



iPoint

iPoint Sustainability and Compliance Trends Study 2022

A study by iPoint-systems with support
from Christian Doppler Laboratory

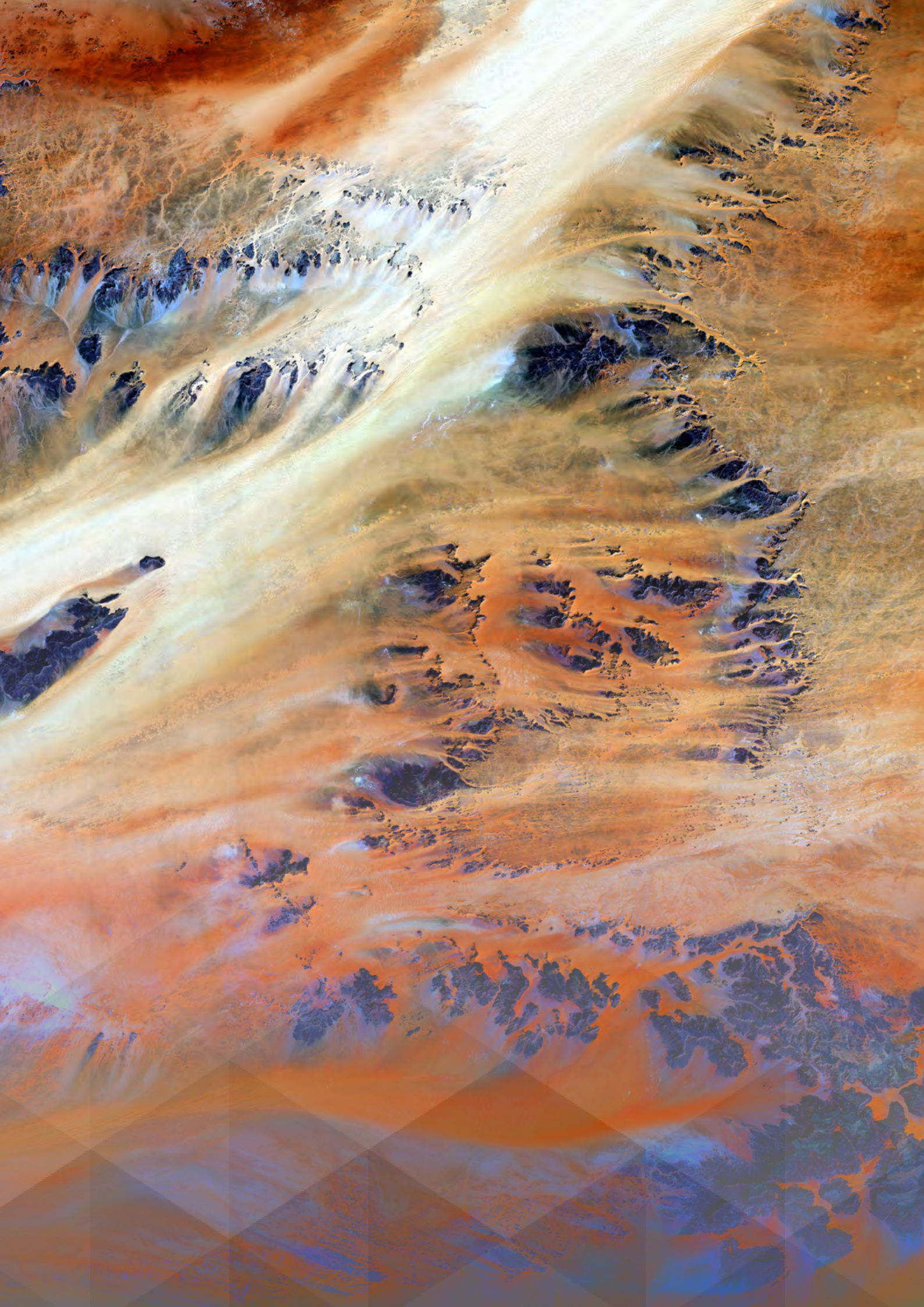


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Foreword

Special thanks to our cooperation partner Christian Doppler Laboratory from the University of Graz for supporting the result analysis and evaluation of this trend survey.

The Christian Doppler Laboratory is dedicated to application-oriented basic research on the utilization of digital technologies in sustainable product management.

Their aim is to make sustainability assessment and design methods more efficient, accurate, and suited to corporate decision-making processes. Specific use cases refer to:

