RETHINKING SUSTAINABILITY IN CORPORATE AMERICA

—

2025

AccountAbility

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A Message from our CEO

"The destiny of the world is inseparable from American destiny."

–Dr. Henry Kissinger, former U.S. Secretary of State, (1923 – 2023)

Our world offers no shortage of challenges. Stagnant economies, stubborn inflation, and rising unemployment weigh heavily across regions. Geopolitical tensions continue to escalate, reverberating through disrupted supply chains, soaring energy costs, and heightened uncertainty in countries and economies globally.

We are, undeniably, at an inflection point — globally, yes, but especially here in the United States. *As a dominant economic, political, and cultural force, the U.S. serves as a true center of gravity on the international stage.* The decisions made by American businesses and policymakers not only shape domestic priorities but send shockwaves across industries, markets, and halls of government around the world. The path the U.S. chooses, no matter the arena, will define new norms, influence global policy, and set a proactive tone worldwide.

At the same time, the sustainability landscape in the U.S. has shifted dramatically. Leaders in business, government, and investment face an increasingly complex environment marked by regulatory shifts, geopolitical volatility, economic uncertainty, and social and political polarization. **The question is no longer whether sustainability should be embedded in corporate strategy, but how it can be done effectively — to achieve measurable, long-term value.**

AccountAbility operates at the heart of this global conversation. With an over 30-year history of serving businesses, governments, and investors across the U.S., Europe, the Mid-East, and Asia, we bring both a global perspective and local insights to help organizations navigate their future. Through our work with businesses across sectors, our independent research, and standards development, we see firsthand how scrutiny and expectations are rising. Stakeholders — from investors and employees to customers and communities — are demanding greater transparency, verifiable impact, and a clear link between sustainability efforts and business performance. *Sustainability can no longer be a "bolt-on" initiative; it has become a fundamental pillar of corporate resilience and growth.*

This report draws on insights from Chief Sustainability Officers at Fortune 1000 companies worldwide, revealing critical perspectives on the current and future state of sustainability. It examines emerging trends — some expected, others surprising — that are reshaping decision-making today. We explore the practical realities of implementation, the evolving role of corporate leadership in meeting systemic challenges, and the roadmap that will shape the businesses of the future.

We recognize that sustainability is not a static goal, but a dynamic, ongoing process that demands adaptability, strategic clarity, and a steadfast focus on long-term value. To meet this moment, leaders must integrate sustainability into the core of their organizations — navigating complexity, engaging transparently with stakeholders, and delivering measurable progress with purpose and consistency.

At AccountAbility, we are committed to moving this dialogue forward and driving real, lasting impact. This report is more than a snapshot of the present — it is a catalyst for the actions, strategies, and collaborations that must come next. By harnessing shared knowledge, collective resolve, and bold leadership, we can forge a path that delivers enduring value — for business, for stakeholders, and for society at large.

The world is not standing still — and neither are we.

Mr. Sunil (Sunny) A. Misser
Chief Executive Officer, AccountAbility

"The fate of the world often hinges on the choices of the United States."

– Sir Tony Blair, former UK Prime Minister, (1997-2007)

Leadership Insights

We are witnessing the start of a fundamental shift: from top-down ambition to bottom-up execution; from abstract commitments to clearly defined targets; and from viewing sustainability solely as a moral responsibility to recognizing it as a strategic business imperative.

At Avery Dennison, our approach to sustainability is anchored in three core dimensions: fulfilling regulatory and reporting expectations, executing environmental strategies that meaningfully reduce impact, and — most importantly — creating value for our customers, stakeholders, and the communities in which we operate. This work extends far beyond regulatory compliance. It is about building long-term value and resilience by helping to solve some of our industry's greatest challenges and sustaining business relevance in a rapidly changing world.

Today, leading companies are embedding sustainability more deeply into their core operations — not simply in response to regulation, but because markets, stakeholders, and employees increasingly demand it. This is the moment where strategic ambition must be translated into tangible action. That includes aligning sustainability with profitability, strengthening procurement capabilities, empowering commercial leadership, and introducing new models that clearly articulate the ROI of sustainability efforts. Because sustainability *is* about business. And it is about enabling a better tomorrow.

Among the most persistent challenges is the dimension of change management: greater education, governance clarity, and the shift from reactive compliance to proactive leadership. These obstacles shape the pace and depth of progress.

Yet, despite these challenges, progress is evident. Some businesses are moving beyond siloed initiatives and embedding sustainability throughout their organizations. Stakeholder engagement is becoming more intentional and meaningful. Our understanding of value is expanding — beyond emissions to include innovations that solve industry challenges, resilience, reputation, and long-term impact.

This evolution is rarely linear. But with clarity, commitment, and a willingness to rethink what is possible, the path forward is not only navigable — it is already underway.

Mr. Michael Colarossi
Head of Enterprise Sustainability
Avery Dennison

In uncertain times, staying the course with a sustainability strategy grounded in materiality and aligned with the company's core mission — one that goes beyond compliance and remains steady amid shifting political winds — can help manage risk, drive long-term value creation, and strengthen stakeholder confidence.

Ms. Charlotte Peyraud
Director & Co-Head of Sustainability Advisory
Houlihan Lokey

Houlihan Lokey

Executive Summary

Over the last decade, American corporations have significantly expanded their sustainability initiatives — mitigating risks, establishing reporting mechanisms, and integrating ESG considerations into their business strategy. Yet, in 2025, corporate sustainability is at a crossroads and the way forward is clouded in uncertainty. While companies remain committed to long-term sustainability goals, shifting U.S. political dynamics, intensifying European regulations, and reactive global policy-making are forcing a recalibration of strategy and communications.

This report synthesizes insights from over **30 in-depth interviews** with senior sustainability executives conducted in early 2025, spanning diverse industries and company structures. Through these conversations, **five prevailing themes** emerged:

Key Themes

01 **The Trump Test –** While political shifts have not halted sustainability efforts, they have reshaped external messaging and stakeholder engagement. Companies are focusing on material issues and further aligning sustainability initiatives with business needs to maintain resilience amid regulatory uncertainty.

02 **The Brussels Effect –** Compliance with the *Corporate Sustainability Reporting Directive (CSRD)* and EU regulatory frameworks pose significant cost and resource burdens, but they nonetheless are seen as a pathway towards global standardization. U.S. companies with European operations continue to heavily invest in reporting resources and legal teams to meet these stringent standards.

03 **From Sideline to Bottom Line –** Sustainability functions are expected to drive financial value, reflecting and requiring comprehensive business integration. Companies embedding sustainability within their core business strategy are unlocking greater value through innovation and operational efficiency.

04 **The Supply Chain Black Box** – Companies struggle to measure Scope 3 emissions and comply with global Supply Chain mandates. Despite increasing investor and regulatory pressure, supply chain data and information remain inconsistent and difficult to verify.

05 **Green Finance, Red Tape –** Access to sustainable finance remains limited due to shifting government incentives and wide-ranging investor expectations. Companies must navigate a labyrinth of requirements to unlock green funding and investment opportunities.

Additionally, three anticipated disruptors were found to be **red herrings: AI, Deglobalization, and Biodiversity did not emerge as top priorities,** reflecting a more immediate prioritization of regulatory and financial pressures.

Corporate sustainability is moving from ambition to execution. This report draws on interview findings, coupled with independent research and client-based insights to provide a snapshot of how U.S. companies are adapting to local and global sustainability forces, outlining actionable strategies for resilience and innovation.

THE TRUMP TEST

1

The Trump Test

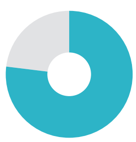
External messaging adapts to the political environment as strategies remain steadfast and tethered to materiality.

Current State

Within the first 100 days of his second term, President Donald Trump signed over 124 executive orders — more than any U.S. president in the last 80 years. Many orders have abruptly upended well-established and globally aligned social and environmental priorities with abnormal velocity and very limited visibility.

The turbulent political headwinds have rattled investors and forced sustainability leaders and practitioners to seriously reconsider their company's approach.

Despite concerns about federal rollbacks and fundamental rethinking on environmental and social policies, businesses are maintaining sustainability commitments — but with a recalibrated approach to messaging and stakeholder engagement.



77%

A 2025 CFO Outlook Survey found that **77% of financial leaders plan to maintain or increase their sustainability investments** over the next few years, and 84% of companies are either maintaining or accelerating their climate targets.

BDO, CFO Sustainability Outlook Survey

22 out of 30

Over two-thirds of interviewees remain committed to their current sustainability strategy

14 out of 30

Almost half of interviewees will likely change their communication strategy

AccountAbility Leadership Interview Findings

How Companies Are Responding

Business Alignment Safeguards Sustainability Efforts: Sustainability initiatives and targets that are linked to, or at least aligned with, corporate strategy remain least affected, as they directly and demonstrably drive business objectives, operational efficiency, risk mitigation, and financial returns. Sustainability initiatives aligned with business objectives will help prevent political backlash from anti-ESG stakeholders, reaffirming sustainability strategies as a business imperative, as opposed to "corporate wokeness."

Adapting Public Communications and Commitments: While many sustainability efforts continue, some companies are refining and repositioning external messaging to avoid political backlash or regulatory scrutiny.

