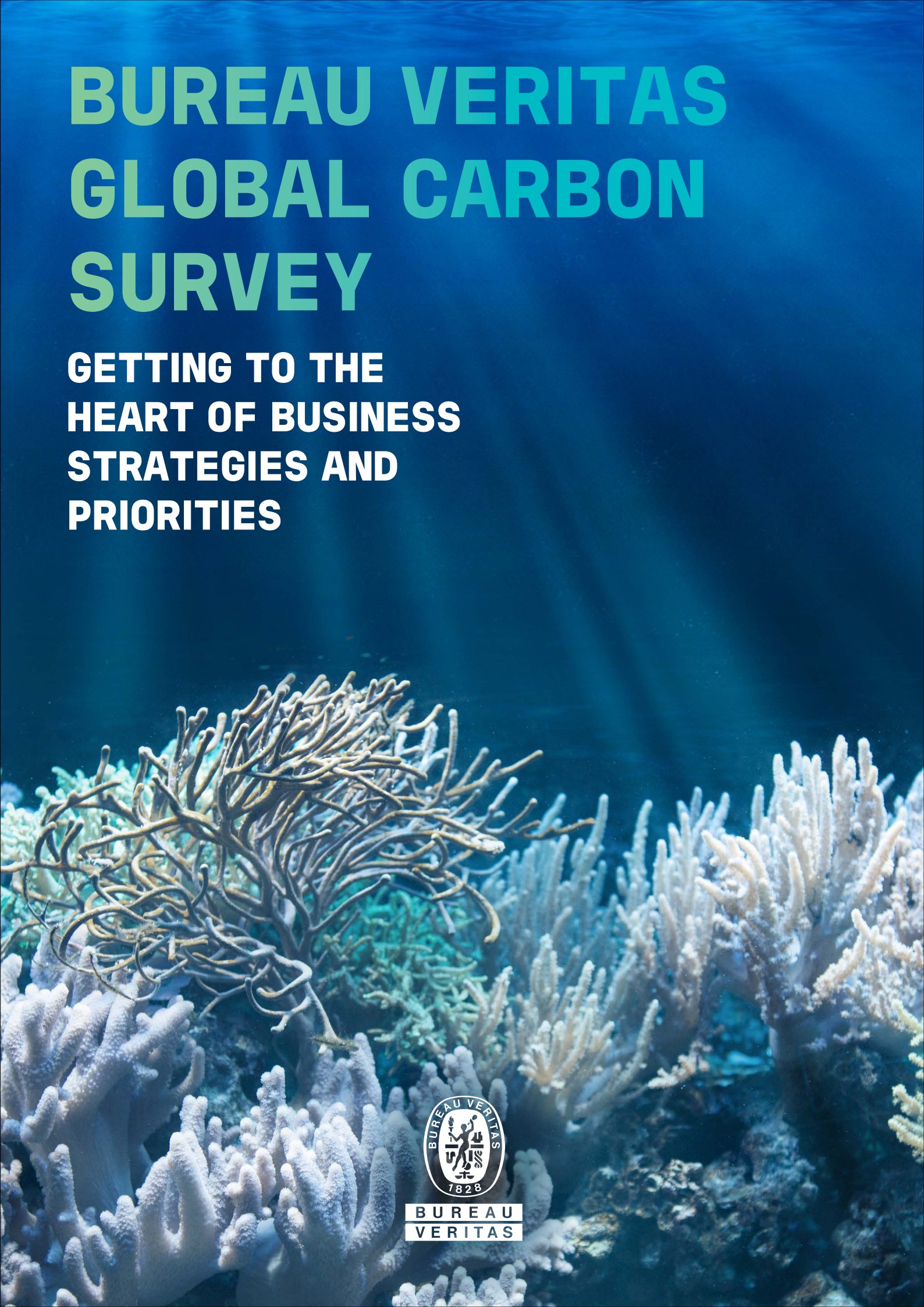
# BUREAU VERITAS GLOBAL CARBON SURVEY

## GETTING TO THE HEART OF BUSINESS STRATEGIES AND PRIORITIES



# ABOUT THIS SURVEY

**In 2021, Bureau Veritas conducted a survey to understand the current attitudes of companies around the world towards climate change and their actions to reduce their carbon footprint. In particular, we sought insights into their strategies for monitoring, managing and limiting greenhouse gas (GHG) emissions.**