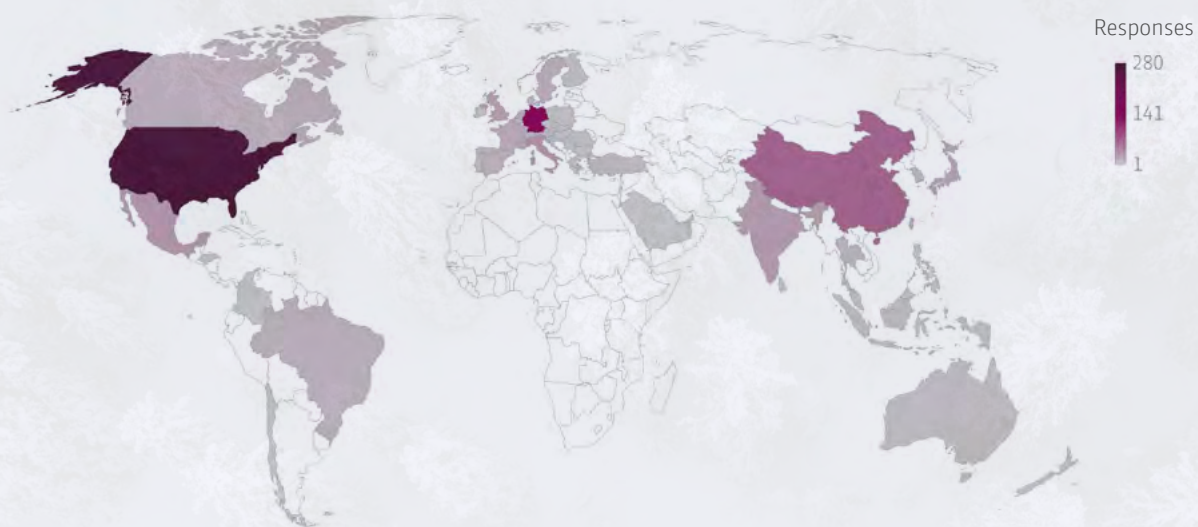
- the use of probabilistic machine learning for protecting confidential information when sharing, e.g., environmental impact data, along value chains
- assessing the impact of different types of environmental information on decision-makers in behavioral experiments
- integrating circular design strategies in early stages of product development
- developing a sustainability assessment and optimization method for early phases of automotive product development



For more information on iPoint visit: ipoint-systems.com

For more information on the Christian Doppler Laboratory visit: circular.uni-graz.at

Survey Participants: 779 experts from various countries across the globe



779 companies from a wide range of industries and companies of all size

Survey Introduction

The by now world's largest sustainability and compliance survey goes into the 5th edition. Already since 2018 we have been observing the development of compliance and sustainability trends around the world.

This year again, numerous experts from various industries participated in our survey and gave valuable insights into how these topics are perceived from an business perspective.

In order to be able to track a trend over the last 5 years, we wanted to know:

- How important sustainability and compliance are to companies worldwide
- How their spending on these topics is developing and where they are investing

Specifically in 2022, we put a spotlight on the carbon reduction topic and wanted to know:

- If they have set carbon reduction goals how their spending on these topics is developing and where they are investing
- Which measures have been taken to achieve carbon reduction goals
- If not what reasons prevent them from setting them

The survey was promoted via different online channels. All last years' participants as well as other interested experts were invited to take part. With 779 responses the survey continues to be one of the world's largest sustainability and compliance surveys.

Experts of companies from various countries worldwide, mainly Europe, North America and Asia participated in the survey. The largest share of participants with 36% are from the US, followed by Germany (23%) and China (7%). That is why we have spotlighted these 3 countries and its continents.

Enterprise Size	Revenue	Survey Participants
Large Enterprises	>\$1B	121 (22 %)
Medium Enterprises	\$100M – 1B	117 (21 %)
Small Enterprises	\$10M-100M	149 (27 %)
Small (and Medium) Business	<\$10M	174 (31 %)
Total		561

Overview Key Findings

1

Importance of Sustainability and carbon reduction goals especially high in Asia

74% of Asian companies gave sustainability the highest possible rating in terms of importance

2

More budget for software: Spendings on compliance and sustainability considerably increased – mainly in digitalization.

In 2022, **70%** of the surveyed companies increased their spending (**22%** increase compared to 2021) with increasing investment in software and decrease in human resources.

3

Slight majority has carbon reduction goals: Large and medium sized companies set the trend.

54% of the surveyed companies have defined carbon reduction targets. Only considering large enterprises (with over 1 billion in revenue) **85%** have carbon reduction targets in place.

4

Obstacles for companies without carbon reduction goals depend on company size.

Small businesses mainly face a lack of internal knowledge or competence, whereas large enterprises have the highest obstacle in the lack of management support.

5

Low hanging fruits are the most chosen measure for carbon reduction, but large enterprises go deeper into the supply chain.

Most companies improve energy efficiency at their production sites to reduce carbon emissions (**76%**). Large enterprises are frontrunners in collaborating with the supply chain.

An aerial photograph of a coastal area, showing a mix of brownish-orange land, dark blue water, and a winding river or stream. A large, semi-transparent white number '74' is overlaid on the right side of the image. At the bottom, there is a dark purple rectangular box containing white text.

