

# Claiming climate neutrality

The top four priorities

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# Claiming your business is climate neutral: the top four priorities

**A credible climate journey involves several stages: it starts with understanding your company's impact on the planet – so, measuring the material emissions associated with your company and strategising how to minimise them – and ends with reducing, compensating and neutralising your footprint as you work towards net zero.<sup>1</sup>**

Businesses who want to turn their environmental ambition into immediate action should set bold and ambitious net zero targets whose first milestone is the achievement of climate neutrality. A climate-neutral claim that's not backed by science poses a serious reputational risk and can lead to fines or accusations of greenwashing. However, make a claim that meets the strict criteria set by global standards and your company will demonstrate a legitimate, meaningful and credible commitment to climate action.

The [UN Decade of Action](#) is demanding urgency and ambition in tackling the climate crisis. In joining this global effort, your company should consider these top four priorities while communicating your climate journey:

- 1** Corporate targets mean nothing unless they're science-based and backed by a meaningful action plan
- 2** Words are free, but how companies use them may come with a price tag. Beware of lack of trust, reputational risks and green fines, which are all on the rise
- 3** Being on the right side of history is good business
- 4** If your company gets its claims right, it can turn the risks of marketing green credentials into concrete business opportunities

<sup>1</sup> [Science Based Targets initiative \(SBTi\): The Net-Zero Standard \(2021\)](#)





1

## Corporate targets mean nothing unless they're science-based and backed by a meaningful action plan

It is becoming increasingly common for companies to make climate neutrality pledges as part of their [journey towards net zero](#). To date, 23% of Fortune 500 companies have made such a pledge. But not all of these claims are robust and not all of these companies have published a plan to show how they will reach this target. If companies are to avoid greenwashing, their climate action must go beyond 'just' offsetting emissions: targets must be accompanied by a credible and detailed decarbonisation plan.

Of the 1,075 companies with climate neutrality commitments surveyed,<sup>2</sup> all of different sizes and from a variety of regions and sectors, **40% claimed they were already climate-neutral. However, only one-fifth had set or committed to setting**

**a science-based target (SBT) overseen by the Science Based Targets initiative (SBTi)**, the global body which promotes best practice in emission reductions. While neutrality can be claimed today based on full compensation for current emissions at the company, product or site level, it is important that such claims are part of a longer-term net zero-aligned pathway.

Active decarbonisation is at the heart of the net zero journey. SBTs are more credible as they follow the latest climate science and are built on a clearly defined emission reduction plan. SBTs demonstrably contribute to the Paris Agreement's goal of limiting global warming to well-below 2°C above pre-industrial levels, with an effort to limit warming even further to 1.5°C above these levels where possible.

**If your company wants to claim climate neutrality, South Pole recommends that it also set an SBT, establish a concrete plan to reach it and compensate for any unavoidable emissions that occur along the way, thereby achieving neutrality as an interim step.**

<sup>2</sup> Data analysis based on South Pole's market insights database, containing close to 60,000 global companies and publicly disclosed sustainability commitments data.



# 1,075

Number of companies that have publicly disclosed a climate-neutral commitment\* as of April 2022. Total sample size was 59,558 companies

# 23.4%

Proportion of global Fortune 500 represented (117 out of 500 companies)

# 435

Number of companies claiming climate neutrality\*\* by 2022 or earlier (40.47% of 1,075 companies who have committed to climate neutrality)

# 78

Number of companies who have achieved climate neutrality and had set or committed to setting an SBT (17.93% of 435 or 7.26% out of 1,075)

\*Climate-neutral commitment: having a target of reaching climate neutrality status by a certain date

\*\*Climate-neutral claim: claiming a business has reached climate-neutral status

Claims of climate neutrality vary by region. Just **21.46%** of the companies surveyed in the **North American region** had claims that could be described as 'robust', while in **FRABELUX**, where greenwashing can result in serious government fines, around **50% of claims could be verified**.

