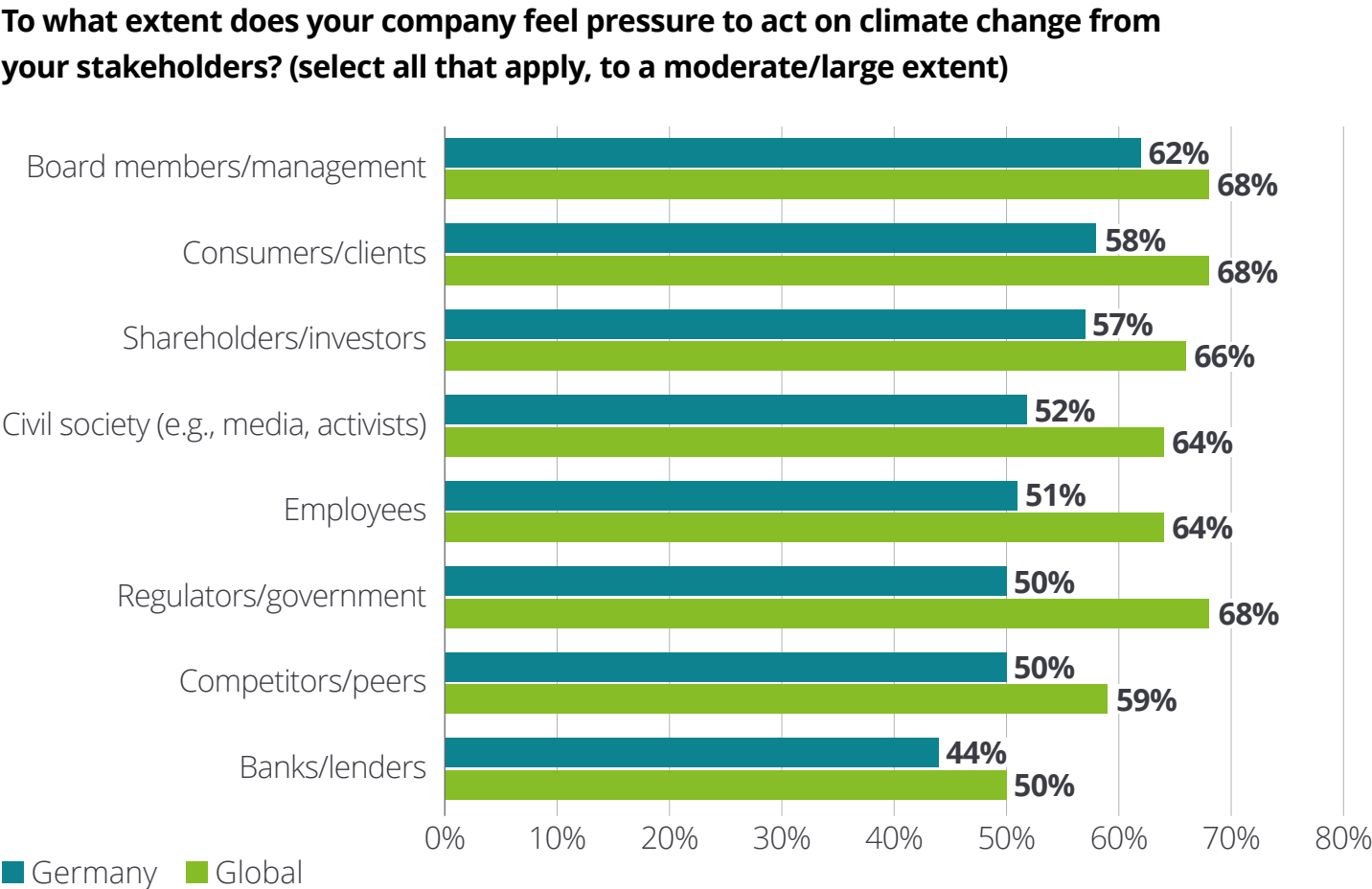


Have you personally been impacted by any of the following in the last year? (select all that apply)



