

RESEARCH BY LRQA

Research report

Climate focus

Analysis and insight into environmental trends from an international survey of sustainability professionals.



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Executive summary

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Sustainability is an area of focus that has rightfully found its place at the centre of strategy for global businesses of all sizes and sectors. Organisations that do not act fast and make it a strategic business priority are risking their future.

The need to understand the level of global organisational preparedness in relation to climate challenges is critical.

Investors, clients and employees are putting environmental issues front and centre when making decisions about the companies they engage with. Rising shareholder and consumer activism, as well as escalating regulation, mean that it is no longer enough to simply state ambitions or good intentions. Increasingly, there are expectations of transparent, independently verified reporting.

Our conviction is that a commitment to environmental concerns has the potential to provide businesses with a competitive advantage.

A verified, measurable demonstration of commitment and action will start to impact the way customers choose brands, businesses and investors choose their partners, and talented employees choose their place of work. And already, businesses are feeling the reputational benefits being of a committed, environmentally sustainable enterprise.

There are also benefits to being ready for what is becoming an increasingly complex regulatory environment, so that the focus can be on doing business, not on preparation. Being able to provide assurance that you are meeting the goals being set across the supply chain will become business critical and essential to maintaining a strong brand reputation.

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In this survey, we strived to gather an understanding of how confident businesses are in their preparedness for environmental sustainability across their organisation and when it applies to their supply chain.

We also wanted to know how they measure their environmental commitments, and if they faced any significant barriers to the verification of data and the implementation and understanding of environmental issues within their organisation.

Businesses that are committed to demonstrating their efforts to protect the environment are discovering a competitive advantage. In exploring some of the main themes from the survey results, this report from LRQA indicates the sources of that competitive advantage.

The survey at a glance

- Research carried out in 2022.
- Sample size of: 1,123 individuals globally (13 industries across 11 nations) all with specific responsibilities related to sustainability within their organisations.
- Nations polled were: China, France, Germany, Italy, Japan, Netherlands, Singapore, Spain, Thailand, UK and USA.



A commitment to sustainability has the potential to provide businesses with a competitive advantage.

Executive summary

Key take-aways for companies and investors that have set climate goals

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1

Barriers remain in relation to understanding and addressing sustainability issues within organisations, both in terms of knowledge and resource.

2

The need for independent, third-party verification of measurable environmental commitments and performance is expected to grow. The authenticity and reliability of this data will be central to investor decision making and brand reputation.

3

The complexity of sustainability is proving to be a significant barrier to businesses adopting processes and addressing the considerable risks and opportunities it presents.

4

More understanding and support for environmental issues are required at board level if proper resources are to be released.

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Global overview

93%

of respondents identified at least one main barrier within their organisation to continued progress against environmental goals.

75%

of respondents expect to see independent verification grow over the next five years.

75%

of respondents are least confident in climate change and environmental management goals compared to other areas.

46%

of organisations are now having their data independently verified.

38%

of the organisations we spoke to are currently using at least one internationally recognised standard to drive progress.



Levels of confidence

We asked businesses about their preparedness for environmental sustainability. How confident are they in themselves and their supply chain?



General findings & analysis

Topic 1. Confidence

75–76%

Confidence is lowest around climate change and environmental management goals (75% and 76% respectively), with less than a third of respondents ‘very confident’ that their business is prepared in these critical areas.

