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2024 INDUSTRY TRENDS: SUSTAINABILITY

As we enter 2024, sustainability remains an increasingly hot topic amongst consumers and organizations, and it continues to evolve to meet the needs of those consumers and organizations.

In 2024, we expect there to be growing transparency and disclosure from businesses as hyper-aware and knowledgeable consumers increasingly search for products that are produced and distributed ethically. Further, as advancing technology, such as AI, helps enable more sustainable steps forward, organizations are now better able to make eco-conscious decisions along the manufacturing process and supply chain. With the pressure from shareholders, consumers, and governments alike to make these changes, organizations will continue to pledge their commitment to making sustainability a priority in their business plans or risk falling behind.

In this piece, we explore five key sustainability trends for 2024.

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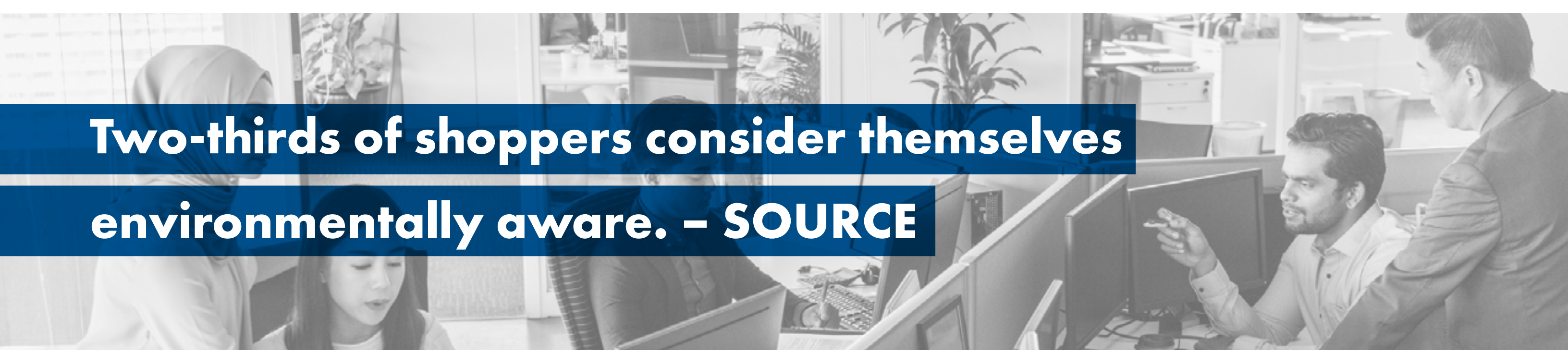
1 EVOLVING REPORTING AND DISCLOSURE REQUIREMENTS

Transparency has been a priority amongst consumers for some time, as shoppers like to know how the companies they purchase from are being managed and produced. This is especially true in the age of increasingly eco-conscious consumers. In fact, two-thirds of shoppers consider themselves environmentally aware. However, the trend has taken a step forward from just transparency.

In 2024, organizations' approach to sustainability may become mandatory to disclose instead of just a bonus to share. The SEC's new climate disclosure rule introduced in March of 2022 would improve corporate transparency by requiring publicly traded companies to disclose information about climate-related risks. The agency is finalizing its proposal in the spring of 2024. If the rule is enacted, expect a large uptake in disclosure and transparency, as it will now be required for public companies to report their environmental business activities. This will stop public companies from selectively choosing the practices to report on by exposing all of them, whether good or bad.

Europe has enacted similar regulations recently with the CSRD (Corporate Sustainability Reporting Directive) in effect since early 2023 and the NFRD (Non-Financial Reporting Directive) being in place since 2016. Both regulations were put in place by the EU and aim to increase the reporting of businesses and their environmental and social effect.

While these regulations have already occurred in Europe, we expect similar standards to be introduced for American businesses in the upcoming year. These new compliance standards, along with an increasing demand for transparency coming from consumers, will likely make disclosing sustainable strategies a priority for organizations in 2024. Companies may start to focus on consistent and integrated reporting, conduct materiality assessments to better understand sustainability issues that are most relevant to their business and stakeholders, as well as get direct feedback from their investors, customers, employees, and communities.