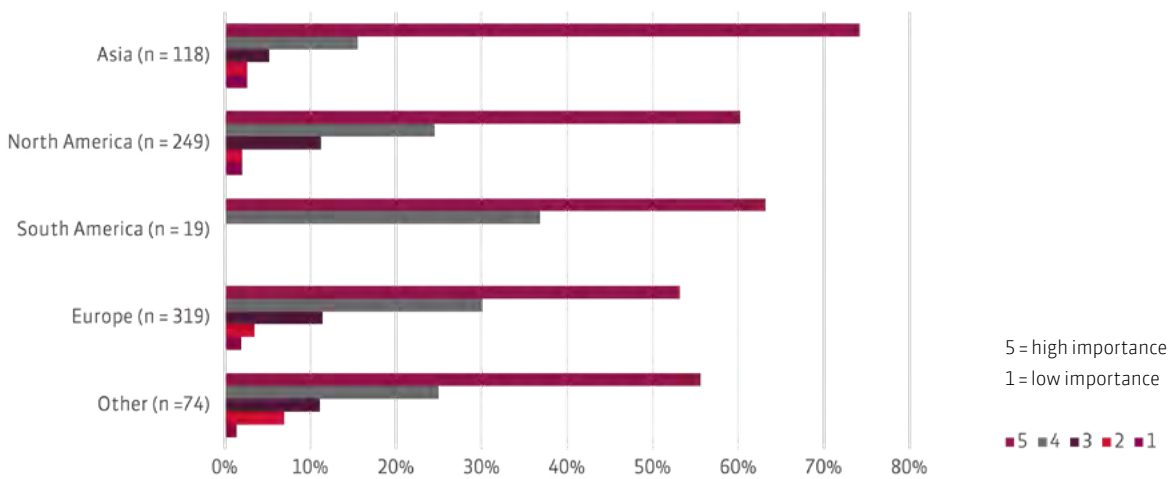
74% of Asian companies gave sustainability the highest possible rating in terms of importance

1. Importance of sustainability and carbon reduction goals especially high in Asia

Overall, sustainability remains highly important for most companies (i.e. 85% see it as important or highly important). On the opposite, the mean importance of compliance remained identical to that reported in 2021.

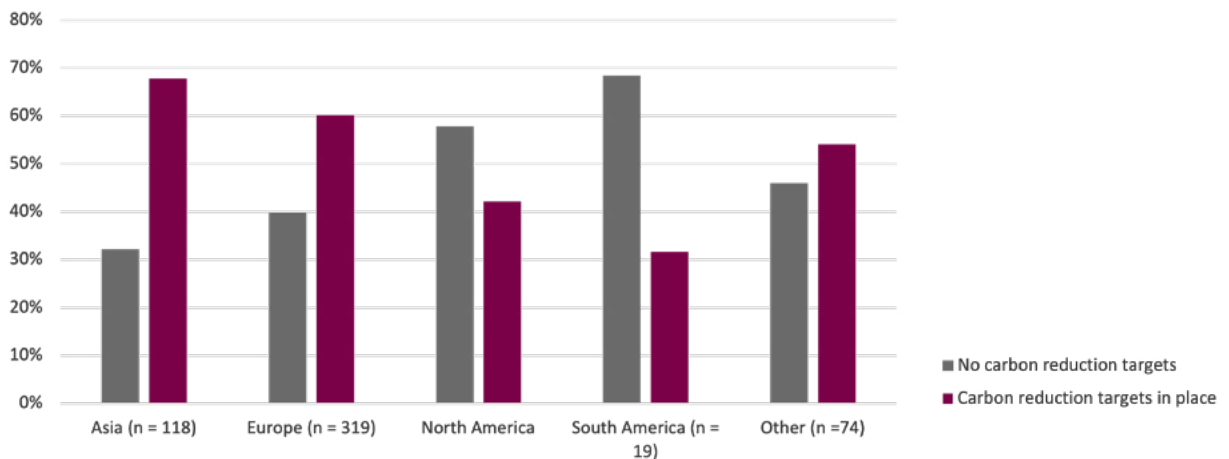
In all regions, sustainability played an important role and was rated as highly significant. However, it stands out that for 74% of the companies in Asia, sustainability is very important.

Sustainability importance by region (N=779)



The same trend can be seen for the region with the highest percentage of participants with carbon reduction targets. Asia has the highest percentage with 68%, followed by Europe with 60%.

Carbon reduction targets by region (N=779)



An aerial photograph of a dry, cracked riverbed. The ground is a mix of light brown and tan, with deep, dark brown cracks forming a complex network. A large, white, semi-transparent question mark is overlaid on the right side of the image, partially covering the cracked earth. The overall scene suggests a state of drought or environmental stress.

?

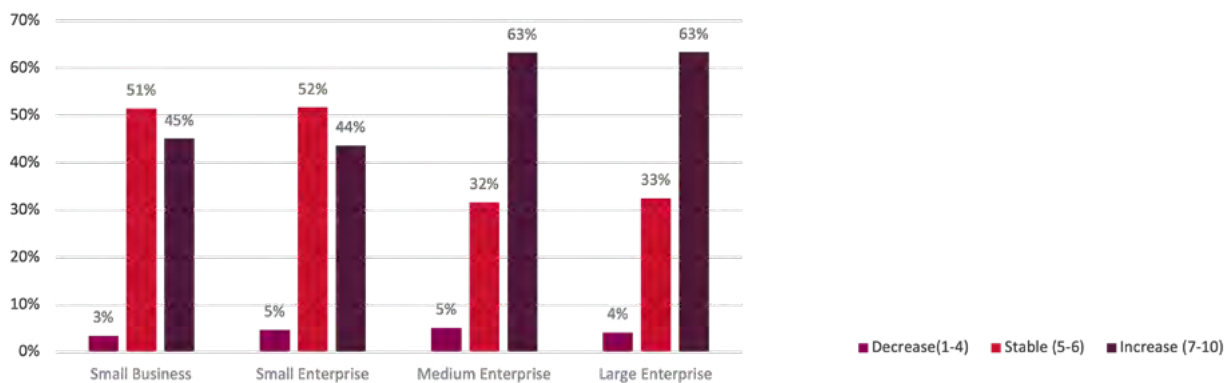
In 2022, **70%** of the surveyed companies increased their spending (**22%** increase compared to 2021) with increasing investment in software and decrease in human resources.

