PAYING THE APATHY TAX:

How Climate Inaction Will Cost Companies

Late climate adaptors risk financial growth, workforce and partnerships in the wake of change

ENERGY TECHNOLOGIES NEXT

The climate crisis has been a divisive issue in the United States since it was first put forth as a looming threat. What began as a matter of urgent scientific discovery quickly made its way into political discourse. However, as the general population freely gains more access to information, it is clear that the crisis is imminent.

Regardless of which political party holds office, businesses across the US can anticipate changes to how they operate. Many will face federal and state regulations tightening their climate impact over the coming years. Beyond just government regulation, businesses also face social and financial pressure from the informed and engaged population — demanding more than just the bare minimum of climate responsibility from brands they are loyal to or are willing to work for.

This divides how businesses react to climate pressures into two categories:

HARD COMPLIANCE:

A quick and direct response to factors beyond the company's realm of control, including government mandates, regulations and environmental urgency.

SOFT COMPLIANCE:

A measured response to more abstract factors, including social contracts, investment in real progress, customer or public perception, profit or market access.

As the crisis advances and compounds with other global systemic issues, it has become clear that companies are not doing enough — for the planet, or themselves. Driving factors aside, businesses cannot afford to lose the climate battle, and yet many are riding on the edge of inaction.

NEXT Energy Technologies conducted a study of business leaders, from senior managers to the C-suite, which revealed that companies believe they are doing their part to protect the planet, but concrete scientific evidence shows that we still are not doing enough. Staying on the cutting edge of climate demands — both hard and soft — is vital not only to truly addressing the climate crisis, but also to staying competitive. As companies continue to meet the bare minimum standards, they put themselves at risk of losing both customers and employees.

Employees and leaders alike are ready to leave their jobs based on their company's climate inaction. Customers are willing to pay higher prices for sustainable goods. Financial partners and investors will terminate relationships with companies who are environmentally inadequate.

Companies can ill afford inaction. So why are many choosing to do less?

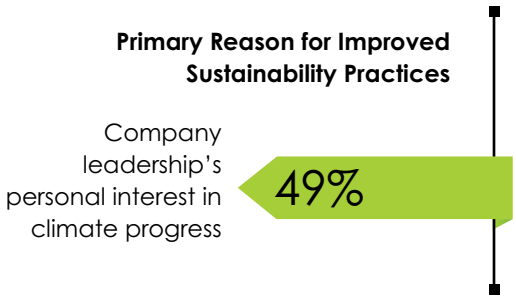
ACTION OR INACTION, Leaders See Themselves as Climate Influencers

Despite the lack of meaningful and impactful change, companies do recognize the potential in climate action. Many companies report taking the initial strides to reduce their carbon and other waste outputs in the wake of impending change.

80% of respondents report that their business has taken a more active approach to its environmental impact over the last few years

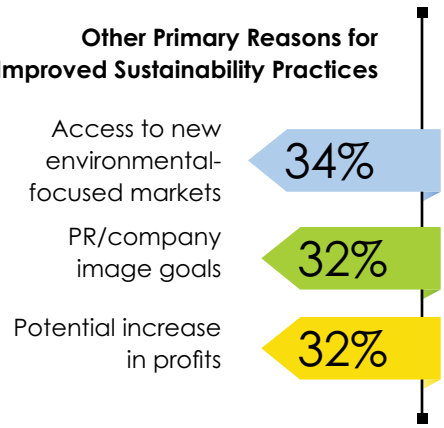
The reasons for making these changes vary from financial security to forced change through legislation. Surprisingly, however, the leading indicator of change is in the respondents themselves. Surveyed business leaders point to themselves as the reason for change. Even as climate regulations sweep across the country at stricter and quicker rates, business leaders believe it is their personal convictions that have led to their companies' improved sustainability.

Primary Reason for Improved Sustainability Practices



Beyond those personal inclinations, leaders are also counting on a greater market presence as well as improved brand image for their investments in green practices. They recognize the value in appealing to this growing market, and expect financial return for it.