2 THE EVOLUTION OF GREENWASHING TO GREENHUSHING

Greenwashing has been an issue among organizations as the demand for corporations to act sustainably continues to grow. Greenwashing is when an organization makes misleading or false statements about its sustainability efforts to appeal to eco-conscious consumers. While greenwashing has been occurring over the last couple of years, “greenhushing” has surfaced more recently. New regulations, along with fear of backlash coming from consumers, have pushed organizations into a novel approach called greenhushing, or keeping ESG and sustainability practices private and unpublicized.

As we’ve seen, companies such as Zara, H&M, and many more have been caught greenwashing, pushing a false narrative about their practices. In the U.S., the SEC has been penalizing and fining organizations for greenwashing claims. Consumers want legitimacy and alignment between what is said and what is done, in turn, discrediting many companies that may exaggerate their commitment to sustainability. However, this trend has taken a turn.

Historically, marketing your sustainability efforts would attract eco-conscious consumers, but now organizations are taking a “hush-hush” approach. Marketing your sustainable practices and ESG initiatives has opened organizations up to public scrutiny, bad press, and even financial penalties, especially if the claims are baseless or controversial. This has led to the introduction of a more secretive attitude toward sustainability and ESG reporting, as organizations fear the term ESG has become too politicized for them to publicize, contributing to the growing greenhushing ideology.

Although the overarching goal for consumers is to encourage companies to support genuine sustainability efforts, greenhushing may divert marketing resources and initiatives away from eco-conscious practices. This could make this trend toward secrecy an issue in the future as companies may revert to deprioritizing their ESG and sustainability goals.

Greenhushing: keeping ESG and sustainability practices private and unpublicized. – SOURCE

3 PLEDGES TO BIODIVERSITY + NET ZERO

In 2024, the growing recognition of the need for sustainability among organizations is prevalent as climate problems, extinctions, resource availability, and more have set in a sense of urgency globally. As such, many businesses have prioritized sustainability on their agendas with pledges to conserve biodiversity and efforts to reduce carbon emissions in hopes of reaching net zero. A few examples of these organizations include Unilever, L'oreal, and Nike, all committed to the "Race to Zero" for carbon emissions.

As we know, many manufacturing processes harm natural environments by exploiting land, creating deforestation, pollution, ecosystem disruptions, and habitat loss. Land use is the primary reason behind the loss of biodiversity as it accounts for 30% of damage. This is why creating a strategy for sustainable land use is at the top of many priority lists, as some companies have experimented with producing lab-grown materials rather than harvesting them. Additionally, climate change is another significant driver of biodiversity loss, which accounts for 14%, bringing a sense of urgency for companies to go net zero and use renewable energy sources. Although conservation is one part of the equation, there's also a business case for making these changes as consumers continuously demand businesses to act socially responsible.

Almost half of the Forbes list 2000 have set net zero goals and strategies; however, many companies are still in the initial stages of biodiversity addressing conservation. The upcoming COP28 (UN Climate Change Conference) will be addressing food systems and sustainable agriculture, meaning attention will turn towards the issues of biodiversity, making the conservation of natural resources and life a priority for many organizations in 2024 and beyond.

4 SUSTAINABLE SUPPLY CHAINS AND A MOVE TOWARD GREEN LOGISTICS

The supply chain has historically been a notable pollutant across all industries, negatively contributing through unsustainable transportation, packaging, and more. In fact, eight supply chains across major industries account for more than 50% of global greenhouse gas emissions. As such, green logistics will be at the top of the list in 2024 as organizations continue to realize the importance of supply chain resilience and a circular economy.