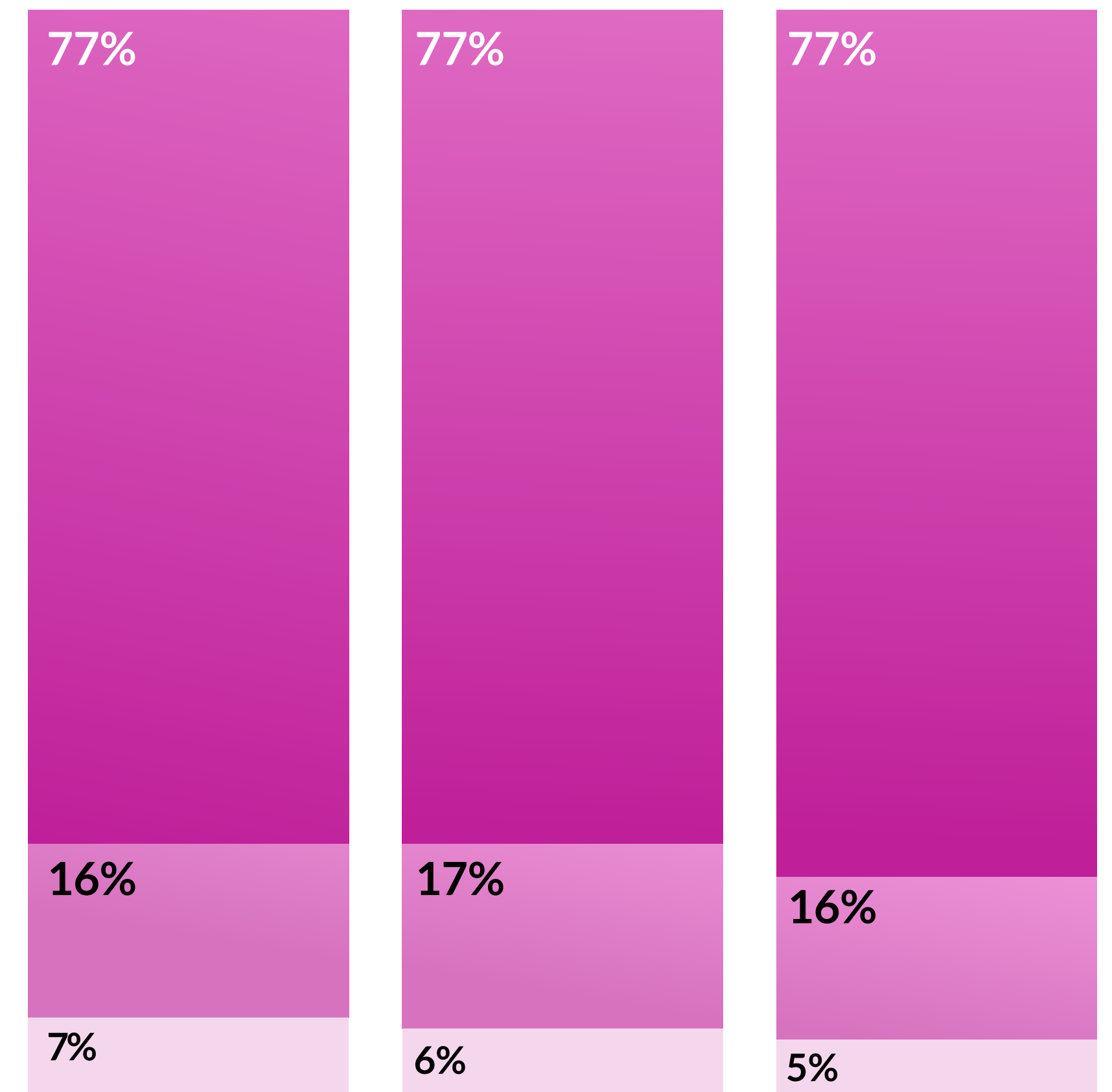
23–25%

23-25% of respondents didn’t agree that they were confident in their organisation’s preparedness.

75–80%

75-80% of survey respondents said they are confident that their business has preparations in place to address key environmental objectives.

All responses



Confidence in business preparedness for environmental issues

Confidence in supply chain preparedness for environmental issues

Confidence to ensure supply chain meets environmental commitments

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LRQA expert viewpoint by Heather Moore | Sustainability Specialist

There is an encouraging degree of confidence in organisational readiness for the sustainability journey and all it entails. The lower levels of confidence in relation to climate change and environmental management goals reflect the magnitude of the challenges presented, and the speed with which action is required to achieve global net zero goals.

For those businesses that responded as lacking in confidence, it is arguable that this is due to a recognition of the lack of knowledge and understanding of environmental issues across their organisations.

There is also an awareness of the enormity of the task at hand in obtaining good quality data on which business strategy and planning can be based.

While companies clearly feel they are confident about addressing environmental issues in their supply chain, in actuality we are seeing very limited engagement on this topic. We believe a lot more work is needed and the true depth of what this requires is still only becoming visible.

Having robust management systems in place – certified to international standards such as ISO 14001 – enables an organisation to identify and manage the risks and opportunities presented by sustainability, and gather accurate data on which to make business decisions. From these strong foundations, organisations can be confident in managing the risks and realising the opportunities presented, from which they can derive competitive advantage.

From this position, they can answer the questions of investors and other stakeholders with confidence, building trust and strengthening brand reputation.

We also need to continually take account of political movement in parallel with these areas. Investors and regulators continue to be key drivers in relation to environmental challenges and the change required at an organisational level.

Heather Moore
Sustainability Specialist



Industry findings & analysis

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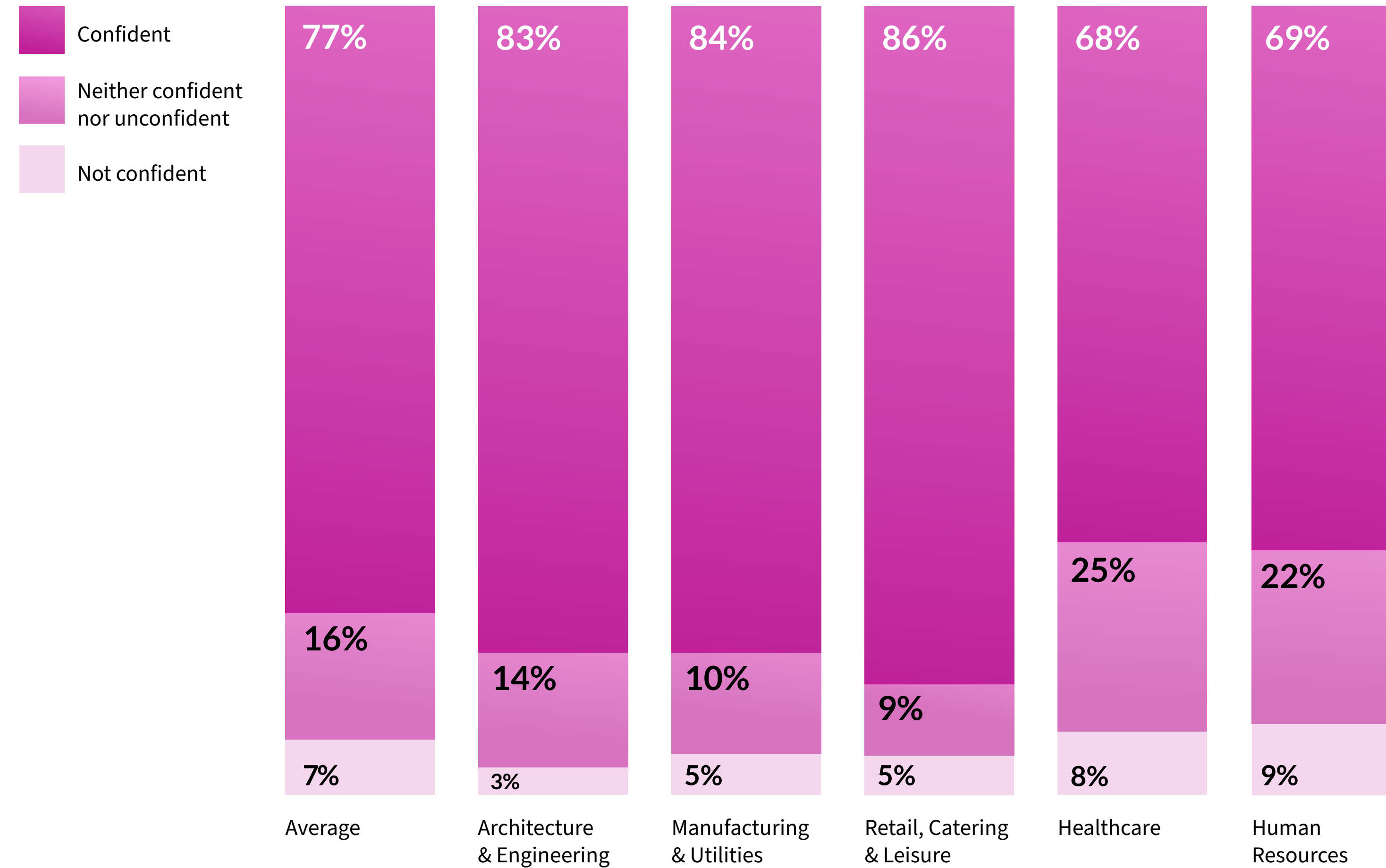
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Topic 1. Confidence