> **While the messaging is changing, core activities in support of company values will continue. We see companies focusing on materiality to add value to all stakeholders.**
>
> **- Ms. Emily Kaiser**
> **Co-Head of ESG Stewardship & Engagement, CIBC Private Wealth**

62%

While **38% of Fortune 50 companies have altered or removed DE&I programs, 62% of companies' policies remain unchanged or have been reaffirmed by leadership**, suggesting that while companies may not publicly reaffirm commitments, most strategies are staying the same.

AccountAbility Market Insights

Opportunities for Action

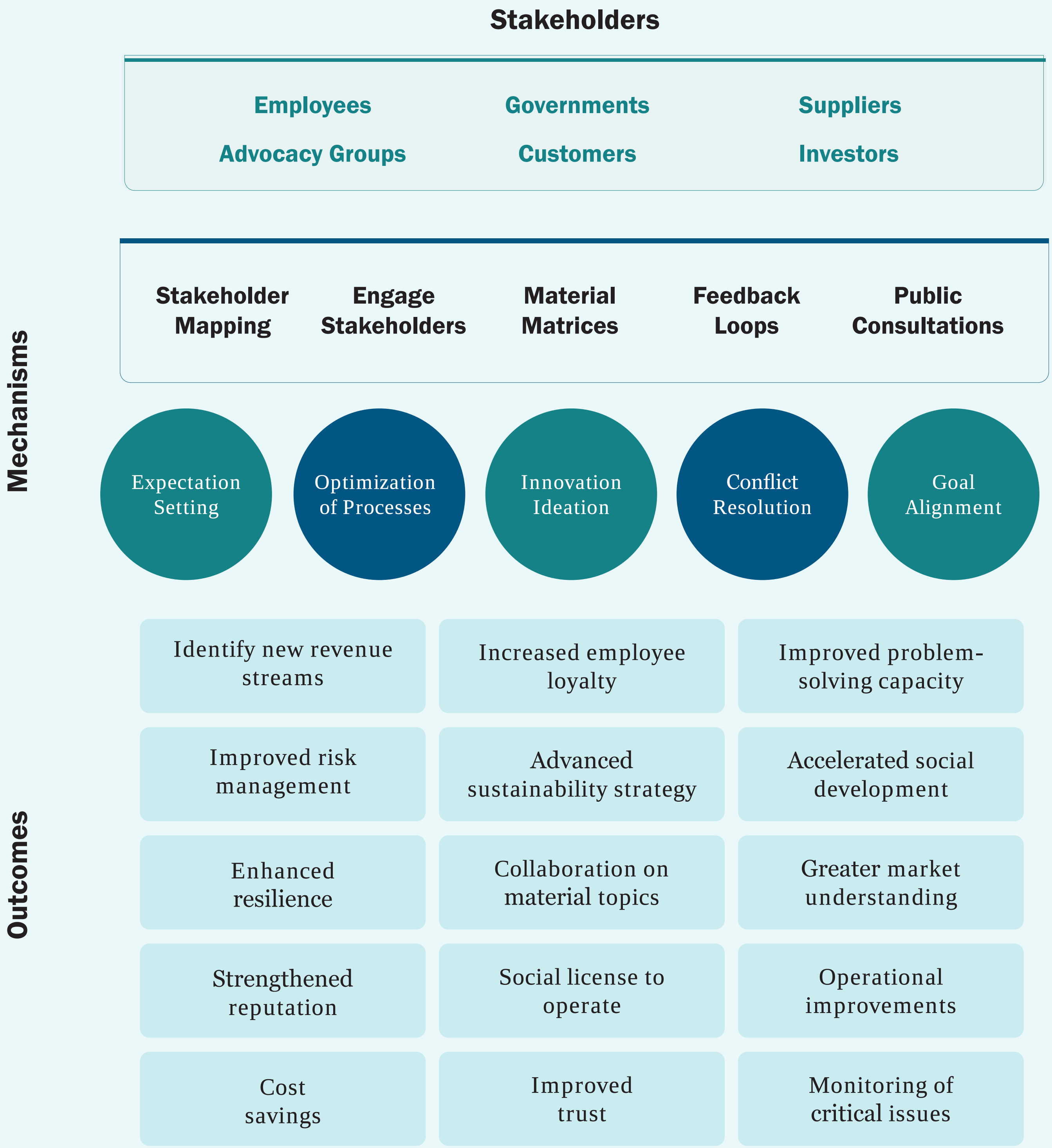
Corporate sustainability leaders who can tactfully remain true to "the signal" through "the noise" – especially when the static is blaring and incessant – will be most successful in building upon the foundation and accelerating the momentum to advance their objectives. **Focus on what matters most to critical stakeholders, which are bound to be the areas of greatest materiality to the business.**

Rethink External Stakeholder Engagement Strategy: Leverage the organization's policy development and public affairs teams to enhance your stakeholder engagement strategy and adapt sustainability-related communications accordingly.

Stress-Test and Refresh Materiality: Conduct a review of your most recent materiality assessment outcomes to ensure alignment with the expectations of your most critical stakeholders and the value-driving needs of the business.

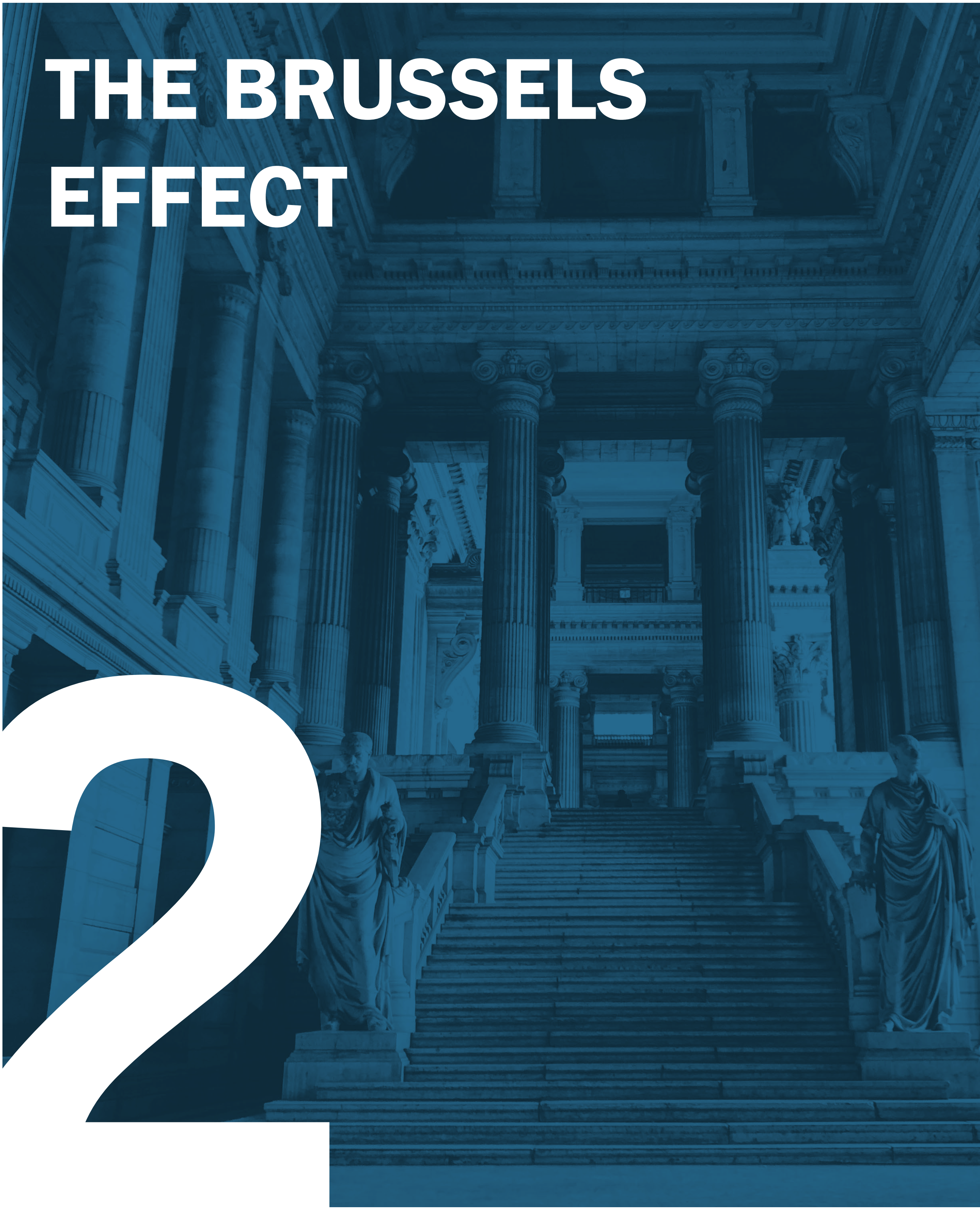
Engage and Collaborate with Special Interest Groups: These include, but are not limited to, trade associations, roundtables, and industry coalitions that can serve as a haven for collaboration, action, and innovation.

