

STATE OF **SUSTAINABILITY** **REPORT** 2023

LOS ANGELES AND ORANGE COUNTY REGION



Value Sustainability
Building Resilient Communities and Infrastructure

ASCE
LOS ANGELES SECTION

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Welcome to the 2023 edition of the State of Sustainability Report - a comprehensive picture and perspective of how organizations, firms and agencies in Orange and Los Angeles counties are approaching sustainability.

The Report's

PURPOSE & OBJECTIVES

Sustainability practitioners and members of the American Society of Civil Engineers (ASCE) Orange County Branch and Los Angeles Section Sustainability Committee developed the survey questions to better understand the overall sustainability landscape in Southern California. The first edition of the State of Sustainability Orange County Report was published in 2017 which covered only Orange County. This 2023 edition of the State of the Report was expanded to cover both Orange County and Los Angeles Counties.

Sustainability leaders, practitioners and advocates that work in businesses, public organizations, non-profit organizations, and academic institutions were invited to participate in the survey to improve our understanding of their sustainability operations, rate of returns on sustainability investments and prospects and related matters for implementing and improving sustainability principles and practices in their organizations and throughout the region.

The end goal of the survey was to identify the current trends and challenges in sustainability and provide insight to support local policy development, collaboration opportunities and implementation of sustainability initiatives across the region as well as to inform other organizations that may benefit from the report's findings and conclusions.

Key Insights and RECOMMENDATIONS

The 2023 survey reveals that sustainability efforts in Orange County and Los Angeles are gradually growing in influence, especially inside those organizations that have integrated sustainability into internal operations, have a dedicated staff and have set sustainability goals.

Although financial benefits remain to be the key drivers of sustainability in organizations, new drivers such as regulatory requirements, and peer and stakeholder pressure are forcing organizations to move from mere goal setting to full scale implementation.

When we asked survey participants the current state of sustainability in the region, they fell into three general categories – those that are optimistic (15%), pessimistic (25%), while the largest number (60%) are somewhere in between.

Approximately **15%** of our respondents expressed an optimistic view regarding the maturity and strength of sustainability. Los Angeles is regarded as a sustainability leader in California and the United States. Orange County has a smaller population compared to Los Angeles. Still, a relatively smaller but influential minority supports sustainability and climate action.

The optimistic respondents also indicated that sustainability in Los Angeles and Orange County has been advancing along with community and stakeholder engagement, resulting in tangible action and policies. Sustainability is becoming a must for many organizations and agencies instead of a nice-to-have. Although sustainability historically started as part of the environmental or green movement, regulatory requirements have become important drivers. In the case of the private sector, the end clients are motivating businesses to identify and implement Environmental, Social, and Governance (ESG) goals in their operations. Businesses are also responding to competitive and stakeholder pressures to plan and deliver on sustainability.



“ Thank you for the survey. It was eye opening to realize how little my current firm is doing for a topic that is so important to me. I admire your dedication to Sustainability and it’s inspiring to make a change”

ASCE-OC member

The survey respondents said due to the State of California's regulatory requirements, the public sector in the region will likely continue to lead the charge in sustainability initiatives, and businesses, big and small, are likely to follow. They recommended continually conducting further research and fostering collaboration across industries and with other regions that have successfully integrated sustainability practices to move forward in the right direction. By learning from their experiences, a similar approach can be adopted in this region. The need to promote equity, diversity in the profession and creation of green jobs were also stressed. Awareness indeed has increased; policies and plans are aspirational. Now, it's time to move from goal setting to implementation.

Roughly **25%** of the respondents, however, were pessimistic about the current state of sustainability and where the region is heading. Many respondents said we were not moving fast enough due to politics, influence of interest groups, lack of public education, less focus on operationalizing sustainability and limited support and resources for sustainability initiatives especially in Orange County. Additionally,

politicizing climate change and unfounded fear and resistance to change related to job security slows progress. Respondents said there is much more talk than action. In heavily regulated areas such as local government, the pressure from regulatory compliance drives many organizations activities, often relegating sustainability to a secondary consideration or neglected altogether.

Significantly, in Orange County, the report card by Climate Action Campaign gave a failing mark to all 34 cities in the county. The county is politically conservative, and even sustainability/ climate action policies, goals or ordinances that were approved by City Council/municipal leadership - for reasons including lack of staff and budget, are not getting implemented fast enough. Respondents stated that Orange County remains in the early stages of sustainable development and more work needs to be done to move the needle. The primary sources of GHG emissions, including transportation and building energy consumption are either stable or increasing rather than decreasing in the region. From a transportation perspective, there are concerns about whether Orange and Los Angeles counties are doing enough to

“Strategic collaboration and partnerships is the new leadership”

ASCE-OC member

reduce emissions to mitigate the impact of climate change. Many of the survey respondents expressed that sustainability should not be seen as a cost but rather as an investment in our future. Some respondents said they hope to see cities in the region serving as models - integrating emissions reduction with return on investments as a result of sustainability actions.

Most of our respondents, around **60%**, fell into the middle-ground perspective. They acknowledged that sustainability is growing and improving daily with demonstrations of considerable activity. While trending towards more sustainable practices, there is still room for improvement in the region. A common need is to work on a culture shift so that government agencies and businesses can respond more efficiently and effectively. The respondents stressed the importance of implementing initiatives and programs despite political headwinds, better execution on internal process and culture change efforts, and the need for more meaningful government-business-academia collaboration.

Some respondents were more skeptical, essentially stating it is too early to say with confidence the current state of sustainability. That skepticism might be translated into this summary statement: many organizations are talking about sustainability-related initiatives more so than acting upon them and, if they are making progress, that progress is slow. Respondents generally agree that California, including our region, is better than most of the country in terms of

sustainability. Increasingly businesses are trying to be sustainable, but efforts need to be honest instead of mere greenwashing. Some respondents stated sustainability plays a crucial role in reducing cost, enhancing efficiency, minimizing carbon footprint, and eliminating waste, including electronic waste and food waste. Another key focus area some of the respondents stressed on was the need for better water management, given the fact that Southern California mainly depends on imported water. They said drastic reforms are urgently needed. This is especially true with unnecessary water uses for lawns, golf courses, and unsustainable landscaping practices among others. There are pockets of those sustainably minded organizations, but local government and water utilities have a significant role to play. The City of Los Angeles and the City of Long Beach have demonstrated leadership in sustainability, whereas many other cities need to do more.

Few respondents expressed their interest in hearing more from youth and young professionals’ perspectives. These same respondents emphasized the need for more collaboration, partnerships and effective communications among diverse entities and organizations, including schools and educational institutions to engage the next generation leaders. One respondent’s suggestion is for Los Angeles and Orange County to collaborate more, holding each other accountable for adhering to sustainable standards and jointly developing more robust and innovative solutions.

Below are the survey respondents' recommendations categorized by four focus areas:



RESILIENCE AND PROJECT IMPLEMENTATION INCLUDING O&M

"Address the interaction of sustainability and resilience."

"Significant resources are being directed toward corporate sustainability reporting to meet new regulatory standards, shifting the focus away from projects and programs that can move the needle more meaningfully. Reporting is necessary, but the current environment seems to focus on hiring more resources for reporting than for project development and implementation."



LANDSCAPE

"I think we should encourage people to have more green landscaping rather than allowing them to build to every single inch."



WATER CONSERVATION

"It is a highly urgent matter and unfortunately governments at all levels (state, county and municipalities) have to mandate drastic reforms, such as total elimination of unnecessary uses of water (lawns, golf courses, etc.)"

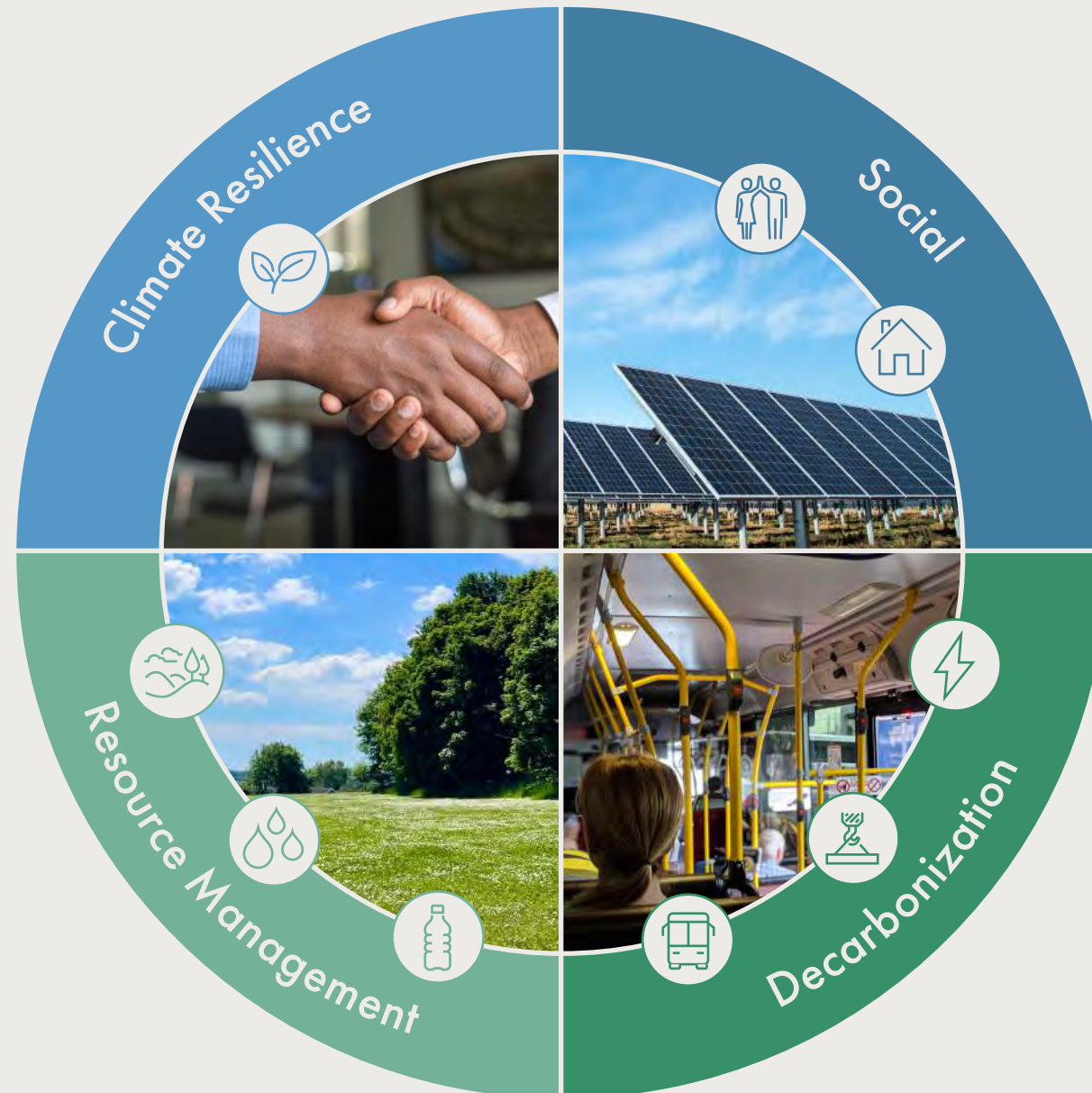
"We're starting to take significant steps in some areas (e.g., water reuse) but have a very long way to go in others (e.g., transportation)."



WASTE AND PLASTIC

"Many myths to dispel. One important one is how people look down on plastic. Proper plastic selection over other higher carbon and less recycled options is key to a sustainable future."

"I think there is more infrastructure needed for electronic waste."



EQUITY, INCLUSION AND EDUCATION

"Equity is still an outlier in business risk that is not being addressed."

"To actively engage employees at all levels in sustainability efforts and goals. To change the culture of sustainability from a necessary costly evil to one of positivity and urgency."

"Education at all levels and more importantly in underrepresented communities."



PUBLIC POLICY - HOUSING

"We need to focus on the big picture, what will happen now versus what we will get in 10 years. For example, SB9 is absolutely against sustainability. We should plan for sustainable housing and cities and focus on a broader picture."



ENERGY

"Focus only on solar and renewables, due to the cost savings it brings."



SUSTAINABLE CONSTRUCTION MATERIALS

"We promote and develop pilot programs using sustainable building materials with public and government agencies."



TRANSPORTATION AND URBAN PLANNING

"Emerging and evolving; we have a long way to go, especially in transportation, but there are some encouraging signs."

"We drive too much. People should choose to live closer to where they work."

"More could be done to expand sustainability in the region, especially in the transportation sector."

Effective collaboration is crucial for achieving decarbonization and climate action goals in the region. Regulatory requirements offer opportunities for partnerships among public, private, academic, and nonprofit sectors. Sustainability practitioners in larger organizations must leverage collaboration, effective communication, and alignment with stakeholders to influence change. In addition, caution should be exercised against greenwashing, as genuine action is needed, not just environmental buzzwords. Long-term planning driven by cost-benefit analysis and rebates from governments and utilities will aid the successful implementation of sustainability goals.

To tackle challenges effectively, local government and regional agencies MUST communicate, share lessons learned and collaborate with each other. Working individually and differently will not achieve the required broader impact. Sustainability should be integrated as a STANDARD practice in engineering, architecture, urban and transportation planning, and should be part of business operations. There needs to be more than the question of how to defeat climate change, but how to practice it daily and build a sustainable and resilient future that leaves no one behind!



SURVEY DATA & RESULTS

2023 Survey Highlights

There was over an 85% increase in the number of respondents to the 2023 Survey vs. the 2017 survey and over 30% of those responding in 2023 were senior executives and leaders, both indicative of substantial progress in regional sustainability efforts since the 2017 survey.

53% were from private industry, 23% from the public sector with academia (12%) and nonprofits (9%) rounding out the survey respondents. 86% of respondents reported their CEO/senior leadership is fully supportive of their organization's sustainability efforts while an impressive 90% reported that sustainability is a major element of planning and delivering projects and initiatives in their organizations.