'Architecture & Engineering', 'Manufacturing & Utilities' and 'Retail' expressed highest levels of confidence, reporting **83%**, **84%**, and **86%** vs the **75%** average.

A selection of industries



Industry findings & analysis

Topic 1. Confidence

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LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

The results demonstrate that the environmental areas that are materially significant for an organisation vary by industry.

For ‘Manufacturing & Utilities’, environmental performance has historically been heavily regulated, driven by the need for pollution control and cost efficiencies. ‘Architecture & Engineering’ and ‘Retail’ are not highly regulated industries but may have other incentives from stakeholders.

Meeting these new challenges is closely connected to improvements in technical systems and new technologies. These are industries familiar with and more comfortable in realising results in these areas, and this is reflected in their confidence.

Industries that have seen less pressure from stakeholders with respect to sustainability have lower levels of confidence, which is reflective of their position at the start of the journey to address their environmental challenges.





Measuring the impact

We asked how businesses are monitoring their environmental commitments, from internal audit to independent certification and verification.



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Topic 2. Measurement

<50%

Less than half of respondents have implemented internationally recognised standards to any environmental topic.

46 vs 55%

Interestingly, more organisations require their supply chain partners to have third-party verification (55%) than have implemented it within their own organisations (46%).



LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

For all the confidence that organisations say they have in their readiness to progress on their environmental journey, there is a worrying absence of common standards and a high proportion of organisations utilising only internal auditing for quality control.

Where organisations do not align themselves with internationally recognised standards or open their doors to competent external verification, there is a lack of clarity in the robustness of mechanisms in place to prepare for emerging legislation. This is particularly relevant in today's fast-changing, geopolitical and economic landscape.

It was encouraging to learn that certification to internationally recognised standards was being employed in all the key areas of sustainability. However, with less than half of the respondents working to such standards in each subject

area, there is a concern that common methods and analytics may not be applied, leading to inconsistency and a lack of comparability. There is significant room for improvement on this subject.

In March 2022, the U.S. Securities and Exchange Commission (SEC) proposed rule amendments to the disclosure of climate-related financial risks for public companies, which included a requirement for greenhouse gas emissions reports to be independently verified by a specialist third-party. This was designed to address fragmented and inconsistent risk disclosure practices by delivering consistency, reliability, comparability and transparency, benefiting both investors and risk disclosure specialists.

It is certainly true that industry is still a long way from globally recognised standards for many of the areas of environmental sustainability.

But, with robust management systems to measure progress, as well as independent certification and verification, businesses that embed sustainability into their strategy will be ready for future changes. They will also be in a position to respond to their stakeholders with information that has been assured. In doing so, they build trust with key audiences including current and future partners.

By requiring more action and new digital methods of certification and verification across their own organisations and supply chains, respondents have shown that more transparency helps create a clearer picture of the full performance of the value chain in respect to sustainability. They also indicate that greater scrutiny puts them in a position to manage wide-reaching improvement.

Industry findings & analysis

Topic 2. Measurement

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61%

'Manufacturing & Utilities' showed the highest level of third-party verification (61%) against the average (43%).