2. More budget for software: Spendings on compliance and sustainability considerably increased – mainly in digitalization

While in the last years the majority of companies reported stable spending, 2022 was the first year where the largest proportion of companies reported an increase in spending for sustainability and compliance. Nearly 70% of the surveyed companies stated that their spending increased in 2022. This is an increase of 22% compared to a 4% increase from 2020 and 2021.

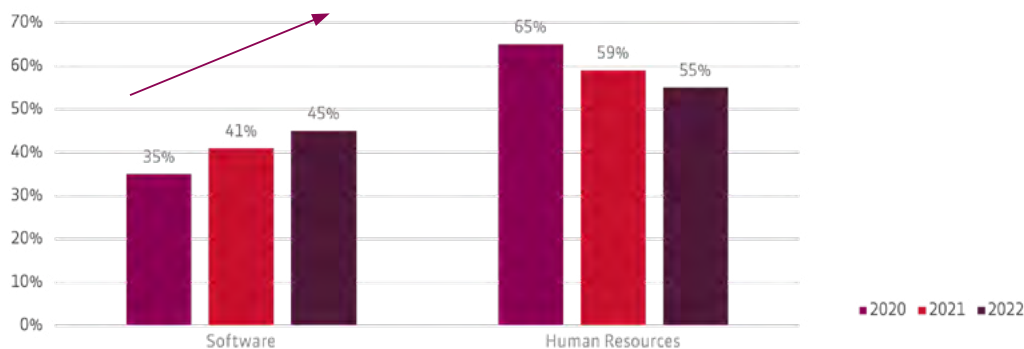
Magdalena Rusch from the Christian Doppler Laboratory states: „As a sustainability researcher, it’s great to witness the high recognition of the significance of sustainability, not just among big corporations but also small businesses. And this is also reflected in their budgeting priorities, as even 45% of the small businesses are committing to increase their investments in sustainability and compliance. This is a positive step towards a more sustainable future.”

Outlook of spending by company size (n= 561)



Moreover, the trend over the last 3 years shows that the shift from spending on human resources to spending on sustainability and compliance software further continued. It can be seen that software spending steadily increases over last 3 years, whereas spendings in human resources steadily decreases.

Where do companies invest? (n = 378)



An aerial photograph of a desert landscape, showing a large, circular, crater-like depression in the center. The terrain is sandy and brown, with some darker, possibly rocky or mineral-rich areas. A large, white, three-dimensional number '3' is overlaid on the right side of the image, partially obscuring the desert features. The number has a slight shadow and a metallic-like texture.

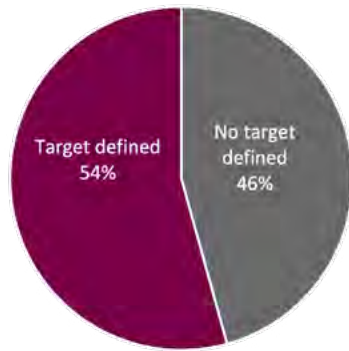
3

54% of the surveyed companies have defined carbon reduction targets. Only considering large enterprises (with over 1 billion in revenue) **85%** have carbon reduction targets in place.

3. Slight majority has Carbon Reduction goals: Large and medium sized companies set the trend

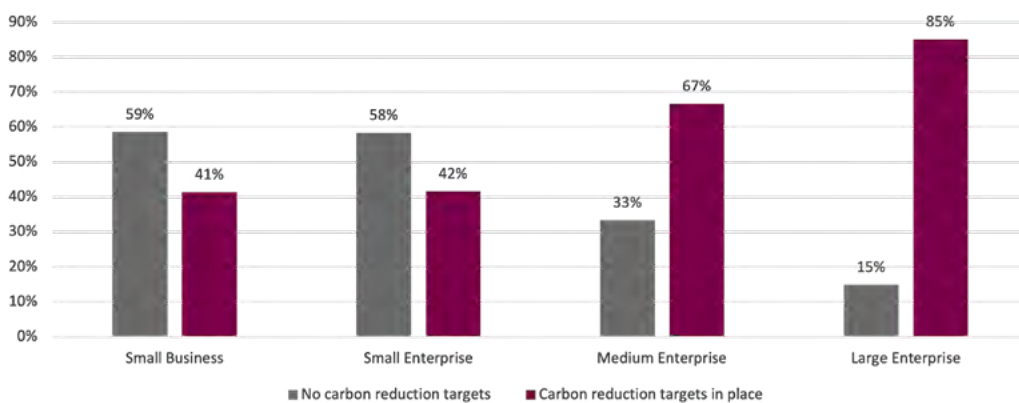
A slight majority of the surveyed companies (i.e., 54 %) have defined carbon reduction targets. In absolute numbers, this means that 423 of the surveyed companies have carbon reduction targets in place, and 356 companies have no defined targets.