Although 60% of respondents did not know their organizations sustainability budgets, 14% reported theirs was over \$1M, 6.5% was between \$500K and \$1M, and 5.4% between \$100K and \$500K, while 18% reported up to an increase of 25% in their sustainability budget over last year's and 5% saw an increase of between 26% and 50% in theirs last year's, the remainder did not know.

41% of our respondents said they can link increased revenue/ business or customer satisfaction to sustainability activities within

their organizations, 30% said no, and 25% did not know or were not sure. 87% of survey respondents said their organization will continue to pursue and invest in sustainability practices in a post-COVID world while only 3.4% said they would not.

Meanwhile our respondents identified Culture of Sustainability (58%) as their most important issue for 2023, followed closely by Employee Engagement (52%), Sustainability Innovation (52%), while the top three most important issues our respondents identified for the next 5 years are sustainability driven cost and expense reductions (57%), sustainability related risk management (48%), and sustainability driven innovation results in increased revenues (48%).

When predicting the future of sustainability in the Orange County and Los Angeles region, there was a mixed bag, with 15% expressing optimism, 25% pessimism and the remaining 60% somewhere in between.

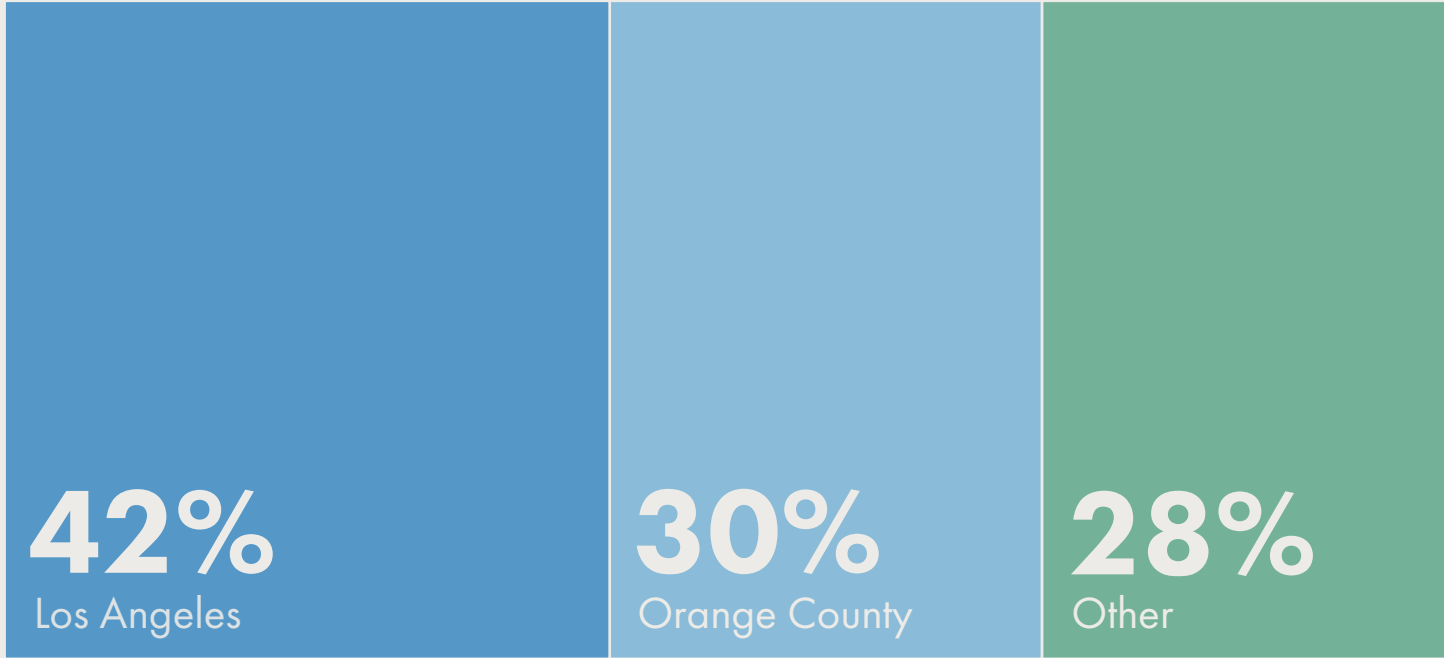
In a note of optimism fully one-third of those responding expressed their interest in wanting to collaborate on sustainability-related projects and initiatives post-survey. We invite everyone interested to reach out to the report authors to make it happen!

Chapter One

THE RESPONDENTS

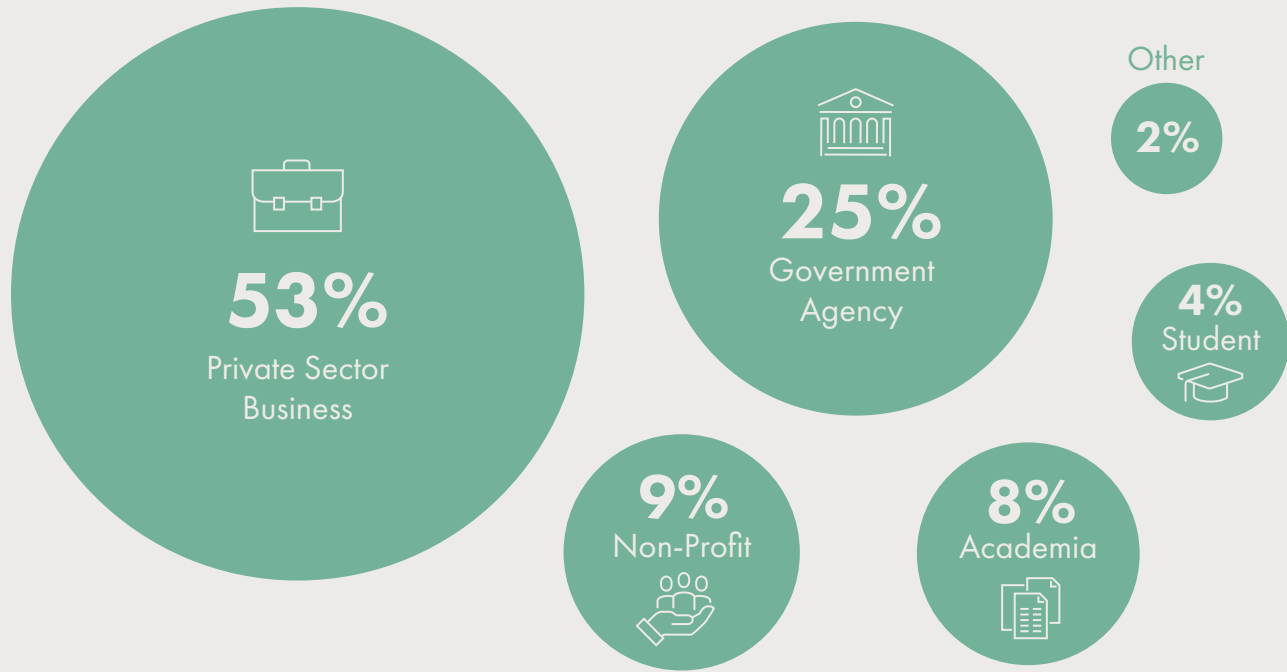
The State of Sustainability 2023 survey had a wide range of respondents residing in the greater Los Angeles and Orange County’s area.

Q1 Location of respondents



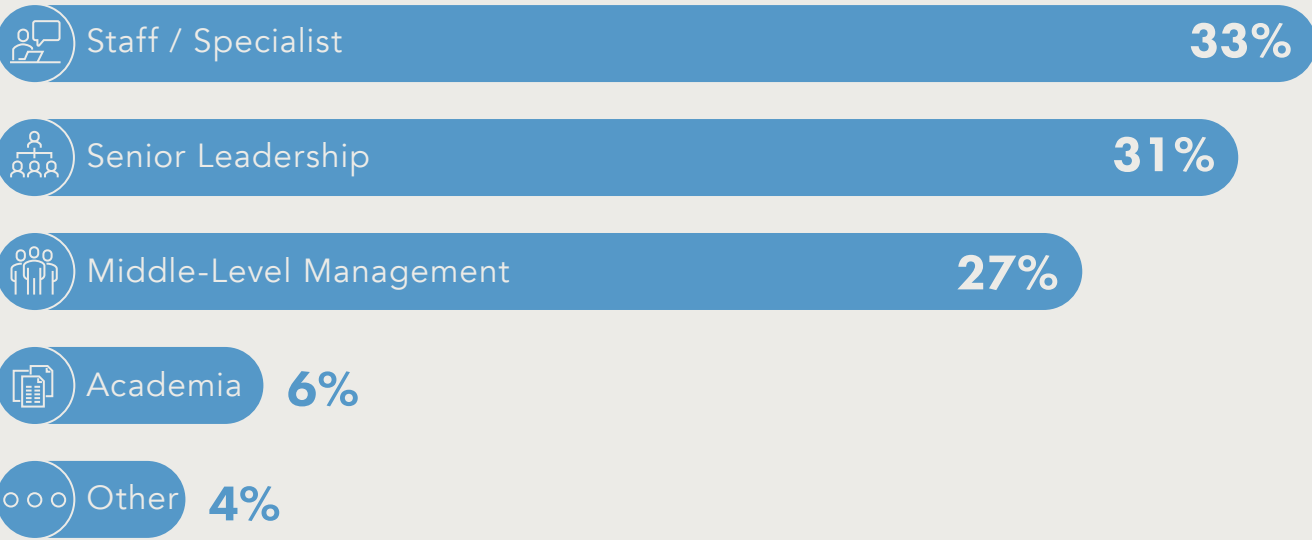
Most of the respondents, 42% are based in Los Angeles followed by 30% residing in Orange County. The remaining 28% are spread across various cities in Southern California, Northern California, out of State and even two respondents from France.

Q2 Which of the following best describes where you work?



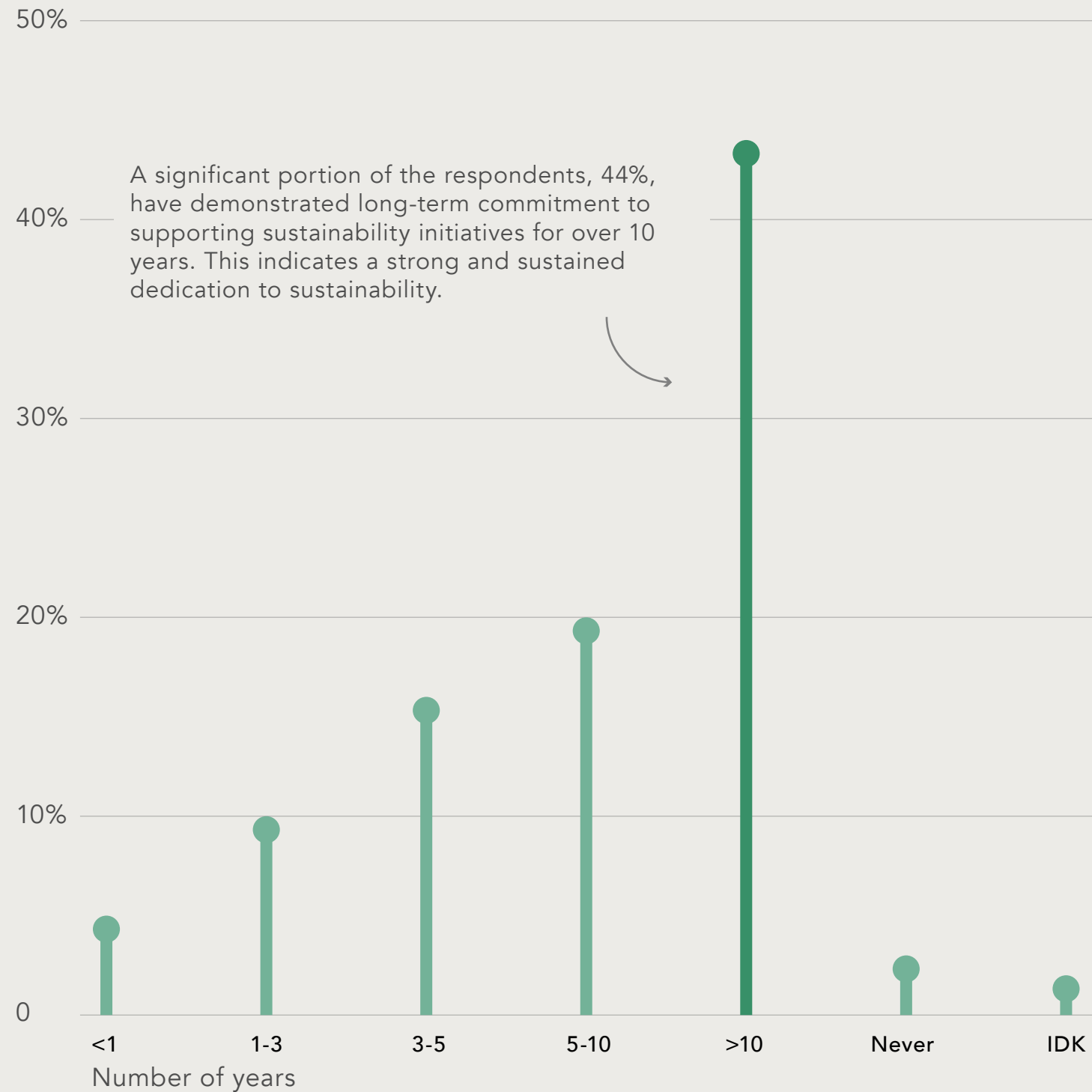
The survey captures a wide range of individuals working in sustainability-related fields. More than half of the respondents (53%) work in the private sector, while 25% are employed in government agencies. The remaining respondents are distributed among non-profit, academia, and students with each group accounting for less than 10% of the total.

Q3 What division/department do you work in at your organization, and what level is your role?