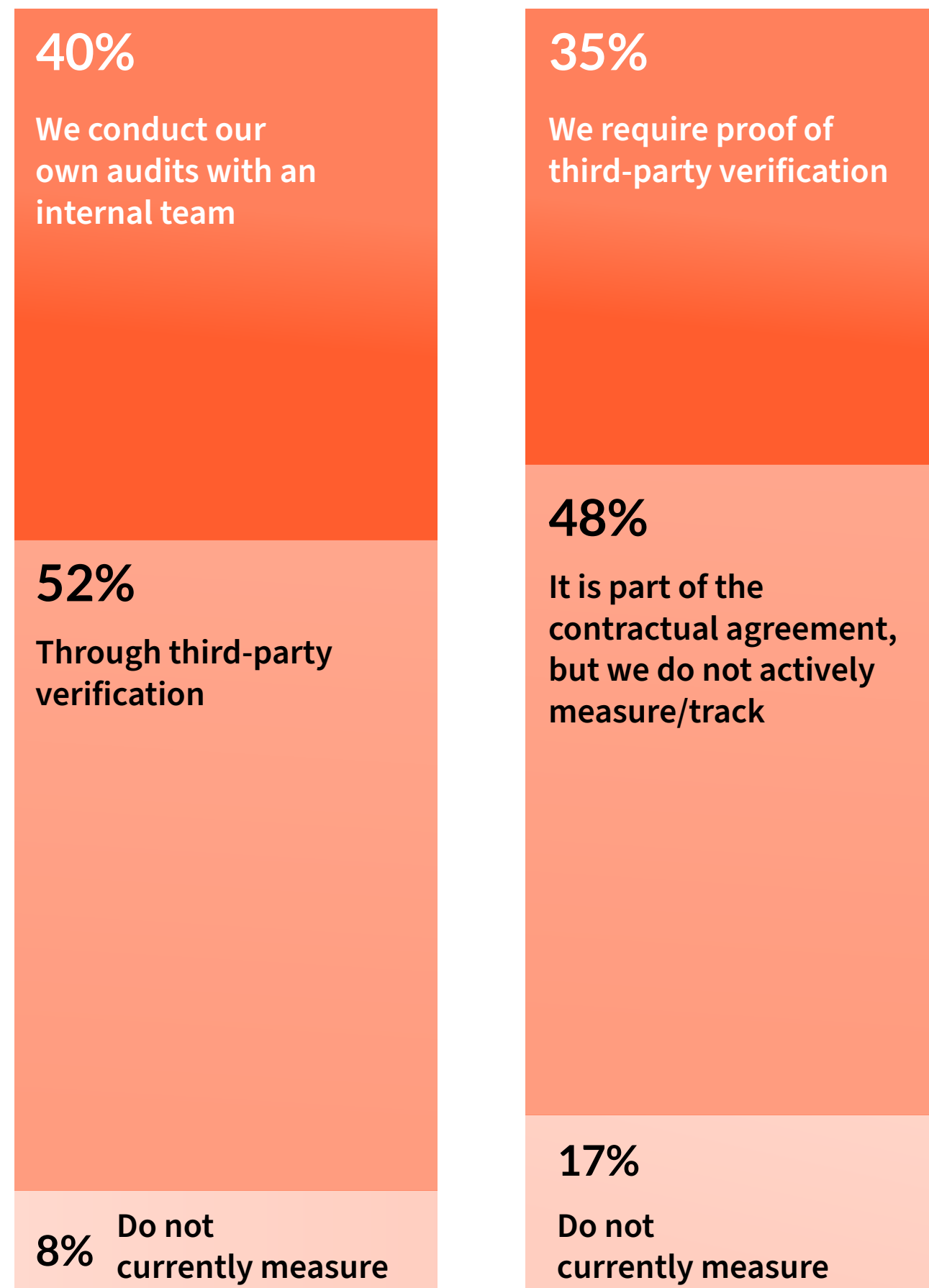
35%

'Travel & Transport' engaged with their supply chains the least, with 35% of respondents requiring proof of third-party verification.

66%

'Sales, Media & Marketing' engaged with their supply chains the most, with 66% requiring third-party verification (vs 55% average).

'Travel & Transport' measurements



How do you measure your environmental commitments?

How do you measure your supply chain's environmental commitments?

Industry findings & analysis

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LRQA expert viewpoint by Heather Moore | Sustainability Specialist

There are certain findings here that are not surprising. The fact that the ‘Manufacturing & Utilities’ sectors are less likely to rely purely on internal audit is almost certainly because these industries have been more heavily regulated. Therefore, they are more in tune with the need to seek out third-party verification against key targets, such as greenhouse gas emissions.

Additional pressures - particularly those from consumers, supply chain partners, and employees - are now waking up industries that have not been so heavily regulated in the past.

It’s also interesting to note that ‘Travel & Transport’ - despite potentially having high impacts on reducing greenhouse gas emissions - have engaged with their supply chain the least. This means they have further to go to address the complete picture and demonstrate their commitment to the full range of stakeholder groups.





Driving progress through certification and verification

We asked which environmental subjects businesses were using certification and verification for, and what barriers were stopping them from ensuring complete verification of their commitments.



General findings & analysis

Topic 3. Certification and verification

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38%

Internationally recognised standards are being adopted across the sustainability agenda to help drive progress.

38% of the organisations we spoke to are currently using at least one standard to drive progress.

