Global Industrials Sustainability Study

Executive summary

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Executive summary – Global Industrials Sustainability Study

01 **Using sustainable materials is the primary and preferred strategy of industrials companies to reduce CO_2 emissions**
Though multiple strategies are commonly used in combination to achieve ESG targets

02 **Most industries struggle to monetize sustainability effectively**
Less than half of the participants can monetize sustainability in their portfolio, resulting in lost opportunity

03 **Companies expect suppliers to innovate and reduce their carbon footprints directly, rather than through offsetting emissions**
Companies strive to reduce emissions of all scopes across the whole supply chain

04 **Willingness-to-pay differs between verticals**
Relative premiums for sustainable solutions vary across industries. Industries with the highest premiums are automation/technology and semiconductors

05 **Planned budgets to purchase sustainable goods are significantly lower than the indicated willingness-to-pay – leading to mismatch**
>50% of the surveyed companies do not have a dedicated budget sustainable products

Using sustainable materials is the primary and preferred strategy of industrials companies to reduce CO_2 emissions

SIMON KUCHER

Industries	Purchase of CO_2 certificates	Carbon offset via green projects (e.g., reforestation)	Avoid carbon emissions via innovative technologies	Purchase/ usage of sustainable materials	Select suppliers with low CO_2 footprint
Aerospace/Defense		1st	2nd	3rd	
Agriculture	2nd	3rd	1st		
Automation Technology			2nd	1st	3rd
Automotive (OEM)	3rd		2nd	1st	
Automotive suppliers			1st	2nd	3rd
Base Materials / Metals			3rd	1st	2nd
Business Services		3rd	2nd	1st	
Chemicals	1st		3rd	2nd	
Construction			2nd	1st	3rd
Electronics			3rd	1st	2nd
Industrial Goods & Machinery	3rd		2nd	1st	
Logistics	3rd			1st	2nd
Paper & Packaging	2nd			3rd	1st
Semiconductors	1st	2nd	3rd		
Wholesale & Distribution			2nd	1st	3rd

Own company evaluation

Companies across industries **adopt two main strategies** for reducing CO2 emissions: procuring sustainable materials and utilizing innovative technologies to lower their carbon footprint.

No significant differences are observed when considering geographical location or industry.

Source: Simon-Kucher sustainability study conducted in November 2022 (n=1458). Q: What are the main strategies your company currently applies to reduce CO_2 emissions? Note: more than one answer possible.

Most industries struggle to monetize sustainability effectively, more than half are unable to monetize their sustainability efforts