One way businesses are prioritizing more sustainable supply chains and green logistics is through turning toward eco-friendly packaging. Packaging plays an integral role in the supply chain, delivering goods to consumers, protecting products, and overall contributing to the end-to-end product journey. However, packaging can pose a significant risk to the environment as some organizations utilize single-use packaging and non-biodegradable resources. As the demand for cleaner supply chains from consumers and investors increases, we're seeing organizations turn toward greener packaging. While there are many ways to reduce the impact of packaging, some include sustainable material selection, product take-back systems, and reducing unnecessary (excess) packaging. Many companies are already on board this trend, such as Danone, FedEx, and more, who are utilizing recyclable materials and contributing to a more circular supply chain – boosting sustainable brand management and cost saving along the way.

Aside from packaging, brands are also turning to sustainable transportation. As we know, oil and fuel have been culprits of our carbon footprint for some time, which poses a large threat to corporations, as shipping and travel are a main component of large businesses. In fact, transportation contributes to around 25% of all produced emissions. With the increasing pressure from consumers demanding sustainable ways to transport goods, companies are exploring how to optimize their strategy. For example, using electric vehicles in lieu of traditional gas-powered vehicles. In fact, many companies are making the switch, including distribution companies such as Amazon and FedEx. They also are turning towards alternative fuels, such as biofuels or hydrogen, as a more sustainable replacement. Additionally, we're seeing companies find ways to optimize routes to the most direct method of shipping and transport, ultimately helping to minimize the number of total resources used along a product's journey.

In an effort to contribute to a more sustainable supply chain, organizations are also investing in technology upgrades, such as using AI to catch inefficiencies and energy wasters in their supply chain. For example, Hilton has been using an innovative food waste technology that allows kitchens to easily pinpoint food waste, saving over 36 million meals yearly. We expect to see companies continue to implement innovative solutions as part of their sustainable strategy going into 2024.

5 ARTIFICIAL INTELLIGENCE AND SUSTAINABILITY

The future of sustainability is intertwined with artificial intelligence (AI). This powerful technology can analyze vast amounts of data and metrics at speeds impossible for humans. This allows organizations to make data-driven decisions, optimizing resource use for improved sustainability. In the complex world of supply chains, this is crucial. AI can create smart energy grids, streamline transportation systems, and offer intelligent waste management solutions – all aimed at minimizing resource consumption and maximizing efficiency. Traditionally, analyzing this data was a laborious task, requiring manual examination of countless rows of information. AI's data-crunching abilities make these goals much more achievable.

These tech-forward AI solutions couldn't have come at a better time as disclosure and regulatory requirements ramp up for businesses. While the supply chain and carbon emissions are one sector organizations are looking to reform, AI also has many benefits in agriculture as well. AI can analyze soil data, weather forecasts, and more that offer data-oriented solutions and recommendations regarding irrigation, fertilization, and more. For example, this technology is used in vineyards to produce wine measuring sunlight exposure and soil to optimize growth and catch mistakes that might be missed by human interpretation. Companies are searching for sustainable alternatives, and AI is providing those options allowing businesses to prioritize ESG and sustainability initiatives.

Additionally, we know AI can facilitate more eco-friendly practices, but it also is a great tool for cost-cutting. Knowing where unnecessary resources are spent can help the environment while decreasing fixed costs. The UN, specifically, has focused on AI to meet its sustainable development goals, navigating challenges, and identifying solutions with the AI for The Planet group to meet these goals. While AI is still a relatively recent technology, many companies have incorporated it into their overall business strategy. Moving into 2024 and beyond, we expect that even more organizations will adopt AI into their sustainability practices to drive true transformation.

LOOKING AHEAD

Throughout the last decade, sustainability has become a high priority for consumers, and 2024 is no exception. As technology evolves to allow eco-conscious solutions to become easily adaptable, organizations are going to implement those changes, especially as regulation and demand for transparency increases. Consumers, shareholders, and investors are looking for organizations open to creating genuine, sustainable changes throughout all areas of production, transportation, distribution, and more. The trends above are all implications of this demand for change and the need for organizations to meet the needs of consumers.

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