Region	No. of companies with climate-neutral commitments	No. of companies with SBT commitment*	% of companies committed* to an SBT
APAC <sup>3</sup>	214	57	26.64
DACH <sup>4</sup>	152	64	42.11
FRABELUX <sup>5</sup>	56	29	51.79
LATAM <sup>6</sup>	30	11	36.67
NAM <sup>7</sup>	233	50	21.46
Nordics	83	26	31.33
UNITE <sup>8</sup>	307	93	30.29
<b>Grand total</b>	<b>1,075</b>	<b>330</b>	<b>30.70</b>

The sectors with the lowest ratio of SBTs to climate-neutral commitments are highlighted in light blue. The leading sectors, which have the highest ratio of SBTs to climate-neutral commitments, are highlighted in dark blue.

\* 'Commitment/committed' means the company had set or committed to setting an SBT.

<sup>3</sup> Asia-Pacific.

<sup>4</sup> Germany, Austria and Switzerland.

<sup>5</sup> France, Belgium and Luxembourg.

<sup>6</sup> Latin America.

<sup>7</sup> North America.

<sup>8</sup> UK, Netherlands, Italy, Spain, Portugal and Eastern Europe.

The picture is also different when we look at the sectors where companies are claiming climate neutrality. Increasingly, clients expect more in terms of sustainability, pressuring high-visibility consumer brands to step up their game. This has led more corporations to embed green credentials within their brand architecture. It comes as no surprise that **companies with consumer-facing products and services are more likely to make climate-neutral pledges**. In absolute terms, 25% of all climate-neutral claims are made by companies operating within this sector. **Even in sectors with the highest ratio of SBTs to climate-neutral commitments**, such as healthcare, IT and manufacturing, **less than half of all company commitments were backed up by an SBT**. Meanwhile, the energy,<sup>9</sup> financial and transportation sectors each have a long road ahead, with around 75% of all companies in these sectors yet to set an SBT.

Sector	No. of companies with climate-neutral commitments	No. of companies with SBT commitment*	% of companies committed* to an SBT
 Communication services	67	23	34.33
 Consumer discretionary	144	57	39.58
 Consumer staples	129	39	30.23
 <b>Energy</b>	<b>28</b>	<b>7</b>	<b>25.00</b>
 <b>Financials</b>	<b>117</b>	<b>34</b>	<b>29.06</b>
 Government	12	3	25.00
 <b>Healthcare</b>	<b>42</b>	<b>20</b>	<b>47.62</b>
 <b>Industrials</b>	<b>89</b>	<b>37</b>	<b>41.57</b>
 <b>Information technology</b>	<b>66</b>	<b>29</b>	<b>43.94</b>
 Materials	63	18	28.57
 Other	138	19	13.77
 <b>Transportation</b>	<b>137</b>	<b>29</b>	<b>21.17</b>
 Utilities	43	15	34.88
<b>Grand total</b>	<b>1,075</b>	<b>330</b>	<b>30.70</b>

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\* 'Commitment/committed' means the company had set or committed to setting an SBT.

<sup>9</sup> The SBTi is yet to finalise guidance on target setting for the oil and gas sector.



2

2

## Words are free, but how companies use them may come with a price tag. Beware of lack of trust, reputational risks and green fines, which are all on the rise

Climate pledges and climate action may be gaining increasing momentum, but so too is the level of scrutiny being levelled at climate-neutral claims. If your company's commitments aren't backed up by science, there's a high risk of reputational damage and even litigation.

Non-governmental organisations, consumers and investors have all become more educated on what credible climate action looks like and more vocal when they see evidence that points to the

contrary. In 2021, **the topic of 'greenwashing' hit over 744,000 unique mentions across traditional and social media**,<sup>10</sup> representing a four-digit increase compared to 2020. Yet, while awareness is increasing, transparent information flows haven't kept pace: **consumers are 'increasingly suspicious of companies that fail to disclose the process behind a climate-neutral claim,'** with close to half (49%) saying 'they do not have any information to verify the sustainability claims of products' and 44% lacking trust in product sustainability claims.<sup>11</sup>

