cognizant

Charting the path to a net zero future

The net zero era is emerging as a time of great change and challenge as we endeavor to sustain a planet healthy enough to be our home. It's also a time for optimism, when business leaders can seize opportunities to innovate, with sustainability as a cornerstone.

Here are the three critical areas where we believe businesses should focus to ensure they grasp the full range of possibilities of the net zero era:

Digital+

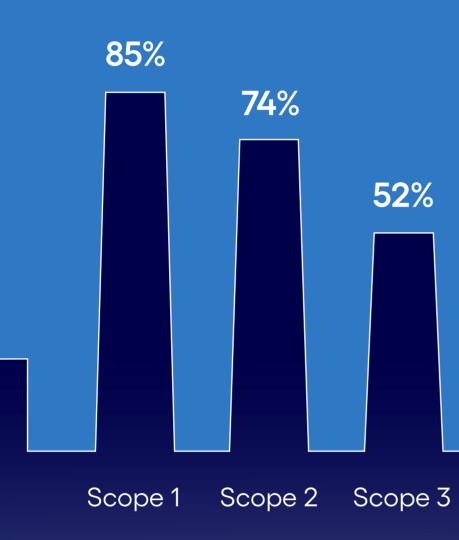
Become digital to the core

Using a digital-first mindset, businesses can reduce their environmental impact, foster the collaborative interconnections needed to solve complex problems, and turn linear business models into circular ones.

Removing carbon

Businesses realize the need for reducing emissions, and digital tools will play a critical role in achieving their targets.

Percent of companies committing to each type of carbon reduction goal:¹



By 2030, Al technologies will help cut greenhouse gas emissions by more than **6% in North America**.²

Impact of deploying AI for environmental applications by 2030



-6

0

-6.1%

North

America

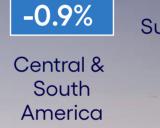
-4.9% -4.8%

Europe

East Asia

-2.4% Indo-Pacific **-1.7%** Middle East &

North Africa



Sub-Saharan Africa

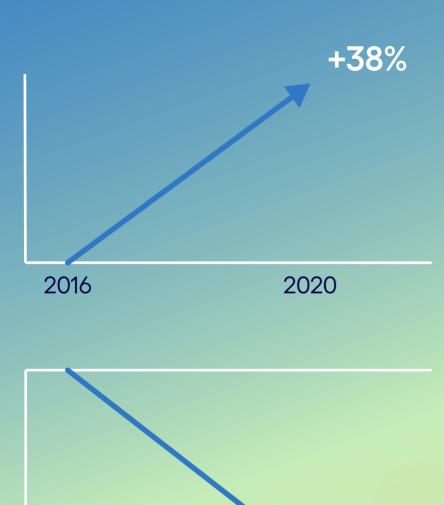
-0.2%

Collaborating seamlessly

When like-minded companies collaborate and share outcomes, they stand a better chance of cutting emissions and improving sustainability. More businesses are joining hands:

-40%

2030



2022

NET ZERO

2040

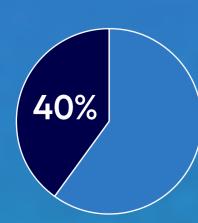
After 1,700 consumer product manufacturers took a consortiumbased approach to communicating their sustainability performance information, their scores improved by 38% from 2016 to 2020.³

Global mandates set by the International Maritime Organization are set to reduce carbon intensity of all ships by 40% by 2030.⁴

UK retailers are rallying around a joint roadmap to **fully decarbonize** stores, deliveries and products by **2040.**⁵

Going circular

Circular business models design out waste, lengthen product usage timeframes and return materials to the product lifecycle. Amid high consumer interest, businesses are just starting to respond:



By **2025, more than 40%** of consumers will adjust their buying behavior to support businesses with demonstrable green practices such as circular business models.⁶



Businesses globally are investing just **\$800 billion** into the circular economy, compared with a far greater **\$35 trillion** in the linear economy.⁷

> While three in four companies are analyzing circular business models, only **12**% have made them central to their current business strategies.⁸

Consumer empowerment

Rebuild consumer relationships

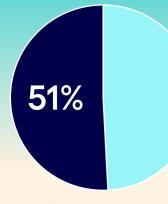
Consumers are demanding more control over the products they buy, the services they consume, the choices they make and the experiences they choose. This makes it essential for businesses to enable co-creation, hyper-personalization and new levels of trust.

Co-creating innovations

Using lower cost and more widely accessible technologies, consumers are taking a greater role in designing the products or experiences they value.



Using a crowdsourcing platform, over a million people have helped launch **23** successful products for **LEGO**.⁹



51% of European executives say co-creation improves financial performance.¹⁰

Showing them you know them

Consumers expect to be recognized as individuals via personalized interactions and transactions.



76% of consumers

say they're more likely to purchase from brands that personalize, and 78% are more likely to recommend them.¹¹

72% of consumers will only engage with marketing messages that are personalized to their interests.¹²

33% of businesses

in the US and UK are devoting half their digital marketing budget to personalization efforts.¹³

Building trust

When it comes to ESG commitments, actions and transparency matter more than words for investors.



believe

of investors

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companies are not executing effectively on ESG commitments.



believe companies overstate ESG progress.



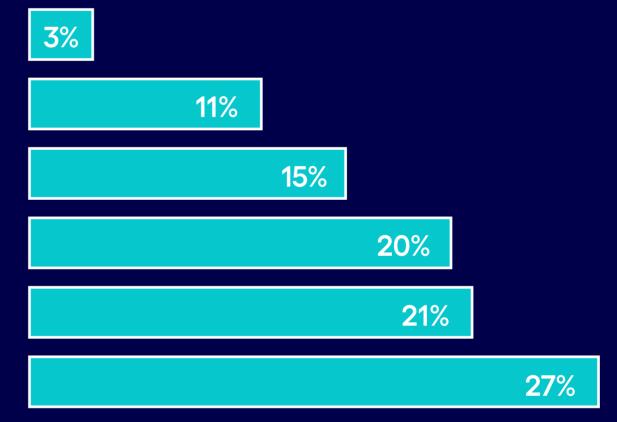
believe companies will not meet their ESG commitments.¹⁴

72%

Access to ESG data is a top priority for global investors when selecting funds.

Top barriers to greater ESG investments¹⁵

Difficulties engaging with investee companies on ESG Poor transparency of ESG benchmarks and indices Lack of consistency between different asset manager approaches Lack of consistency between different ESG rating-provider scores Difficulties monitoring and measuring the performance of ESG investments Difficulties accessing ESG information and data



Purpose

Energizing the soul of

the net zero enterprise

To attract and inspire the next generation of talent, businesses will need to deliver a workplace experience that fits with their lifestyle needs, desires, choices and commitment to social and environmental goals.

Embracing inclusivity and sustainability

76% of Gen Z workers and 71% of millennial workers see commitment to environmental protection and sustainability as critical when choosing an employer.

65% of young workers say it's extremely or very important for their employer to positively impact society ...

> ... but only 24% believe their employer's position on climate change to <u>be "very genuine."¹⁶</u>

To learn more, read our report, **"The Future of Us"**

Endnotes

http://www.sustainabilityconsulting.com/blog/2021/6/29/how-fortune-500-companies-set-and-measure-sustainability-goals https://www.statista.com/statistics/1022326/worldwide-ai-impact-ghg/ https://www.supplyshift.net/how-industry-group-collaboration-drives-sustainability-improvem<u>ent/</u>

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