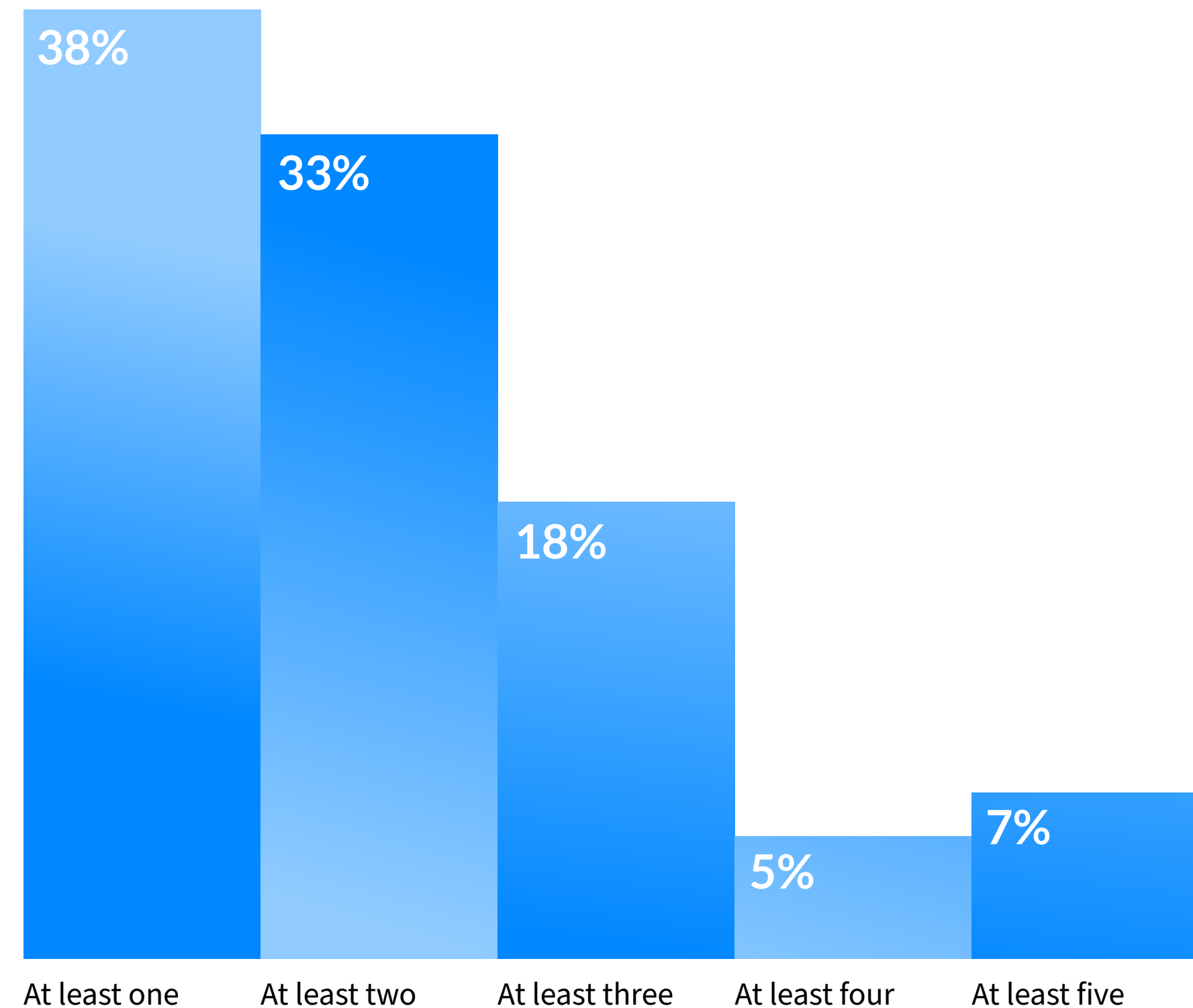
46%

There is a similar pattern when looking at adoption of third-party verification of data.

46% of organisations are now having their data independently verified, but this still leaves a significant proportion of organisations across many industries with improvements to make.

All responses

The number of environmental topics that are having progress driven by certification.



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LRQA expert viewpoint by Heather Moore | Sustainability Specialist

Two of the more important outcomes of using certification and verification to support sustainability claims is the establishment of trust and demonstration of transparency. Knowing that an organisation's data and reports have been independently verified provides assurance that the organisation's actions are appropriate and their claims are trustworthy.

As businesses move to reassure stakeholders, independent and measurable verification is going to be business critical. Using standards that are supported by independent verification ensures a company is identifying and taking action on the complete range of risks and opportunities presented.

It also means that the data which is reported or being used to guide key business decisions is materially correct, avoiding the reputational and financial risks of reporting inaccurate data or making investments in the wrong areas.

Management system standards also drive continual improvement. They help companies detect areas for improvement, monitor and document their progress. They also make it possible to demonstrate not just transparency, but levels of performance measurable against the competition.

Industry findings & analysis

Topic 3. Certification and verification

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50%

Participants in the 'Manufacturing & Utilities' and 'Architecture & Engineering' groups reported the highest levels of certification to drive progress, fairly evenly, at around 50% for both vs 38% average.

40%

Similar results were echoed in use of verification, with 'Manufacturing & Utilities' and 'Architecture & Engineering' reporting above average (40% vs the 30% average).



LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

It is perhaps not surprising that certification and verification are most heavily utilised in those industries that have long and complex supply chains.

You are only as sustainable as your weakest link. Strong, sustainable supply chains give you reassurances around areas like continuity and quality of supply. And we are seeing major brands push their suppliers to adopt higher levels of sustainability.

Most organisations have large and complex supply chains, and therefore need external parties to provide independent certification and verification to internationally recognised standards. This will give them an accurate and on-going picture of their performance in relation to environmental concerns.

Businesses with verified and certified sustainability credentials will become a more attractive partner to large buyers; a competitive advantage.



Barriers to progress remain

We asked businesses what the main barriers were to achieving progress in environmental topics.



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Topic 4. Main barriers

93%

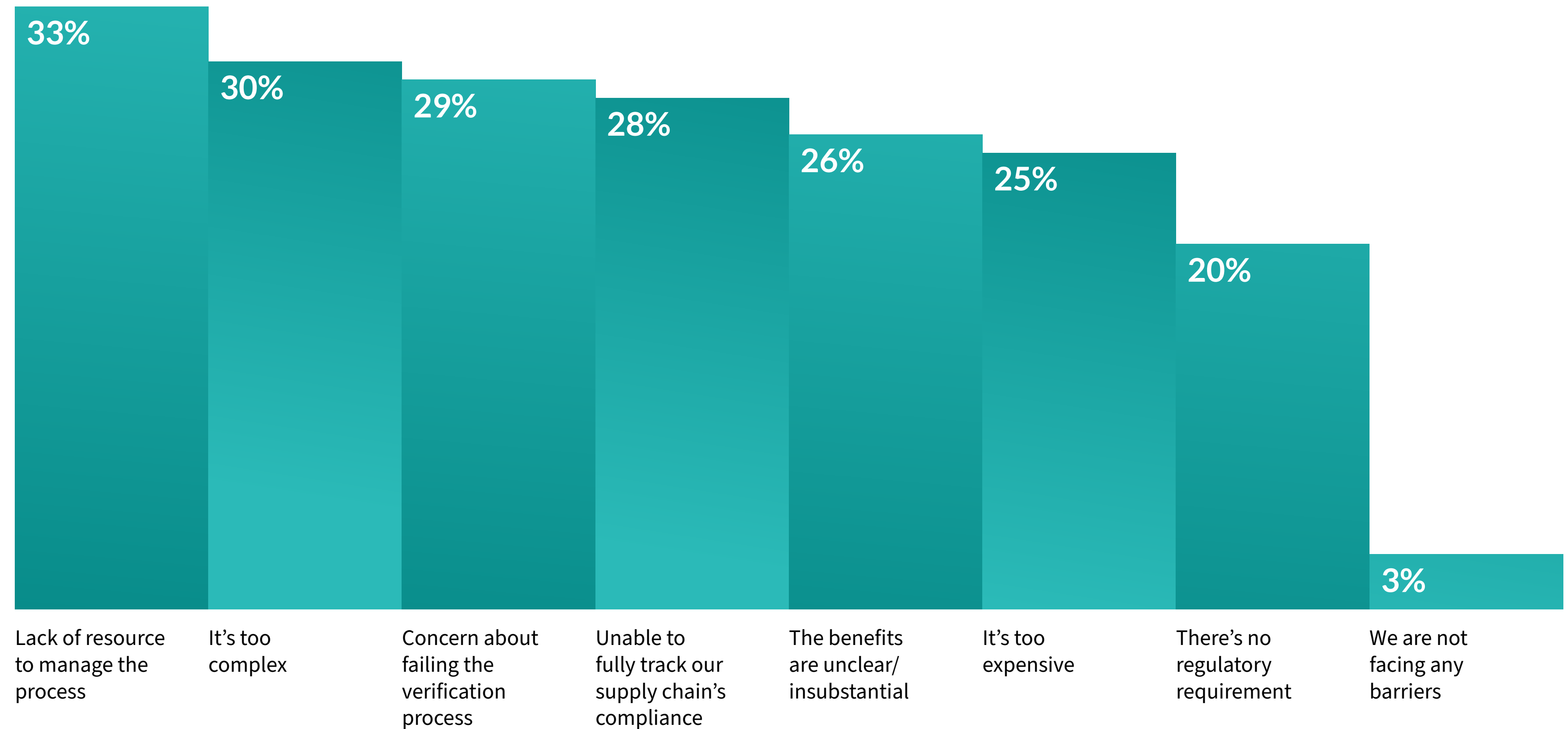
Sustainability leads continue to face internal barriers within their organisations with as many as 93% of respondents were able to identify at least one main barrier to progress.

