

## ILI.DIGITAL AG: Corporate Carbon Footprint Study combines for the first time comprehensive consumer survey with analysis of CO2 emissions of DAX companies

- **Cheap is not enough:** 45% of consumers would be willing to pay higher prices for a sustainable product
- **Brand alone is not enough:** 31% of consumers would turn away from their preferred brand to buy other, more sustainable products at higher prices
- **Ignorance does not work:** Only around 35% of consumers do not pay attention to the sustainable dimension of the products they buy
- **Regulation alone is not enough:** Two-thirds of all respondents expect corporate responsibility to go beyond the legal framework
- **It pays to take a closer look:** The biggest CO2 emitters in the DAX change depending on the depth of the emissions analysis
- **A holistic view is surprising:** Electrical engineering sector with higher CO2 emissions than manufacturing and energy sector
- **Sustainability strategy pays off:** otherwise companies risk losing 20-70% of their customers

Karlsruhe, 10 October 2023 - Companies face comprehensive challenges in implementing sustainability strategies if they do not want to lose a significant proportion of their customers and employees. This is the result of a study by the consulting and software company ILI.DIGITAL AG. For the first time, ILI.DIGITAL combined the results of a comprehensive survey of consumers and employees with a complex evaluation of the CO2 emissions of the companies in the German share index, DAX. Obviously, the topic of sustainability is taking on an increasingly dominant position compared to price and brand awareness in purchasing decisions and job choices. As part of the study, the opinion research institute YouGov, commissioned by ILI.DIGITAL, surveyed 541 citizens on the parameters that are decisive for them.

For 66% of the consumers surveyed, sustainability is an important decision criterion when purchasing goods or services. For women, the figure of 71% is significantly higher than the average. A high percentage of consumers are willing to pay more for sustainability: 45% of all respondents stated that they would be willing to pay the highest market price for a product that produces the lowest overall CO2 emissions. Brand loyalty also crumbles when the environment is at risk of suffering – 31% of consumers stated in the survey that they would prefer to buy other products or services instead of a well-known label if they were more sustainable. A higher price would also be accepted for this. Consumers demand transparency – the majority made a positive purchase decision dependent on companies providing transparent information about their respective impact on the environment. Overall, only a good third (35%) of all respondents did not attach any importance to sustainability aspects in their consumption.

Employees also attach great importance to the sustainability of their company. 64% of all respondents stated that a bad impact on the environment could be a reason for them to leave the company. 70 % even stated that they would have reservations about accepting a new job with a company that is responsible for negative environmental impacts. In the labour market, sustainability has thus become a decisive competitive advantage for companies. Compliance with legal requirements is, therefore, no longer enough. 67% of all respondents believed that corporate responsibility for sustainability should go beyond the legal requirements, only 17% denied this.

In the second part of the study, ILI.DIGITAL analysed the CO2 emissions of the 40 companies in the German Stock Index (DAX), segmenting them by industry. It turns out that only a holistic view across

all stages of the value chain and the product life cycle provides meaningful results. In this context, industries such as electrical engineering suddenly come into focus. This is because these sectors have high CO<sub>2</sub> emissions at Scope 3 level.

According to the GHG Protocol Corporate Standard, the greenhouse gas emissions of companies can be divided into Scope 1, Scope 2 and Scope 3 emissions. Scope 1 emissions are emissions from sources that come directly from the company, such as CO<sub>2</sub> consumption for air conditioning of production facilities. Scope 2 emissions are of an indirect nature and come from energy sources that are procured externally by the company, such as electricity. Scope 3 emissions represent the upstream and downstream emissions that occur in the company's value chain, for example through the use of consumers. In many cases, these account for by far the largest share of the corporate carbon footprint.

In terms of Scope 1 emissions, the energy industry was the sector in the DAX with the highest CO<sub>2</sub> emissions in relation to sector sales revenues and per employee (around 1,000 metric tons of CO<sub>2</sub> per employee per year). At Scope 2 level, the energy sector (over 90 metric tons) and the manufacturing sector (around 60 metric tons) were ahead in the DAX. In terms of Scope 3 emissions, the energy industry generates more than 2,000 tons of CO<sub>2</sub> per employee per year, while the largest CO<sub>2</sub> polluter in the DAX is electrical engineering with around 6,000 tons of CO<sub>2</sub> emissions per employee.

The study by ILI.DIGITAL makes it clear that potential savings in the CO<sub>2</sub> emissions of companies are considerable, especially at Scope 3 level. According to the study, an important contribution to improved sustainability can be made by digital concepts, which can be used both in data collection, target setting and, above all, as part of powerful solutions. The study refers to Artificial Intelligence and the Internet of Things as factors in the context of energy and waste management, for instance. Augmented and virtual reality, on the other hand, can be used to reduce CO<sub>2</sub> emissions in corporate cooperation and product development, while blockchain technology, for example, can be used for supply chain transparency and in the trading of CO<sub>2</sub> certificates.

The pressure to implement a consistent sustainability strategy is high. Because – this is the conclusion of the current study by ILI.DIGITAL – otherwise companies run the risk of losing 20 to 70 % of their customers and being unattractive on the labour market.

Dr. Serhan Ili, founder and CEO of ILI.DIGITAL AG: "With our study, we link consumer needs in terms of sustainability with the current CO<sub>2</sub> emissions of major German corporations. Some efforts have already been made by the companies to reduce their carbon footprint, but a lot still needs to be done. It won't work without a clear strategy regarding decarbonization along the entire value chain. Sustainability is largely replacing brand and price as a decision criterion for consumers and employees. For sustainable companies, the corporate carbon footprint is what the brand used to be - their ticket to success on the market. Digitalization represents a significant lever for reducing the corporate carbon footprint and communicating it transparently."

The entire study is available at <https://ccf.ili.digital>.

## **About ILI.DIGITAL AG**

ILI.DIGITAL AG is a specialized consulting and software company focused on digitalization, innovation and sustainable transformation. As "The No. 1 Digital Business Builder", ILI.DIGITAL AG advises mainly international corporations and leading medium-sized companies from various industries on how to digitally expand and improve their business model. Founded in 2010 by Dr. Serhan Ili, the company implements digitization projects in the shortest possible time according to its proven "3-6-12-24-48"

formula. The entire spectrum is covered - from strategy, design, software development to scaling the solution. ILI.DIGITAL AG employs over 180 people in Karlsruhe, Lahore (Pakistan) and Seoul (South Korea).

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