Stakeholder Management Process & Opportunities



AccountAbility Market Insights

THE BRUSSELS EFFECT



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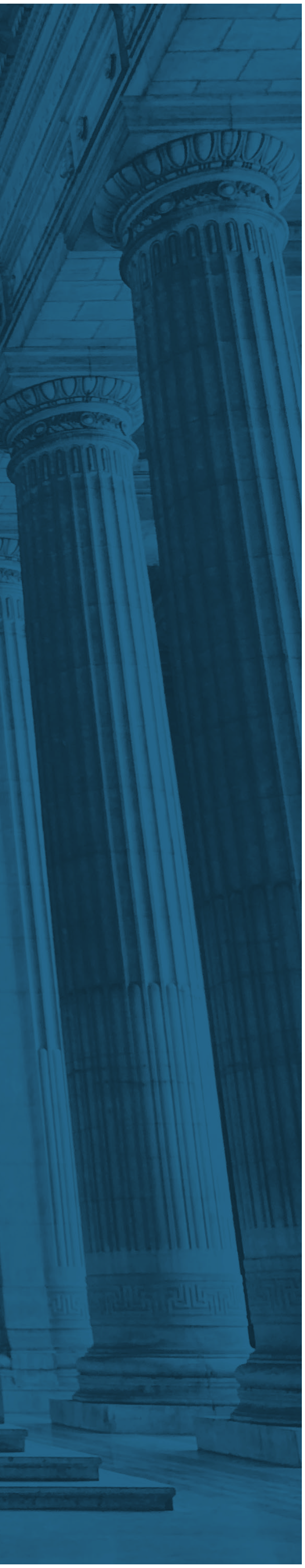


The Brussels Effect

Europe continues to serve as a global benchmark of disclosure and reporting for American companies in an economy that remains unavoidably global despite a perceived climate of isolationism. Meeting burdensome disclosure requirements without sacrificing market and innovation opportunities has become a challenge, especially for smaller and leaner-staffed sustainability functions.

Current State

European disclosure frameworks and regulations — specifically, the *Corporate Sustainability Reporting Directive (CSRD)* — persist as the de facto benchmark for ESG disclosures, as global companies with European operations are subject to stringent oversight and compliance.

Though the exact level of stringency and applicability remains in question with the EU Omnibus Proposal's attempt to streamline and walk back regulations, one thing remains clear: *there will be significant implications for U.S. companies, even if they are not directly subject to the regulation.*

Countries with Proposed or Enforced Mandatory Disclosures

AccountAbility Market Insights

Almost 90%

of sustainability functions are currently preparing for CSRD

AccountAbility Leadership Interview Findings

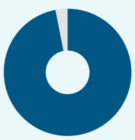
For American companies that have taken measures to enhance the rigor and relevance of data collection and disclosures to meet investor-aligned and business-relevant frameworks, such as the *Sustainability Accounting Standards Board (SASB)*, the CSRD sets a new bar by emphasizing Impact-based "Double" Materiality as a basis for more robust measurement, assessment, and disclosure. Overall, CSRD has significantly broadened data scope, requiring up to 1,144 data points for disclosure.

The Reporting Burden: A "pain point" for the big and small

According to practitioners, the ***differing data requirements between reporting frameworks are time-consuming and burdensome*** for lean sustainability functions to navigate. Larger sustainability teams may allocate dedicated roles to reporting and disclosure, while smaller functions may assume both reporting and operational responsibilities. Either way, practitioners are concerned that prioritizing compliance results in ***less time spent on market and innovation opportunities.***

Companies have had to take significant steps to dedicate additional resources to adequately prepare for and respond to these expected mandates. Meeting onerous disclosure requirements without sacrificing market and innovation opportunities has become a challenge, especially for leaner sustainability functions.

While many have looked to technology for an answer, no "silver bullet" has emerged that successfully facilitates enterprise-wide sustainability integration and unified reporting, especially across diverse jurisdictions.



97%

According to a 2024 PwC survey, **97%** of companies were confident they will be ready to report under CSRD in 2025, but only a minority had started initial scoping activities, suggesting a need for prioritization in 2025.

PwC, The promise and reality of CSRD reporting

How Companies Are Responding

Leveraging CSRD for Buy-in: Some companies view the regulation as a steppingstone and an opportunity to advocate for ESG reporting efforts and resources.

Addressing Data Gaps: Improved data collection and verification mechanisms have been a top priority in anticipation of stringent European requirements.

Collaborating for Compliance: Sustainability functions have increased engagement with legal and finance teams to ensure compliance.

Calling in Tech Support: Many have looked to technology to help collect, monitor, and disclose the growing amount of data and information required.

> **The rigor of CSRD has let us more thoughtfully collaborate with our legal and finance teams.**
>
> **- Ms. Kyra Lanza**
> **Head of Sustainability & ESG, Merck**

Opportunities for Action

Rethink and Realign ESG Data Governance: Most sustainability functions are not designed to deliver on CSRD requirements independently. Leaders should re-examine current sustainability governance structures to redistribute and/or more clearly define performance and risk management responsibilities in alignment with new compliance requirements.

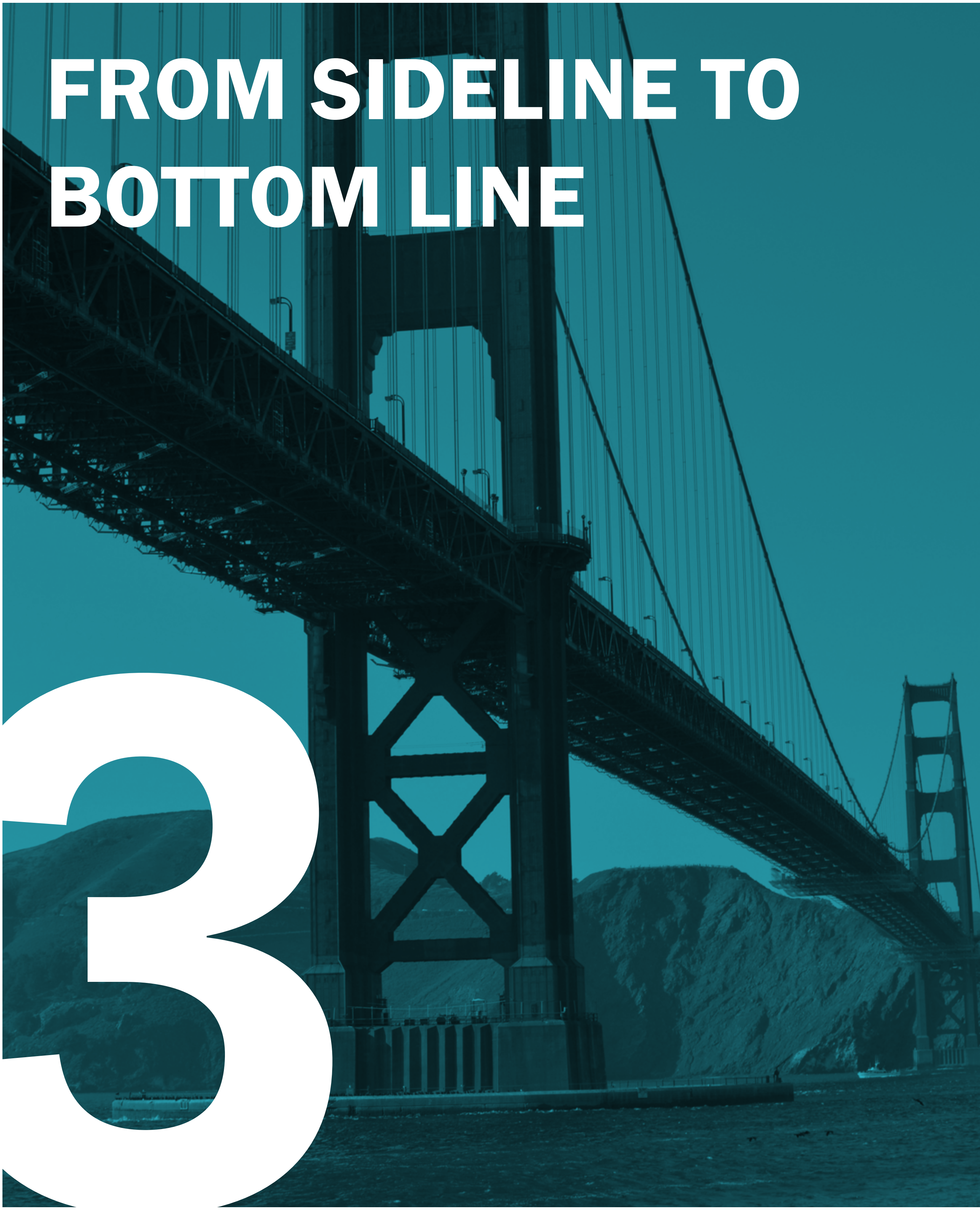
Engage, Empower, and Collaborate Across Departments: Proactively engaging with and providing guidance and support to colleagues in key departments—such as Legal, Finance, and Procurement—who are already overburdened and may be unfamiliar with sustainability concepts, will be essential for fostering the collaboration necessary to ensure compliance, enhance process efficiency, and improve performance.

