

REPORT

Navigating Net Zero

Turning climate strategy
into corporate strategy

Foreword

Nearly a decade on from the Paris Agreement, the corporate world finds itself at a critical juncture. Stakeholders in every corner – from government to regulators, investors to consumers – are amplifying the urgency for action. This intensifying scrutiny is placing company boards under considerable pressure to accelerate their journey towards net zero and significantly reduce emissions.

Compounding this challenge is the reality that many businesses are facing a deficit in the necessary tools and expertise to accelerate meaningful climate action, hindering progress towards net zero.

Further obstacles, including lawsuits, regulatory enforcement, and reputational crises are challenging and, in some cases, even derailing the most well-intentioned net zero strategies. Trepidation about making costly missteps has led to pervasive inertia, as the fear of repercussions looms larger than the daunting task of reducing emissions.

Despite this, there is an air of optimism amongst business leaders as they see opportunities in the net zero transition to strengthen their balance sheets, shift to more resilient business models, and differentiate themselves in competitive markets.

Boards signal they are, in fact, upping their investments to support their net zero ambitions – both within and outside their value chains.

The insights presented within this report bring to life how senior decision-makers in both the UK and the US are grappling with both the opportunities and challenges as pressure ramps us for net zero.

This is a global challenge that every business in every sector is having to grapple with. However, by gaining a more robust understanding of the complex net zero risks at play and proactively managing them, businesses can shield themselves from adverse consequences and, more importantly, drive climate impact and create enduring value for the long term.



Stakeholders in every corner – from government to regulators, investors to consumers – are amplifying the urgency for action.

Net Zero is under pressure

As we approach the midpoint of the 2020s – the UN’s ‘decade of action’ on climate change – the urgency to demonstrate tangible progress in reducing emissions and achieving net zero is intensifying. The speed and scale required to achieve these reductions are daunting, and the corporate sector is under immense pressure to deliver results.

The Science Based Targets Initiative (SBTi) reports that [nearly 6,000 companies have set science-based targets](#). However, [fewer than one in five companies \(18%\) are currently on track to reach net zero by 2050](#), according to Accenture.

Against this backdrop, the demand for transparency and genuine action is escalating, with businesses facing intense scrutiny from stakeholders and a surge in regulatory measures against greenwashing. Last year, the European Union introduced the Corporate Sustainability Reporting Directive (CSRD), which requires companies to provide details of the environmental risks they face and how their activities impact the planet.

Similarly, the U.S. Securities and Exchange Commission (SEC) has proposed rules to enhance and standardise climate-related disclosures for investors. In the UK, the financial regulator’s Sustainable Disclosure Regulation (SDR) is tackling greenwashing in the investment sector. And in the UK the new Labour government committed in their [election manifesto](#) to mandating all FTSE 100 companies to develop and implement ‘credible’ net zero transition plans.

Net Zero is under pressure

Meanwhile, investor and NGO activism is also on the rise, with high-profile cases such as [Exxon being forced to reduce its carbon footprint](#) and [ClientEarth's litigation in the UK](#) highlighting the legal risks associated with inadequate climate action. Consumer concerns are growing, too, with [Kantar data revealing heightened awareness of greenwashing](#), particularly in supply chains.

The impact of these pressures is significant, with our research finding that nearly all (96%) of the executives we surveyed reporting that their business had been directly impacted by negative fallout related to its sustainability record in the past. Just under two-thirds (65%) are concerned about the impact of increasing sustainability regulation on business operations, while a quarter (24%) are very concerned about the brand and reputational damage associated with net zero missteps.

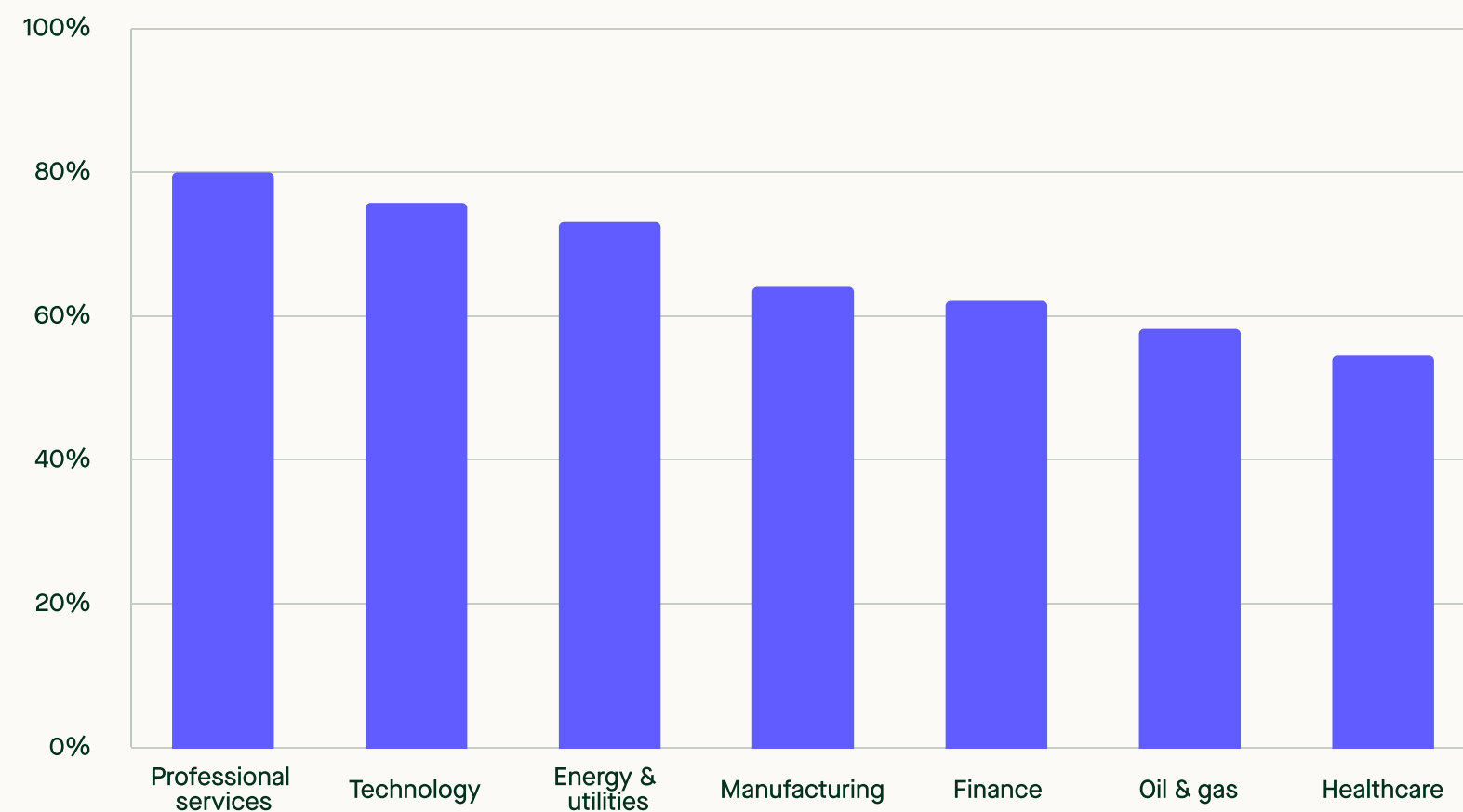
As these concerns take hold, the debate over the importance of net zero and the appropriate actions for businesses is now a board-level concern. A majority of business leaders across the US and UK (70%) are seeking greater supervision of net zero planning, with 6 in 10 (57%) expecting the C-suite to increase their oversight in the future. This reflects a growing recognition that strategic decisions on climate action are integral to the long-term success and resilience of businesses—given the potential opportunities the global transition presents.