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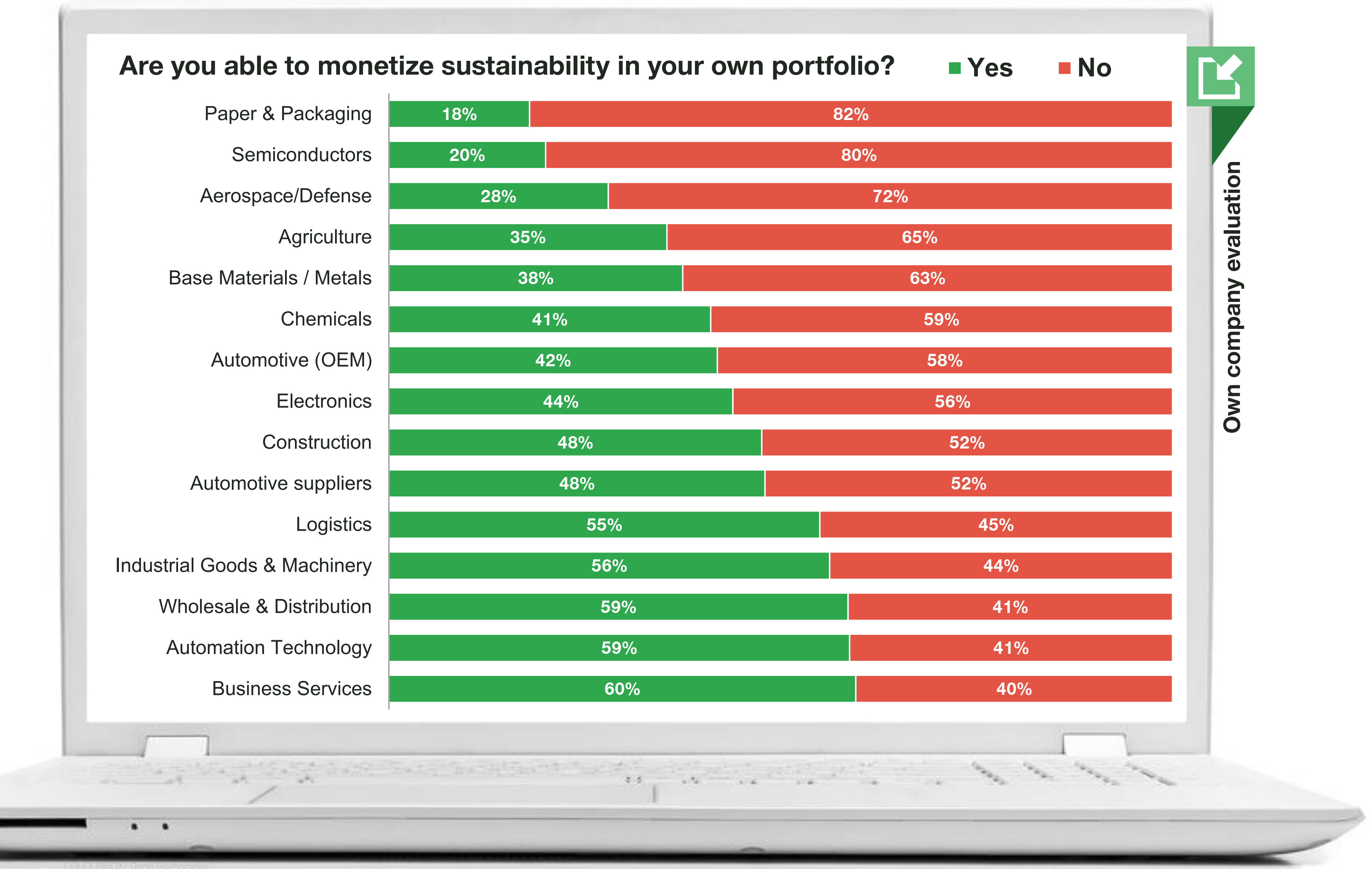

Monetizing sustainability varies widely across industries – The Paper/Packaging, Semiconductor and Aerospace/Defense industries have particularly low monetization rates.

Across regions,
Europe has the lowest monetization rate.
(46% vs. Asia's 55% and America's 52%)

Source: Simon-Kucher sustainability study conducted in November 2022 (n=1458). Q: Are you able to monetize sustainability in your own portfolio and what price premium for sustainable goods/services can you command on average? If yes, please enter the amount in %. Comment: responses of >=80% are not considered.

Companies strive to reduce emissions of all scopes across the whole supply chain and expect their suppliers to innovate

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Supplier evaluation

Industries	Purchase of CO_2 certificates	Carbon offset via green projects (e.g., reforestation)	Avoid carbon emissions via innovative technologies	Purchase/ usage of sustainable materials	Select suppliers with low CO_2 footprint
Aerospace/Defense	2nd		1st		3rd
Agriculture	2nd	3rd			1st
Automation Technology			3rd	1st	2nd
Automotive (OEM)	3rd	2nd			1st
Automotive suppliers			3rd	2nd	1st
Base Materials / Metals	1st		3rd		2nd
Business Services			3rd	2nd	1st
Chemicals			3rd	2nd	1st
Construction	2nd			3rd	1st
Electronics		3rd		2nd	1st
Industrial Goods & Machinery	1st		3rd		2nd
Logistics			3rd	1st	2nd
Paper & Packaging	2nd	3rd			1st
Semiconductors		3rd	1st		2nd
Wholesale & Distribution			3rd	1st	2nd

Companies expect their suppliers **to directly reduce their carbon footprint** through strategies rather than indirectly through carbon offset projects or the purchase of CO2 certificates.