<sup>10</sup> South Pole's analysis based on publicly available data

<sup>11</sup> [Capgemini report](#), 2021

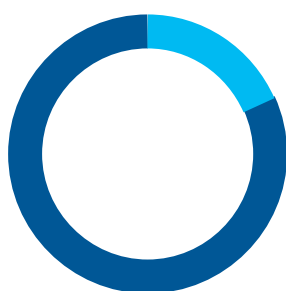
**In 2021, the number of mentions of 'greenwashing' grew significantly to hit 744,000 across social and online media.**

Unique mentions\*

**744,000**

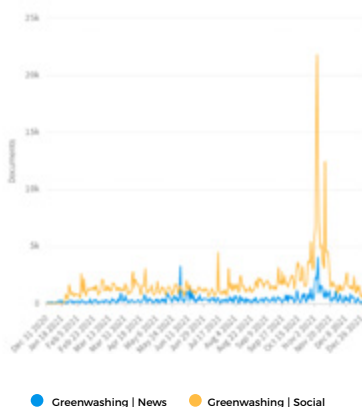
↑ Four digit growth compared to 2020

Search to source

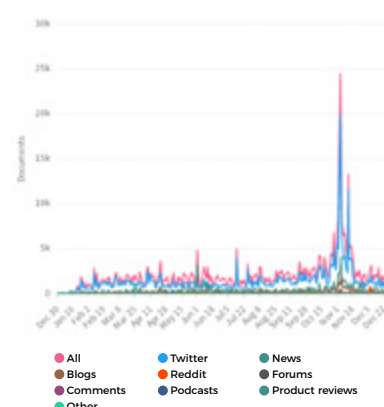


● Greenwashing | News  
● Greenwashing | Social

Mentions trend



Mentions trend by source type



\* 'Unique mentions' refers to the number of times the word 'greenwashing' was referred to in online news and social media.



### How sustainability is fundamentally changing consumer preferences

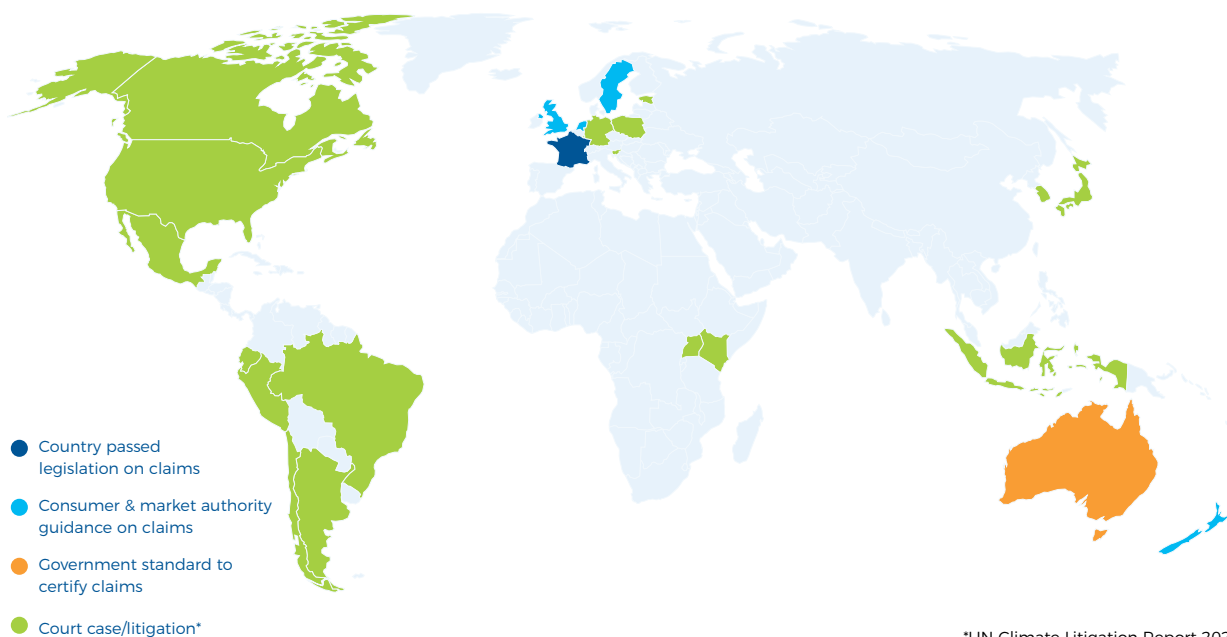
Consumers do not trust sustainability claims made by organisations: close to half of consumers (49%) say they do not have the information to verify the sustainability claims of products, while 44% do not trust product sustainability claims.