Net Zero is under pressure

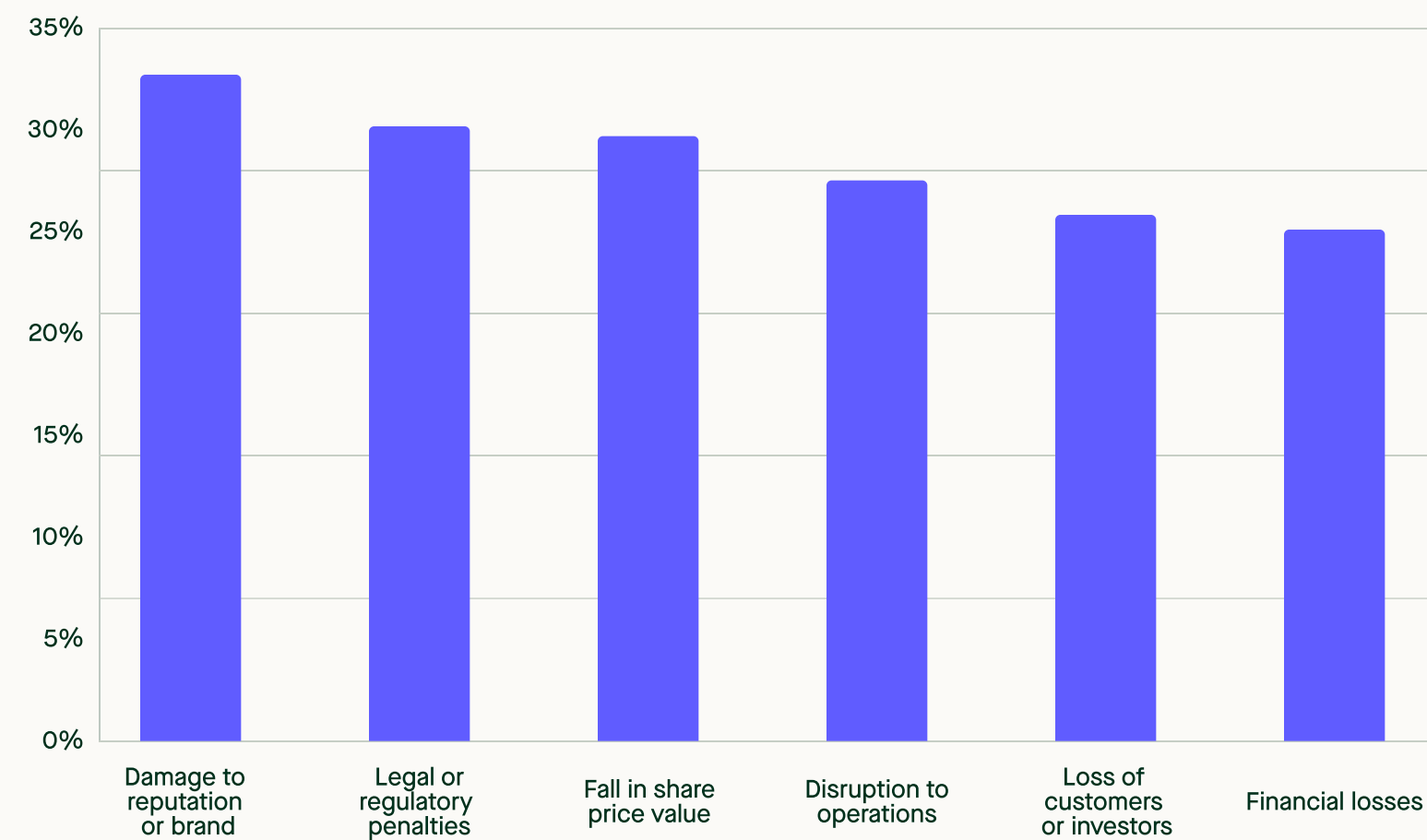
Business leaders, regardless of sector, are anxious about increasing sustainability regulation and the risk of missteps

The fear of increased sustainability regulation is felt across all sectors



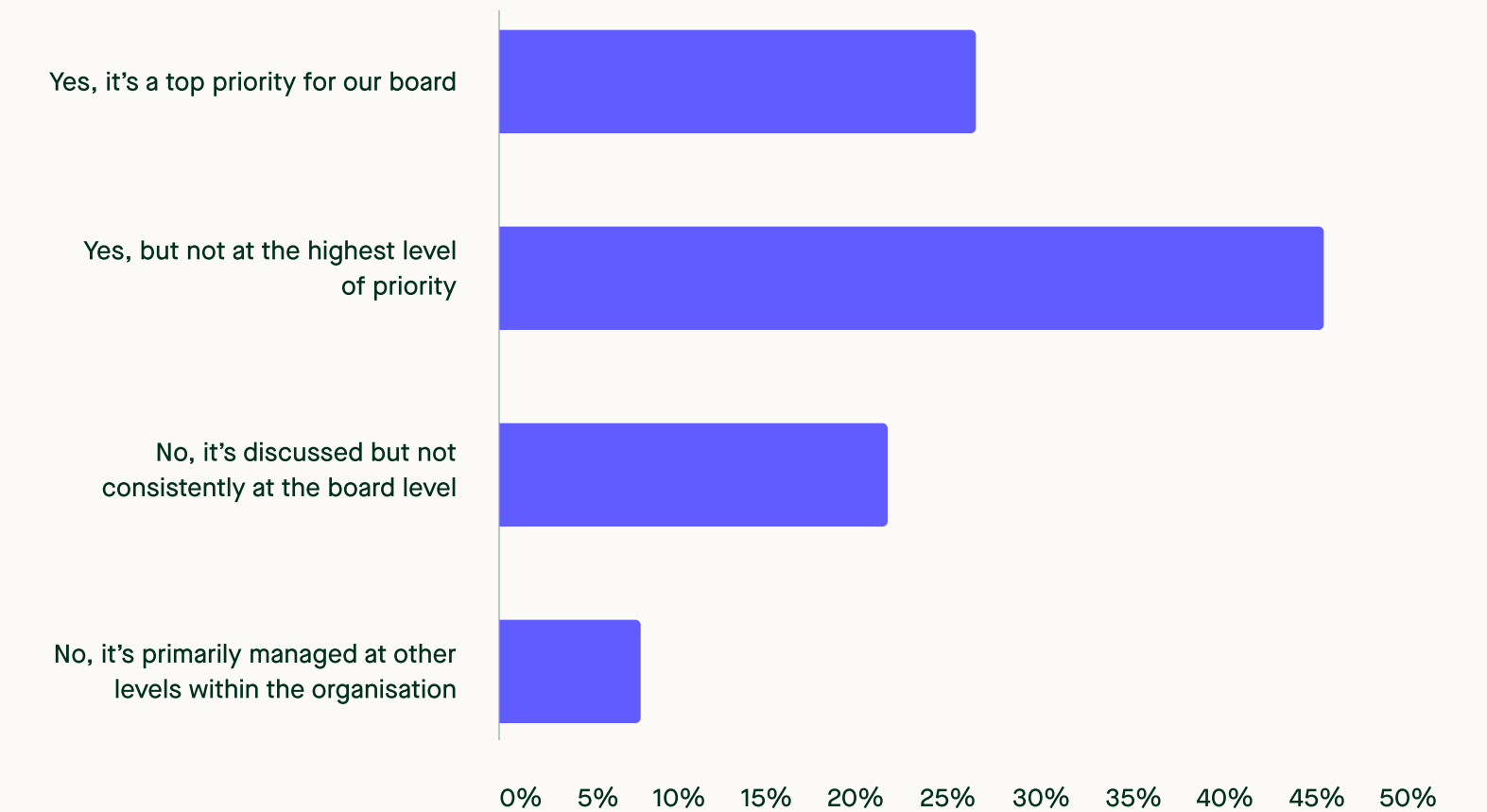
How concerned are you, if at all, about the impact of increasing sustainability regulation on your business operation? (Those who selected very concerned or slightly concerned)