Source: Simon-Kucher sustainability study conducted in November 2022 (n=1458). Q: What strategies are you expecting from your 3rd party suppliers and service companies when it comes to their environmental activities? Comment: only the "must have" answers are considered.

The willingness-to-pay for a price premium to their suppliers for implementing sustainable strategies varies among industries

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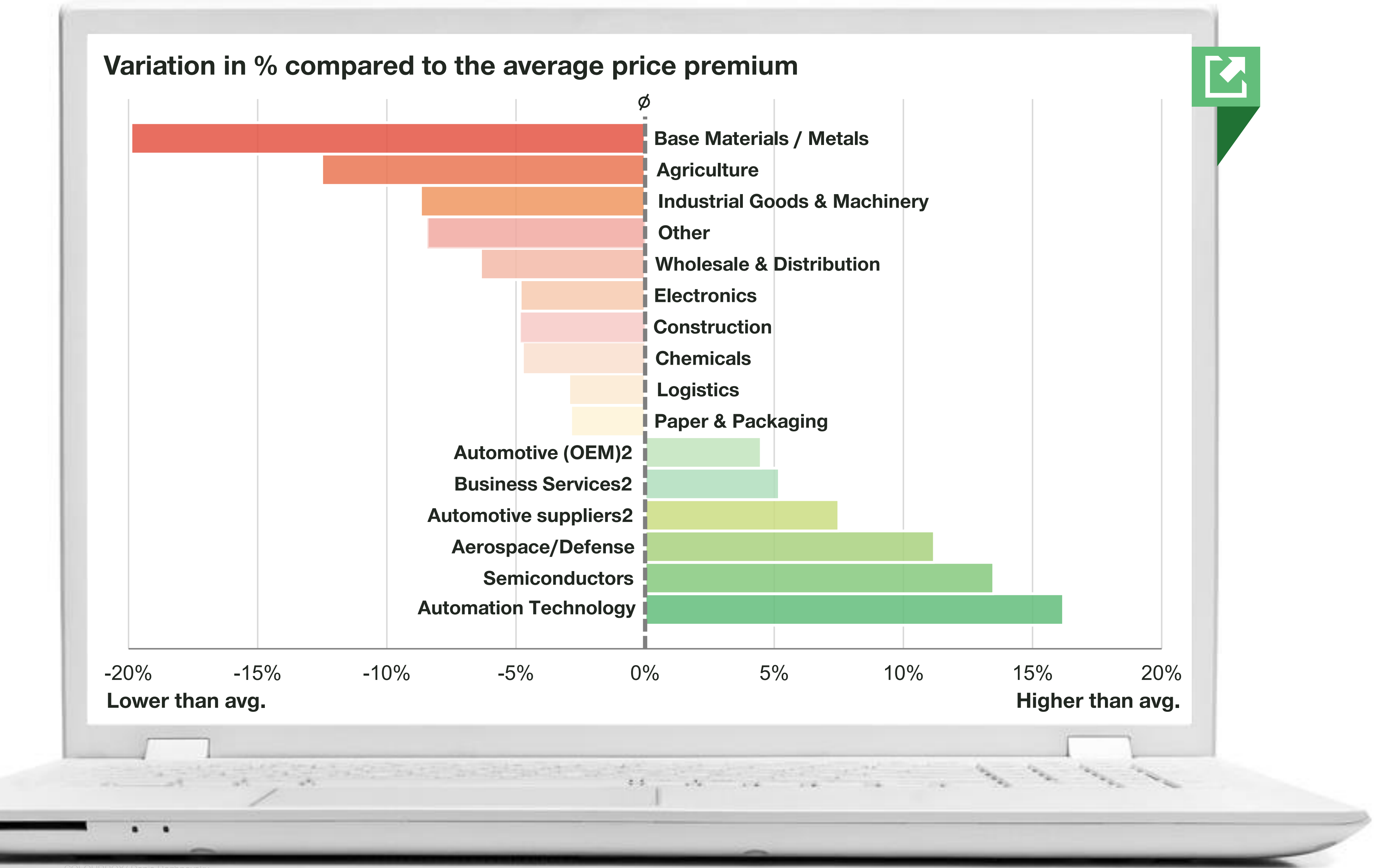

Price premium varies among industries.