Growing public awareness is accompanied by **increasing legal vigilance**: demands for greater clarity around how organisations communicate climate action, particularly when that communication has the potential to mislead consumers and investors, have resulted in an **increasing number of litigation cases**. According to the UN's 'Global Climate Litigation Report' in 2020, the number of such cases doubled in the five years prior. While fossil fuel companies remain a primary target for litigation cases in 2022, climate litigants are now expanding their spectrum more broadly: corporations from the food and agriculture, plastics and packaging, transportation and financial sectors are among the top five most-targeted players.<sup>12</sup> The message from this is straightforward: **corporates must become clearer about communicating their climate action and making climate-related claims that resonate with stakeholders and show their progress as transparently as possible.**

<sup>12</sup> [Taking companies to court over climate change: who is being targeted?. The London School of Economics and Political Science, 2022](#)



### Countries moving ahead with regulation or litigation cases



According to the [UN Environment Programme 'Global Climate Litigation Report 2020 Status Review'](#), the number of lawsuits nearly doubled from 884 to 1,550 between 2017 and 2020. These cases include approximately 1,200 suits filed in the US.

There are also clearer definitions of what 'best practice' climate action looks like, especially for the private sector. **The SBTi, for example, now has rigorous criteria for evaluating businesses' net zero commitments and goals and will not certify a corporate as net zero unless these criteria are met.**



3

## Being on the right side of history is good business

Why should your business care? It turns out that companies have a lot to gain by integrating sustainability into their brand value propositions for customers and consumers. It has long been established that **sales for sustainable products outperform the non-sustainable alternatives** in their category.<sup>13</sup> Meanwhile, **environmentally**

**friendly households are currently worth USD 446 billion to the fast-moving consumer goods (FMCG) industry.**<sup>14</sup> 'Sustainability is an important purchase criterion for energy/utilities (74%), followed by construction/home (66%), consumer goods (63%), travel and tourism (62%), automotive (61%) and financial services (44%).'<sup>15</sup>

<sup>13</sup> Nielsen, 2018

<sup>14</sup> Kantar, 2021

<sup>15</sup> Simon Kucher, 2021

## KANTAR

### Who cares who does? (2021) – global study

Consumers understand how critical the topic of sustainability has become. The number of households that are the most environmentally conscious (households which Kantar calls 'Eco Actives') rose for the second year in a row. They are worth USD 446 billion to the FMCG industry.

## Nielsen

### Nielsen report: how can sustainability enhance your value proposition? (2018) – global study

- 81% of global respondents feel strongly that companies should help improve the environment.
- Brands have a lot to gain by integrating the sustainability angle into their value proposition for consumers. Sales of sustainable products frequently outperform sales of non-sustainable products in the same category.

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### Global sustainability study (2021)

In a vacuum, sustainability is an important purchase criterion for energy/utilities (74%), followed by construction/home (66%), consumer goods (63%), travel and tourism (62%), automotive (61%) and financial services (44%).



### Is going carbon neutral more beneficial to companies than expected?

- 87% of Americans value products labelled carbon neutral over similar 'unlabelled' products.
- 92% of surveyed respondents perceived products labelled carbon neutral as being more sustainable, healthy and of a higher quality.



## If your company gets its claims right, it can turn the risks of marketing green credentials into concrete business opportunities

South Pole is following the evolution of standards and regulations related to environmental claims closely and can help your company navigate public scrutiny and transform climate ambition into concrete business credentials.