Reputational damage and legal action cited as biggest net zero mistakes



How has your business been directly impacted by negative fallout relating to your sustainability record in the past?

Majority of UK and US business leaders see net zero as a board-level issue



Is sustainability-related risk management considered a board-level issue within your organisation?

Is inertia holding back action?

Faced with these pressures, pervasive inertia is, to some extent, however, holding back action. But the wider picture shows signs of optimism

The United States has witnessed a significant ESG backlash, where political and legal forces are mounting against what some perceive as overreaching corporate climate mandates. This has led to instances where net zero initiatives are being pushed entirely off the agenda. For example, [states such as Kentucky, Oklahoma, Texas, and West Virginia have enacted policies](#) that prohibit doing business with financial institutions that divest from carbon-intensive sectors.

This has not been isolated to the US. The outcome of the [recent EU parliamentary elections](#) has placed the European Union's Green Deal – a landmark set of policies which pushes the bloc towards a low-carbon economy – under scrutiny, highlighting the increased politicisation of net zero around the world.

Companies themselves are, in some instances, also contributing to this inertia, as stakeholders call out their slowness in making adequate progress. This confusing and volatile operating environment has seen some businesses backtrack on their climate pledges, citing challenges with supply of fossil fuel alternatives, or viewing ESG issues as less important than previously.

Is inertia holding back action?

However, our research uncovers a more nuanced picture of how businesses are responding to these challenges. Despite the backlash, momentum for net zero is building in the boardroom and leaders are refusing to abandon their plans.

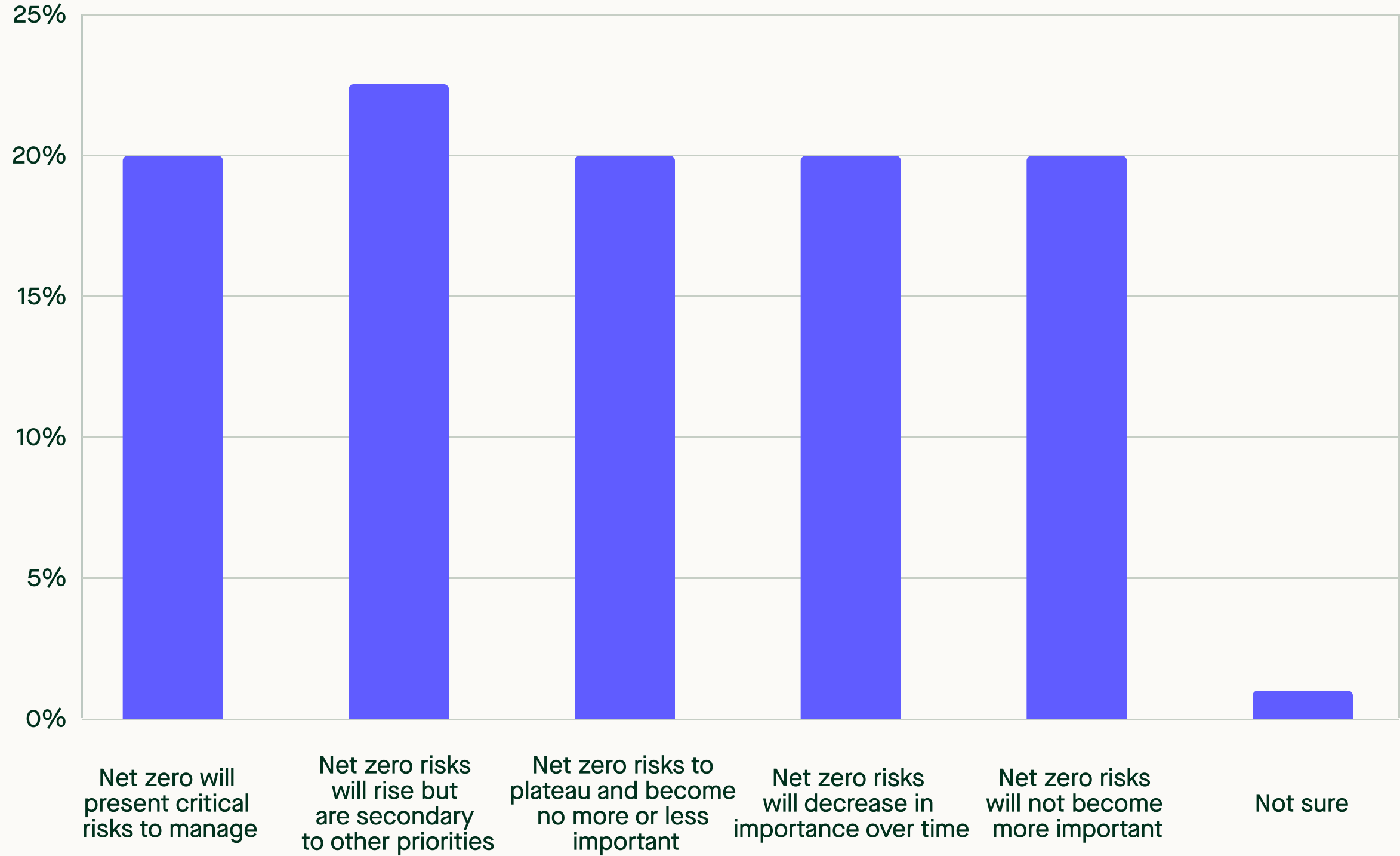
An overwhelming majority of US-based respondents, nearly 96%, believe that net zero has become a more prominent issue on the corporate agenda over the past year.

These findings paint a picture of the complex tensions facing corporates as they navigate the net zero transition, balancing the risks of inaction with the imperative to act responsibly and effectively.