Other Primary Reasons for Improved Sustainability Practices



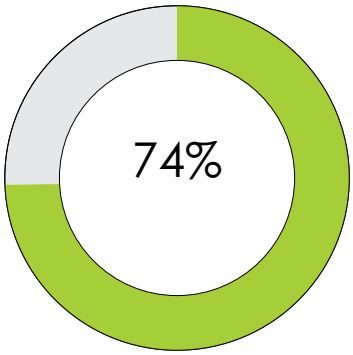
Despite pointing to themselves as climate leaders, respondents report that their employees are not leading the climate charge. This contradicts previous findings, which revealed that employees consider the climate crisis a critical issue.

Only **18% of business leaders** reported improving their companies' climate processes due to internal pressure from staff

However, **82% of workers** said that the climate crisis was an important issue to them

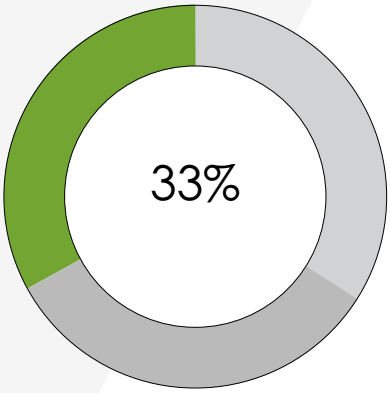
THE GREEN IN GOING GREEN: Financial Opportunity or Attrition Tied to Climate Action

Regardless of business leaders' intention or inspiration for change, there is an obvious larger social trend at play. Highly informed and impassioned consumers are wielding their buying power. They recognize that their money, and how they spend it, has influence over what companies do with their environmental impact plans. This does not just apply to regular consumers. This trend impacts all aspects of the business value chain. As businesses recognize this demand, they are engaging more closely with sustainable B2B suppliers.



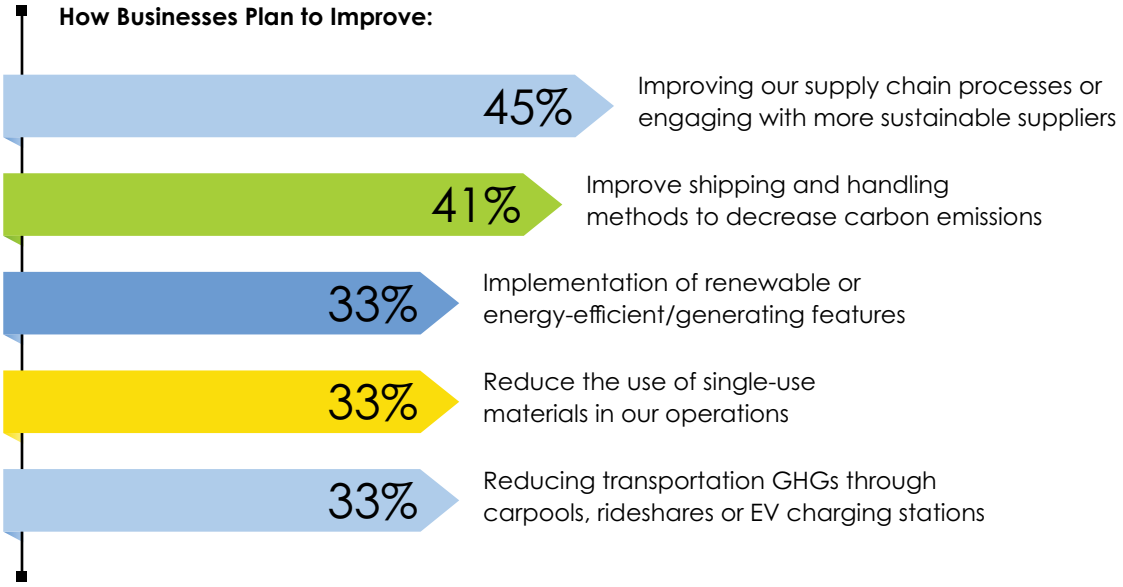
74% of respondents believe their customers are now more interested in buying and engaging with environmentally-friendly companies.

Decision-makers recognize that in the age of information, their customer-base cannot have the wool pulled over its eyes; consumers can, and will, spend elsewhere to have their sustainability expectations met.