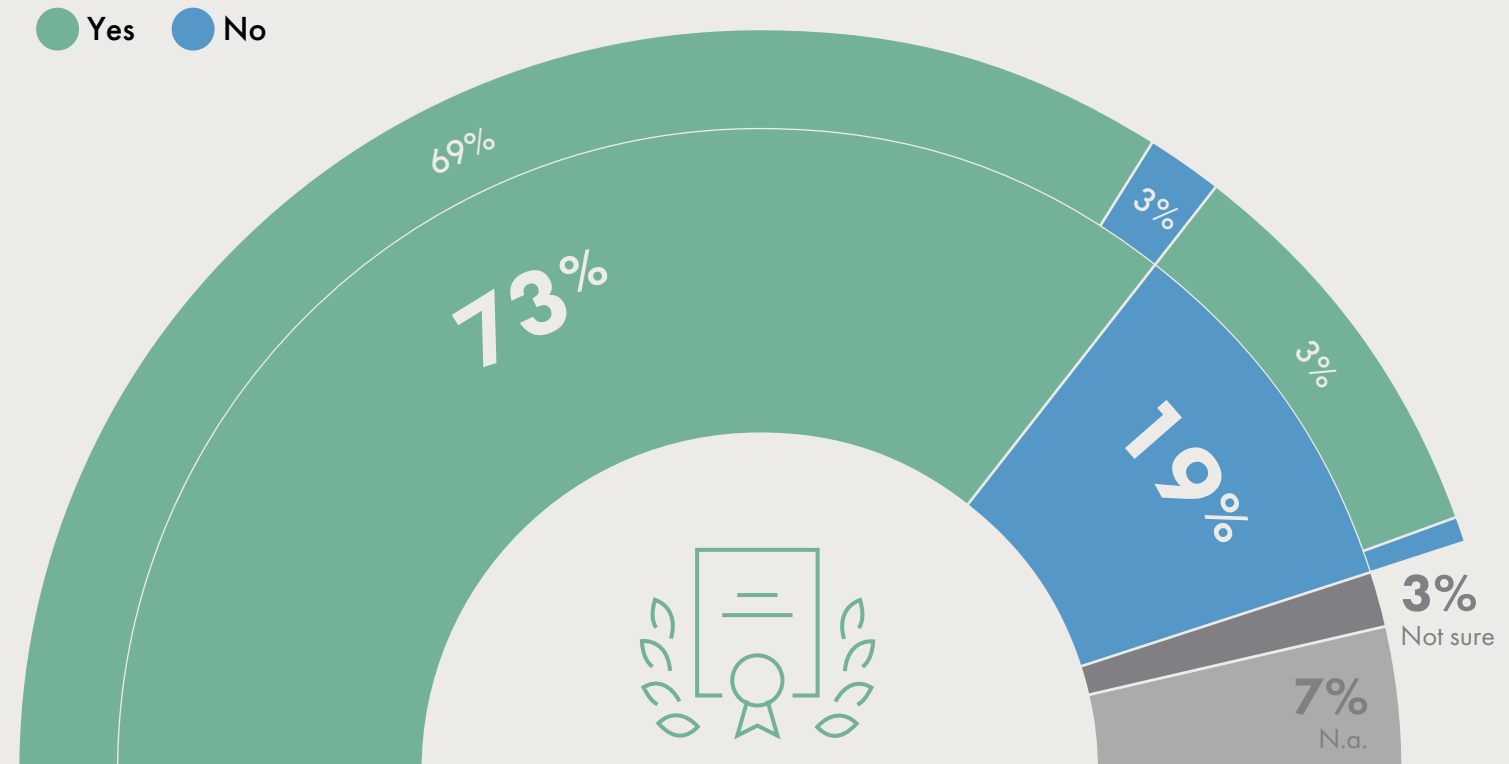
Most of our respondents fall under the senior leadership or staff/specialist, with 31% and 33% respectively. 27% of the respondents hold a middle-level management role, and a smaller percentage falls under academia (6%) and other category (4%).

Q4 How long have you supported and/or been involved in sustainability initiatives?



This is followed by 20% that have championed efforts for 5-10 years. 16% 3-5 years, 10% have been involved in sustainability for 1-3 years and only 5% for less than 1 year.

Q5 Are there any formal sustainability policies/net zero goals set by the governing board? Are these goals priority for the organization?



69% of respondents indicated that their organization has a formal sustainability policy in place and is a priority; 3% of respondents indicated that their organization has a formal sustainability policy in place, but is not a priority; 18% indicated there is no sustainability policy and sustainability is not a priority; 1% of the respondents indicate that there is no formal policy but sustainability is a priority; 3% of the respondents are not sure; and 7% said this question is not applicable to their organizations.

Q6 Is your CEO/senior leadership convinced of and/or supportive of your organization's sustainability efforts?

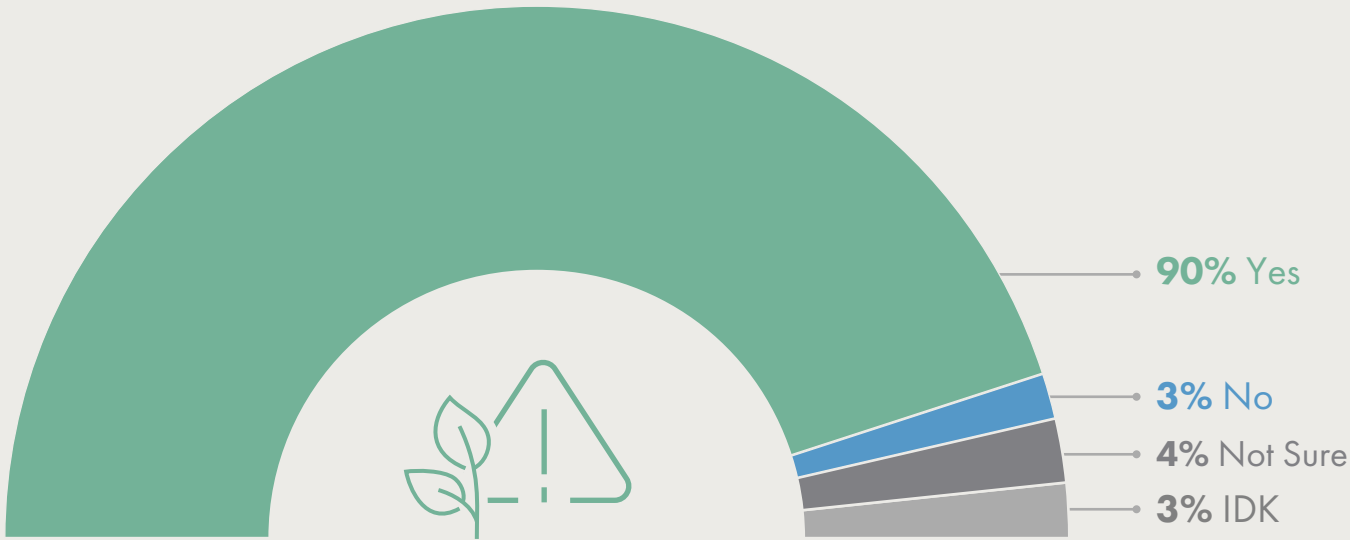


86% of the respondents indicated that the most senior leadership in their organization supports sustainability efforts. 12% said they don't know or are not sure while 3% indicated that their organization's leader is not supportive.

Chapter Two

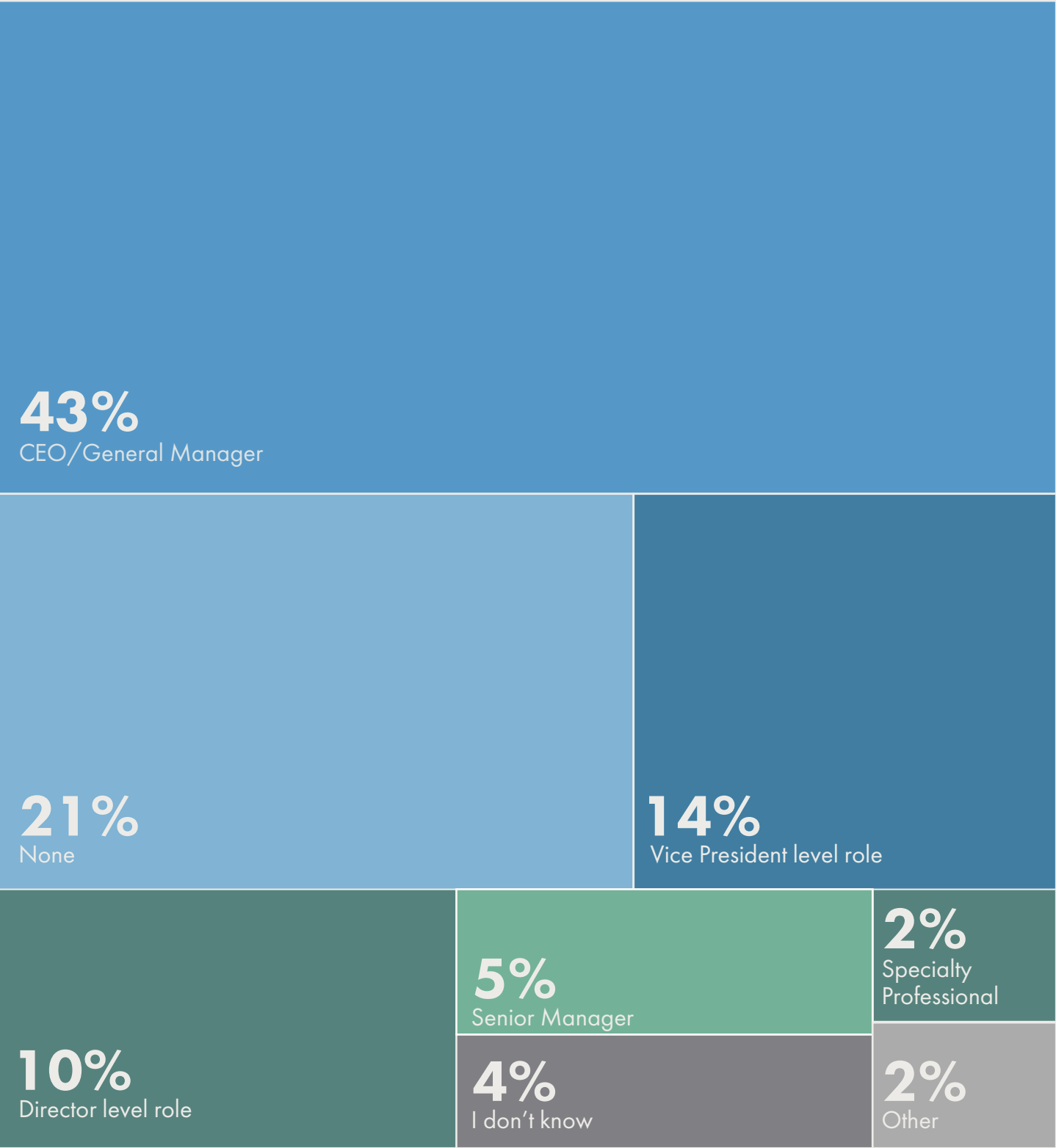
THE IMPORTANCE OF SUSTAINABILITY TO THE ORGANIZATION

Q7 Is sustainability becoming an increasingly important part of your organization’s strategy, planning documents, and/or projects/programs?



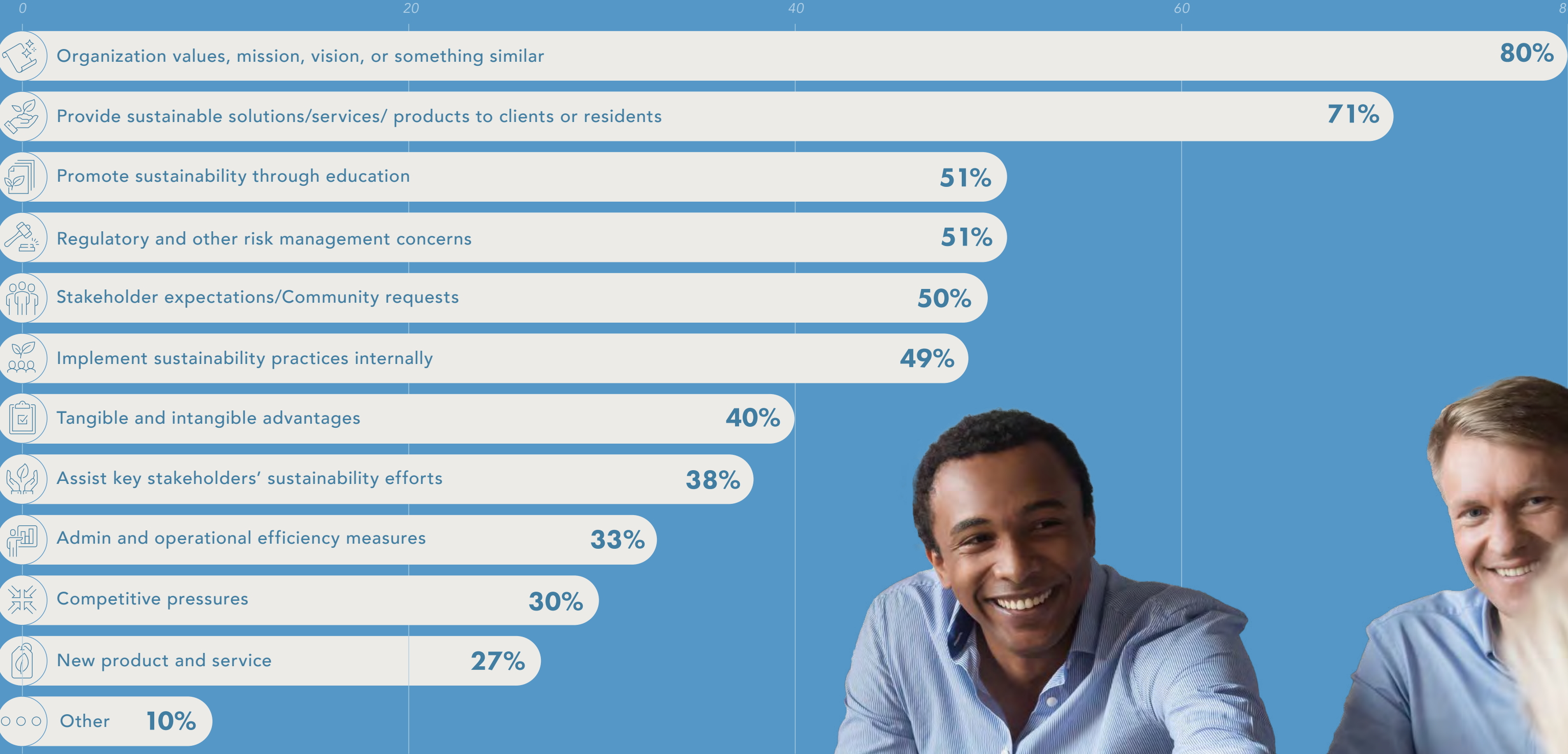
90% of our respondents indicated that sustainability is increasing in how organizations plan and deliver on projects and programs. Only small percentages said No (3%), Not Sure (4%), or I don’t know (3%).