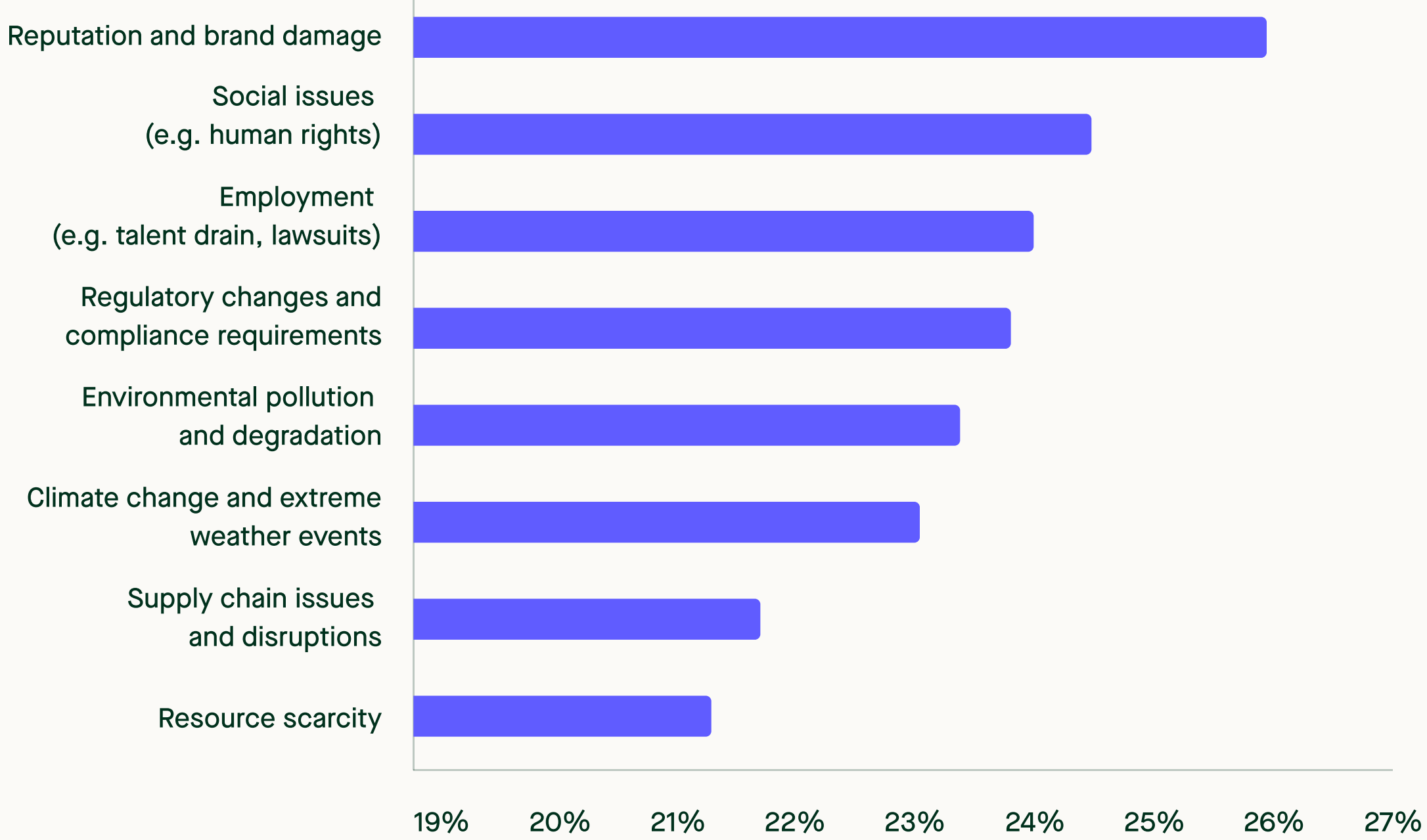
Is inertia holding back action?

1 in 5 executives see net zero risks are critical, but rest are split on their importance in the next five years



How, if at all, do you expect sustainability-related risks to increase in prominence in the next 5 years?

Majority of UK and US business leaders see net zero as a board-level issue



Which sustainability-related risks do you anticipate becoming the most pressing or concerning for your business in the future? (Respondents could select up to three)

Getting on the front foot

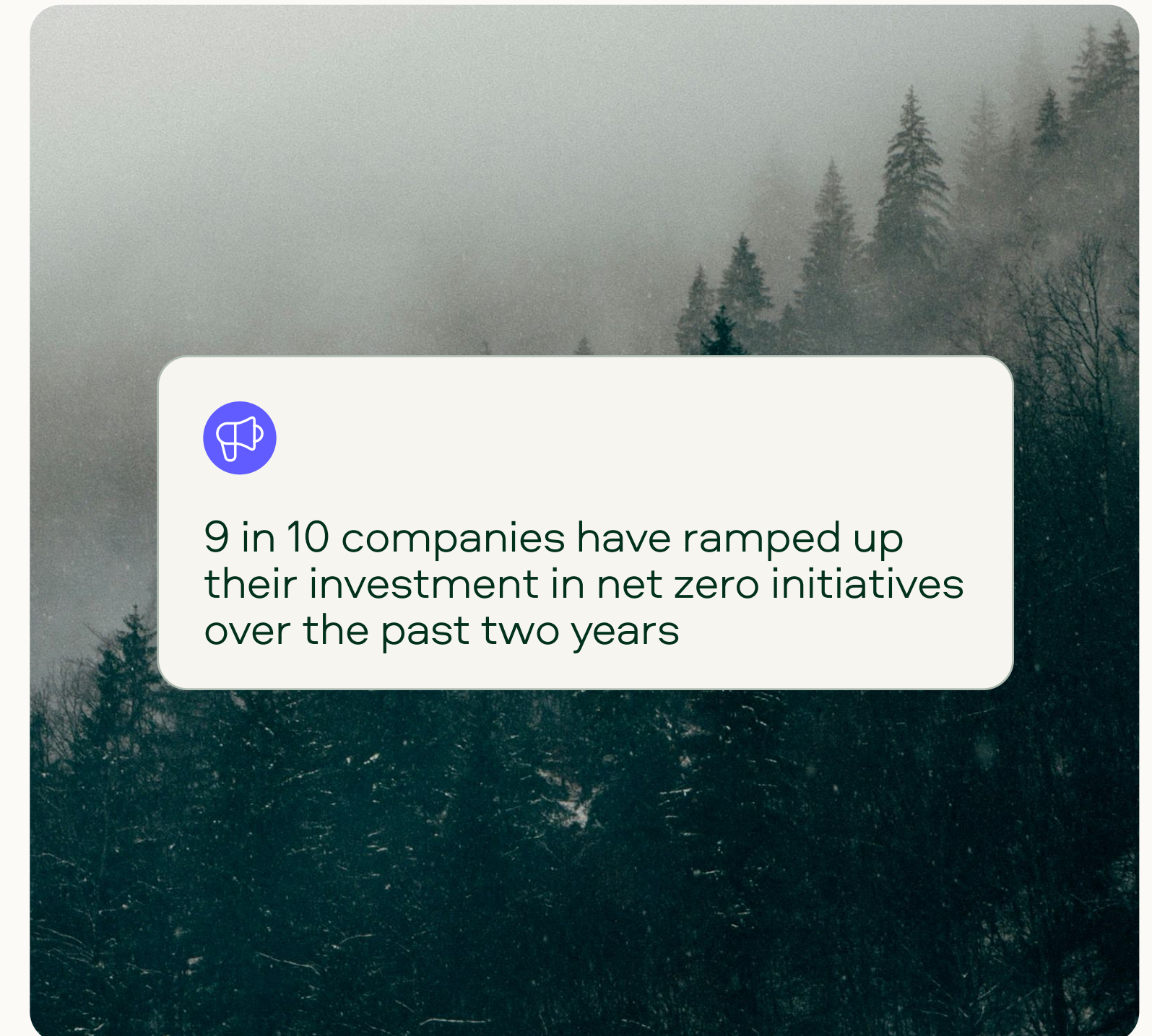
As business leaders face the reality of implementing their net zero strategies, they also face costly investment decisions. Many are optimistic about the declining cost of capital for certain green technologies – for example, the cost of solar panels [fell by as much as 90%](#) in a decade. At the same time, others are concerned about the impending supply crunch for materials, such as lithium which is a critical component for low-carbon battery technologies.