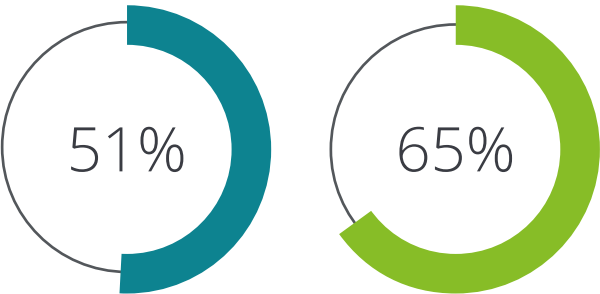
05. Companies feel broad pressure from stakeholder groups

- Although at lower rates than the global average, German companies are feeling pressure from many different stakeholder groups to act on climate change issues. German companies are significantly less likely (compared to the global average) to feel pressure from employees and regulators.
- A majority of German CxOs (though lower than the global average) say the changing regulatory environment has increased their organization’s sustainability actions over the past year. 44% of German executives report employee activism is a cause of more sustainability action (lower than global).

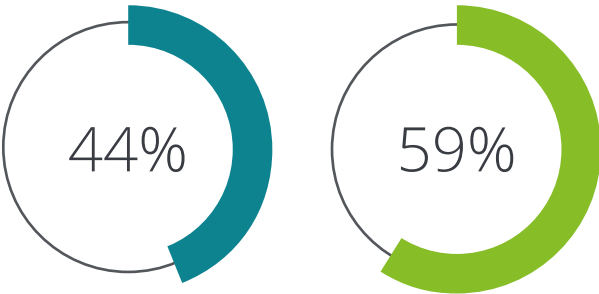




Leaders who selected changing regulatory environment as a matter that slightly/significantly increased their organization’s sustainability action over the last year.



Leaders who selected employee activism as a matter that slightly/significantly increased their organization’s sustainability action over the last year.



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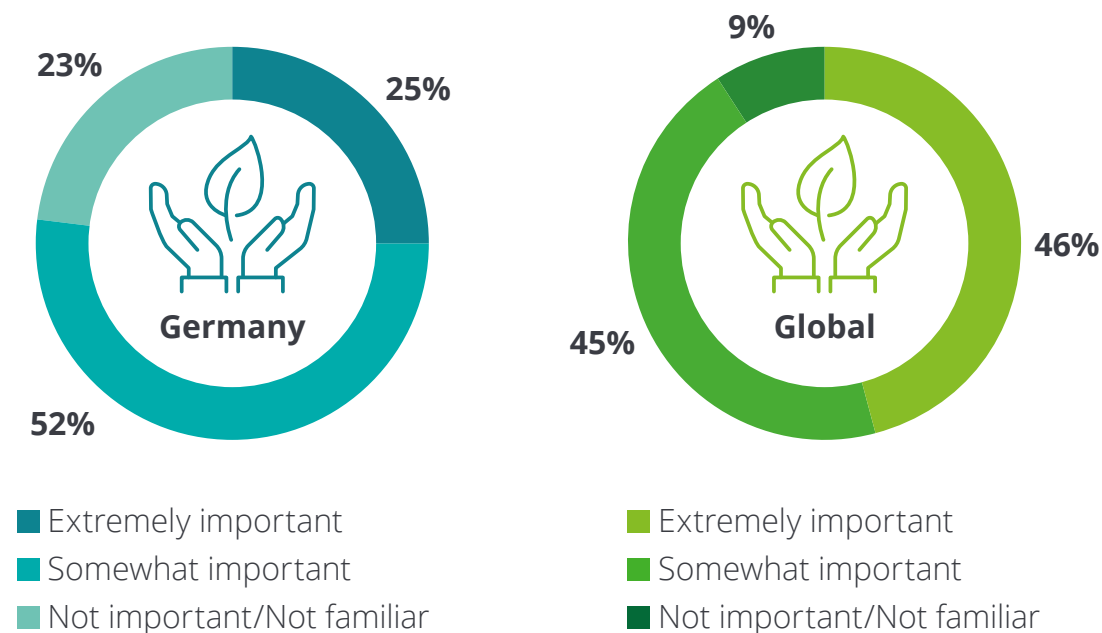
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06. Some organizations express concern about a “just transition”, but focus uneven among countries

- Only a quarter of German CxOs say that ensuring a “just transition” is extremely important to their companies, as opposed to nearly half of the global executives. 23% say it’s not important or they’re unfamiliar with the term.
- As a result, Germany ranks 23rd out of 24 countries on rating a “just transition” as extremely important.