Share of companies with carbon reduction targets (N = 779)



While most companies in the small business (59 %) and small enterprise (58 %) categories do not have carbon reduction targets in place, a significant proportion of companies in the medium enterprise (67 %) and large enterprise (85 %) categories have taken steps to define these targets.

Carbon reduction targets by company size



An aerial topographic map of a mountainous region, showing rugged terrain with various shades of brown, tan, and blue. A large, semi-transparent white number '4' is overlaid on the right side of the map.

4

Small businesses mainly face a lack of internal knowledge or competence, whereas large enterprises have the highest obstacle in the lack of management support.

4. Obstacles for companies without carbon reduction goals depends on company size

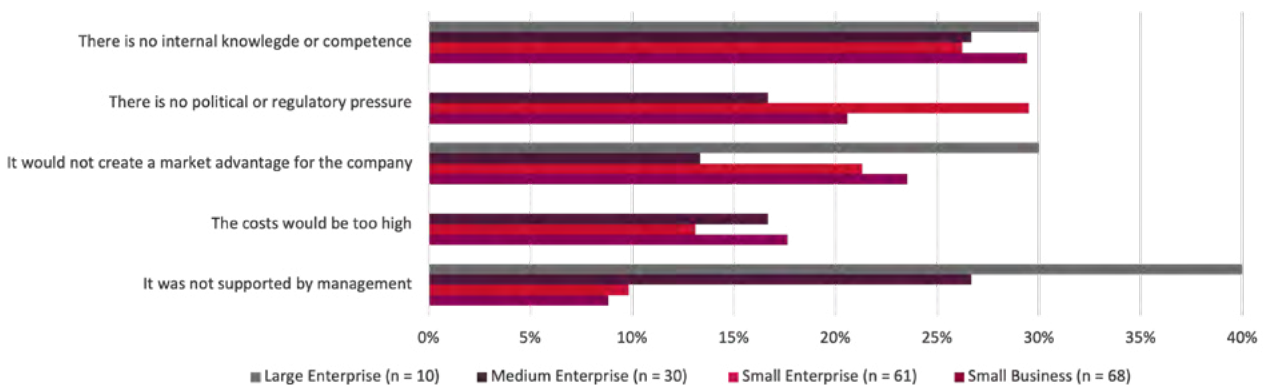
The most common reason cited by companies in the small business category was the lack of internal knowledge or competence (29%), followed by the absence of political or regulatory pressure (21%) and the belief that it would not create a market advantage for the company (24%). The reasons given by companies in the other size categories were similar.

It is worth noting that none of the ten companies in the large enterprise (i.e. over \$1B) category cited costs or a lack of regulatory pressure as a barrier to defining carbon reduction targets. This indicates that larger companies may be more equipped to tackle the challenges associated with implementing such targets.

However, large enterprises also frequently indicated that a lack of management support was one reason they did not have carbon reduction targets. The difference relating to the latter answer was especially big between large enterprises (40%) and small businesses (9%), in which top management support was the least important reason for not having carbon reduction targets.

In conclusion, these findings highlight that companies of different sizes face different challenges in defining carbon reduction targets.

Reasons for not having carbon reduction targets (n = 257 of 356 companies with targets)





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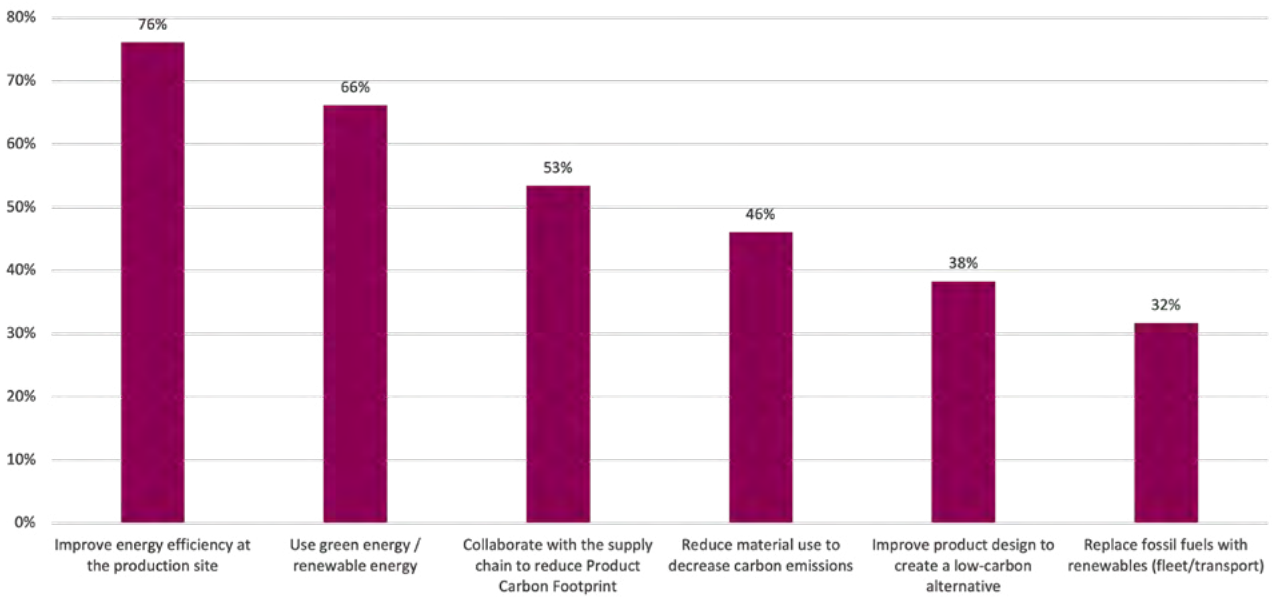
Most companies improve energy efficiency at their production sites to reduce carbon emissions (**76%**). Large enterprises are frontrunners in collaborating with the supply chain.