One-third (33%) of respondents reported that they have lost business specifically due to their competitors' sustainability practices

To combat this loss, many are making changes to better their businesses' carbon output. These changes span across nearly all aspects of their business, from operations to facility updates. Decision-makers are placing the highest priority on sustainable practices — by improving these practices, they are appealing to consumers' desire for their purchases to have a lower impact. By improving the waste impact of their businesses' facilities, decision-makers are able to soothe their and their employees' wants for a sustainable workplace.



Climate-tied financial risk does not stop with the consumers, it also includes business growth opportunities. Investors, banks and vendors are increasingly turning a discerning eye to who they engage with based on shared climate sensibilities.

Decision-makers reported having conversations surrounding these issues with interested financial parties. Of those who did discuss their businesses' environmental impact, many reported changing it based on those conversations, giving concrete evidence to the impact of the consumer desire for climate friendly business.

46%

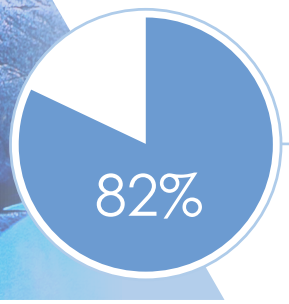
46% of respondents report discussing sustainability issues when engaging with vendors, investors, banks, and other professional services

77%

77% report altering their company's environmental impact plan based on those conversations

HARD COMPLIANCE, CONCRETE CHANGES: The Government's Role in Changing Buildings

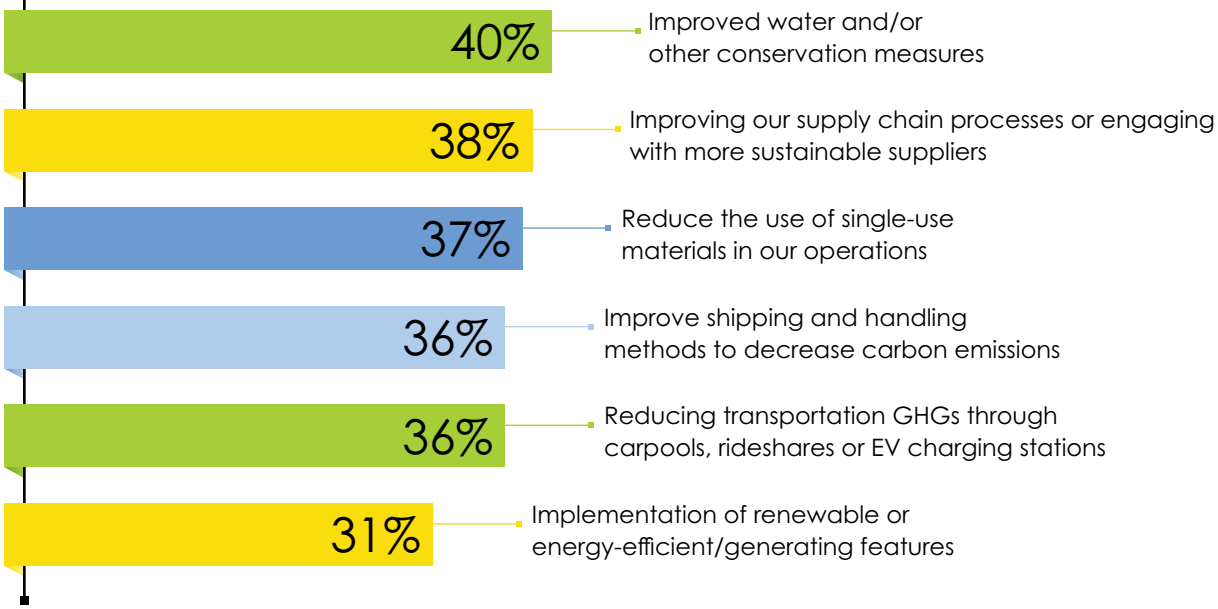
More pressing, perhaps, is the impact of regulatory changes on businesses at the hands of the state and federal governments. Governments at all levels are beginning to recognize the importance of sustainable changes in the wake of the ongoing crisis. Now, they expect businesses to recognize their climate impact — and take the necessary steps to change it.



82% of respondents report that government environmental regulations have encouraged them to change functions of their business

These changes vary on area, contingent on the requirements of local state governments. From water to renewable energy, each change plays a vital role in the stewardship of the local environment, and the planet at large.