This shortage is anticipated as industries collectively ramp up their investments in the coming years.

It's a similar picture for carbon credits which are likely to see significant demand in the years ahead, with prices possibly reaching [in excess of \\$200 per ton](#), with those investing in early set to see the greatest payoffs.

To navigate these challenges, many companies are taking a strategic approach, increasing their investments to strengthen their position and ensure they can meet their commitments both feasibly and affordably.

For instance, around a quarter (29%) are expanding their legal and compliance teams in response to growing regulations, while a similar number (25%) are pivoting away from unsustainable services or products that would require significant levels of investment. Moreover, 9 in 10 companies have ramped up their investment in net zero initiatives over the past two years.



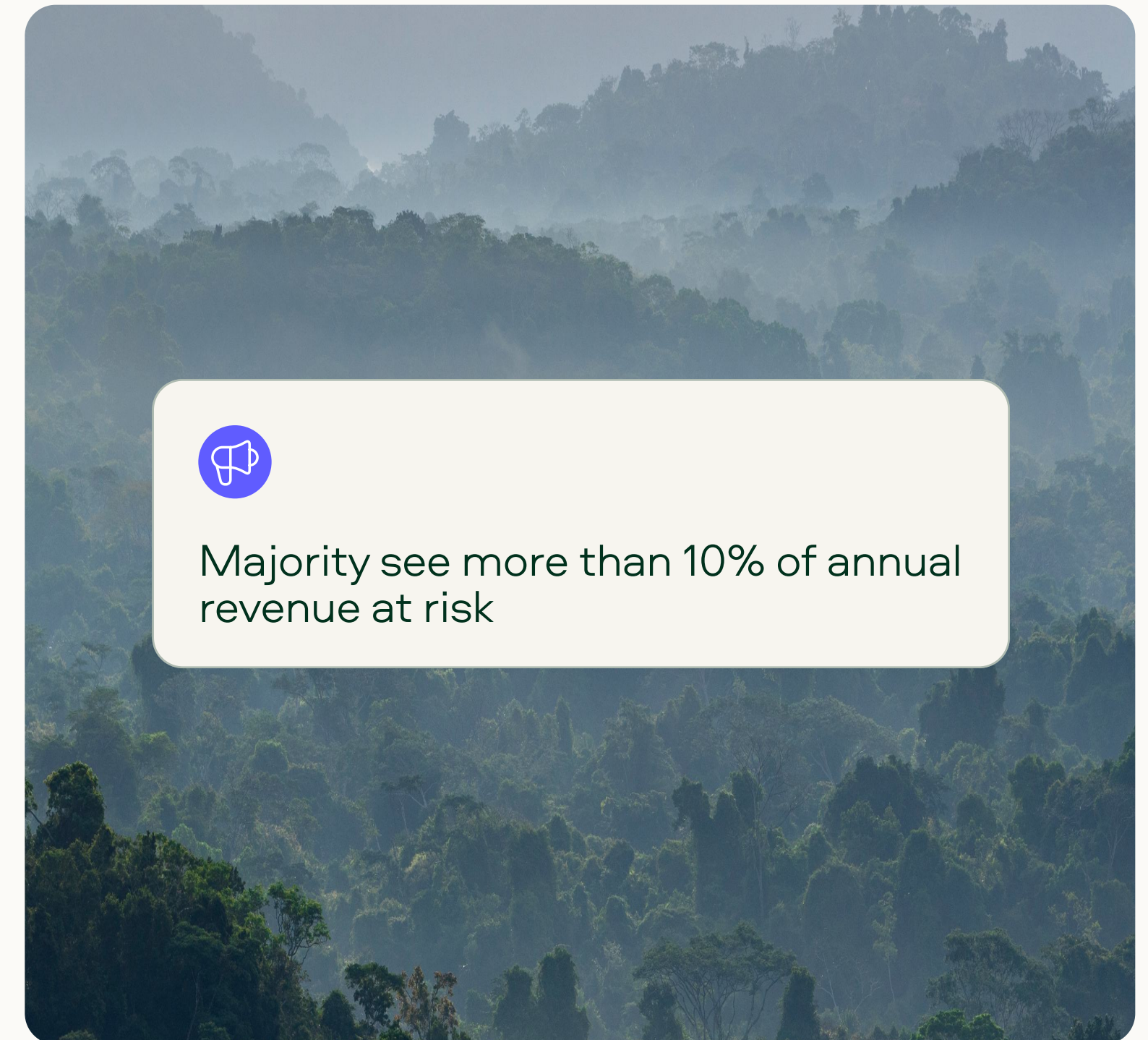
Getting on the front foot

Half of the executives (50%) we surveyed believe that failing to manage net zero risks will have a high impact on future commercial performance. At the same time, 6 in 10 expect over 10% of annual revenue to be at risk, with some foreseeing more than 30% at risk.

While fear is partly driving these actions, businesses are ploughing ahead in identifying opportunities in the net zero transition to strengthen their balance sheets, shift to more resilient business models, and differentiate themselves in competitive markets. Indeed, a majority of respondents (52%) view the business opportunity presented by net zero as significant.