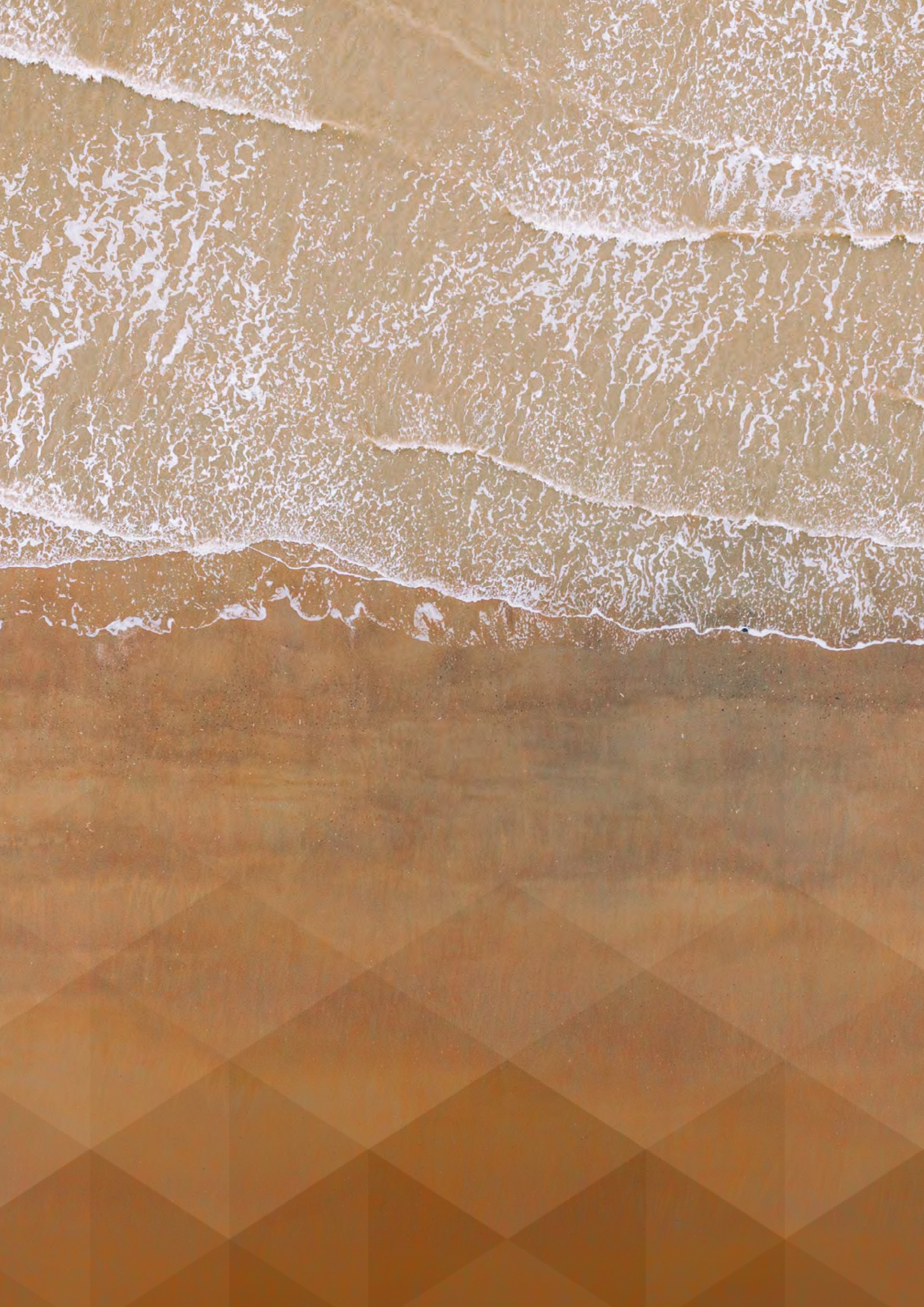
5. Low hanging fruits are the most chosen measure for carbon reduction but large enterprises go deeper into the supply chain

The figure below shows which measures have been taken by the companies that have set carbon reduction targets. Most companies have taken measures to improve energy efficiency at their production sites, followed by using green or renewable energy. These are the low hanging fruits when it comes to carbon reduction measures.

When it comes to product or supply chain related measures, there is a lesser percentage (53%) of companies that are collaborating with their supply chain to reduce their product’s carbon footprint. An even smaller percentage (45%) are reducing materials used to decrease carbon emissions, and also, a small number of companies (38%) have improved product design to create low-carbon alternatives.