**More than 2,500 companies of all sizes, across all sectors and in every corner of the globe replied to our questions to assess the importance of decarbonization to their business model. We asked about their key initiatives and the resources they are mobilizing as well as their motivations for change.**

**This report is a summary of what we learned.**

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# CUTTING CARBON: THE CRUX OF CLIMATE CHANGE

**Climate change is without a doubt the most pressing concern of our era. Carbon emissions[1] are central to the issue.**

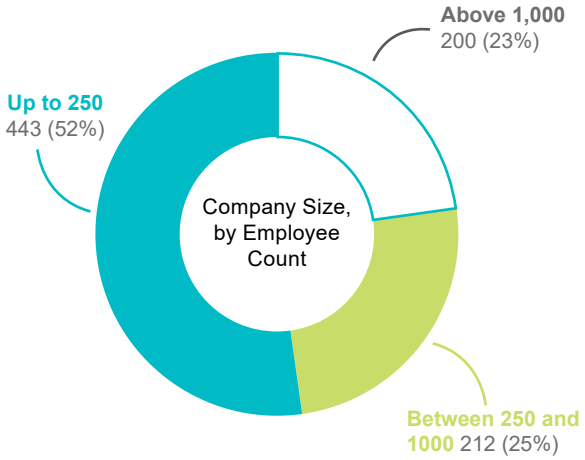
Climate science is clear that current global warming is driven by the increasing amount of carbon added to the planet's atmosphere by anthropogenic activities. Awareness of climate change has considerably increased in recent years, and as a result, individuals, companies, organizations and governments are increasingly putting carbon emissions reduction at the top of their agendas and putting pressure on companies and countries to take action. The UN's Paris Agreement seeks to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C. Research has shown that to meet this target, global emissions need to reach carbon net zero by 2050[2].

To achieve carbon net zero, organizations must reduce emissions as much as possible – including within their value chain - and offset remaining emissions. To cover the full value chain emissions must be reduced across all three scopes as defined by the Greenhouse Gas Protocol. Scope 1 covers direct emissions from owned or controlled sources; scope 2 covers indirect emissions such as electricity used; and scope 3 includes other indirect emissions in the value chain, for example, those associated with business travel. The first step before any emissions can be reduced is to quantify direct and indirect emissions, and there is increasing stakeholder and legislative pressure to report emissions externally. As such, emissions reporting is now becoming a major topic of interest, especially among smaller companies.

Bureau Veritas Certification conducted a worldwide survey to find out more about businesses' attitudes to the issue of carbon emissions, the actions they are implementing, and how they are measuring their efficacy. We spoke to companies of all sizes and sectors to get a snapshot of both where they stand and where they are going.

## About the respondents

This survey, carried out in 2021, reached out to representatives of more than **3,500** companies. Over **2,500** of these participated and **855** completed the entire survey. Over 50% of participant companies had fewer than 250 employees, and around a quarter had a workforce of over 1,000. This means our survey responses were generally representative of the wider economy. As an example, in Europe, 50% of companies are small businesses, with just over a fifth of value generated by large companies[3].




Participant companies came from every sector, with manufacturing accounting for over one fifth of respondents. The automobile, food and agriculture, construction, and professional services industries were also particularly well represented. The majority of the companies that answered our questions were based in EMEA and Asia-Pacific countries (40% in each region), with the remaining 20% in the Americas.