To what extent does climate equity or ensuring a “just transition”^{*} factor into your company’s sustainability efforts?



^{*}A just transition seeks to ensure that the substantial benefits of transitioning to a green economy are shared widely, while also supporting those who stand to lose economically—whether countries, regions, industries, communities, workers, or consumers



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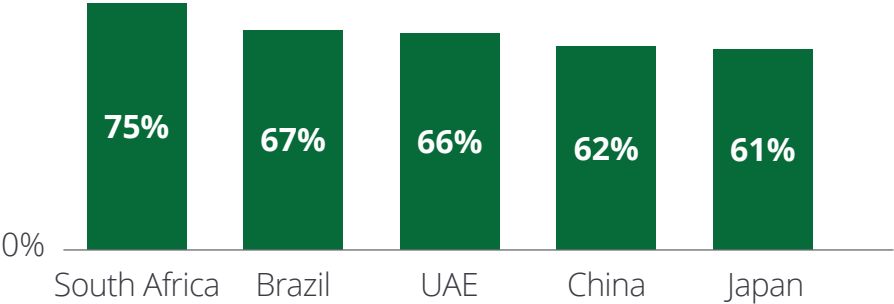
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Countries most likely to see this issue as extremely important



Germany ranks 23rd among countries rating a “just transition” as extremely important

Countries less likely to see this issue as extremely important



07. While organizations are acting, they're struggling to move the needle

- German companies are more likely than the global average to be using more sustainable materials and reducing air travel. They are less likely than the global average to be undertaking some of the “needle-moving” actions defined by Deloitte’s analysis, including tying executive compensation to sustainability performance and incorporating climate considerations into lobbying.
- German CxOs are even more skeptical than the global average about the seriousness of the private sector and governments’ commitments to address climate change.



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

Top actions taken



66%

Using more sustainable materials (e.g., recycled materials, lower emitting products, less plastic material, “circular” products)

➤ Global = 59%

55%

Reducing the amount of air travel

➤ Global = 47%

55%

Increasing the efficiency of energy use (e.g., energy efficiency in buildings)

➤ Global = 59%

53%

Purchasing renewable energy directly, contractually or through green certificates

➤ Global = 44%

50%

Training employees on climate change actions and impact

➤ Global = 50%

Harder to implement, needle-moving actions*



50%

Developing new climate-friendly products or services

➤ Global = 49%

44%

Requiring suppliers and business partners to meet specific sustainability criteria

➤ Global = 44%

38%

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

➤ Global = 43%

28%

Incorporating climate considerations into lobbying/political donations

➤ Global = 32%

24%

Tying senior leaders’ compensation to environmental sustainability performance

➤ Global = 33%

*As defined by Deloitte’s analysis

How serious do you think the following groups are about addressing climate change?



19% **29%**
said they believe the private sector
is “very” serious



11% **28%**
said they believe governments
around the world are “very” serious

■ Germany ■ Global



08. Benefits of climate strategy and obstacles that impede impact

- German CxOs see brand recognition, customer satisfaction, employee morale, and addressing climate change as the top benefits of their sustainability efforts. Like the global findings, German CxOs are much less likely to see the more tangible financial benefits of their current climate efforts.
- German CxOs cite difficulty measuring impact, cost, and lack of customer demand as their top barriers to additional climate action.