How Businesses Plan to Improve:

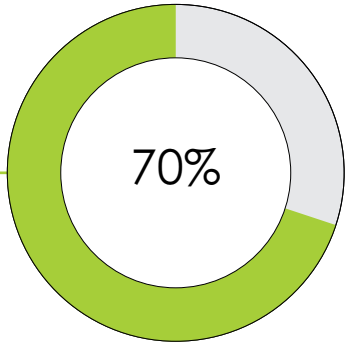


In 2021, the California Energy Commission (CEC) voted to require builders to include solar power and battery storage in many new commercial structures as well as high-rise residential projects. This was the latest initiative in the state's vigorous efforts to hasten a transition from fossil fuels to alternative energy sources.

According to a study by Architecture 2030, buildings account for 40% of annual global C02 emissions. Of that 40%, 28% is a direct result of building operations. While many regulations do not impact buildings themselves, they do open the door to physical alterations of business structures.

Even without regulations, many business leaders reported a general willingness to alter their buildings to improve their sustainability.

70% of respondents reported willingness to alter features of their physical buildings and other workspaces



The leading choices of change were energy-efficient or energy-generating features and water conservation methods. This correlates with data from a previous study conducted by NEXT, which found that employees of large enterprises want their company to implement energy-saving features to their buildings.

Business Decision-Makers Want:

39% Implementation of renewable or energy-efficient/generating features

37% Improved water and/or other conservation measures

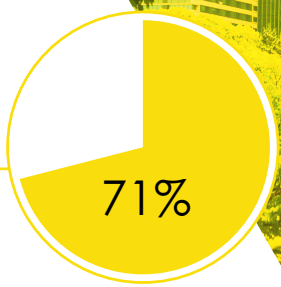
Employees Want:

66% Implementation of renewable or energy-efficient/generating features

THE HIDDEN COST: Companies That Avoid Doing More Risk Attrition

Despite North American enterprises emitting more CO2 emissions than the country of Australia (CDP, 2017), business leaders are satisfied with the changes they have made, and do not foresee themselves making further significant changes.

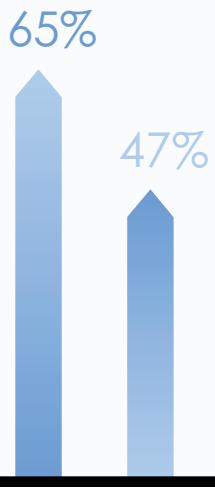
71% believe that their companies' sustainability efforts are "enough"



Business leaders lay claim to personally asserting for better sustainability practices, evidently pleased with the results, justifying stopping the implementation of more sustainable methods. If these means weren't met, however, business leaders would consider leaving their companies. This creates a new penance for companies who miss the climate marker. As skilled labor becomes increasingly hard to source, companies cannot afford to lose tenured and experienced leaders. And this trend is not limited to senior staff — previous data shows junior employees are even more likely to leave based on sustainability concerns.

Business Leaders:

65% of individual respondents have personally urged their companies to make changes to its sustainability practice



47% of respondents reported that they would consider leaving their company because of sustainability practices

Employees:

74% of employees said they would consider leaving their job if their company wasn't meeting their expectations

A UNIFIED COMMITMENT TO PROGRESS

Nothing happens in a vacuum — including meaningful social change in the businesses with which we work, patron and partner. The combined driving forces, from government regulation, the perception of business partners, and the upward pressure from customers are exposing the unsustainable cost of climate inaction.

Companies whose leadership take a strong and proactive approach to address sustainability challenges, rather than those who simply check boxes to signal action, are and will continue to be rewarded by their customers and employees.

The commercial building sector, in particular, is an area where long-term sustainability investments can lead to dramatic pay-offs in the eyes of discerning customers and help keep companies a step ahead of regulators.

Visit nextenergytech.com to learn more about this survey and our plans to help businesses reduce their impact on the environment without making costly or disruptive changes to their commercial buildings.

METHODOLOGY

In early 2022, NEXT Energy Technologies commissioned a survey of more than 200 business leaders across various industries in the United States. This survey was completed online and responses were random, voluntary and completely anonymous.

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