1. *Throughout this white paper, we use "carbon" to designate this basket of greenhouse gases that the Kyoto Protocol first introduced.*
2. *https://eciu.net/analysis/briefings/net-zero/net-zero-why*
3. *https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20191125-1*

# THE IMPORTANCE OF CARBON

**As we become more and more aware of the catastrophic effects of climate change, companies everywhere are coming under increasing pressure to play their part in reducing emissions. Under scrutiny from internal and external stakeholders, more and more companies are making commitments, limiting and offsetting their emissions with ambitious targets and action plans.**

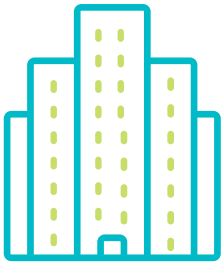
In our survey, **71%** of respondents said that reducing GHG emissions is important to their organization. **37%** said that they are implementing these actions now, and **34%** are planning actions in the medium term. The most important driver for managing emissions for companies of all sizes is the need to enhance their sustainability credentials. The need to respond to customer expectations and external stakeholder demands came in second and third. In general, smaller companies are slower to integrate climate change goals into their strategic plans than bigger companies, who often face greater stakeholder pressure.

## SIZE MATTERS WHEN IT COMES TO GHG EMISSIONS

**24%**
of small companies (<250 employees) are taking action now

VS

**58%**
of large companies (>1,000 employees) are taking action now



## Heading towards net zero?

While only **8%** of respondents to the survey reported having made a net zero pledge within a specific timeframe, a further **12%** said they had pledged to reduce emissions in line with 1.5°C science-based targets.

Unsurprisingly, the majority of these two groups were companies with more than 1,000 employees. Interestingly, it would seem that senior management are often ahead of their organizations' stated commitments when it comes to net zero. Over half of senior executives said they felt net zero targets were important or somewhat important. Given the influence these executives have on their organizations' strategies, the data suggests that the adoption of net zero targets will continue at pace in the coming years.

# THE DRIVE TO REPORT

**Before actions can be implemented and improvements to its emissions made, a company needs a clear picture of its environmental impact, including where emissions are coming from. Then, they need to develop an action plan to reduce emissions. Once reduction initiatives have been put in place, the organization needs to generate comparative data to measure how effective its actions are and where further improvements can be achieved.**

These data, which are used internally to drive continual improvement, are also now increasingly demanded by external stakeholders, and can be used by companies to demonstrate their progress towards targets to support their sustainability credentials. Various reporting mechanisms have been adopted over the years, with regulators in some regions having a say on how companies report their data and explain their initiatives.

## The importance of reporting

Depending on a company's location, climate change reporting can be mandatory. For larger companies, it is clearly a stakeholder expectation, even where regulations do not require it.

Within our survey, **82%** of respondents said that climate change reporting was important, even if for **34%** the topic is only somewhat important but not part of their company's current strategy.

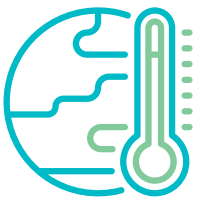
To break that down, we asked the **407** organizations that said reporting was important, what exactly they did, both voluntarily and in order to comply with regulations. Measurement, reporting and verification was by far the most popular answer. It is interesting to note that more companies said they performed voluntary verification **(36%)** than mandatory **(33%)**, showing that verification is viewed as a key method of ensuring stakeholder trust. Nevertheless, mandatory reporting is expected to increase with regulatory pressure such as the EU's proposed Corporate Sustainability Reporting Directive, which would impact 49,000 companies across the bloc[4].

## Why are companies choosing to report?

The businesses questioned said customers were their main source of pressure regarding GHG reporting, with shareholders and government bodies coming next, followed by banks and local communities.

While a large number of small companies said they were actually under no pressure from external stakeholders, this is likely to change as big companies start tackling their scope 3 emissions and push emissions monitoring and reporting requirements up the supply chain; the scope 3 emissions of a large company come from the scope 1 and 2 emissions of the smaller companies from whom they purchase.