Q8 Who does the head of sustainability of your organization report to?



A wide range of answers was received to this question. 43% of respondents indicated that the role reports to the CEO/ General Manager, 14% to a Vice President, 9.8% to a Director, 4.9% to a Senior Manager and 2% to a Specialty Professional.

Q9 What are the drivers of adopting and/or supporting sustainability efforts at your organization?



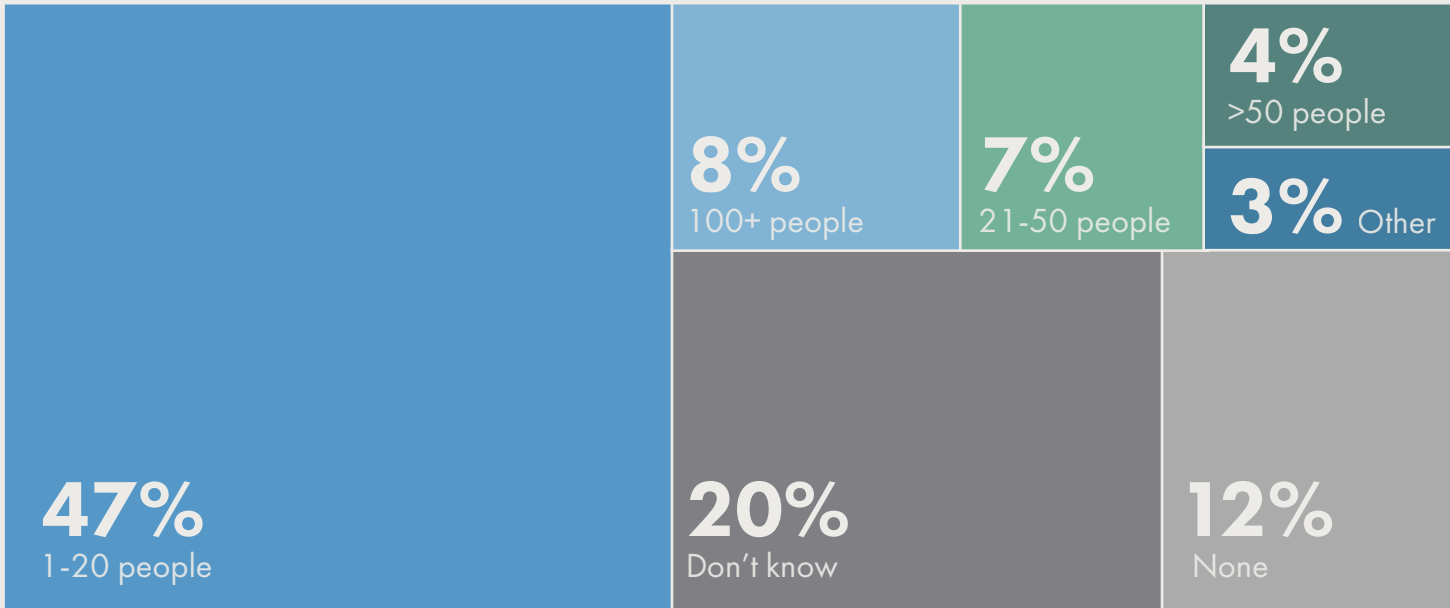
Although several reasons drive sustainability within an organization, our respondents indicated the two top drivers are the organization’s value, mission, vision, or something similar (80%) and providing sustainable solutions, services or products to clients or residents (71%). Other significant drivers highlighted include promoting sustainability externally through education and outreach (51%) and regulatory and other risk management concerns (51%).



Chapter Three

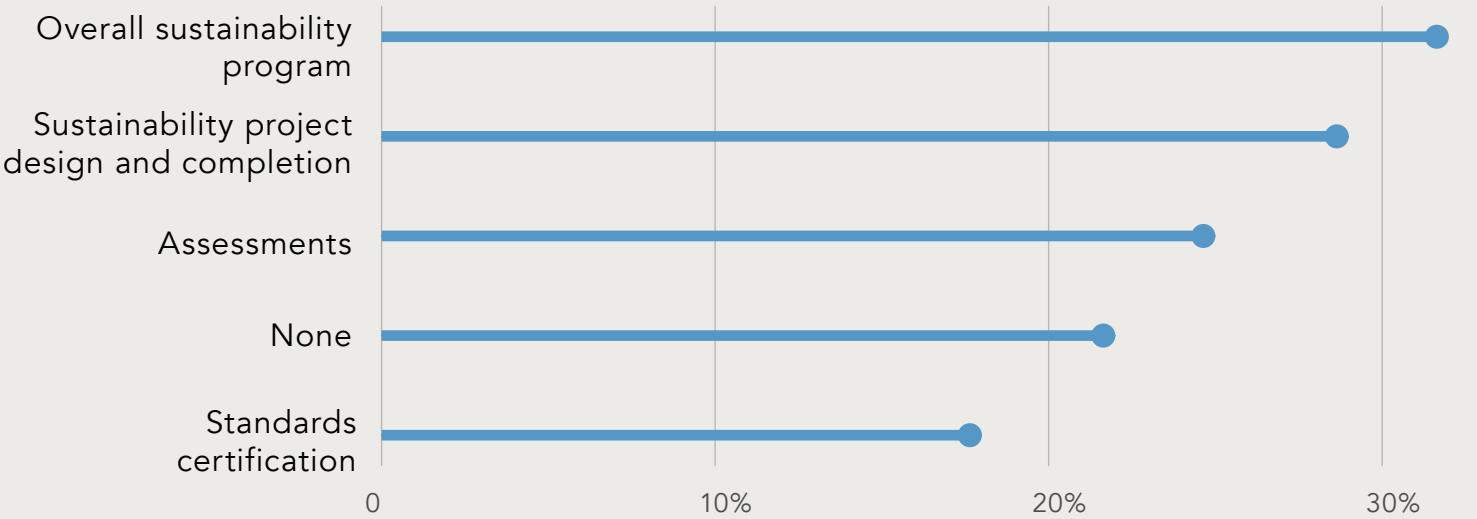
SUSTAINABILITY ORGANIZATIONAL STRUCTURES

Q10 How many full and part-time staff members work exclusively on sustainability in your organization?



47% of respondents indicated they have 1-20 full-time or part-time staff that exclusively work on sustainability. 7% have 21-50 people, and an equal number (12%) have none or have greater than 50 full or part time staff dedicated to sustainability work. In addition to commitment to sustainability, the size of the organization will influence staffing levels.

Q11a What sustainability needs drive your organization to seek external support?



Survey respondents indicated the top 3 organizational needs driving company to seek outside experts -are- 32% to support overall sustainability program design, implementation, and management, 29% for sustainability project design and construction and 25% to help with tasks related to needs assessments, including standards audits, sustainability strength-weakness-opportunities-threats assessments, life-cycle assessments.

Q11b When looking for external support, what criteria does your organization use to select external advisors, consultants, and specialty contractors?

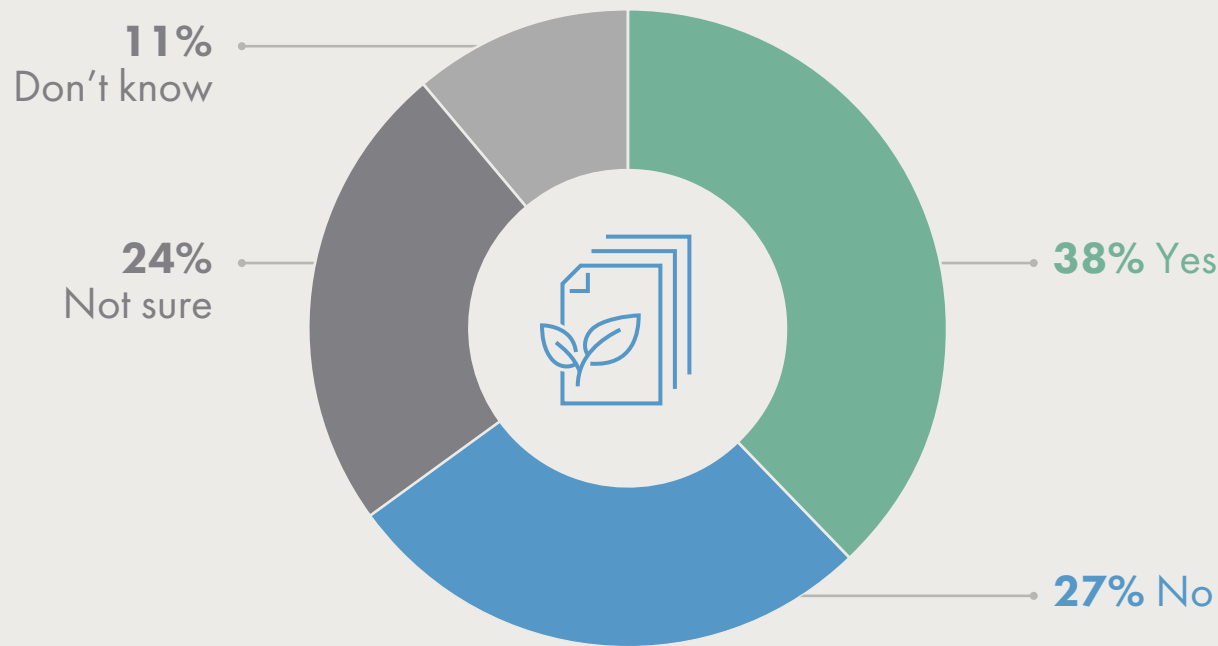


When engaging an external advisor or a consultant, respondents indicated that the top three criteria for selection are to enhance innovation (33%), previous similar project experience (30%) and capacity/ availability to take on new projects (22%).

Chapter Four

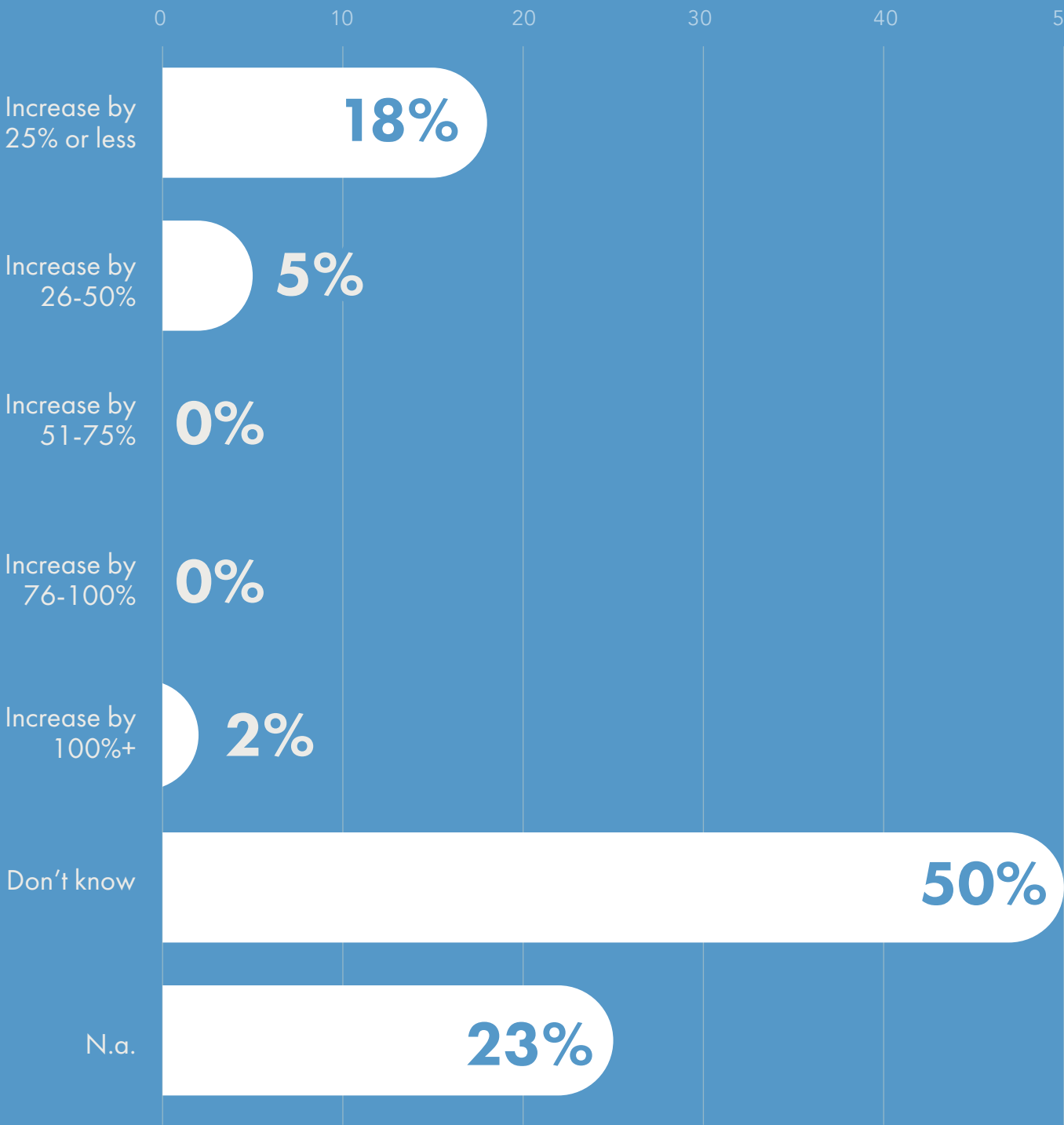
THE SUSTAINABILITY PROGRAM BUDGET

Q12 Is there a discrete sustainability program budget or are there earmarked line items for sustainability initiatives in the organization’s overall budget?