Carbon reduction measures (n = 423 companies with carbon reduction targets)



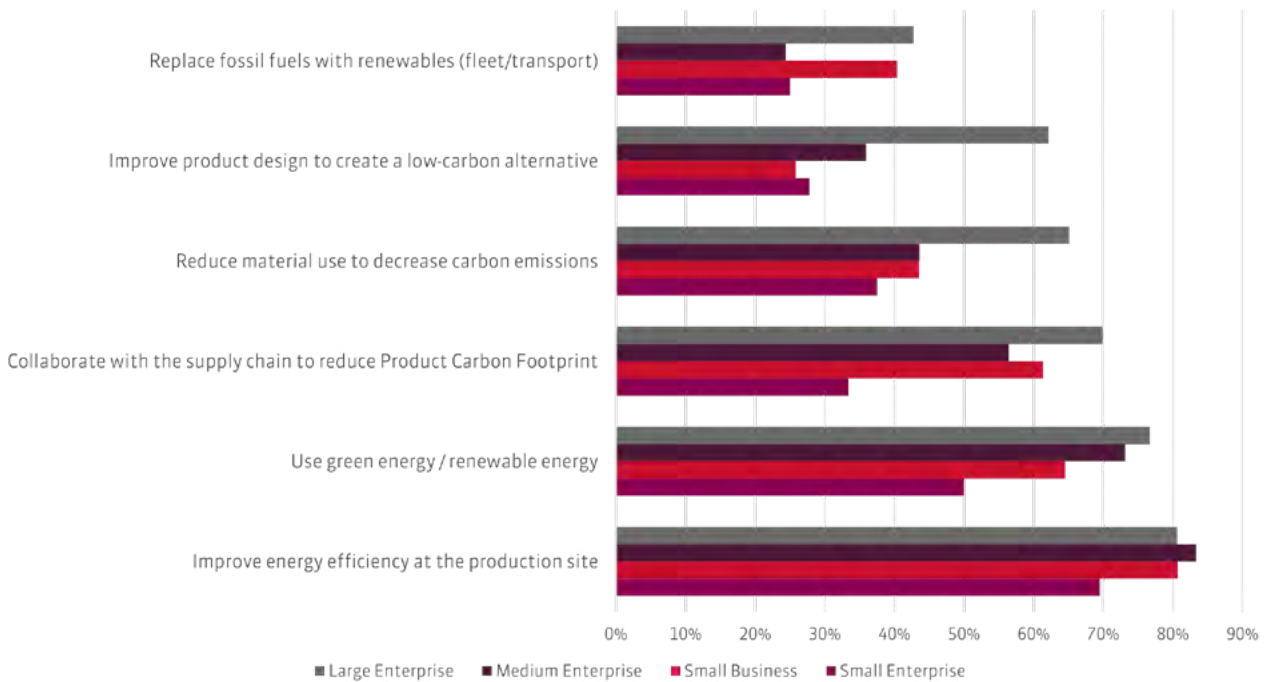


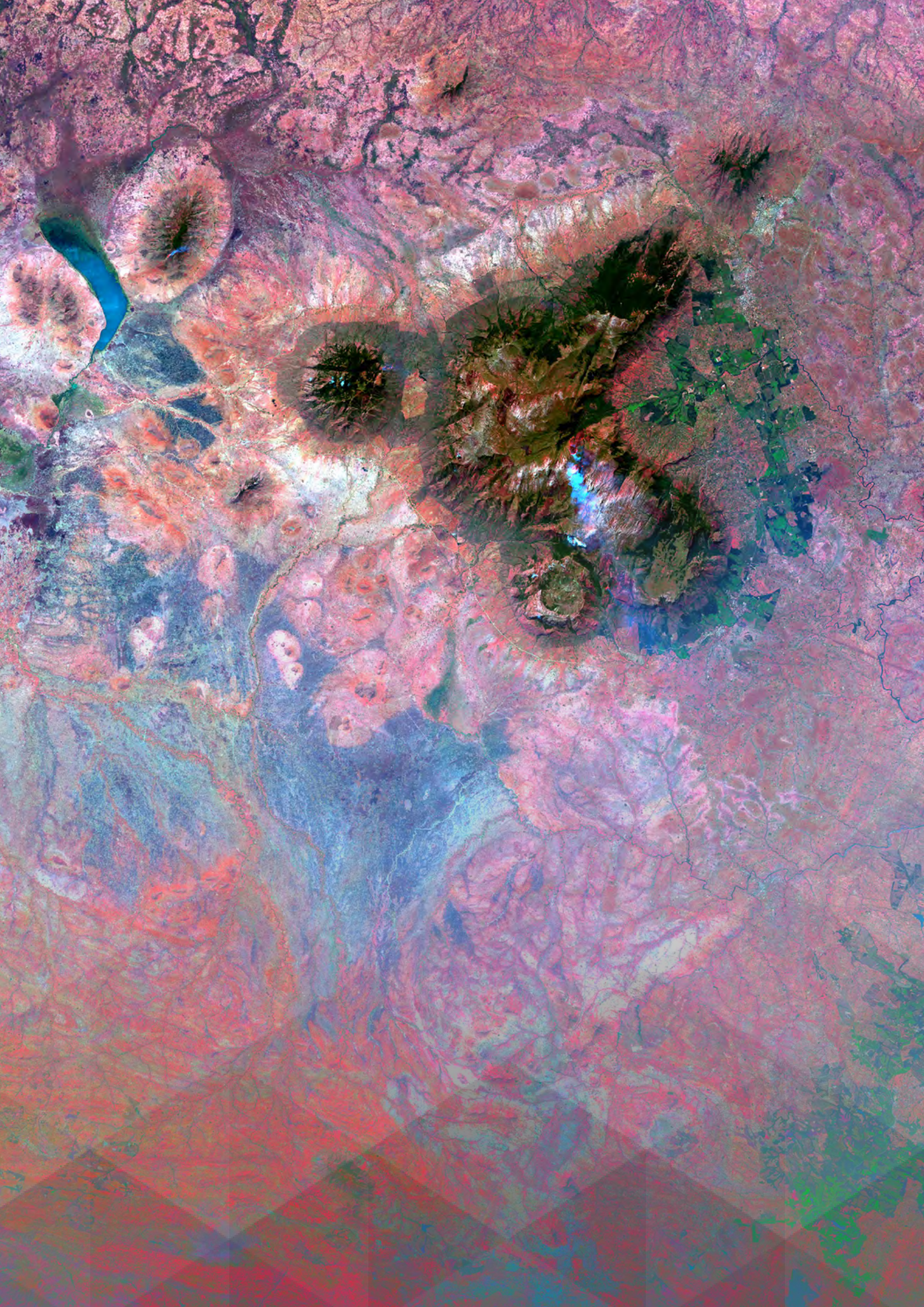
However, it can be seen that the implementation of carbon reduction measures varies among different company sizes. Larger enterprises are the frontrunners when it comes to taking measures that reach deeper into the supply chain and down to the product level.