### KEY FIGURES



**82%**
say climate change reporting is important

**36%**
carry out voluntary verification of their climate change reporting

**42%**
said their customers had asked them to improve their approach to GHG reporting

*4. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021SC0151*

# OVERCOMING OBSTACLES TO LOWER EMISSIONS

**Despite many companies and countries setting net zero targets and demonstrating their determination to meet their goals, we all still have a long way to go. Climate change experts regularly sound alarm bells warning that we need to do yet more to ensure we bring carbon emissions down to zero by 2050 to have any chance of avoiding the worst impacts of climate change.**

The Bureau Veritas survey explored the perceived barriers to the adoption of GHG emissions inventory and carbon footprinting approaches. The most common response among companies of all sizes was insufficient internal resources. The second and third most cited reasons were an absence of evidence of profitability and insufficient government incentives.

## Resources key to delivering on carbon commitments

Interestingly, when asked what additional resources they needed to improve their organizations' GHG emissions and carbon performance, knowledge came out top across the board.

Small companies in particular frequently said that there was a knowledge gap that needed to be plugged in order for them to make better progress in reducing emissions. Lack of budget was the second most often cited need, followed by tools for emissions calculations, then time and tools for pre-verification preparation. Only **6%** of the companies we spoke to said they felt they had all the resources they needed to tackle their emissions and improve their performance.

### TOP 5 IMPEDIMENTS TO EMISSIONS REDUCTIONS AS CITED BY COMPANIES THEMSELVES

**66%**
Knowledge

**49%**
Budget

**49%**
Tools for emissions calculations

**39%**
Time

**33%**
Tools for pre-verification

# WHAT ARE COMPANIES DOING?

**The current momentum among organizations and governments to tackle their carbon emissions is tremendous and appears to be accelerating daily. The number of commitments to the goal of achieving net zero from local governments and businesses has roughly doubled in the last year, as more and more leaders put climate action at the heart of their sustainability priorities. The majority are aiming for a zero-carbon economy by 2050, as part of the UN's Race to Zero campaign, the largest alliance of local governments, businesses, investors and others aiming for zero emissions[5].**

This movement is reflected in the results of our survey, in which over half of respondents report that their company has an organization-wide carbon reduction strategy. Over a fifth said that carbon is considered when looking at business cases for new product investment. Equally, when respondents were asked to rank a number of topics in terms of their importance to their companies, developing a carbon inventory of the whole organization (also known as carbon footprinting) came out on top.

Carbon footprinting of product(s) and service(s) and carbon neutrality came second and third respectively. Interestingly, for small companies, product carbon footprinting was more important than organizational inventories. This may be due to the fact that small companies often supply larger companies, who exert pressure on them to footprint the specific products they are buying. Beyond their perceived importance, nearly half of our respondents said that company carbon footprinting and product footprinting were actually integrated into their organization.