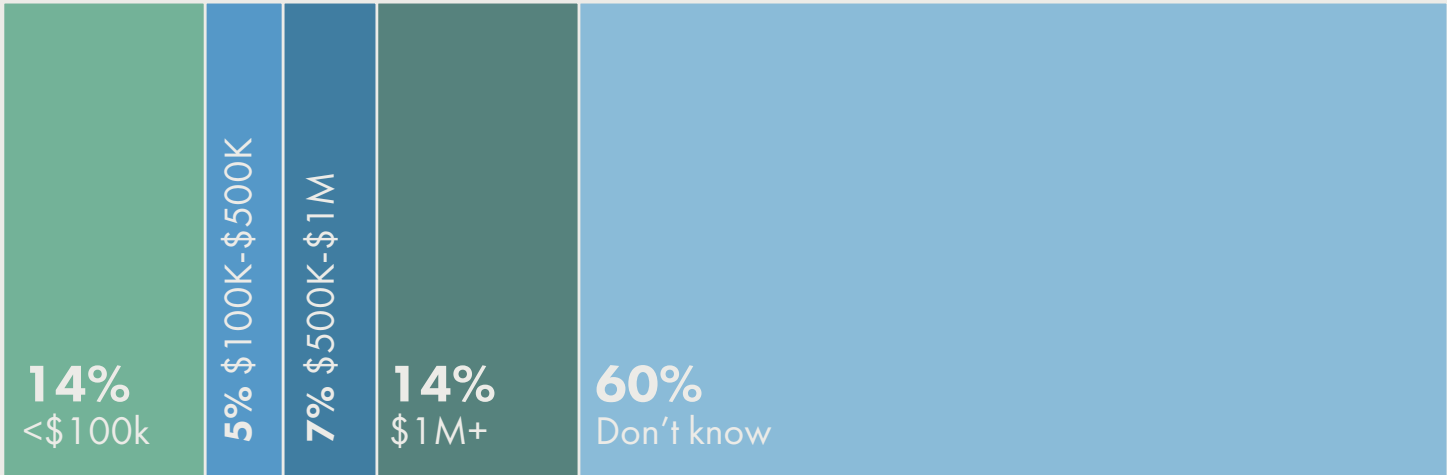
Over a third of our respondents (38%) indicated that their organization has a dedicated budget for sustainability programs and initiatives, 27% responded no, 24% were not sure and 11% said they don't know.

Q13 If yes (to question 12), will the budget for sustainability change in the next budget cycle?



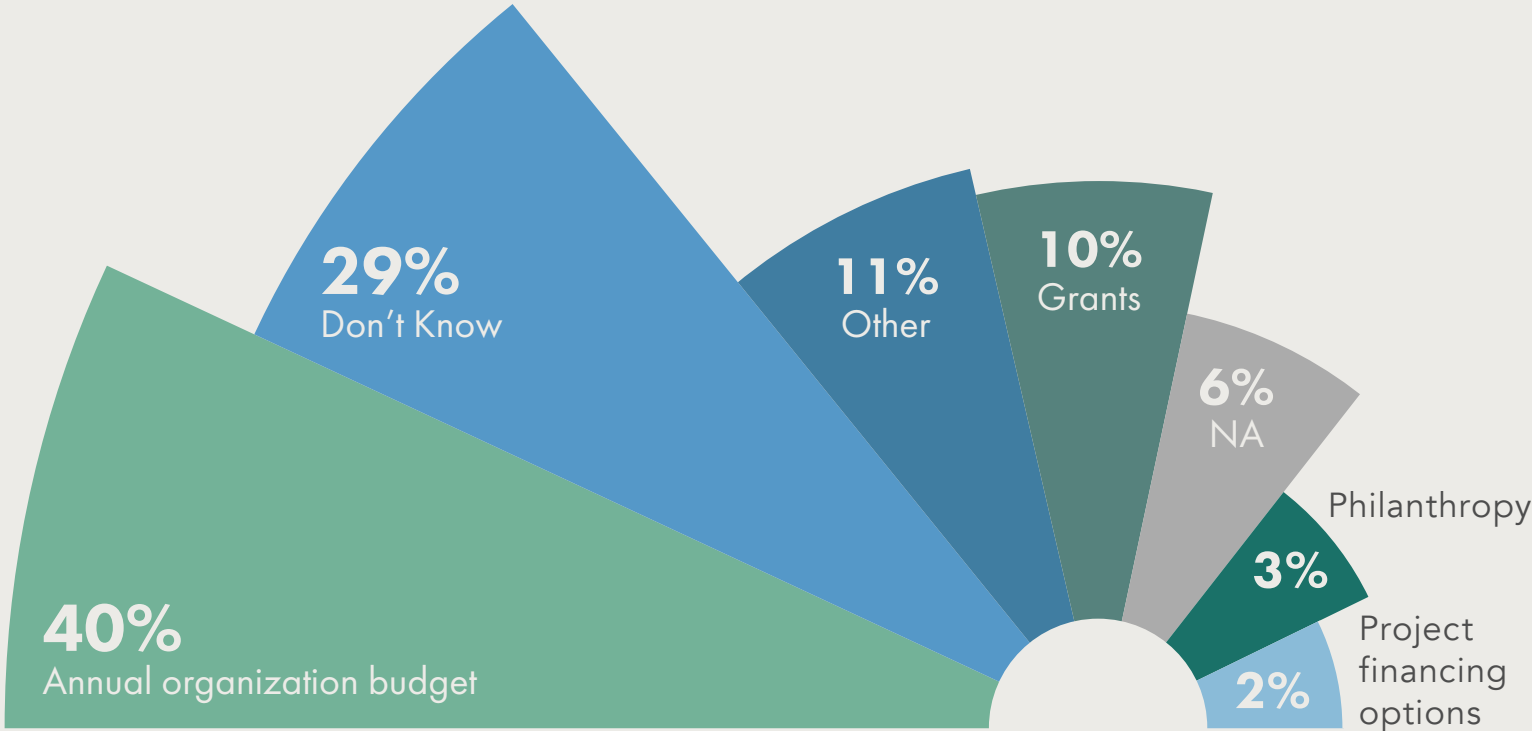
Of those that responded Yes to question 12, 18% said their budget will increase by 25% or less, 5% said their budget will increase by 26-50% and 2% said it will increase by 100%.

Q14 What is the range of your annual sustainability budget?



60% of our respondents were unaware of their annual sustainability budget. Of those that know, 14% said their budget is \$1M+, 6.5% said \$500K-\$1M, 5.4% said \$100K-\$500K and 14% said it was less than \$100K. It should be noted that this question only asked about the budget, independent of the size of the organization.

Q15 What is/are the sources of your sustainability budget/ funding?



40% of the respondents indicated their sustainability budget comes from their annual organizational budget, 29% did not know,10% said grants, 2% project financing options, 3% said philanthropic sources while 17% responded “other” or N/A.



Chapter Five

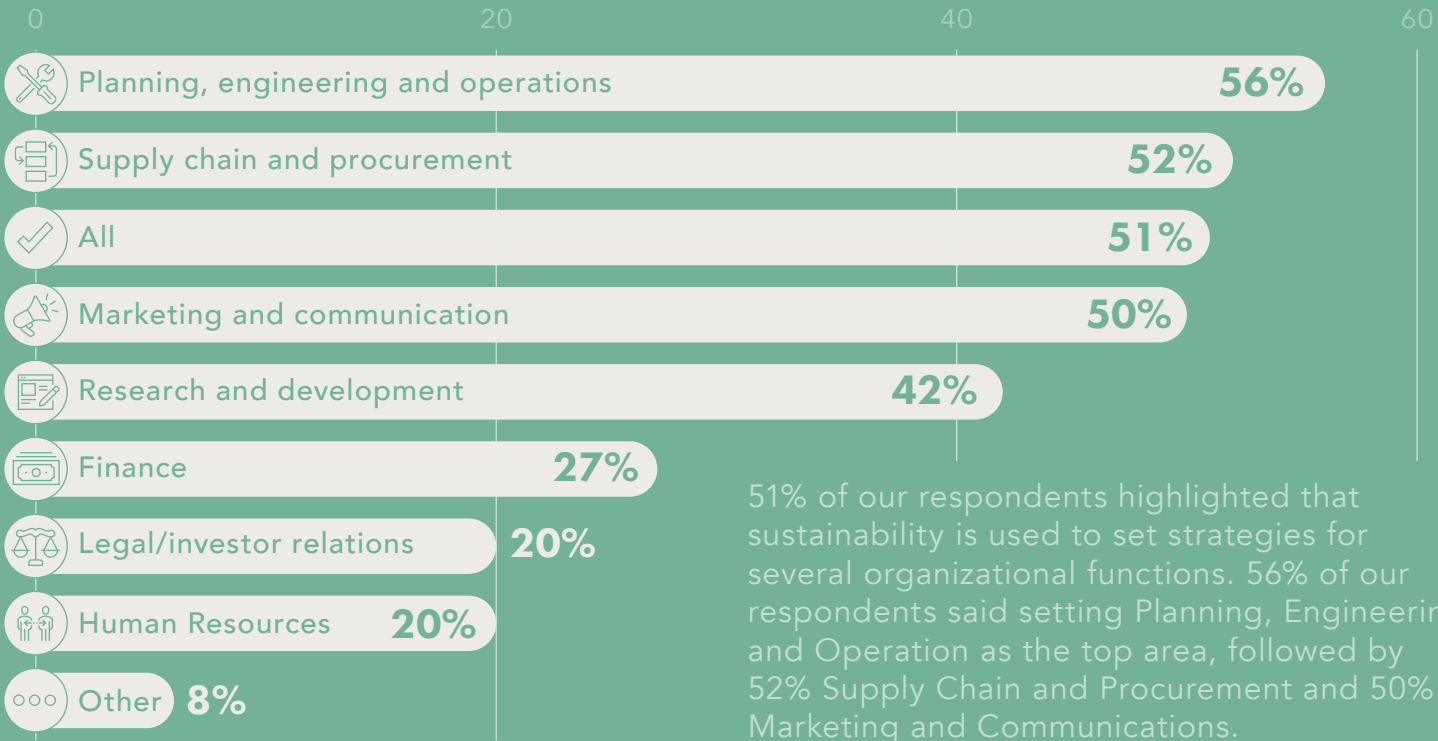
SUSTAINABILITY ROLE AND PROGRAM WORK PROCESSES

Q16 What are the core responsibilities of your sustainability team?



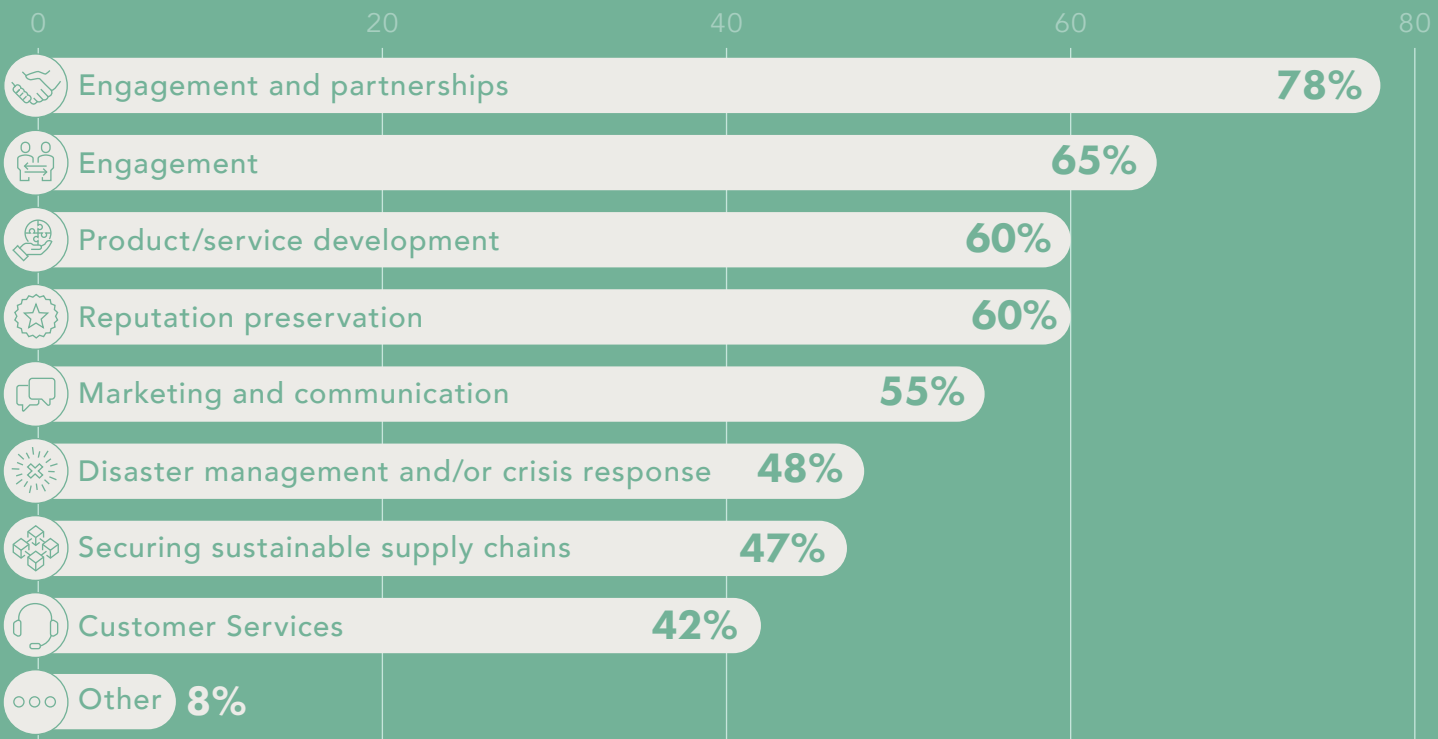
Our respondents indicated that the top three responsibilities of an organization's sustainability team are increasing awareness (59%) developing strategy (58%) and executing strategy (53%). For those with goals and objectives, 44% of our respondents said tracking Key Performance Indicators (KPI) is also a core task.