### South Pole's guide to climate neutrality

Reduction and compensation are critical to catalysing climate action

The private sector plays a critical role in accelerating global decarbonisation through setting corporate strategies that:

**Measure and set science-based reduction targets...**

... to reduce emissions across scopes 1–3 in line with a 1.5°C scenario.

**Disclose reduction plans...**

... to transparently report on progress and safeguard reputation.

**Compensate for all residual emissions on the way to net zero...**

... thereby achieving the milestone of climate neutrality.\*

**Once you've hit net zero...**

... neutralise residual emissions with removals.

\*Note that this does not count towards a science-based reduction target.

# How to communicate climate action effectively

To summarise, following these four key principles will allow your company to avoid accusations of greenwashing and ensure that its communications around climate claims are best in class.



## Transparency

Avoid vagueness at all costs. All claims must also include a clear definition and description of how they were or will be achieved. Credible climate action claims require your company to be transparent about the activities it is undertaking while showing how these activities are part of a holistic, long-term climate strategy.



## Accountability

Transparent disclosure and honest updates on your company's progress, both in terms of the good and the not so good, are essential to upholding the integrity and accountability of any corporate climate action and its related claims.



## Impact

Show, don't tell. What concrete action is your company taking to substantiate its claims? Sound operational evidence and verified impact data are an important way to provide that assurance.



## Authenticity

Always align your company's communication strategy with its long-term sustainability strategy and the company's wider growth plan. To hedge against changing terminology around corporate climate action claims, businesses are encouraged to explore claims that are true to their brand and which reflect their full suite of ambitious climate activities.

From developing environmental claims to designing stakeholder engagement strategies and storytelling campaigns, South Pole's communication experts provide bespoke and strategic communications support so you can make sure your climate success communication is up to scratch.

[Visit our website for more information »](#)



## South Pole labels

South Pole provides three groups of labels that can be achieved to communicate credible climate action. These are the '**Climate Neutral**', '**Renewable Electricity**' and '**Plastic Action**' labels. These labels ensure best practice, requiring transparent communication and long-term commitments rather than one-off activities. **They demonstrate that action has been taken in line with the goals of the Paris Agreement to limit global warming to 1.5°C.**

- ✓ South Pole's **Climate Neutral labels** can be awarded to companies who take ambitious action to make their company, product, site or event climate neutral. They align with the latest findings of climate science and adhere to best-practice reporting guidance from the SBTi, the Greenhouse Gas Protocol and PAS 2060, the leading international standard for demonstrating carbon neutrality. Claiming climate neutrality is a big step for any organisation, and South Pole labels can support companies with committing to a real internal decarbonisation strategy and communicating this transparently to their stakeholders.
- ✓ **Renewable Electricity labels** can be achieved by those who wish to demonstrate that they power their operations with electricity produced from renewable sources. South Pole's Renewable Electricity labels are in line with guidance from the RE100, a global initiative committed to 100% renewable electricity. Sourcing 100% renewable electricity is an important step on your climate journey and a great way to show climate leadership.
- ✓ **Plastic Action labels** can be achieved to demonstrate commitment to plastic action and achieving a circular economy. These labels adhere to the best practice reporting principles of the 3RI reporting initiative guidelines. Plastic waste is a major environmental concern, and addressing this not only helps to safeguard fragile ecosystems but also presents a substantial opportunity for cost savings and catalysing innovation for the entire corporate value chain.

The momentum for corporate climate action is growing, and South Pole's labels enable those who have met the labels' rigorous criteria to show climate leadership while encouraging others to take action. Stakeholders value transparency in the companies and brands they engage with; labels can help to amplify your efforts and enhance two-way communication.

[Visit our website for more information »](#)

Navigating the minefield of climate action communications is not easy. There are demanding stakeholders to satisfy and critical reputational risks to mitigate. How can businesses solve this? By powerfully demonstrating their commitment to both people and planet and embedding climate action within the company's mission. Your company's [Climate Journey](#) is how your business plays its part in championing the green transition. By sharing their story, businesses will maximise their impact, inspire others to change to meet the goals of the Paris Agreement and accelerate the climate transition.







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