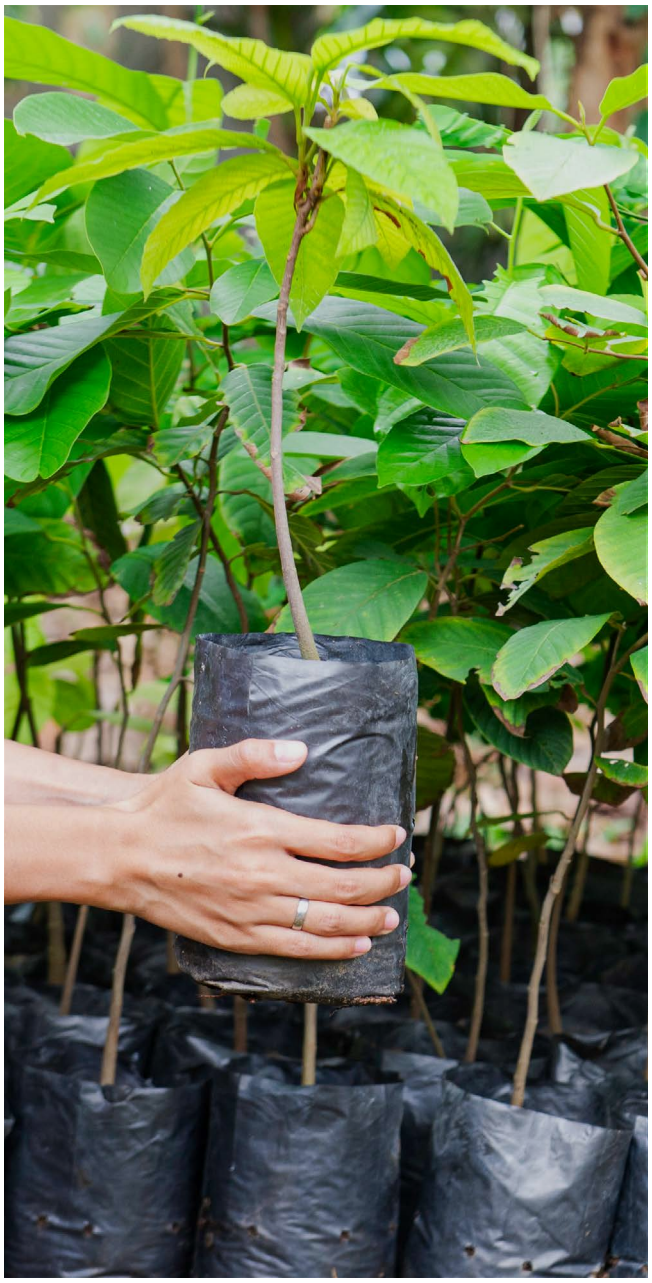
***20%***

***have pledged a decarbonization target aligned with the SBTi.***

*5. https://unfccc.int/climate-action/race-to-zero-campaign*

# TO OFFSET OR NOT TO OFFSET?

**Carbon offset schemes allow businesses to invest in environmental projects and are an increasingly popular way for companies to compensate emissions and balance out carbon footprints. However, they remain controversial. Some claim that allowing companies to use carbon offsetting to achieve net zero targets lets businesses avoid changing their environmentally unfriendly ways and undercuts the true aim of net zero which is to reduce and eliminate aggregate global emissions. Others argue that actually reducing carbon emissions to zero, and doing so fast enough, is near impossible for most companies. They consider offsetting to be an important part of the solution.**



Bureau Veritas asked our survey participants whether they plan to compensate part of their carbon footprint; **70%** said no. Among the **30%** that said they do choose to compensate, investing directly in insetting projects was the most popular method **(12%)**. Carbon insetting is when an organization invests in sustainable practices within its own supply chain.

Following that, nearly **9%** invest in offsetting projects directly, and the remainder buy offset credits on the compliance and voluntary markets. Within the relatively small group that choose to buy carbon credits, **75%** said that third-party verification of the credits is important to their organization.

The Taskforce on Scaling Voluntary Carbon Markets believes that the carbon offset market will need to grow considerably (fifteen times greater than it is now) to enable companies to achieve carbon neutral and net zero targets by 2030[6].

***75%***

***of companies said that third-party verification of carbon offsets is important to their organization.***

6. *https://www.iif.com/Portals/1/Files/TSVCM_Summary.pdf*

# TACKLING SCOPE 3

**The key to achieving net zero lies in ensuring that emissions across a company's value chain are reduced, eliminated or offset. However, it is much easier for companies to tackle emissions in scopes 1 and 2 than scope 3 over which they may have limited or no control. Companies that succeed in reporting – and reducing - all three scopes can, in theory, gain a significant competitive advantage through reduced costs and enhanced sustainability credentials.**