Q17 Sustainability should be involved in setting the strategy for... *Select all that apply*



51% of our respondents highlighted that sustainability is used to set strategies for several organizational functions. 56% of our respondents said setting Planning, Engineering and Operation as the top area, followed by 52% Supply Chain and Procurement and 50% Marketing and Communications.

Q18 How important is the role of sustainability in the following? *Select top 5*

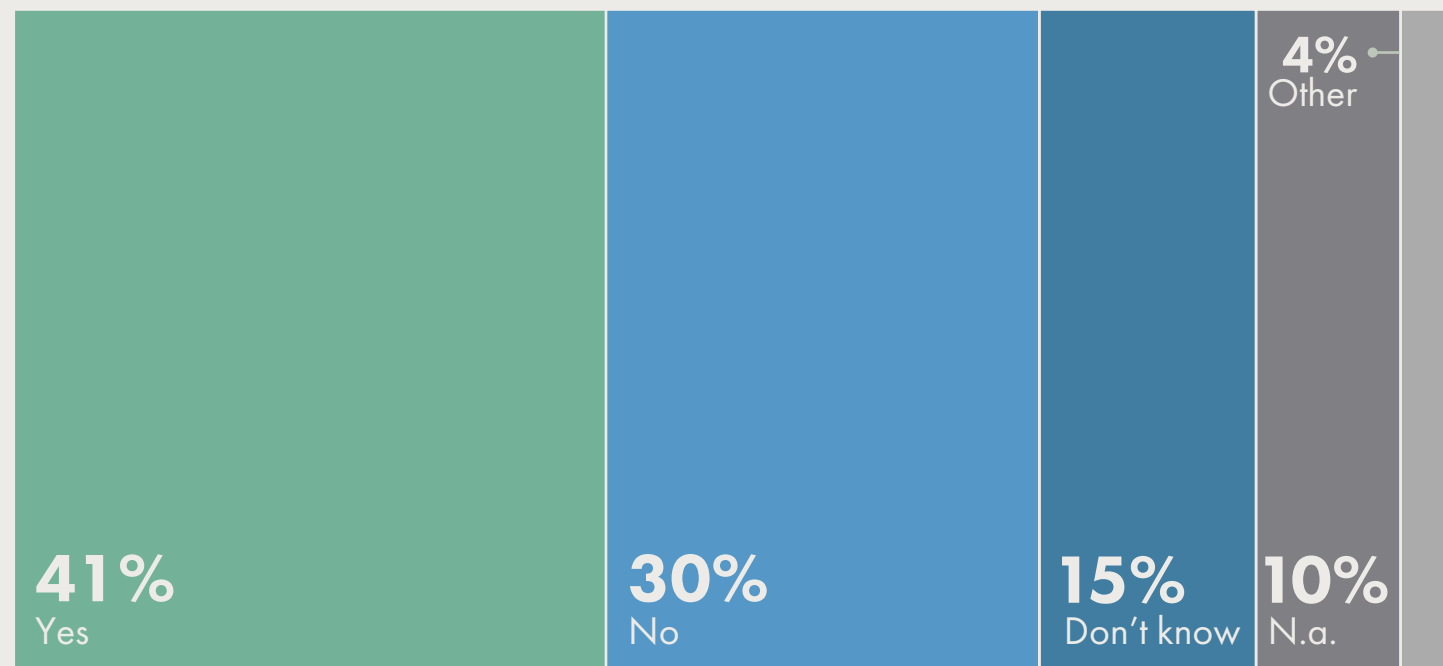


When asked how important sustainability is to specific areas of the organization, our respondents identified the following top 5: engagement and partnership with stakeholders (78%), employee engagement (65%), product/ service development (60%), reputation, preservation, differentiator/ branding (60%) and securing sustainable supply chains (47%)

Chapter Six

RETURN ON INVESTMENT

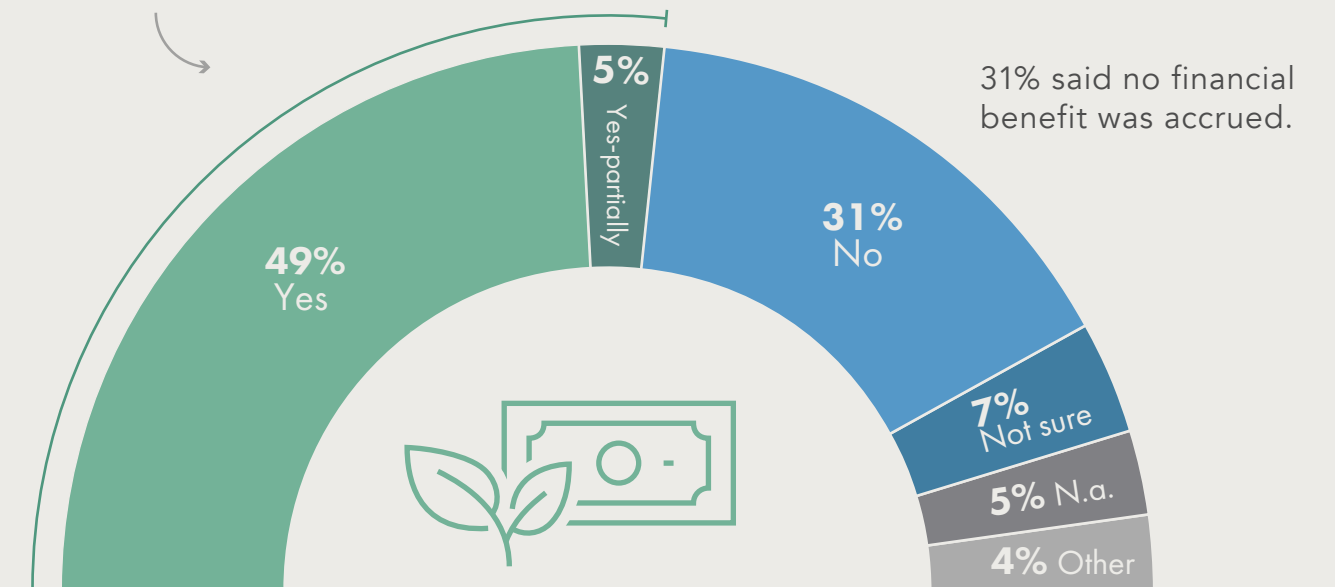
Q19 Are you able to link increased revenue/ business or customer satisfaction to sustainability activities?



Regarding direct financial benefit to an organization, 54% of our respondents said sustainability fully or partially drives revenue while 31% said no financial benefit was accrued.

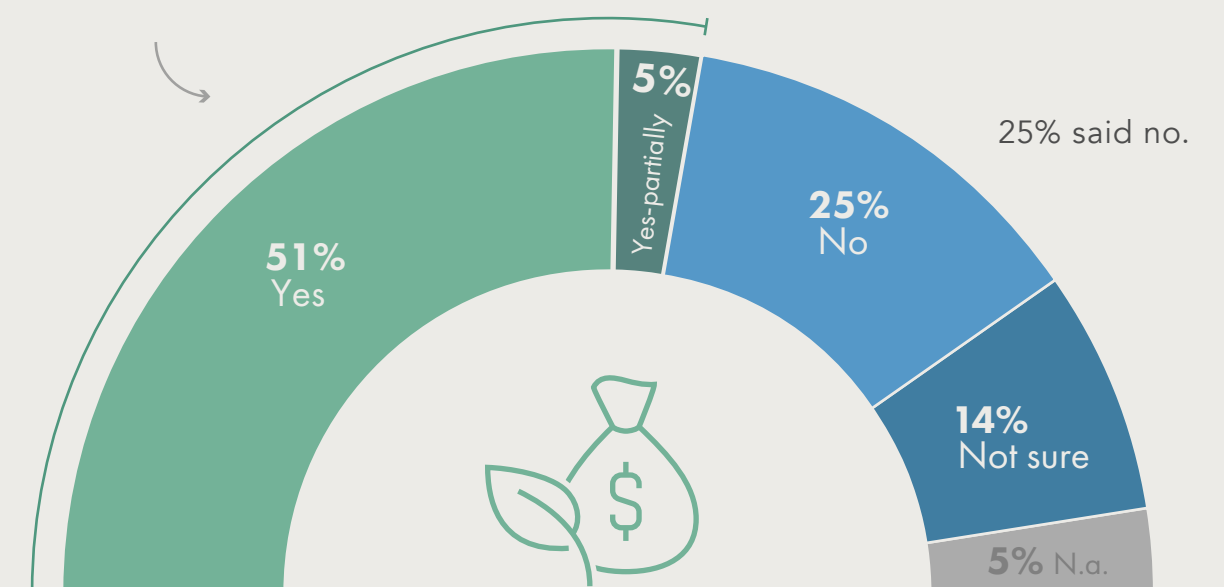
Q20 Does sustainability drive revenue for your organization?

Regarding direct financial benefit to an organization, 54% of our respondents said sustainability fully or partially drives revenue.

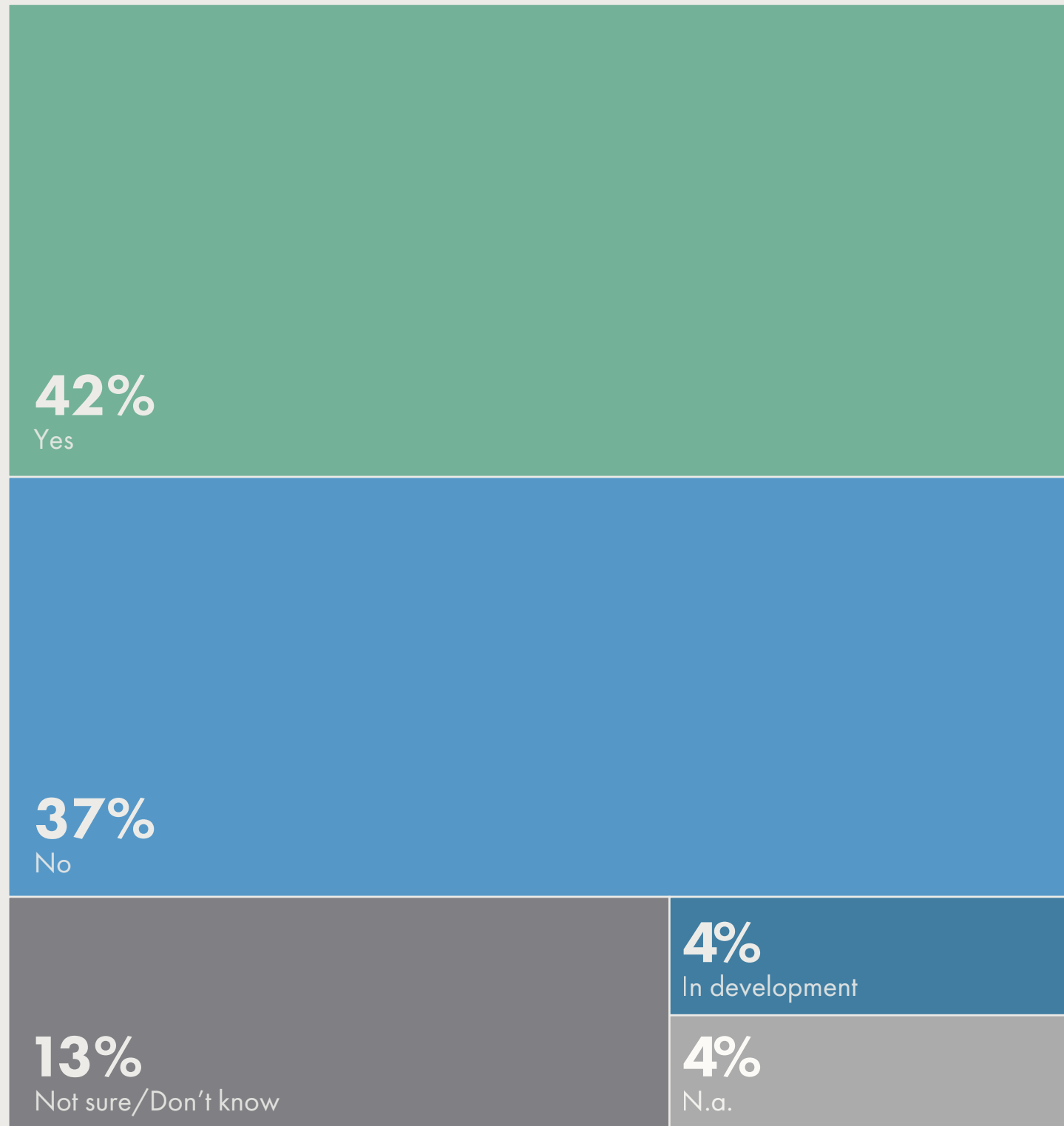


Q21 Does sustainability drive savings for your organization?

56% of survey respondents said sustainability leads to savings directly or indirectly in their organization.