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I strongly believe my company’s current sustainability efforts have a positive impact on the following (select top 5)

Top six benefits selected

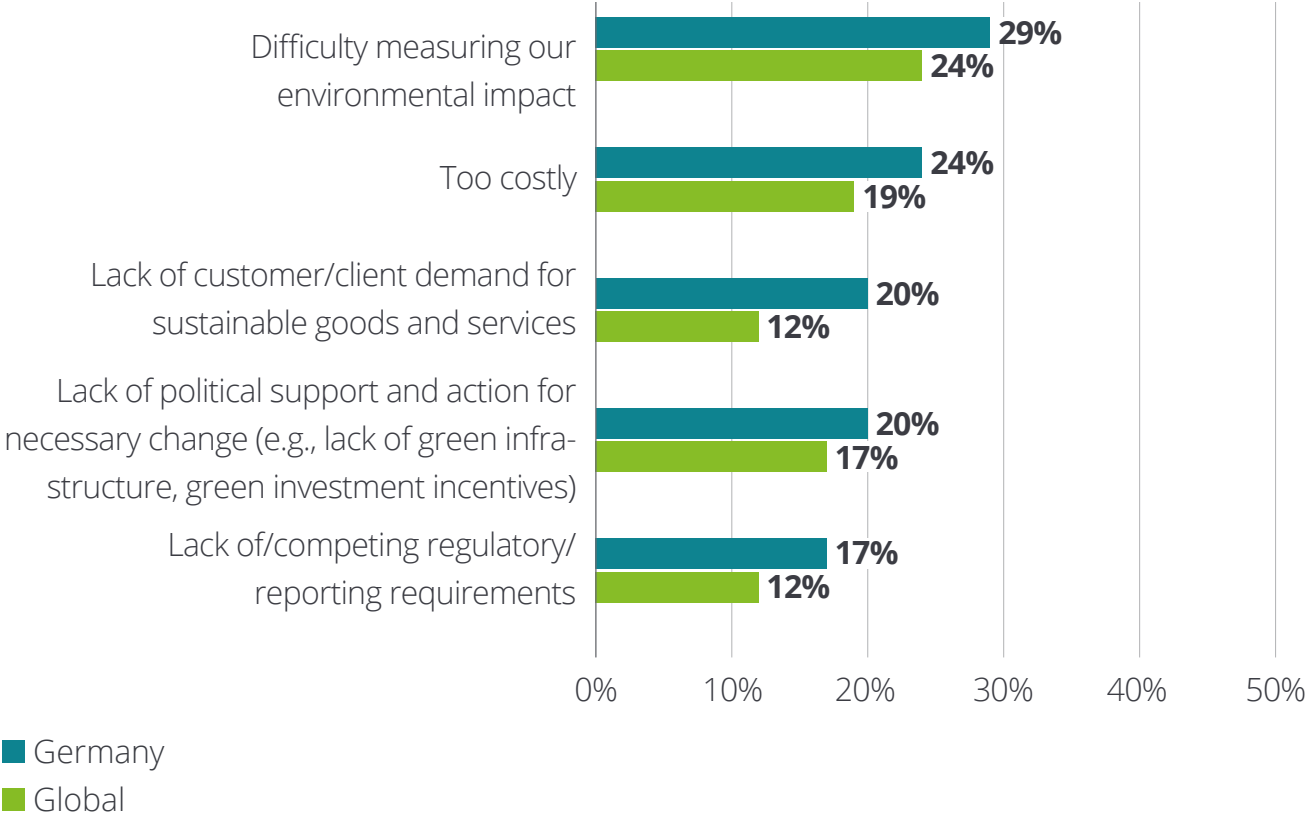
53% Brand recognition and reputation	50% Customer satisfaction (e.g., meeting client expectations)	45% Employee morale and wellbeing	45% Addressing climate change	41% Long-term resilience and financial performance	41% Employee recruitment and retention
➤ Global = 52%	➤ Global = 44%	➤ Global = 42%	➤ Global = 40%	➤ Global = 37%	➤ Global = 38%

Bottom six

27% Operating margins (e.g., cost efficiency and productivity)	27% Cost of investment	26% Investor returns and/or addressing expectations	25% Revenue from new businesses (e.g., new offerings/geographies)	22% Asset values (e.g., intellectual property and operating assets)	22% Revenue from longstanding business
➤ Global = 33%	➤ Global = 24%	➤ Global = 31%	➤ Global = 29%	➤ Global = 25%	➤ Global = 23%



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



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