Build and Consult a Network of Industry Peers: You are not alone – fellow colleagues and practitioners are eager to work together more closely with peers to resolve industry-wide challenges. Leaders will need to develop collaboration channels with industry peers to learn from each other's successes and to address common industry challenges.

Data Governance for CSRD Preparedness

	Oversight Body	Key Considerations
Sustainability Performance	**Board Level Oversight** ***with committee involvement as needed***	**How are we making progress on our KPIs and targets?**
KPIs Essential to our Narrative	**Thematic Leads**	**What KPIs are imperative to showcase our response to material topics?**
Initiatives to Drive Improvements	**Working Group**	**How are our initiatives tracking towards our KPIs and metrics?**
Metrics for Reporting Requirements	**Data Owners**	**What operational metrics should we be constantly monitoring, for both internal KPIs and external reporting compliance?**

FROM SIDELINE TO BOTTOM LINE



From Sideline to Bottom Line

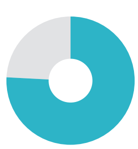
Leading sustainability departments are shifting their efforts from siloed initiatives and programs to strategies that are embedded across and within business units, aiming to align sustainability with innovation opportunities and demonstrate tangible value.

Current State

In 2021 and 2022, mentions of "ESG" and "sustainability" on corporate earnings calls were at an all-time high. In response, **companies rapidly established sustainability functions to meet stakeholder demands and address emerging compliance-related issues.**

Now, with projections that economic growth will slow from 2.3% to 1.8% between 2024 and 2026, amid higher unemployment and unpredictable inflation, **the ability of sustainability functions to find cost-saving and value-creation opportunities is no longer seen as a "nice-to-have" – it is critical to the success and, perhaps, survival, of the function.** [vi]

Leading sustainability teams attribute their success to the strong partnerships they have built with business functions that drive innovation and value, such as Research & Development, Sales & Marketing, or Supply Chain & Procurement, leveraging a **hub-and-spoke model.** In this model, a lean "center of sustainability excellence" works in close partnership with other business functions. Rather than developing company-wide sustainability programs and goals independently and requesting information and cooperation from other functions, they co-develop sustainability initiatives with other functions to leverage subject matter expertise, align with embedded corporate objectives, and facilitate a culture of sustainability ownership throughout the business.

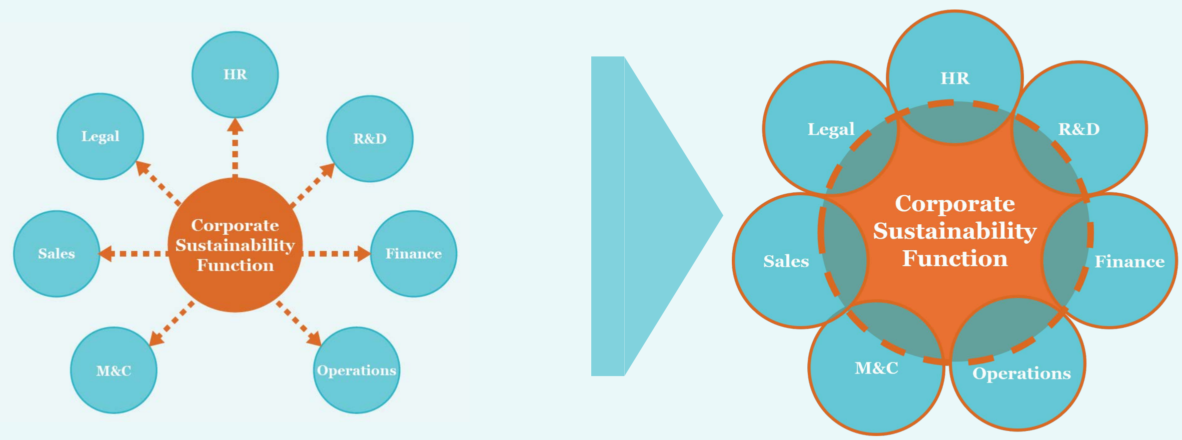


76%

A 2024 study from KPMG found that **76% of organizations were planning to restructure teams to better align Sustainability and Business Strategy.**[v]

KPMG, Addressing the Strategy Execution Gap in Sustainability Reporting

Integrating the Sustainability Function



This is a cultural shift that signals to the broader organization that sustainability teams are a business partner, not solely a compliance or "standalone" function, and therefore must work collaboratively to identify opportunities for innovation that continuously improve products, services, and processes.

> **Advanced sustainability teams are going to have to adopt a similar model as other legacy functions to successfully integrate across the business.**
>
> **- Chief Sustainability Officer, American Technology Company**

A peer-reviewed meta-analysis found a strong, positive correlation between innovation and sustainability.

Journal of Cleaner Production, Sustainability innovations and firm competitiveness

How Companies Are Responding

Embedding Sustainability in the Core Strategy: Leading companies are linking sustainability to business growth, cost savings, and innovation.

Quantifying and Integrating Financial Metrics: ESG teams are working closely with finance departments to quantify sustainability-driven financial benefits that can be leveraged cross-functionally.

Reframing the Narrative: Sustainability leaders are repositioning ESG as a means to improve the bottom line and gain a competitive edge rather than a compliance necessity.

Innovative Packaging at REPLIGEN

Dianne Heiler is the VP of Sustainability & ESG at Repligen Corporation and reports to the company's Chief Operating Officer. She also created and leads the company's first Global Packaging Engineering function. Her team collaborates closely with cross-functional colleagues on both new product launches and design improvement projects.

Innovations in packaging designs are informed by product protection requirements, customer expectations, and sustainability factors, such as material selection, recycled content, freight impacts, ease of use, and end of life options. These initiatives often lead to significant cost savings and waste reduction.

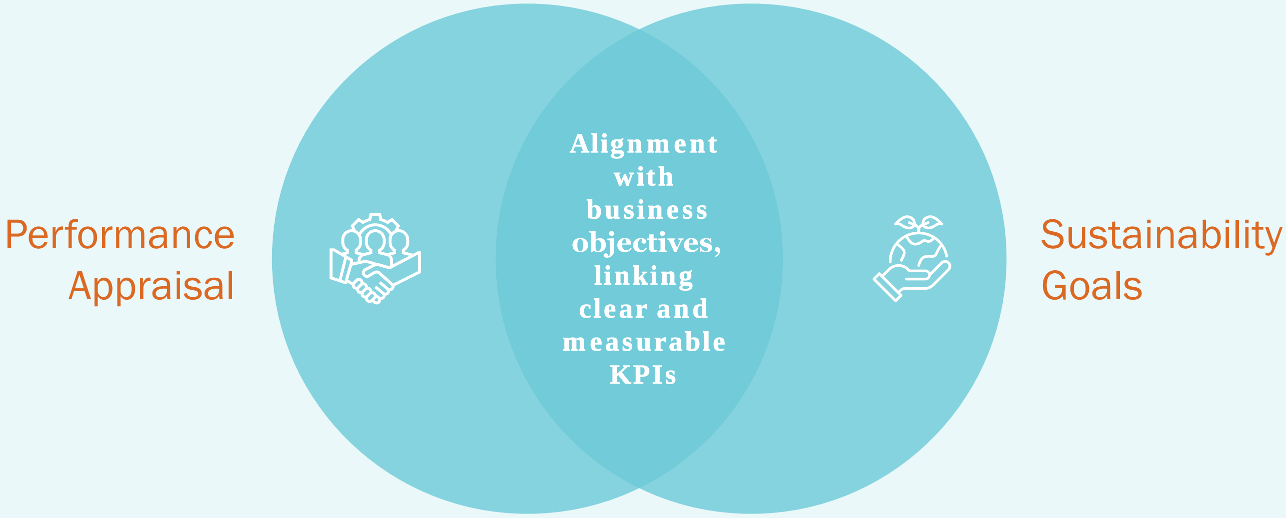
Opportunities for Action

Customize Collaboration: Partnering with and educating different business units should be tailored to the specific group you're addressing. Be sure to keep in mind the function's objectives, metrics of success, and challenges — one size does not fit all.

Show Me the Money: Identify the innovation centers (e.g., Procurement, R&D, Operations, or Strategy) within your company and collaborate to unlock, measure, and communicate cost-saving or revenue-driving opportunities.

Incentivize at all Management Levels: Consult internal teams when creating goals and tie departmental sustainability performance to annual bonuses for business unit leaders.

Revisit Governance Structure: Seek impartial recommendations on governance structure to challenge the internal status quo, cut through potential biases and silos, and facilitate enhanced integration with revenue-generating functions.