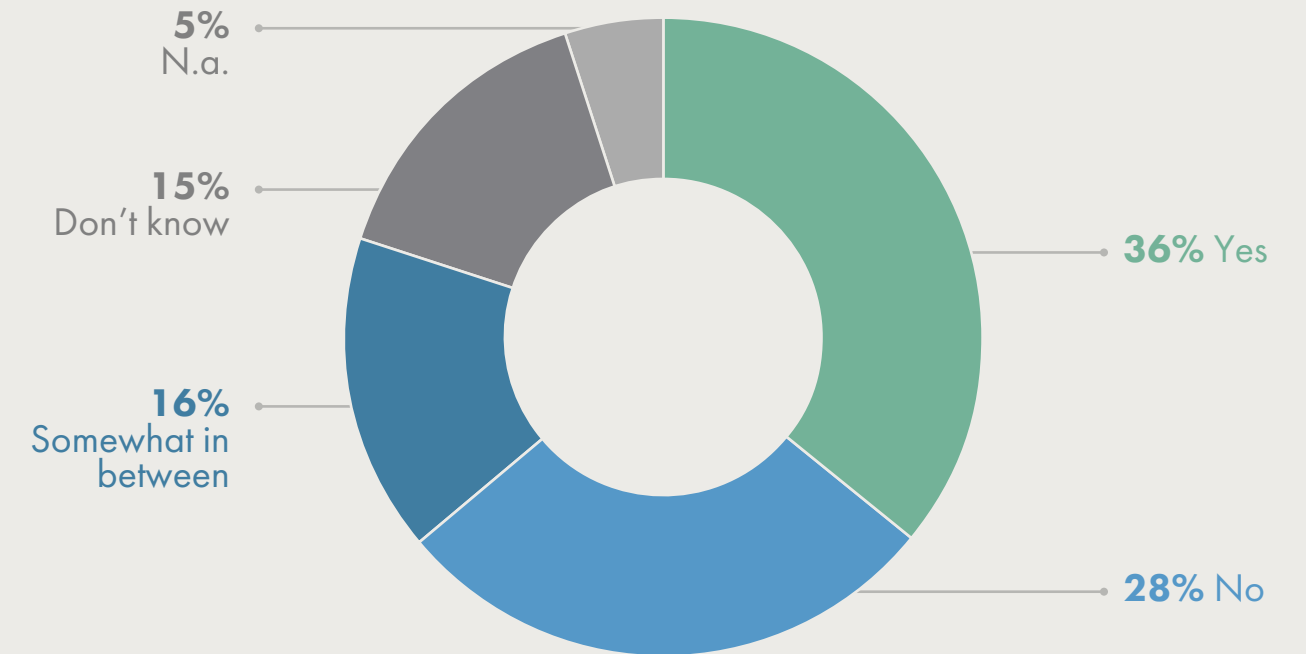


Q22 Are you confident that your organization is accurately measuring and reporting sustainability outcomes and initiatives?



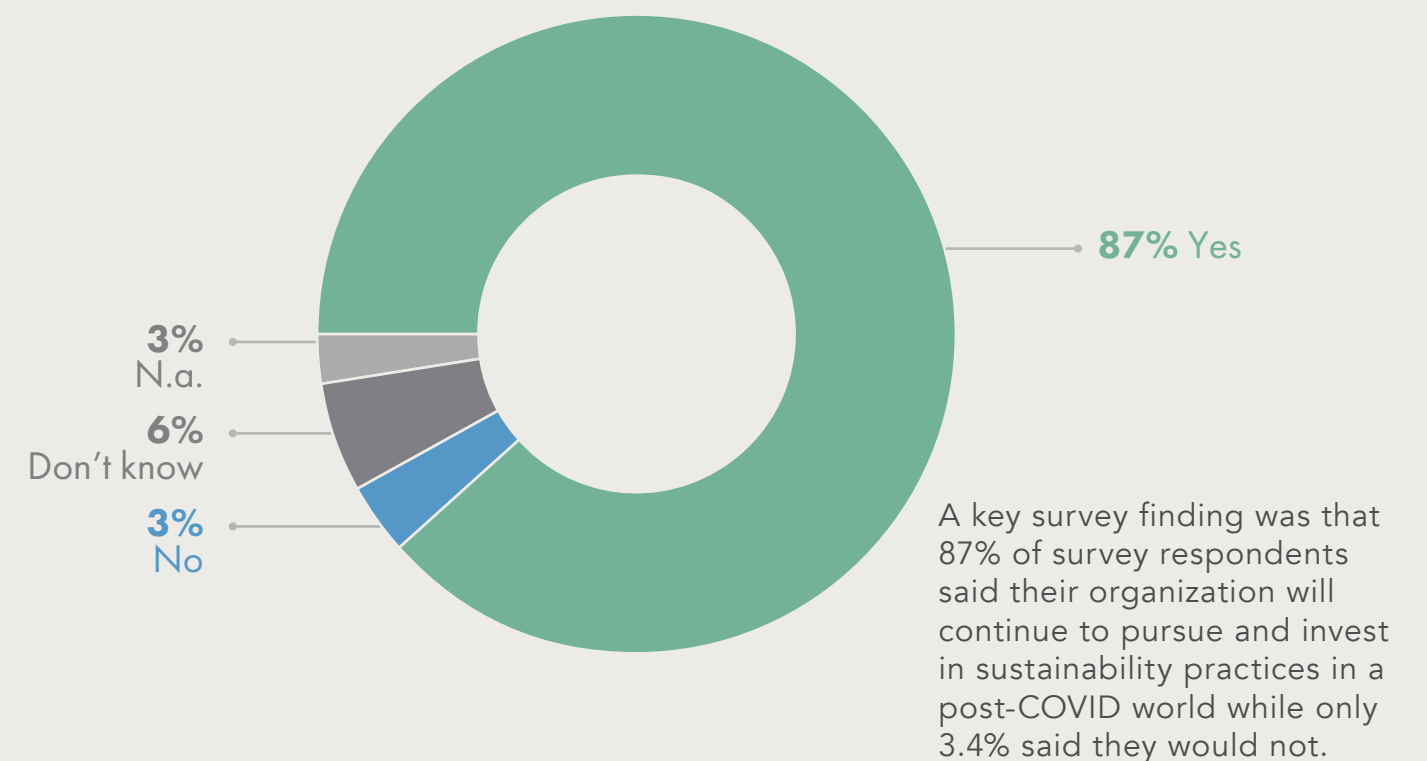
42% of our respondents believe their organization is measuring sustainability outcomes accurately. Meanwhile, 37% said no.

Q23 Has COVID-19 or the current economic slowdown impacted your organization's sustainability and decarbonization efforts?



When asked if COVID-19 and the economic slowdown impacted them, 36% said Yes, while 28% said No.

Q24 Will your organization continue to pursue and invest in sustainability practices (post-COVID)?

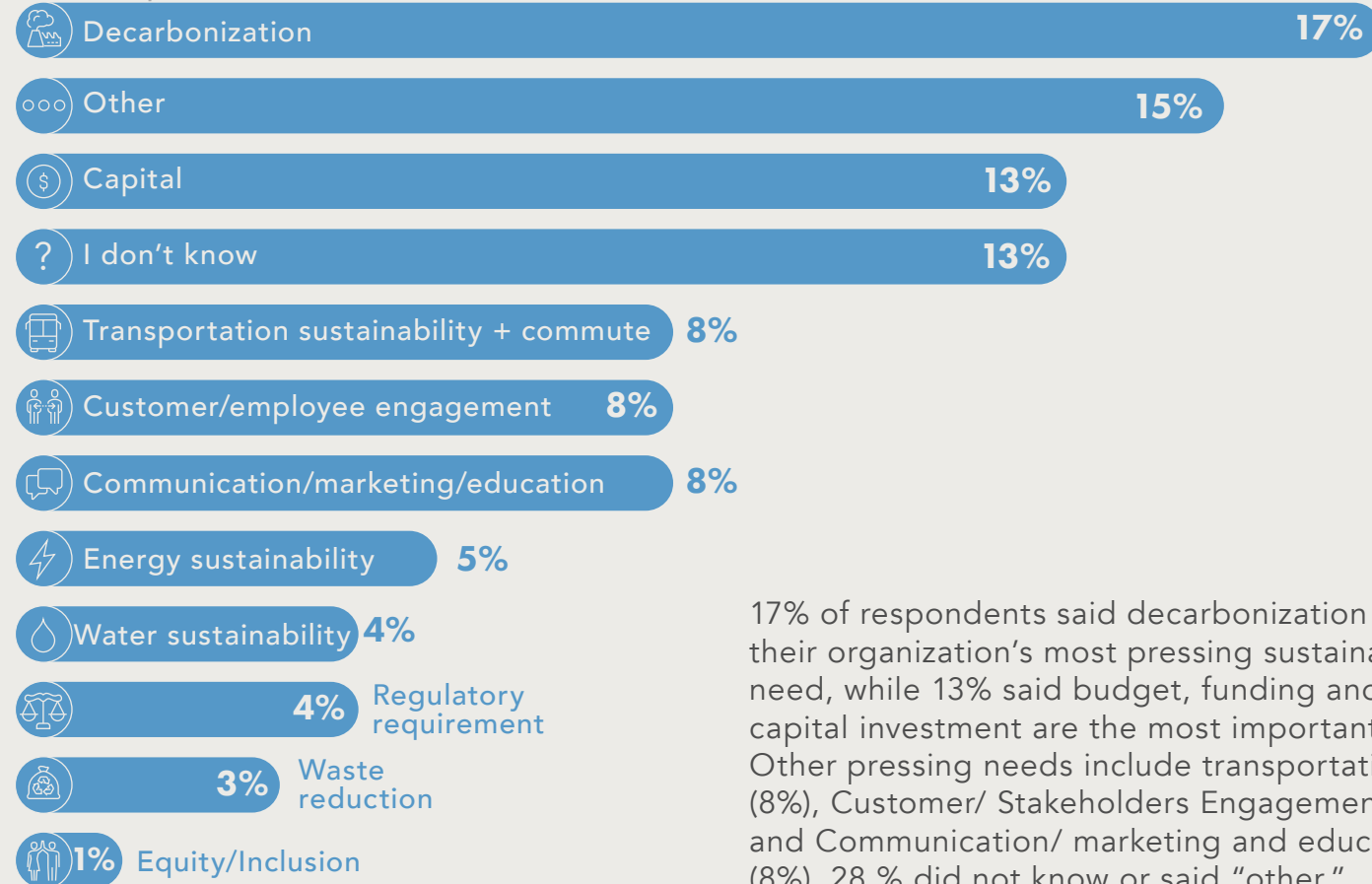


Chapter Seven

LOOKING OUTWARD AND FORWARD

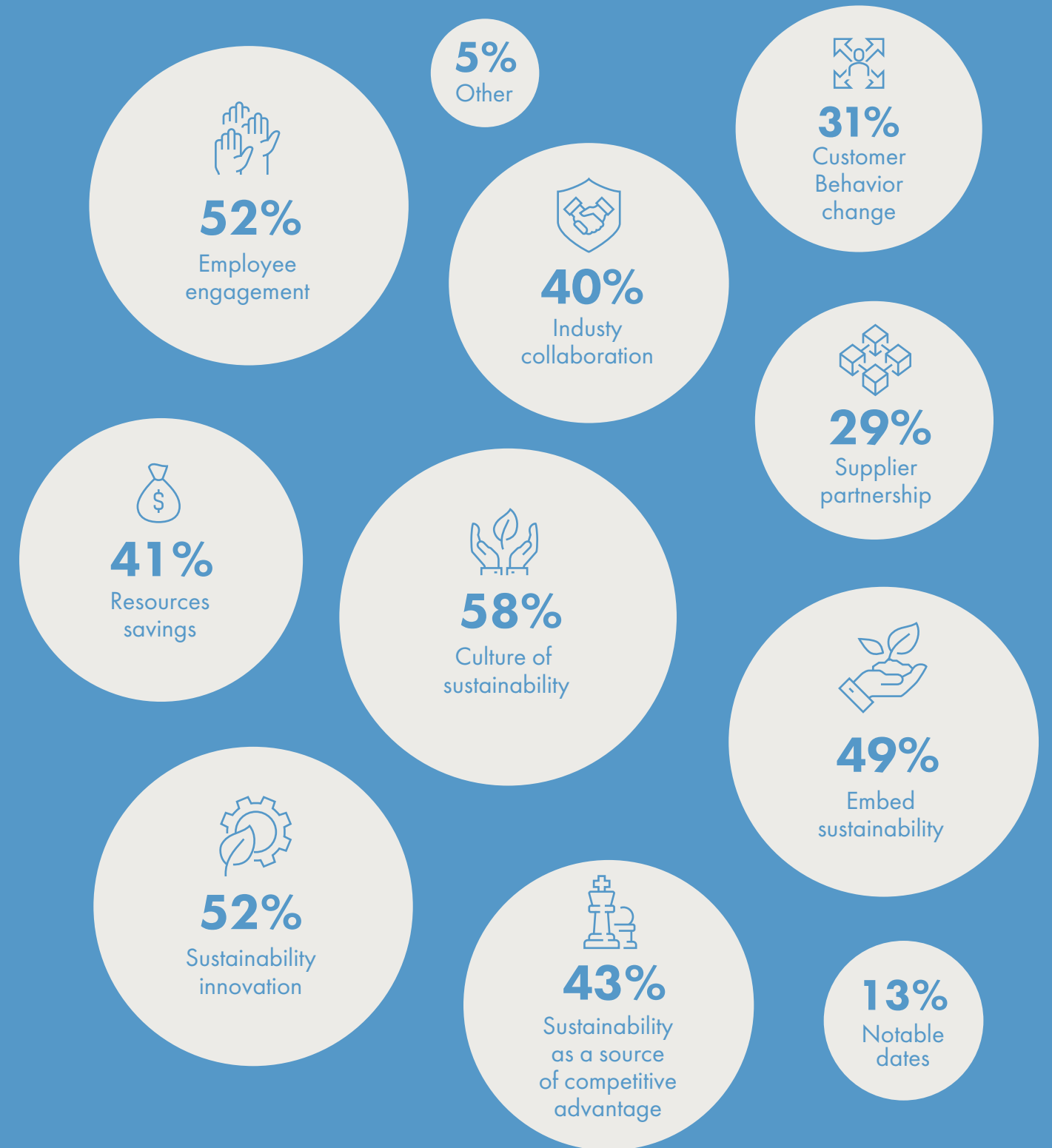
Q25 What is the most pressing sustainability need the organization must address?