25-30%

Surprisingly, around 25-30% of respondents still listed knowledge, staffing and executive buy-in as barriers to the achievement of sustainability goals even though those surveyed were all staff with specific sustainability responsibilities in their organisation.

All responses

What are the current barriers facing your organisation to ensuring verification against environmental goals?



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LRQA expert viewpoint by Heather Moore | Sustainability Specialist

One of the most profound barriers to progress in the area of sustainability is a general lack of understanding. Even though the implications of sustainability are different for every company, it is crucial to find ways to simplify the language around the subject.

If an organisation can simplify sustainability, it becomes easier to secure buy-in across the entire business. Once there is a better understanding, particularly at board level, sustainability can be embedded throughout an organisation's operations.

When sustainability is part of every role and function, its introduction into the day-to-day business operations will be more manageable.

The simple fact is that if these barriers are not overcome, organisations will not survive in the long-term. A common understanding of the importance of sustainability and all the issues and dependencies around it, particularly at board level, is key to bring further buy-in and resource.

Of the findings, one that gave us particular cause for concern was that even within organisations with dedicated teams focused on sustainability, there is still a perceived lack of resource. Third-party service providers can play a part in filling the resource gap, by assisting with programme development and ensuring internal teams are supported.

A lack of understanding about how to prepare for verification was listed, unsurprisingly, as a barrier to verification.

Support through assessment, advisory, programme management, analytics, training, certification and verification services are clearly required for the delivery of transparent, measurable and comparable disclosure. The perceived cost of verification was also mentioned as a potential barrier by a quarter of respondents.

However, new digital methods of audit and inspection pioneered by LRQA offer a more proactive approach to risk mitigation and assurance, enabling organisational agility and improving resilience. Remote audits and the integration of data also enable a more dynamic, modular approach to supply chain management, with increased visibility of suppliers and a clearer view of a product's journey from source to consumer. More on this can be found in LRQA's report: ['Risk through a new lens'](#).

Industry findings & analysis

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‘**Architecture & Engineering**’, one of the more confident industries, had on average **35%** of respondents reporting barriers vs the **25%** average.



LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

There appears to be a correlative relationship between the levels of confidence expressed in Topic 1 (Confidence) and the barriers reported.

An increased understanding and knowledge of the issues will prompt greater attempts to address them. In doing so, businesses will identify the usual barriers to progress.

It is our view that environmental concerns must be embedded into core business strategy and planning processes so that the required resource is made available when needed, to keep a business in a position to respond to changing circumstances - and remain competitive in the long-term.



What does the future hold?

We asked businesses about how verification was likely to change over the next five years.



General findings & analysis

Topic 5. The future

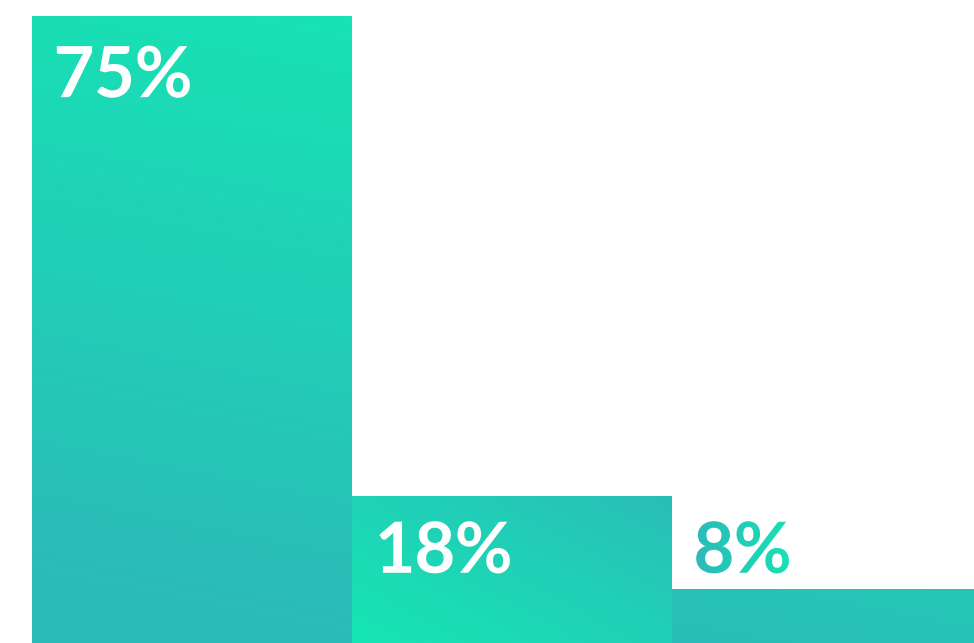
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75%

A large majority of respondents expect to see growing demand for independent verification over the next five years – with verification of climate change and environmental data the most likely to see increases.