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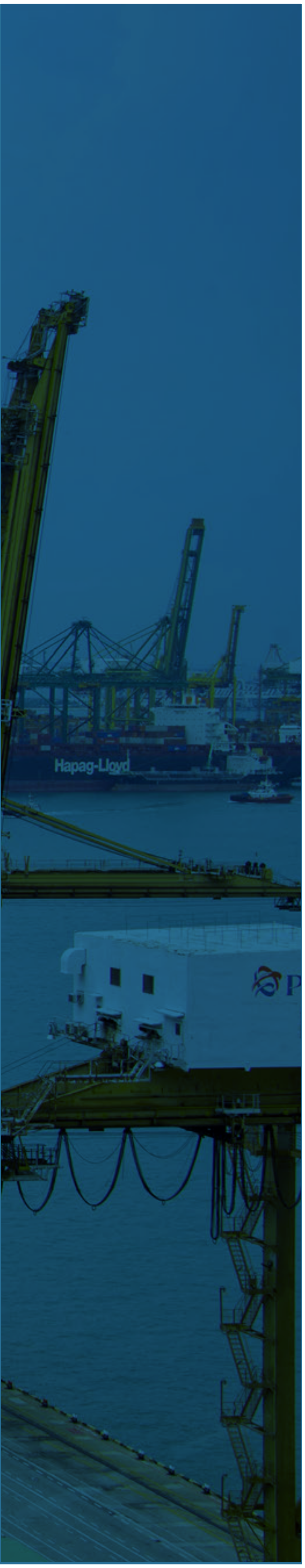
THE SUPPLY CHAIN BLACK BOX



The Supply Chain Black Box

Understanding the elemental and aggregate impact of supply chains is central to sustainability performance management and disclosure. Despite its importance, companies struggle to grasp an in-depth understanding of their supply chains and are often told to prioritize cost over sustainability performance.

Current State

Data inconsistencies, supplier non-compliance, and procurement cost pressures continue to hinder sustainability teams despite years of effort to improve sustainability performance and reporting.

The most prominent hurdle to Scope 3 reporting, for example, particularly for global supply chains, is the lack of data availability, consistency, and completeness. Suppliers often fail to capture the information that companies require for accurate and compliant disclosure. As a result, companies cannot effectively monitor, manage, and report performance data, and disclosures that are inconsistent, incomplete, or inaccurate can ultimately compromise access to capital. This is because ESG scores, sustainability rankings, and ratings are directly impacted by limited reporting, and supply chain visibility risks may deter investors.

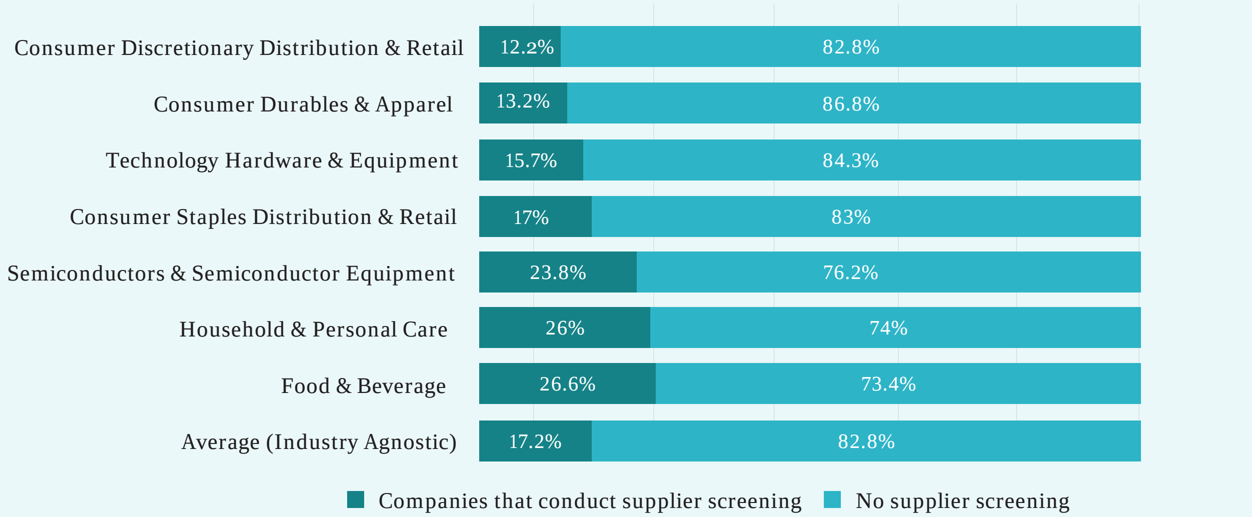
Additionally, many practitioners believe that the GHG Protocol, the global standard for emissions calculations, fails to adequately address circularity, which is increasingly integral to Scope 3 emissions reduction strategies. As businesses continue to struggle to accurately capture their GHG impact despite existing reporting and calculation frameworks, measuring and disclosing the nature-based impact of suppliers poses an even greater challenge.

Making matters worse, sustainable procurement goals often conflict with cost pressures, particularly in the face of predicted slow economic growth. Nearly all surveyed participants confirmed that, quality aside, price is almost always prioritized over impact, especially for younger businesses, corroborated by the majority of companies that still do not conduct supplier screening.

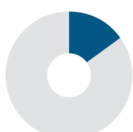
According to a report from the Association for Supply Chain Management, **"green and circular supply chains" dropped from 7th to 9th priority** from the previous year, suggesting a reprioritization in among procurement leaders and industry experts.

Top 10 Supply Chain Trends

Supplier Screening Across Industries



S&P Global, Assessing the missing links in sustainable supply chain management



15%

According to a 2024 report by CDP, only **15%** of companies that disclose initiatives to reduce emissions include their supply chain in their strategy.

Strengthening the Chain: Industry Insights to Accelerate Sustainable Supply Chain Transformation

How Companies Are Responding

A/B Testing: There is no silver bullet for supplier engagement. Sustainability practitioners have recognized the importance of trying multiple strategies to engage alternative options to find the best fit.

Not all vendors are the same: Sustainability practitioners have also come to accept that a universal strategy may not be effective across all vendors. While it may be more complex, a vendor-specific staged approach can ensure the most effective engagement across the value chain.

> **Addressing our Scope 3 emissions requires decisions not just across procurement, but with every single employee who is responsible for making decisions that align with these goals.**

- Director, Global Sustainability, Pharmaceutical Company

Opportunities for Action

Develop Management Frameworks: If not yet in place, create supplier management frameworks that establish objectives, processes, and metrics and identify risks and opportunities.

Regularly Review & Engage Suppliers: Supplier engagement programs should be routinely updated and administered to reflect current, material, and potential issues.

Verify Existing Data/ Information: Third-party assurance providers can verify the accuracy, completeness, and impact of data for rankers, raters, and management.

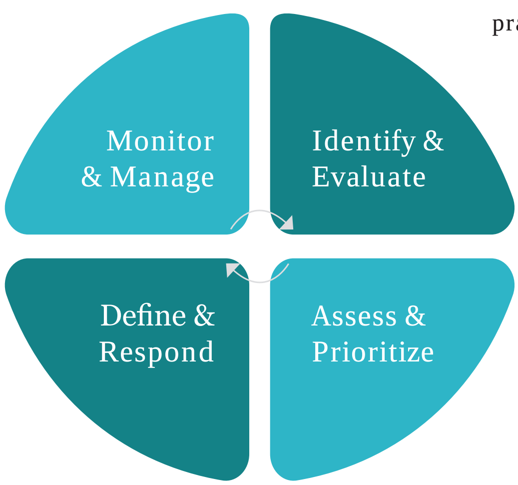
Leverage Emerging Technology: While currently nascent, leveraging AI-driven platforms to track and verify supply chain performance data, such as emissions might improve accuracy and reduce the reporting burden.

Supplier Management Cycle

Measurement, monitoring & control should include data management information and education (supplier engagement protocols, policies and standards).

Risk identification of areas of impact, causes, and consequences.

Risk evaluation using leading practice qualitative and quantitative modeling techniques to deter risk severity.



Framework strategy that determines the appropriate approach for business integration.

Customize responses to each risk based on appropriateness, organizational capacity, and stakeholder acceptability.

Vulnerability assessment to rank and prioritize risks.

Supplier classification and qualification to assist supplier selection.

Risk prioritization through development of frameworks and allocation matrices

5

GREEN FINANCE, RED TAPE

Green Finance, Red Tape

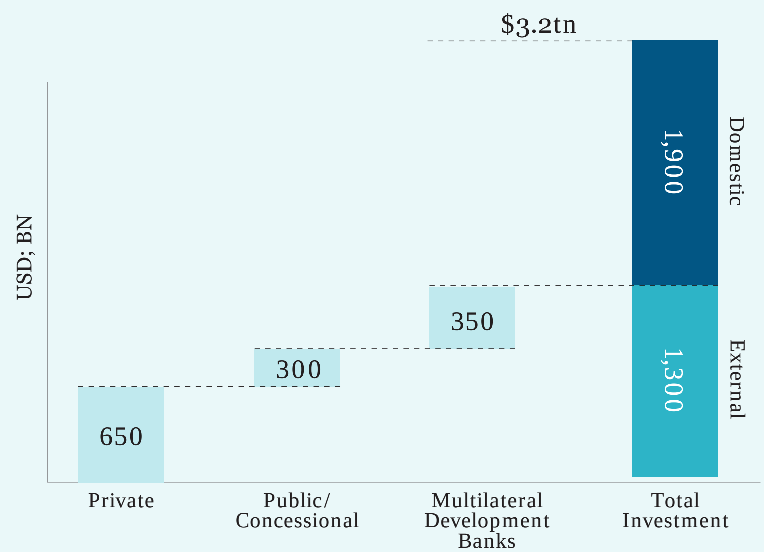
A proliferation of innovative sustainability-related financing opportunities were expected to bolster meaningful and measurable corporate action – but the majority of companies still struggle to access these much-needed funds.