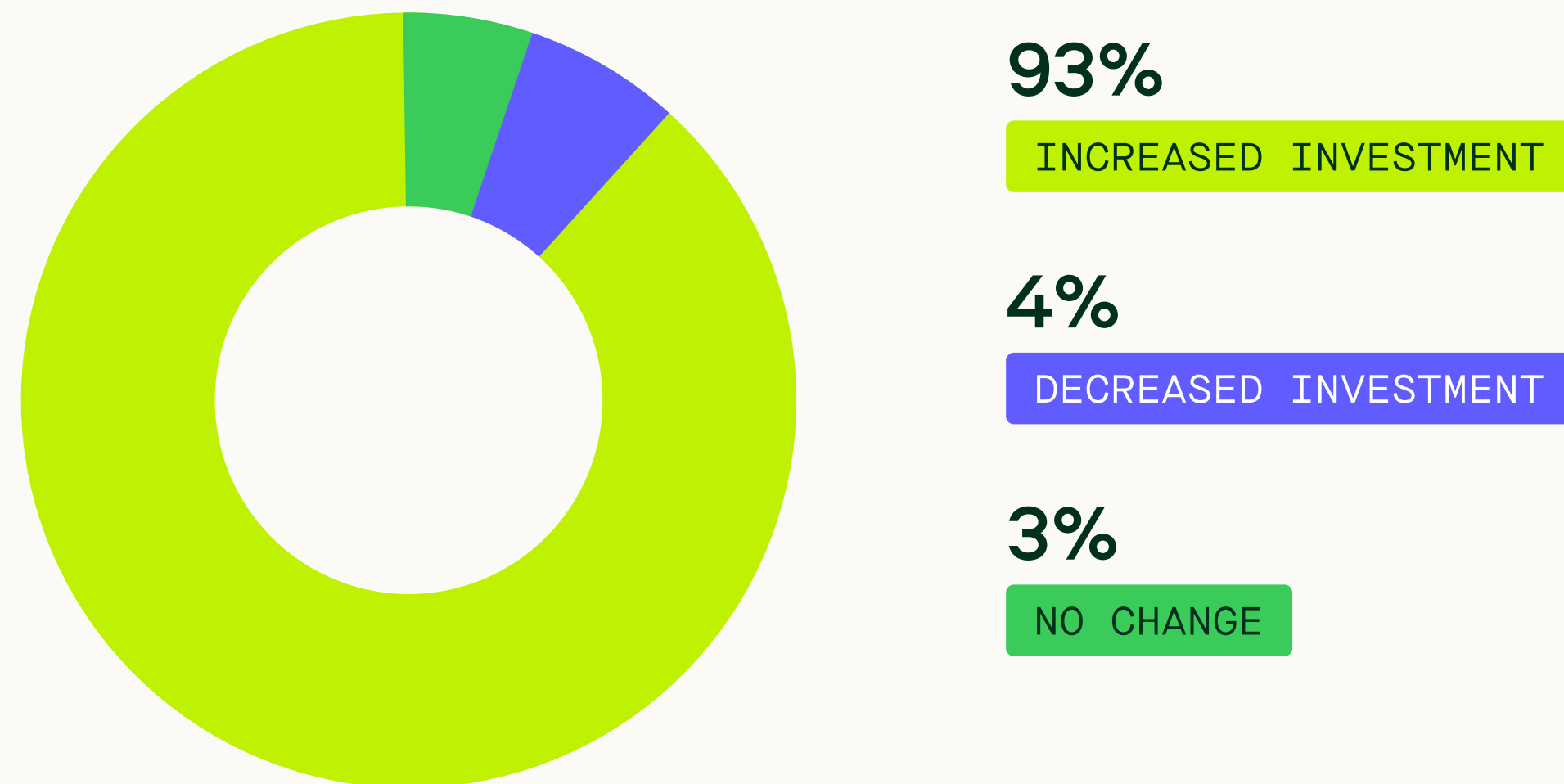
9 in 10 companies in the UK and US have increased their investment in net zero initiatives in the last two years – even if at a small scale. One of the most likely areas of spending is the building out of legal and compliance teams in response to growing regulations, with over a quarter (29%) of businesses doing so. Out of those businesses, two-thirds (66%) are actively hiring.

While the path to net zero is seemingly fraught with obstacles, these findings show that companies are alive to the opportunities and are investing to innovate, adapt, and thrive as a result of their climate goals and market dynamics.

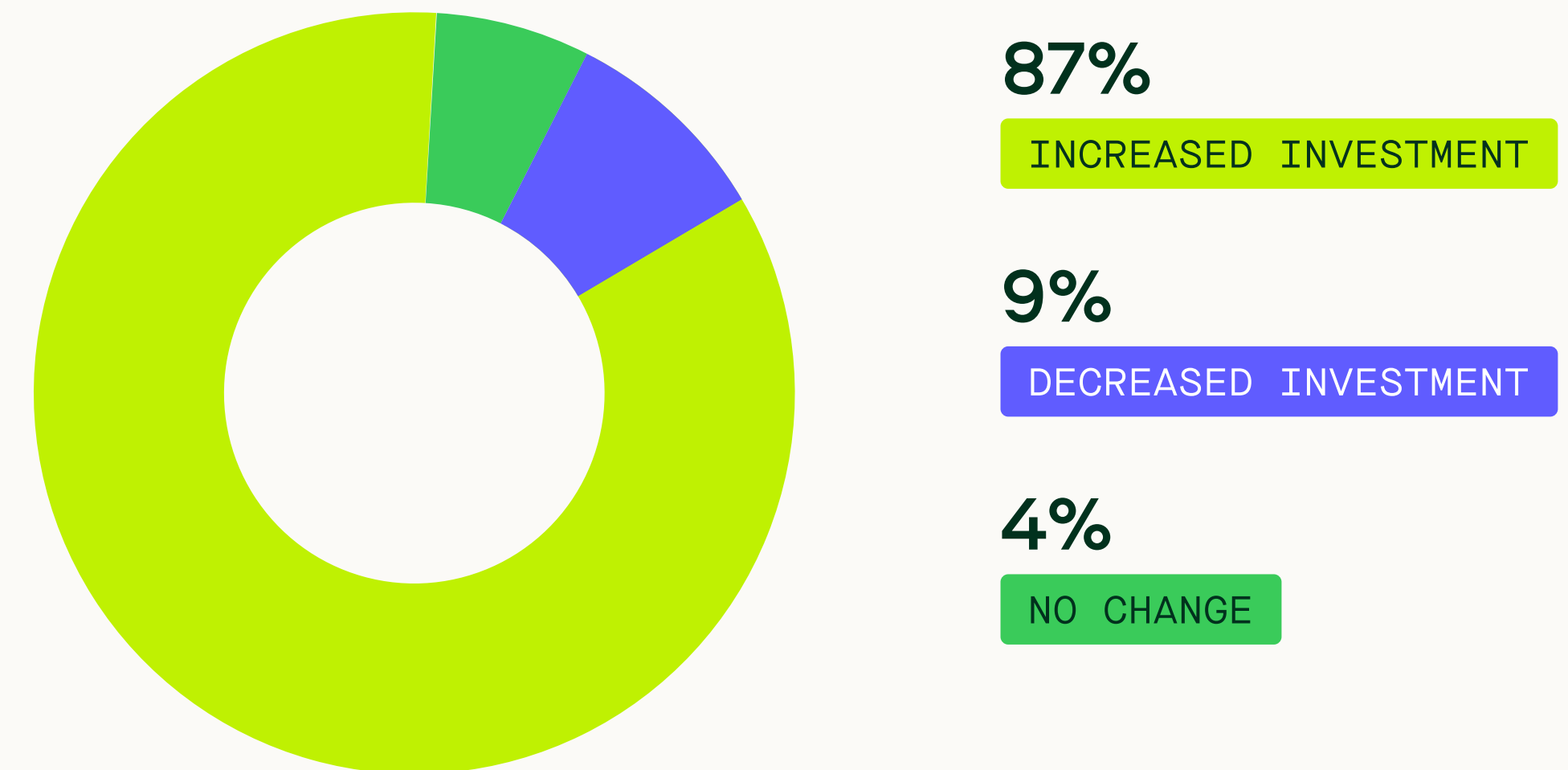


Getting on the front foot

An overwhelming proportion of UK businesses have seen spending on net zero lift since 2022