We will see an increase in independent verification

We will see no change in independent verification

We will see a decrease in independent verification

LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

There is no question that independent verification will affect the business landscape to its benefit. It will provide assurance to stakeholders that an organisation's sustainability claims are complete and accurate. Verification will provide evidence against accusations of greenwashing, often found at the heart of public debate.

Certification and verification will also support an organisation's path through a new landscape of regulation, where the pressure is steadily increasing.

It also has a number of significant benefits when compared to internally driven initiatives, especially that a consistent form of data will allow investors to make meaningful comparisons between organisations.

Businesses that embrace the challenges of sustainability will also open new competitive opportunities, from the reduction of waste and improvements in efficiency, to the development of new product and service offerings and being positioned as ideal partners in the supply chain.

Looking ahead, there are certain themes consistent across respondents. Most anticipate growth in verification for all environmental topics, and it was perhaps not surprising that carbon reduction was seen as the area for greatest verification growth, given the breadth of international initiatives.

One clear endorsement of verification is that 75% of respondents expect demand for independent verification of sustainability performance within their organisation to increase over the next five years.

However, significant variations as to which standards are being used suggests there is a need for organisations to apply standards more consistently across their sustainability programmes. Doing so would mean data can be shared and compared more broadly across industries.



Industry findings & analysis

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83-90%

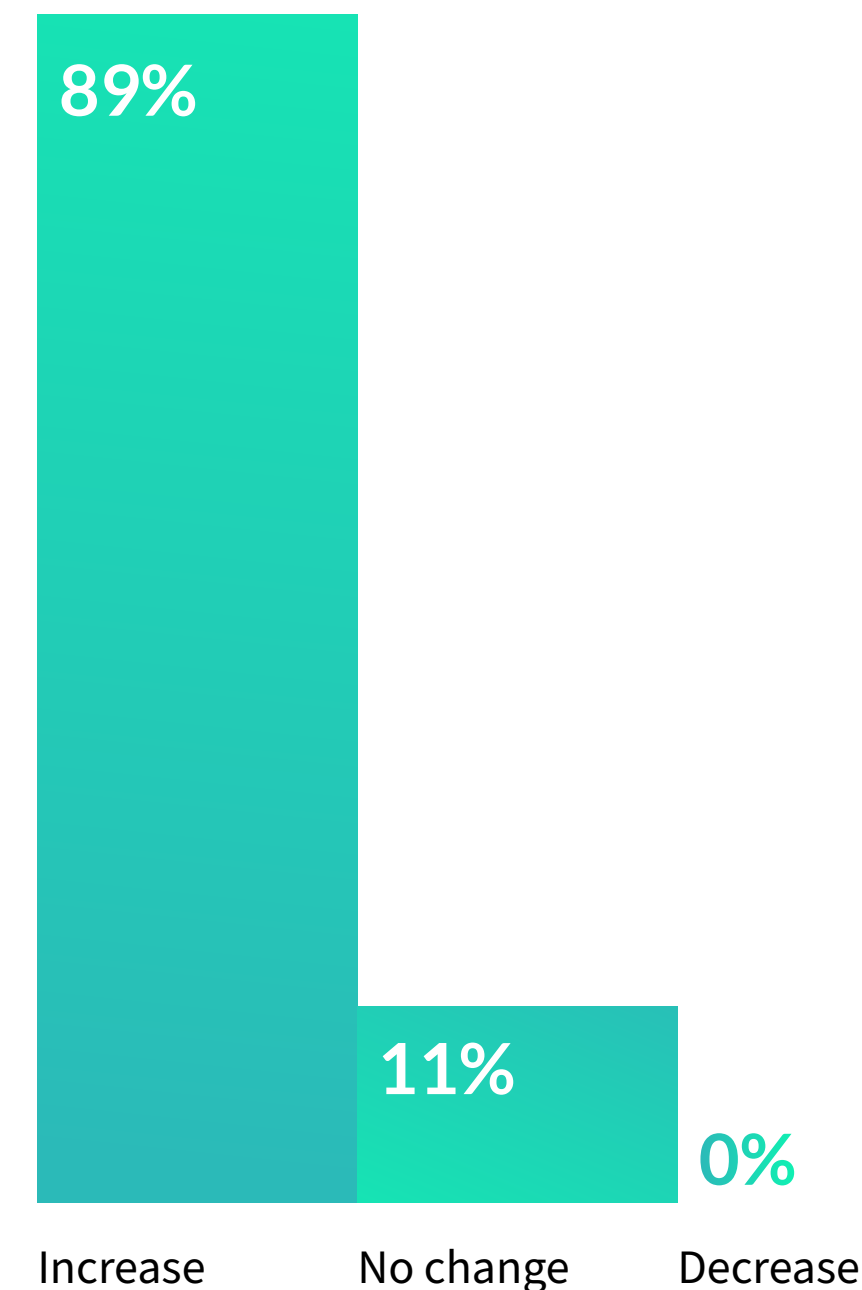
'Architecture & Engineering' and 'Manufacturing & Utilities' both had the highest number of survey participants expecting increases in verification, at 90% and 83% respectively as opposed to the 70% average.