## Looking upstream and downstream

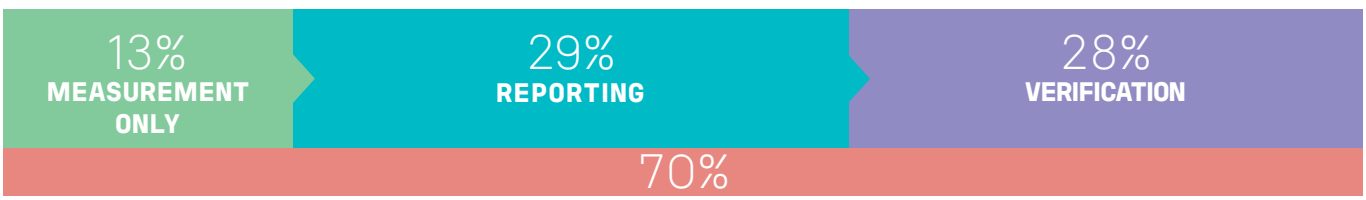
Looking upstream, **13%** of participants in our survey said that they expect suppliers to provide measurements, **29%** expect measurement and reporting, while **28%** demand measurement, reporting and verification. Smaller companies generally expect less from their suppliers than big companies. **30%** of companies questioned said they expect nothing from suppliers.

Turning our attention downstream, we asked companies whether they considered GHG emissions resulting from the use phase of products or services after they have traveled down the supply chain to customers. More than half said they did not consider these emissions. Of the **361** respondents that said they do consider scope 3 emissions, **25%** estimate downstream carbon emissions from the use phase and **33%** measure downstream emissions and include them in their own reporting. **42%** advise customers on low-carbon use of products/services.

While all organizations can do their part to reduce scope 3 emissions, it is particularly important that large companies start working on these hard-to-track emissions. Since smaller companies are very often suppliers for larger companies, their scope 1 and 2 emissions frequently form part of their customers' scope 3 emissions. So, by focusing on their scope 3 emissions, bigger companies can motivate and help smaller ones to address their scope 1 and 2 emissions.

**UPSTREAM SUPPLIERS FACE SIGNIFICANT REQUIREMENTS**

OVER 70% OF RESPONDENTS REQUIRED SOME FORM OF MEASUREMENT, REPORTING AND VERIFICATION



# DRIVING IMPROVEMENT THROUGH VERIFICATION, AUDITS AND LABELING

Businesses large and small are rapidly realizing that, in order to achieve ambitious carbon targets, they must implement best practices across the entire value chain. Some companies have decided to tackle all three scopes, committing to achieve “net zero” by a certain date, which if aligned with the Science Based Targets Initiative, must include their upstream suppliers, their own and downstream emissions. Whatever the company’s level of ambition, verification, audits, labeling and in some cases certification, can help them improve their stakeholder transparency on emissions reductions.

In our survey, Bureau Veritas asked companies to identify the approaches they are deploying to help them manage, measure, report and reduce their GHG emissions.

The top answer by far was the implementation of a holistic, business-wide Environmental Management System such as ISO 14001. Uptake of these schemes was particularly strong among companies with fewer than 250 employees.

The second most common answer was advisory support for compliance and risk assessment which, again, was particularly popular among smaller companies.

Energy Management Systems such as ISO 50001 came next in the ranking, followed by advisory support for climate change mitigation/ GHG emissions inventories; lifecycle product/ service carbon footprinting methodologies (like ISO 14067); and international GHG emissions reporting standards like ISO 14064-1.

In general, bigger companies use a wider range of approaches, and are significantly more keen on industry-developed reporting standards like the GHG Protocol and regulatory reporting schemes like the EU Emissions Trading Scheme (ETS) than smaller companies.

***69%***

***The majority of companies cited their environmental management system among the approaches they use to manage, measure, report and reduce GHG emissions***

# HOW BUREAU VERITAS CAN HELP

## OUR ROLE IN YOUR CARBON JOURNEY

**The Bureau Veritas Green Line of services helps companies monitor, measure and report on progress towards their sustainability objectives. Verifying data with an expert third party enables them to reap the reputational benefit offered by sustainability efforts and prove their communications are accurate and transparent.**

### VERIFYING YOUR CARBON FOOTPRINT

Stakeholders expect organizations to report on their carbon emissions regularly and identify areas for improvement. Bureau Veritas verifies businesses' data to a variety of voluntary standards and regulatory schemes for carbon footprinting, including ISO 14064-1, GHG Protocol and the EU and UK ETS.