Current State

In 2023, the U.S. government issued federal tax programs representing $270 billion in tax credits for climate-related expenditures through the Inflation Reduction Act (IRA). This is just one of many federal and state government initiatives aimed at funding sustainability action.

Additionally, the annual issuance of all GSSSBs (Green, Social, Sustainability, and Sustainability-linked Bonds) is expected to potentially hit $1.05 trillion in 2024, up from $0.98 trillion in 2023, according to S&P Global.

Climate Finance Needs by Source in 2035

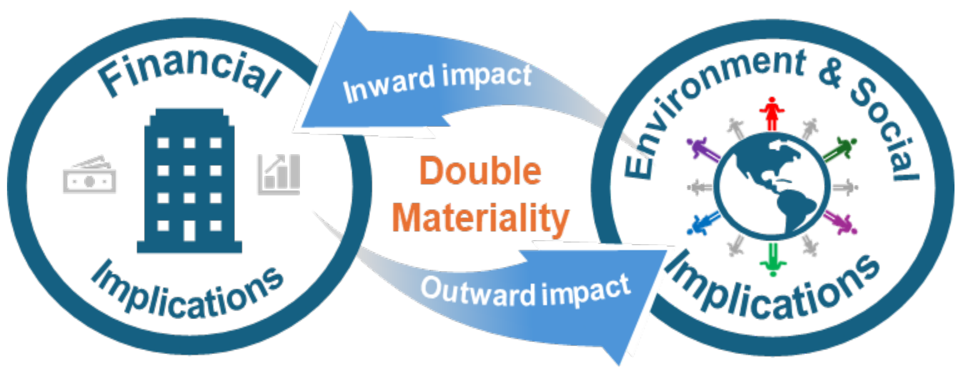


WRI, How to Reach $300 Billion – and the Full $1.3 Trillion – Under the New Climate Finance Goal

Despite the substantial amount of public and private capital being earmarked for sustainability initiatives, accessing, tracking, and leveraging capital remains a significant challenge. Without policy or tax expertise, sustainability teams find the complexity of these government incentives and funding opportunities challenging to decode, access, and leverage.

Companies have also experienced a lack of transparency when trying to understand investors' expectations around sustainability performance and rankings, as they are unsure which metrics are prioritized by the wide range of rankers and raters, making it difficult to focus efforts and investments. This is particularly challenging for smaller companies with limited resources.

The Principle of "Double Materiality"



AccountAbility Market Insights, 2025

How Companies Are Responding

Green, Social, Sustainability, and Sustainability-Linked Bonds: Green bonds function similarly to regular bonds (fixed-income securities), with one key difference: The funds raised from investors can only be used to fund projects that fulfill a GSSSB framework, such as renewable energy or green buildings.

Green Loans: Companies can obtain loans to advance their environmental objectives. These types of loans can be used to finance capital expenditure required for investments, such as a carbon capture and storage system.

Green Promissory Notes: Promissory notes are a suitable option for small and medium-sized companies, as they have a lower entry threshold.

Co-Invest Partnerships: Companies with common interests, such as those in alternative materials or other areas of research, can co-fund mutually beneficial projects.

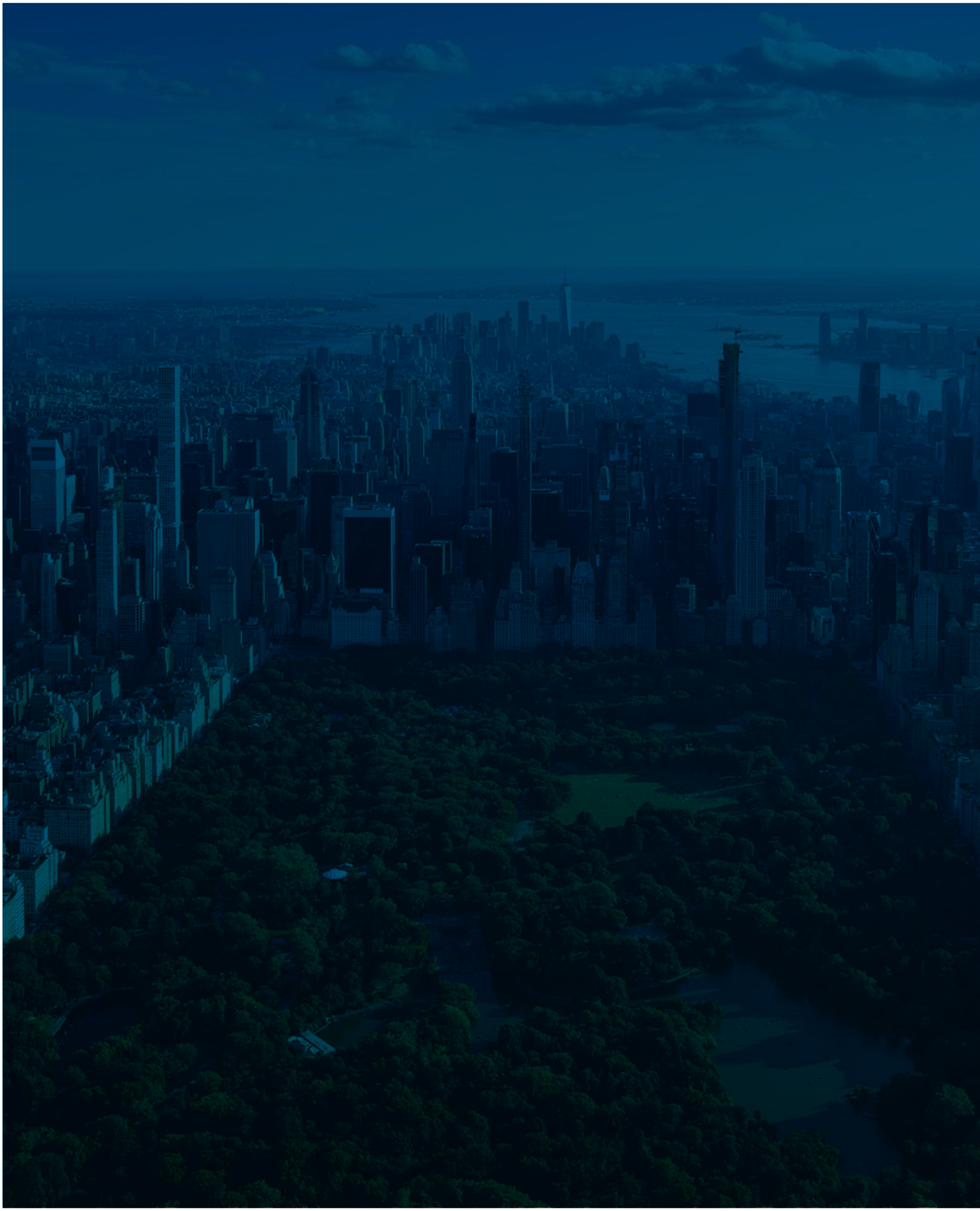
Opportunities for Action

Create a Sustainable Finance Framework: Issue a Sustainable Finance Framework and obtain a Second Part Opinion (SPO) from a reputable ratings provider.

Focus on Materiality: As impact investors or ESG investors mature their practices, it is essential that double materiality assessments accurately reflect the key risks and opportunities facing the business. When materiality assessments have substantial gaps, it is seen as an inability to identify and address risks.

Diversify and De-Risk Funding Avenues: By seeking various types of funding opportunities, sustainability capital expenditures will not become reliant on a single funding method. While government incentives such as the IRA have introduced ample funding opportunities, these avenues have already been impacted by political headwinds. The freezing of these funds may be temporary, but it has left many companies' projects at risk.

Consult External and Internal Experts: To help decipher tax policy or better understand financing mechanisms, seek advice from policy or finance teams to identify opportunities or work with speciality consulting boutiques or green financing at banks issuing sustainable products, many of whom offer advisory services.



Interestingly Enough...

Artificial Intelligence (AI) is not driving sustainability yet

Despite the buzz and significant global investment in AI across all industries, no participants mentioned integrating AI as a core tenet of their sustainability strategy. Once prompted, participants expressed enthusiasm about integrating AI, particularly for data management activities and projection modeling, pending further development and maturity of the technology in the future.

Strategies remain global, even in a world of isolationism

Depending on their geographic footprint, companies are working to decide whether sustainability reporting should take place at the subsidiary or parent level. However, almost all participants reaffirmed their commitment to a single, globally guided sustainability strategy, regardless of their local reporting obligations.

Nature and biodiversity loss are not top of mind

Despite the recent launch of the Taskforce on Nature-related Financial Disclosures (TNFD), and rising awareness of biodiversity loss and nature disruption as significant environmental threats, participants did not describe these topics as central focal points. Some participants acknowledged that while these topics are essential, others, such as geopolitics, governance, and regulatory requirements have taken precedence due to greater urgency.