44%

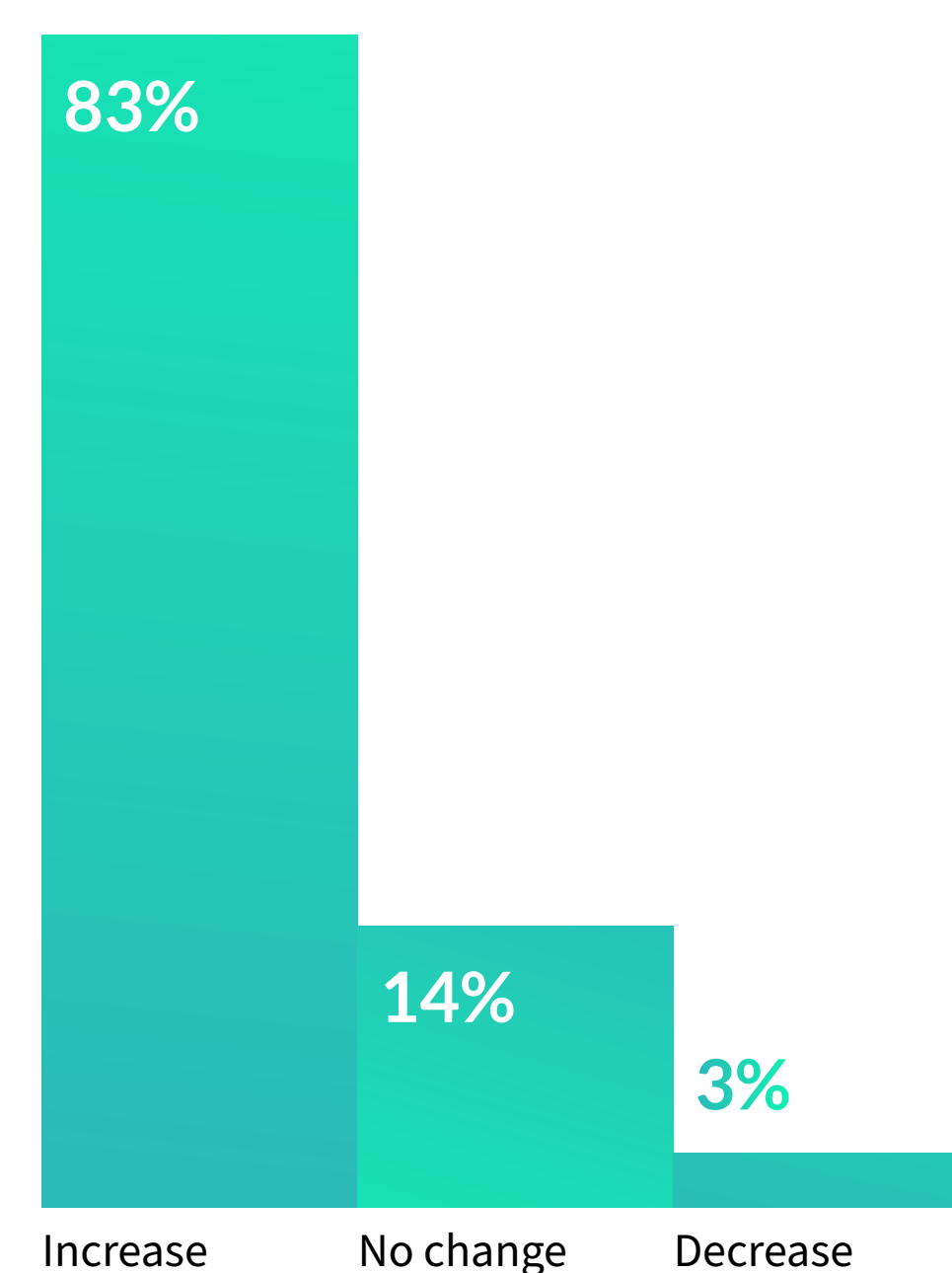
Across the different environmental topics, most industries believed verification would increase fairly evenly, though 44% of respondents felt carbon reduction verification would to increase the most.

How do you expect independent verification of environmental issues within your organisation to change over the next five years?

'Architecture, Engineering & Building'



'Manufacturing & Utilities'



LRQA expert viewpoint

by Heather Moore | Sustainability Specialist

What we see driving these results across our surveyed industries are regulatory and stakeholder pressures.

Stakeholders - from consumers and customers to investors and shareholders - are pushing for more action up and down the value chain.

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Sustainability professionals are aware of the business need to address environmental concerns, and of the growing significance of stakeholder and regulatory drivers. Addressing sustainability is a long and evolving journey, and it appears that globally, there is further need for understanding, as well as greater use of verification.

The risks and opportunities that environmental sustainability drivers present are great. Independent certification and verification gives organisations confidence to identify a complete picture, and accurate data on which to base business decisions.

From these foundations, companies can manage their risks and opportunities, gain competitive advantage, and communicate more effectively with stakeholders to build trust.

However, when it comes to independent verification, less than half of those we surveyed are using internationally recognised standards or verifying their data.

An increase in demand for certification and verification in organisations and along the supply chain - particularly relating to environmental performance - means there are still clear opportunities in this area.

Further opportunities exist in industries that have greater impact and complex supply chains but are still at the beginning of their sustainability journey.

This will be similar in industries that have historically been more heavily regulated, such as 'Manufacturing & Utilities'. There are yet more benefits to being ready for the increasingly complex regulatory environment, allowing focus to be on doing business, not on preparation.

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Whilst complexity, resource and a lack of knowledge might be barriers, organisations such as LRQA have the competence, experience and global footprint to inform, support and guide businesses through the process. We can help ensure that sustainability is fully embedded into the core business strategy and planning processes.

As we close, it is important to remember that this survey explored the views of organisations that have already invested in specialist sustainability staff. Many other businesses, especially smaller companies, do not have that level of expertise but will be experiencing similar pressures to address environmental issues.

It is reasonable to expect that the demand for business and value chain assurance services will grow dramatically in the near future.

An aerial photograph of a wind farm situated in a lush, green valley. Several white wind turbines are visible, spaced out along a dirt road that winds through the hills. The surrounding landscape is densely forested with vibrant green trees. The sky is clear and bright.

We can help ensure that sustainability is fully embedded into the core business strategy and planning processes.

How can we help?

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Our assurance services help put you in control – driving positive change and greater transparency across every aspect of your sustainability agenda from reducing carbon emissions, to environmental management, to responsible sourcing, ethical production and employee health and wellbeing.

We verify data, information and reports, to drive credibility and confidence with the people that matter most to you.

We certify your systems and processes against leading industry standards and schemes, to push your performance forward. And we support your existing programmes – or work with you to build new ones – that meet the specific needs of your business and wider supply chain.

LRQA also provides a range of management system training courses designed to give you the skills and confidence to implement best practice in your organisation.

[LRQA climate change and sustainability.](#)





YOUR FUTURE. OUR FOCUS.

Contact us

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