### PROVING CARBON REDUCTION CLAIMS

Companies can obtain Bureau Veritas certification of their maturity with the Carbon Progress© labeling scheme or make certified carbon neutrality declarations following PAS 2060. These standards require companies to set carbon objectives, measure emissions reductions and compensate for residual emissions.

### VALIDATING AND VERIFYING CARBON OFFSETS

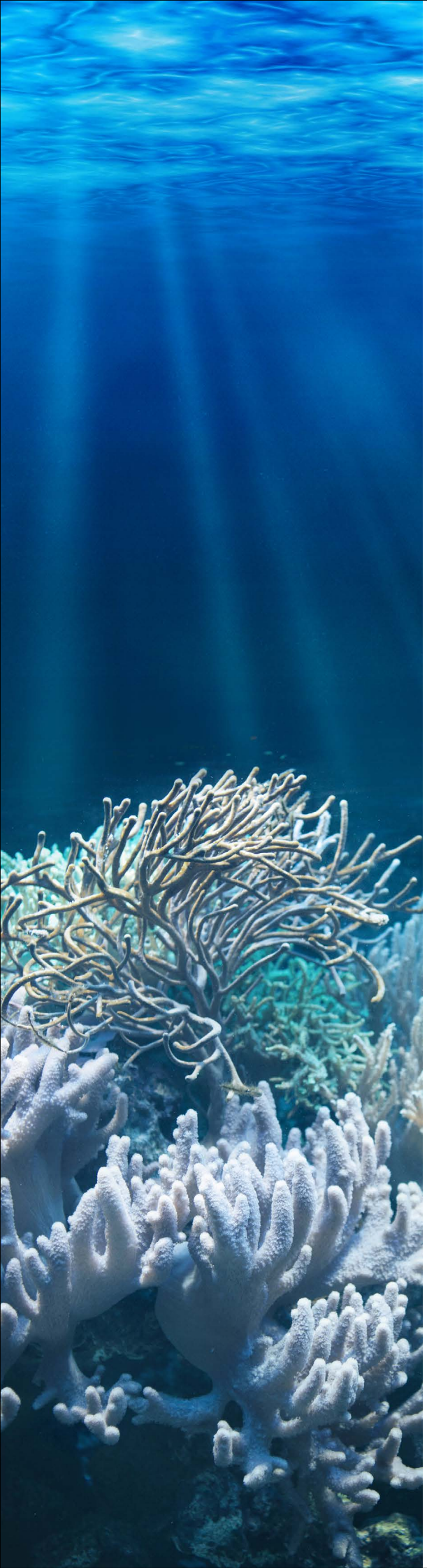
Bureau Veritas validates and verifies carbon offsetting and removal initiatives, proving the legitimacy of carbon credits and helping companies achieve carbon neutral and net zero operations. Schemes include Verified Carbon Standard, ISO 14064-2, the Clean Development Mechanism and the Gold Standard.

### VERIFYING GREEN FINANCE INVESTMENTS

Organizations are increasingly investing in green finance projects that contribute to a low-carbon and climate change-resilient economy. Bureau Veritas is an approved verifier for the Climate Bonds Initiative and can offer certification to green bond principles, helping businesses verify the positive impact of their investments.

*Bureau Veritas is also a leading provider of ISO 50001 Energy Management System certification, facilitating companies' identification of major energy use and associated emissions*

## BV GREEN LINE OUR GREEN LINE OF SERVICES AND SOLUTIONS



# SHAPING A WORLD OF TRUST

**Bureau Veritas** is a Business to Business to Society company, contributing to transforming the world we live in. A world leader in testing, inspection and certification, we help clients across all industries address challenges in quality, health & safety, environmental protection, cybersecurity and social responsibility.

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