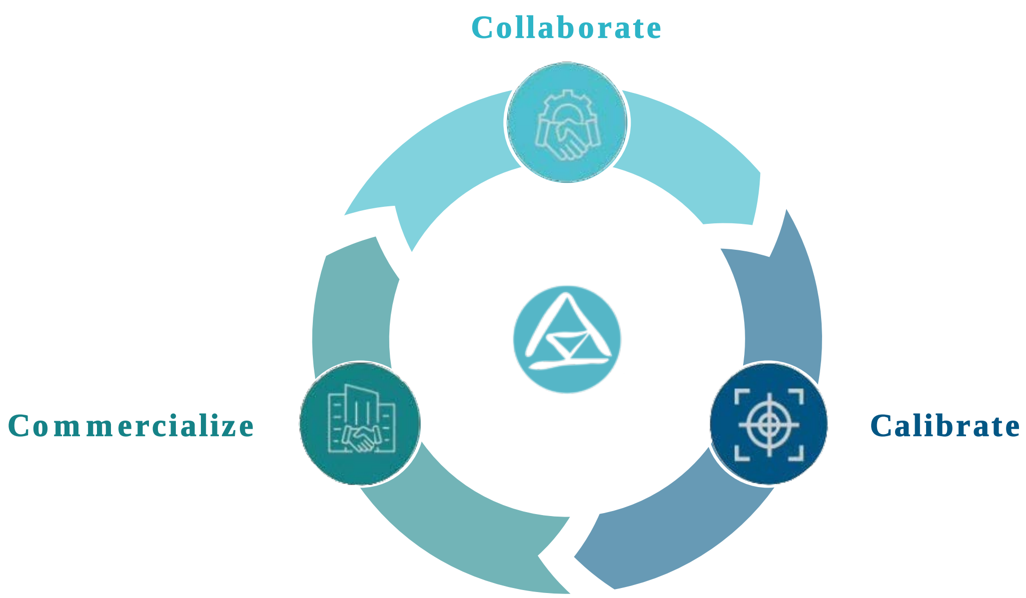
The Way Forward

To move forward in the face of turbulence and uncertainty, teams charged with advancing corporate mandates must recognize that progress doesn't happen in silos. It is crucial to **Collaborate** across internal functions and with external stakeholders, **Calibrate** to core business priorities and material issues, and **Commercialize** efforts that drive tangible value—because these are not separate activities, but interdependent ones. When pursued together, they establish a shared pathway for meaningful impact and long-term success.

Collaborate: Most sustainability teams have effectively actioned the low-hanging fruit. Now, teams must collaborate both internally and externally to address ingrained industry challenges.

- Revamp your external stakeholder engagement strategy leveraging internal expertise to enhance external alignment.
- Engage, empower, and collaborate with critical business on sustainability initiatives to strengthen interdepartmental buy-in and ownership.
- Invest in special interest groups for knowledge sharing and advocacy on industry issues.
- Build and consult a network of industry peers for collaborative problem solving on common challenges.
- Customize your collaboration approach based on the objectives of the business function with which you are partnering.

Critical Adaptation Success Factors



Commercialize: Business partnership breeds innovation. Actively seek out these opportunities by engaging with the business on value creation opportunities.

- Create a Sustainable Finance Framework to maximize available opportunities, enhance application processes, and improve approval odds.
- Diversify and de-risk funding avenues.
- Incentivize sustainability performance at all management levels, not just at the top.
- Collaborate with traditional revenue-driving business units to align with established corporate objectives and develop solutions that are more integrated, innovative, and resilient.

Calibrate: Ensure a sustainability approach built around true materiality. This will help prioritize efforts, re-evaluate investment, and develop strong external communications.

- Stress-test and refresh materiality matrices based on the business's current and anticipated political and regulatory landscape.
- Address potential data gaps to strengthen the foundation required for emerging global frameworks.
- Pilot technology solutions that can automate and standardize processes for greater efficiency and ease of auditability.
- Revisit outdated governance structures and engage an unbiased external party to review for enhancement.

Research Methodology

This report is based on interview findings, independent research, and client-based insights.

We conducted over 30 in-depth interviews with senior executives in early 2025. These participants represent a diverse set of industries, company structures, and sustainability maturity levels, offering a comprehensive perspective on evolving sustainability challenges and strategies. The design approach included, but was not limited to:

01

Qualitative Interviews

Conducted with Chief Sustainability Officers, ESG leaders, and key decision-makers in sustainability to understand key areas of focus, implementation challenges, leading practices & success stories, future outlook, and anticipated impacts.

02

Thematic Analysis

Distillation of recurring themes, challenges, and strategic priorities across interviews, as well as cross-industry comparisons to identify industry-specific and universal trends.

03

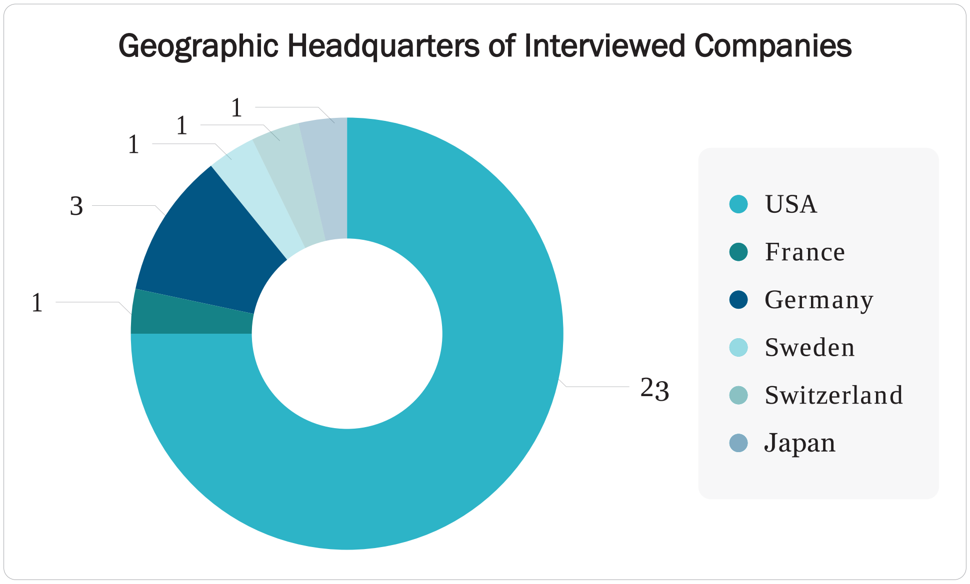
Research & Client-Based Insights

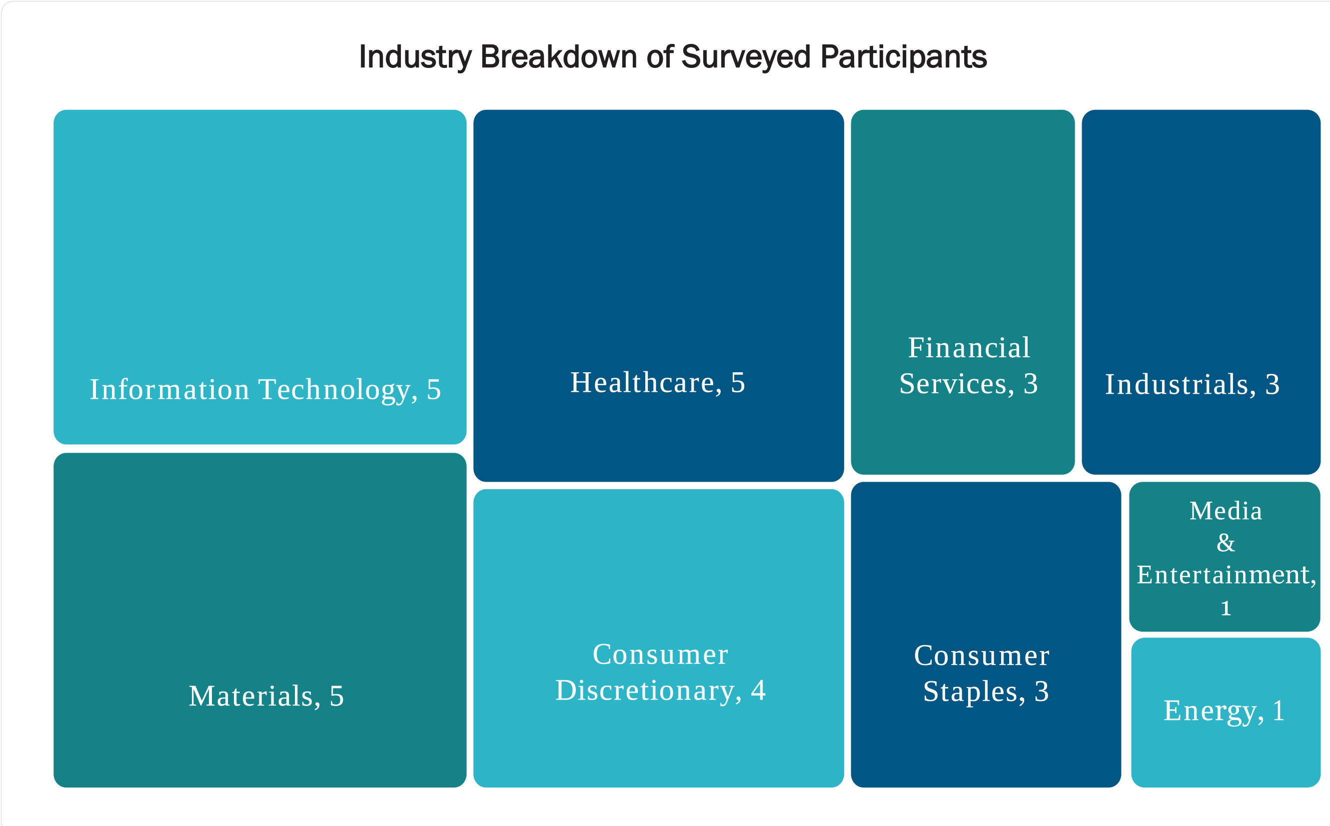
Introduction of relevant insights related to findings and trends, based on desk research of industry reports, government publications, and academic studies, as well as our experience working with clients across multiple sectors.