Therefore, they have the highest implementation rate of collaborating with the supply chain to reduce the product carbon footprint (70%), whereas only 33% of small enterprises are considering this measure. The same applies for reducing material use to decrease carbon emissions, large enterprises have the highest rate (65%), while small enterprises have the lowest (38%).

Josef-Peter Schöggel from the Christian Doppler Laboratory states, “When looking deeper into the data, we see that companies seldomly only follow one carbon reduction strategy. On average, companies have defined 3 strategies in parallel and around a third already have 4-6 strategies in place”.

Carbon reduction measures by company size





Conclusion

The study reveals that the **majority of companies, particularly larger enterprises, place a high level of importance on both sustainability and compliance. Especially in Asia** the sustainability topic is of high importance, which could be related to China's aim to peak its CO₂ emissions by 2030 at the latest and achieve CO₂ neutrality by 2060.

The study highlights the need for companies to invest in sustainability and compliance measures. This **shift in spending** suggests that businesses continue to recognize the importance of sustainability and compliance and are **willing to invest in these areas to maintain their competitive advantage. Increasingly, these investments are flowing into software** solutions, suggesting that companies have hired sustainability and compliance specialists and now need the appropriate software tools to enable them to do their jobs efficiently.

It also shows a **divide in spending intentions between small businesses and large enterprises**, with smaller businesses reporting stable spending while larger enterprises reporting increased spending. This highlights the **need for small businesses to keep up with larger enterprises** in terms of sustainability and compliance, as these areas are increasingly becoming important to consumers and investors. Overall, these results show that **companies must prioritize sustainability and compliance to remain competitive in today's market.**

The assessment of companies' carbon reduction targets shows that **54% of the companies surveyed have defined such targets** and reveals a divide between large and small companies when it comes to addressing carbon reduction. With a majority of companies in the **small business and small enterprise categories not having carbon reduction targets in place**, while a significant proportion of companies in the **medium enterprise and large enterprise categories have defined these targets.**

Among the most commonly cited **reasons that prevent companies from setting carbon reduction targets** are the **lack of internal knowledge** or competence and the **absence of political or regulatory pressure.** However, **the challenges differ depending on the company size. Smaller companies** being more likely to face **issues related to internal knowledge** and competence and larger companies being more capable of addressing these challenges.

The results of the survey also show that a large **majority of companies have implemented measures to improve energy efficiency** and **use green or renewable energy, which are the low hanging fruits in reducing carbon emissions.**

Large companies seem to have recognized the need to **take measures at the product level, as this is where the greatest leverage lies and where there is still a lot of potential.** The **requirements** set by these companies to reduce a product's carbon footprint will most likely **trickle down the supply chain.**



About iPoint

iPoint empowers companies to collect, analyze and report all necessary data to assess the environmental, social, and economic impacts of their products and related processes enabling companies to evolve their business.

Manage Compliance, Risk, and Sustainability

By digitalizing the lifecycles of products and supply chain relationships our software solutions support enterprises to manage compliance, risk, and sustainability.

Evolve your business and make better decision

This drives the transparency companies need for good decision-making to govern and evolve their business. In a world of limited resources but unlimited ideas this is a precondition to successfully manufacture and market compliant and sustainable products fit for the circular economy – now and in the future.

Disclaimer

Please note that our iPoint Sustainability and Compliance Trends Survey is largely based on testimonials from existing iPoint customers, users and website visitors who already have a strong focus on sustainability and compliance issues. For this reason, the results only refer to a specific target group. iPoint is not providing legal advice. The information presented in this white paper is based on our best practices, expertise, and knowledge, and is provided “as is”, without any representations or warranties, expressed or implied.

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