Highly technical and innovative-driven industries have a higher willingness-to-pay than others.

Source: Simon-Kucher sustainability study conducted in November 2022 (n=1458). Q: If your supplier of products/services was to apply the following strategies to reduce its environmental impact, what price premium (in %) would you consider acceptable? Comment: responses of >=80% are not considered.

Planned budgets to purchase sustainable goods are significantly lower than the indicated willingness-to-pay – leading to mismatch

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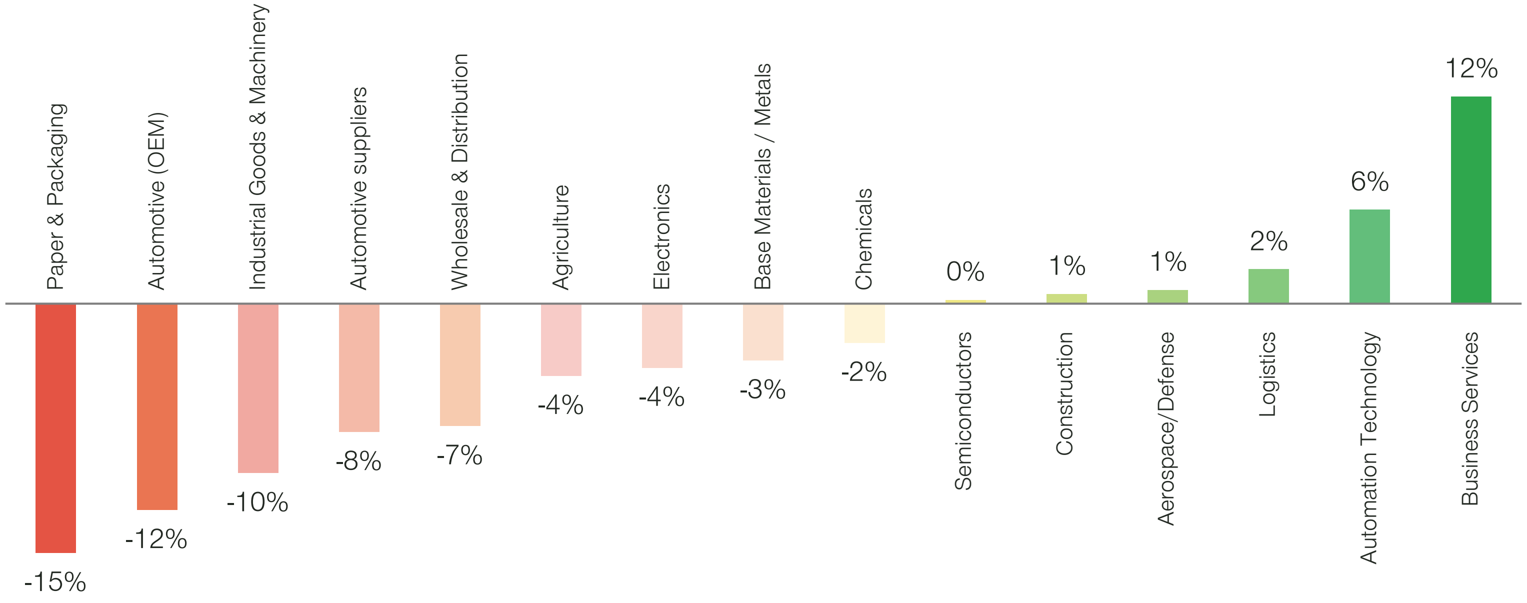
Has your company planned an additional budget?

Acceptable price premium vs. planned additional budget



Own company evaluation

***Reading example**: Paper/Packaging industry's planned budget is 15% **lower** than its expected acceptable price premium.*

>50% of the surveyed companies **do not have a dedicated budget sustainable products.**

Apparent **mismatch** between **willingness to pay, planned budgets and price premiums** companies command themselves.

Source: Simon-Kucher sustainability study conducted in November 2022 (n=1458). Q: Has your company planned an additional budget for the purchase of climate-friendly products and services? If yes, please enter the amount in % of your cost baseline. Comment: responses of >=80% are not considered.

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