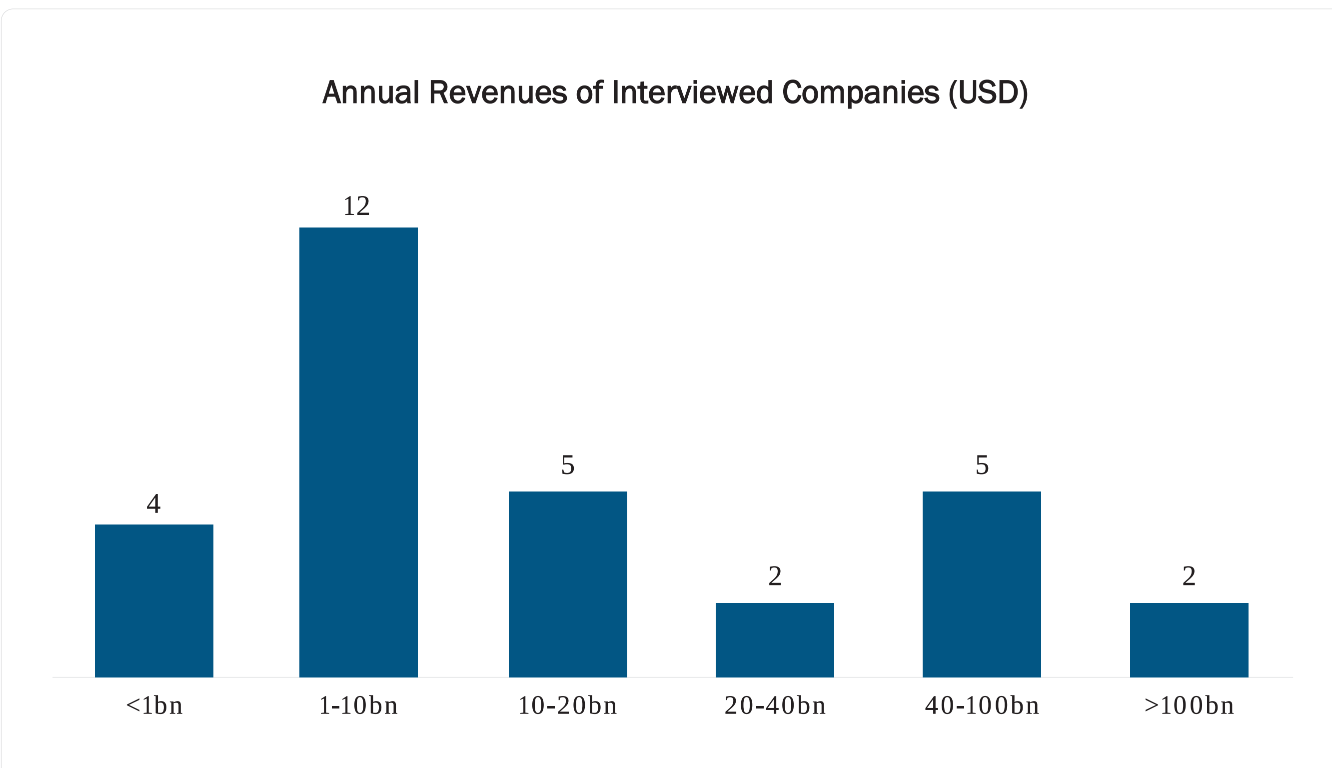
The insights presented in this report reflect practical and actionable "real-world" strategies, underpinned by analysis and a data-driven perspective. This report draws on AccountAbility's 30 years of research, thought leadership, and client engagement to further inform and validate findings.

Geographic & Industry Representation

The target population interviewed comprised senior sustainability executives, such as Chief Sustainability Officers (CSOs), Directors of Sustainability, and Environmental, Social, and Governance (ESG) Managers. Represented industries include Healthcare, Consumer Goods, Manufacturing, Financial Services, and Technology.




Industry Breakdown of Surveyed Participants
Information Technology, 5
Healthcare, 5
Financial Services, 3
Industrials, 3
Materials, 5
Consumer Discretionary, 4
Consumer Staples, 3
Media & Entertainment, 1
Energy, 1


Annual Revenues of Interviewed Companies (USD)
4
12
5
2
5
2
<1bn
1-10bn
10-20bn
20-40bn
40-100bn
>100bn

About AccountAbility

Established in 1995, AccountAbility is a leading global consulting and standards firm dedicated to advancing the sustainability and ESG agenda. The firm works with businesses, investors, governments, and multilateral organizations to improve sustainability performance, drive innovation, and create lasting impact.

Operating as a Public Benefit Corporation (PBC), AccountAbility has a global presence with offices in New York, London, Riyadh, and Dubai.

The firm has been recognized by the *Financial Times*, *Forbes*, and *Capital Finance International* for its excellence in sustainability, strategy, and governance and its website is archived by the United States Library of Congress.

Advisory Services

Strategy Design & Implementation

Governance & Board Effectiveness

Stakeholder Engagement

Materiality Review

Impact Assessment

Reporting & Communications

Frameworks & Standards

Training & Capacity Building

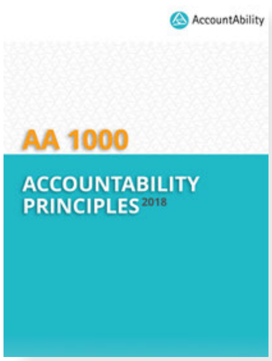
We help clients improve business performance and build a sustainable, competitive advantage by:

- Engaging **stakeholders**
- Facilitating **innovation**
- Increasing **revenue**
- Mitigating **risks**
- Reducing **costs**
- Enhancing **reputation**

30 Years of Setting the Standard for Sustainability

At the core of AccountAbility's work is the **AA1000 Series of Standards**. These are principles-based Standards and Frameworks used by a broad spectrum of organizations globally – private enterprises, governments, civil societies and non-profits – to demonstrate leadership and performance in accountability, responsibility, and sustainability.

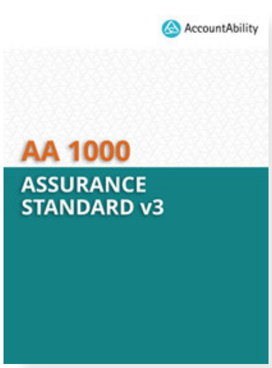
The AA1000 Standards are based on the principles of *Inclusivity*, *Materiality*, *Responsiveness* and *Impact*. Committing to and integrating these principles throughout an organization's Governance, Strategy, and Operations provides a comprehensive and balanced approach, resulting in outcomes that address and respond to issues and impacts responsibly.



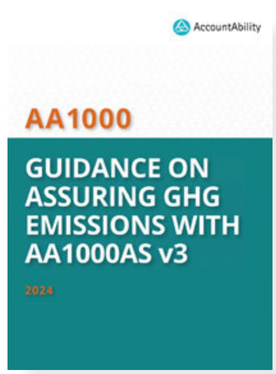
The **AA1000 AccountAbility Principles Standard (2018)** outlines the foundational AccountAbility Principles. It is a globally accepted, principles-based framework applied by organizations of all sizes, to identify, prioritize, measure and respond to sustainability challenges inclusively and accountably.

The **AA1000 Stakeholder Engagement Standard (2015)** is designed to enable organizations to respond to stakeholders in a comprehensive and balanced way to material issues, impacts, and opportunities. This tried and true methodology enables an organization to engage critical stakeholders with a custom-tailored strategy and approach.

Updated Stakeholder Engagement Standard planned for release in 2026.



The **AA1000 Assurance Standard v3** is the leading methodology used by sustainability professionals worldwide for sustainability-related assurance engagements, to evaluate the nature and extent to which an organization adheres to the AccountAbility Principles.



The **AA1000 AccountAbility Guidance on Assuring GHG Emissions with AA1000AS v3 (2024)** – is a supplement for the Assurance Standard designed to provide guidance in the assurance of greenhouse (GHG) emissions-related data. Apply the principles of inclusivity, materiality, responsiveness, and impact to GHG information to ensure the veracity of the data collected and measured.

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