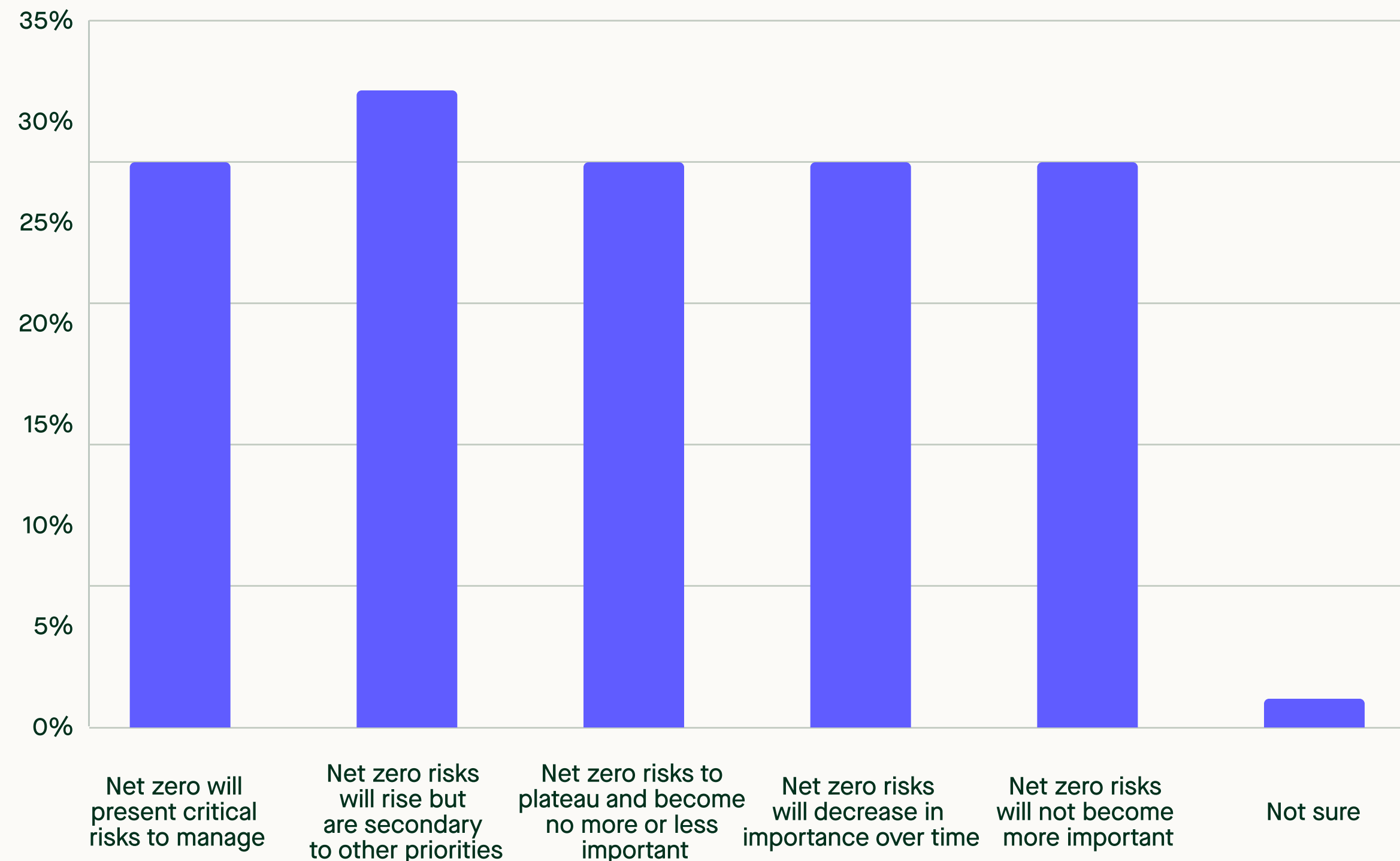
US businesses were more likely to have seen a slight fall in net zero investments



Which sustainability-related risks do you anticipate becoming the most pressing or concerning for your business in the future?
(Respondents could select up to three)