Select top 5



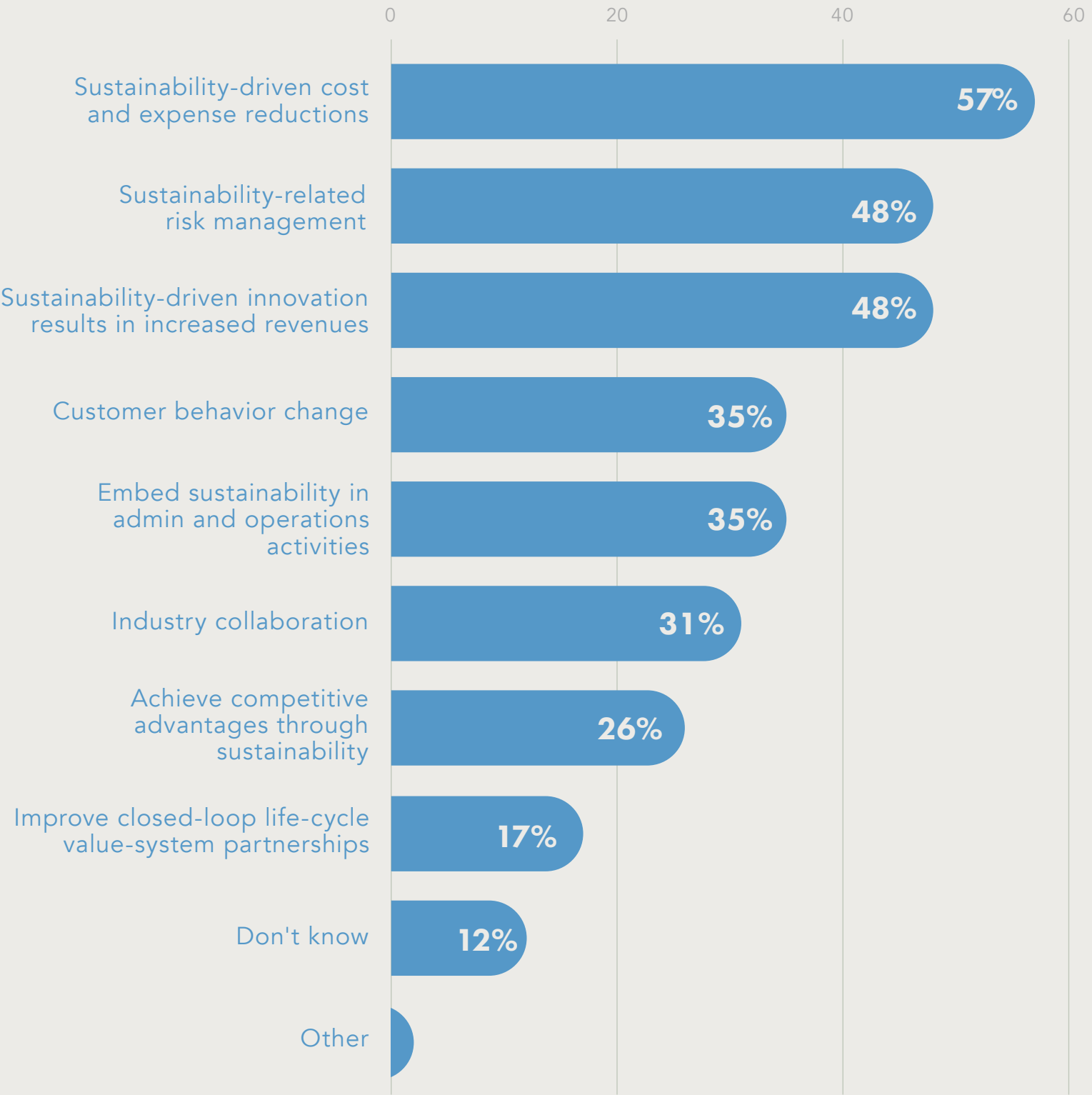
17% of respondents said decarbonization is their organization's most pressing sustainability need, while 13% said budget, funding and capital investment are the most important. Other pressing needs include transportation (8%), Customer/ Stakeholders Engagement (8%) and Communication/ marketing and education (8%). 28 % did not know or said "other."

Q26 How important are the below issues for your organization in 2023? Select top 5



Respondents identified Culture of Sustainability (58%) as their most important issue for 2023, followed closely by Employee Engagement (52%), Sustainability innovation (52%), Embed sustainability (49%). As a source of competitive advantage, (43%), Resource Savings (41%) and Industry Collaboration (40%) rounded out the top 8 issues organizations reported.

Q27 How important are the below issues for your organization in the next 5 years? *Select top 3*



The top three most important issues our respondents identified for the next 5 years are sustainability-driven cost and expense reductions (57%), sustainability-related risk management (48%) and sustainability-driven innovation results in increased revenues (48%). Three clustered issues closely followed, embedding sustainability in administration and operations (35%), customer behavior change (35%), and industry collaboration (31%).

2023 Survey Methodology and Recommendations For Improvement

The 2023 survey was open for 6 weeks (Feb 20th - April 3, 2023). Social media was used to promote the survey, with individualized invitations were sent to sustainability leaders and practitioners to participate in the survey. The report authors are grateful to those that took the time to join in this important effort.

To get more insights from our participants, over 10 new questions were added in the 2023 survey that led to an increased number compared to 2017. These included open-ended questions to get more insights and understand the real drivers of sustainability in the region. Several of our respondents indicated that 30 questions were too long, and they recommended consolidating and shortening the survey questions in the future.

It was suggested that we develop more targeted industry/sector-specific separate surveys to get more insights and clarity. I.e., one specific for public sector, private sector, youth, academia, and non-profits.

On a very positive note, almost one-third of respondents (30 respondents) expressed interest in collaborating post-survey in sustainability-related projects and initiatives. In response, the Orange County based, Value Sustainability and ASCE Los Angeles section members plan to organize events and activities to build a robust sustainability community and culture and to create meaningful engagement and partnership opportunities. Respondents are invited to contact us with specific ideas and thoughts.



Chapter Eight

COMPARISON 2017 & 2023 SURVEY RESULTS

In the first State of Sustainability survey, only 17 respondents based in Orange County participated in the survey. However, in 2023, 105 people in Los Angeles and Orange County took part in the survey, nearly an 85% increase from 2017.

The section below highlights the trends and key insights that we see as we compare the 2017 survey results with the 2023 survey results.

On Participants, Locations, and Responsibilities



In 2023, we saw more participants from LA County, with consulting and the business community continuing to be the main survey participants. Non-profit and academia remain underrepresented. **Significantly, most of the respondents are C-suite leaders and managers.**



A key takeaway is that **most of our respondents are decision-makers** in their respective organizations and therefore their insights reflect their company's high-level vision for sustainability.

Difference from the 2017 report

It was rewarding to see that so many of our respondents (44%) have been **working and supporting sustainability efforts for over 10 years**. That confirms Los Angeles and Orange County are in the right direction - **heading towards a more sustainable, resilient and decarbonized world.**



On Key Drivers and Commitment to Sustainability



Senior leaders vastly support sustainability; after 5 years since the last survey, the number has increased significantly. Interestingly, comparing the 2017 and 2023 survey data, the key drivers of adopting sustainability efforts have only changed slightly. **The organizations' missions and values are still main drivers.** However, in the 2023 survey results, providing sustainable solutions to clients has risen to 2nd place, while related cost savings and revenue generation through sustainability practices are ranked as the least important.



Regulatory compliance and reporting as a driver have increased significantly, or gotten more acknowledgment, over the past 5 years, accounting for 50% of all the key sustainability drivers. That apparently implies that the State of California/ government agencies have been doing a good job of motivating organizations to adopt green practices. That may explain why 69% of the highest leadership level has committed to sustainability policies or net-zero goals within their organizations and that sustainability goals are the priority.



In summary, organizational mission and values, providing sustainable solutions to clients, and regulatory compliance and reporting are the main drivers of adopting sustainability practices according to the survey results. **However, respondents are reporting these green practices are not saving or producing increased revenues for the organization currently.**

Difference from the 2017 report

Organizations are setting goals and implementing initiatives due to **new regulatory requirements and historic local, state and federal funding levels.**

On Sustainability Structure within Organizations



Survey results demonstrate organizations have **established sustainability teams and are now open to spend more on external consulting support**, which was not prevalent 5 years ago.



For those organizations that have bigger sustainability teams, one must wonder why willing to invest in outside consultants. **There may be several possible explanations including the increased regulatory requirements that force organizations to retain external consultants and/or hire more staff.** It might also be because of the need for specialized knowledge and niche skills to implement sustainability goals and objectives of the organization, necessitating external consultants' expertise and support.



Innovation ranked last among the top three most important sustainability drivers 5 years ago but has become the number 1 driver in the 2023 survey results. It signifies that as sustainability has gained greater priority in the region, organizations are compelled to have their internal 'green teams' and seek creative sustainable solutions from external consultants to integrate into their plans, strategies, and projects. The focus in the private sector has **shifted from using external sustainability consultants as needed, to hiring sustainability staff to deliver on the organization's sustainability goals** while broadening their competitive advantages.

Difference from the 2017 report

Firms are establishing sustainability teams and reconfirming their commitment to sustainability practices. Current efforts extend beyond merely creating such teams to seeking innovative ideas from external sources.

On Sustainability Budget



In 2023, more than one-third of respondents (38%) are certain that their firms will dedicate a budget for the sustainability program. This number links to 25% who believe that their sustainability budget will increase in the next budget cycle. Interestingly, this number was higher in the 2017 report, where 64% people thought the sustainability budget would increase in the incoming years. **The reason might be attributed to a broader future perspective, as people were more optimistic about the opportunities and support for implementing sustainability practices.**



However, when the question is narrowed down to the following year's budget in 2023, the answer is much less, **which could be attributed to various factors such as the performance of the organizations' sustainability practices in the current year and the sources of funding for sustainability.** In both editions, sustainability activities drive revenues and savings and are linked to customer and stakeholders' satisfaction.



The 2023 report further explains that 40% of the funding for sustainability initiatives comes from the annual organizational budget. While sustainability practices appear to check all boxes such as driving revenues, cost savings, and satisfying the clients, **why the respondents rate for the next budget cycle has decreased is puzzling.**



It may be that the revenues and savings generated through "green" initiatives may not have met the organizations' expectations. The annual sustainability budget, as reported in this survey 40% of which is funded by the organization themselves, varies from less than \$100K to more than \$1 million. Government agencies and private sector organizations have different priorities in this regard, with **those in the public sector emphasizing cost savings and the private sector ones being more revenue driven.**



An emerging question now revolves around whether organizations obtain sufficient funding from their own or external sources to sustain their motivation and sustainability practices. The role of external funding, such as grants, rebates in driving sustainability in organization requires further research and examining - especially with the historical federal and state funding flowing down to local government agencies and businesses. This is something that a future survey may answer, but by examining the 2017-2023 trend, it appears that despite the impact of COVID-19 on organizations' sustainability efforts, most will continue to invest in sustainability practices going forward.

Difference from the 2017 report

Organizations that have established an annual budget for sustainability programs are in a **stronger position to evaluate whether they should raise the budget for the upcoming year.**

On Sustainability Strategy and Programs



More than half of the respondents from the 2023 survey concurred that **increasing awareness and developing and executing strategy** are the primary responsibilities of the sustainability team. These efforts support an organization's planning, engineering, and operations teams.



Additionally, respondents suggested sustainability strategies should be integrated into the supply chain and marketing departments. This seems to imply that, in addition to providing sustainable services and products, firms and organizations actively promote decarbonization through sustainable supply chains.



The **marketing function, as always, is perceived as an efficient tool** for internal and external engagement such as stakeholders and employment involvement, spreading awareness and enhancing brand reputation.

Difference from the 2017 report

An increasing number of organizations - 51% in the 2023 survey believed that sustainability strategy should be integrated in all aspects of their business/municipal operations. Half of the remaining respondents believed that sustainability strategy should be integrated selectively into key areas of business and operations such as: Design, Planning and Operation; Construction and O&M; Marketing and Supply Chain. Categories like Finance, R&D, Human Resources, IT, and Legal Relations are the areas least selected by respondents.

On Looking Towards the Future



Generally speaking, essential sustainability issues that organizations consider have mostly stayed the same in the last five years. **A culture of sustainability and sustainability-driven innovation remain hot topics**, while cross-industry collaboration has been replaced with employee engagement and embedding sustainability in the 2023 survey.



The new issues in the 2023 survey are interrelated with each other. **As organizations strive to build and maintain sustainability cultures through time, they recognize that the critical factor, people, is the root of innovation and culture shaping.** Employee engagement has received more attention in 2023 vs 2017. Moreover, the embedded sustainability concept is defined as incorporating environmental and social values into the core business functions without compromising financial performance. When organizations prioritize embedded sustainability as their current top concern, they show clear progress in working toward their sustainability objectives, especially when compared to the results of the 2017 survey. This also shapes organizations' directions in the next five years (2028), with a focus on finance-related aspects such as sustainability-driven cost and expense reductions, innovation-driven revenues growth, and risk management.



Another insight is gained by observing the 2017 predictions for the critical sustainability issues of 2023. In 2017, respondents anticipated that **sustainability innovation and embedding sustainability would be the center of discussion in the subsequent five years, and that sustainability would become a competitive advantage.** These predictions came true in 2023, ranking these areas second in hot topics. However, the second prediction, which was about big data in sustainability - was not mentioned enough in the 2023 survey's respondents. The survey and report preparers are interested in seeing which predictions made in 2023 will materialize five years from now.

Difference from the 2017 report

There is growing recognition in the region that revenue generation from sustainability practices is possible without compromising investments in people and processes. This is a promising sign that the current green skills gap in the workforce is recognized and thus will likely become a target for improvement in the region in the coming years.





Acknowledgments

We are grateful to the 105 survey respondents who generously shared their experiences, insights, and outlooks in this survey. Our thanks also go to ASCE Los Angeles Sections and Orange County Sustainability Committee members for assistance in scoping the project, as well as other professionals who contributed their time and expertise to preparing the survey and this report.

Special thanks to *Value Sustainability* for its high level of involvement and support for the 2023 Sustainability Survey and report preparation efforts.

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