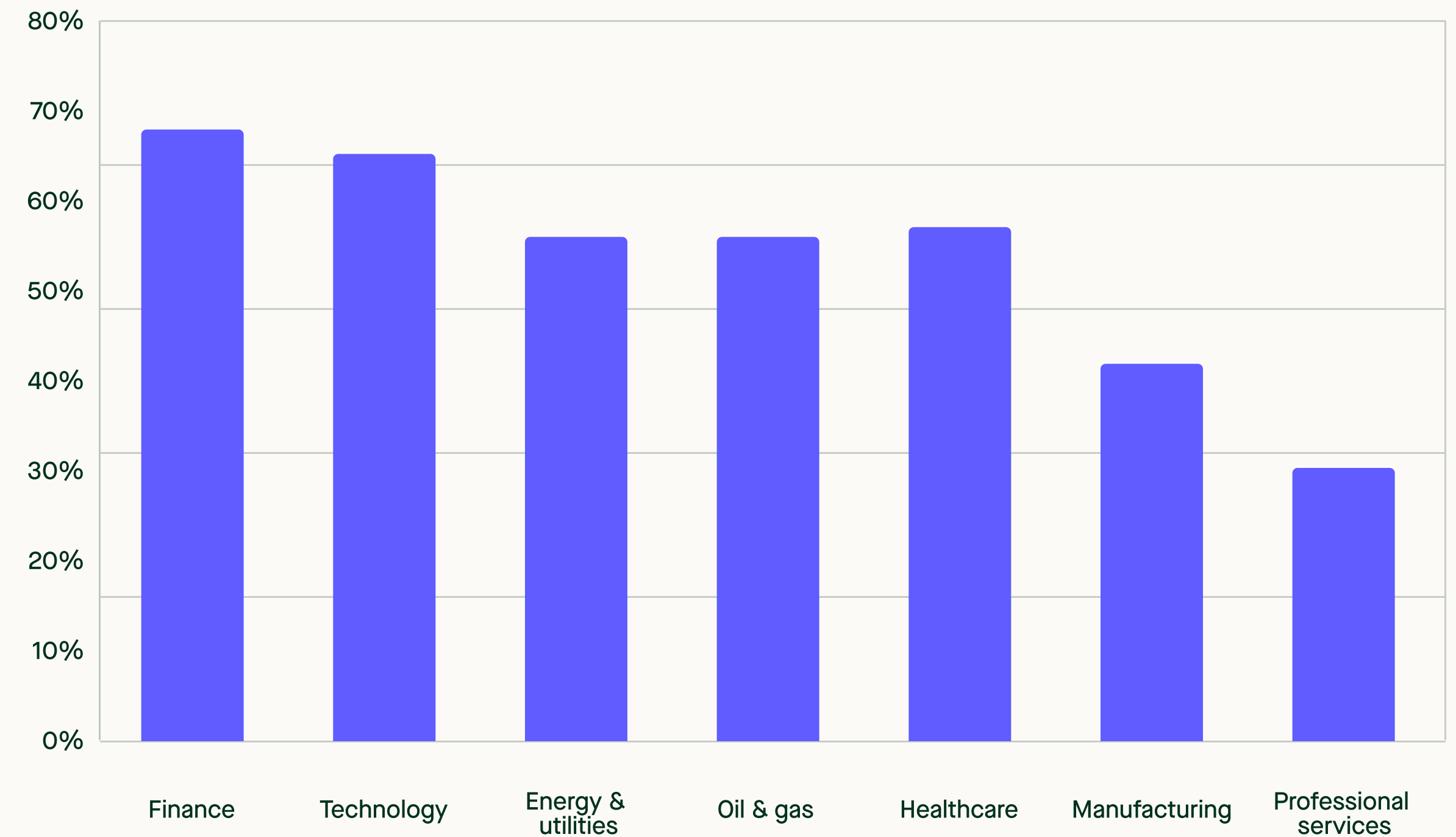
Getting on the front foot

Leaders say net zero risks are set to have a significant impact on future commercial performance



To what extent do you believe sustainability-related risks have the potential to affect your company's future commercial performance?

Finance and tech C-suite see the biggest business opportunities in net zero



How important, if at all, do you perceive the following factors as the primary drivers of sustainability-related efforts for your business? (Sector breakdown for those selecting business opportunity as important)

Investing ahead of the curve to deliver real climate change

Salesforce is a trailblazer in corporate climate action, one of the few companies in the world to source 100% renewable energy for its global operations.

The company aims to reduce emissions by 50% by 2030 and strives to reach near-zero emissions by 2040. The tech giant has taken significant strides towards a greener future, with a strategy that centers on not just meeting regulatory requirements but leading by example and driving impactful change across the industry.

For over a decade, Salesforce has been investing in its sustainability transformation journey, adopting new employee policies, corporate infrastructure, and supplier enablement frameworks to reduce emissions.

Its partnership with Sylvera has significantly enhanced its efforts to be able to identify and shortlist the carbon projects that best help them achieve their sustainability efforts. Sylvera's robust verification processes help provide Salesforce with the confidence that its carbon credit projects are truly impactful, ensuring that each investment contributes meaningfully to its net-zero mission. Additionally, as part of their net-zero journey, Salesforce has developed the Net Zero Cloud, a complete ESG platform that helps companies track, manage and report out its carbon footprint so it can accelerate its decarbonization journey.

Salesforce's Chief Impact Officer, Suzanne DiBianca commented: "A third of the US Fortune 500 have net-zero targets. It's one thing to say you have a net-zero target; it's another thing to publicly disclose your progress against those targets. By partnering with Sylvera, we're able to ensure that our carbon credit projects are genuinely impactful to people and the planet, and contribute to our mission of achieving net-zero emissions."

The path forward

As businesses strive to align with the global momentum towards net zero, there is a significant gap between the goal we need to collectively achieve and current levels of action on the ground. To bridge this gap and foster a more rapid transition, it is imperative we take decisive steps.

To eliminate the barriers holding companies back and expedite action, we recommend businesses should:

1

Eliminate barriers to action

Business leaders must identify and dismantle the obstacles that are impeding progress towards net zero. This includes addressing internal resistance, streamlining decision-making processes, and ensuring access to necessary resources and expertise.

2

Strengthen net zero governance

Board oversight of net zero will ensure that it is effectively governed by embedding it into the company's financials and reporting requirements. For example, integrating climate-related risks and opportunities into their strategic planning and risk management processes. Initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) provide frameworks for companies to disclose their environmental impact and management strategies transparently.

3

Prepare for regulatory changes

The regulatory landscape is evolving rapidly, with clear signals about the direction of travel in every region. Companies must stay abreast of these changes and prepare to meet or exceed regulatory requirements, ensuring they are not caught off guard as new regulatory regimes come into effect.

4

Invest early and effectively

To achieve net zero, businesses must invest now in the necessary initiatives and cultivate the expertise required to drive these efforts forward. This includes developing in-house capabilities and partnering with external experts to fill knowledge gaps. At the same time, investments should be effective in driving progress towards long-term sustainability and can withstand scrutiny from even the most sceptical stakeholders.

As businesses strive to align with the global momentum towards net zero, there is a significant gap between the goal we need to collectively achieve and current levels of action on the ground. To bridge this gap and foster a more rapid transition, it is imperative we take decisive steps.

But businesses can't do this alone, in order to facilitate this transformation there needs to be a more uniform approach coming from regulators and standard bodies. Some of the steps that would greatly improve businesses ability to operate would be:

1

Clarify best practices

There is a pressing need for clarity on what constitutes best practices in the journey to net zero. This encompasses everything, from making credible claims about carbon reductions to understanding how to achieve the 'net' in net zero. Standards bodies, like SBTi, must ensure they are offering clear guidelines that will help companies navigate the complexities of the transition with confidence.

2

Foster transparency and accountability

A culture of transparency and accountability will be critical in maintaining stakeholder trust. Through comprehensive and consistent disclosure regimes, regulators should encourage open communication about net zero strategies, progress, and challenges.

3

Improve data and measurement

Robust data is essential for measuring progress and making informed decisions. There is a desperate need for harmonised, global standards to ensure measuring progress towards net zero can be trusted.

By adopting these recommendations, businesses can reduce risk and maximise their ability to meet their net-zero targets, while also strengthening their position to thrive where achieving net zero is increasingly integral to commercial success. The journey ahead is complex and challenging, but with a holistic approach and a commitment to action, businesses can protect themselves from scrutiny and pave the way to accelerate meaningful climate action at the same time as driving long-term value creation.

Conclusion

The findings from our research highlight the importance of getting net zero right. As senior leaders face mounting pressures from different stakeholder groups and implementation of net zero strategies proves ever more challenging, corporate oversight of net zero has never been more critical.

Businesses must adopt a holistic approach to risk management to successfully navigate the increasingly complex and dynamic net zero landscape. Companies that succeed will be able to drive value in the long term, reduce the likelihood of reputational damage and regulatory penalties for missteps or acting too slowly and play their role in building towards a more sustainable future.

At Sylvera, we are dedicated to supporting businesses in achieving meaningful climate impact. Our robust data and insights empower companies to make informed decisions and build resilient strategies to support the 'net' in their net zero journey.

Methodology

This research is based on a quantitative survey of 1,000 senior executives at businesses with more than 250 employees in the UK and USA. The survey targeted individuals responsible for managing and responding to net zero risks within their organisations. It spans various industries, with a particular focus on finance, technology, energy and utilities, and the oil and gas sectors.

The research was carried out by Censuwide in May 2024.

Censuwide abides by and employs members of the Market Research Society which is based on the ESOMAR principles.

