



SEC NEWGATE

Global ESG Monitor

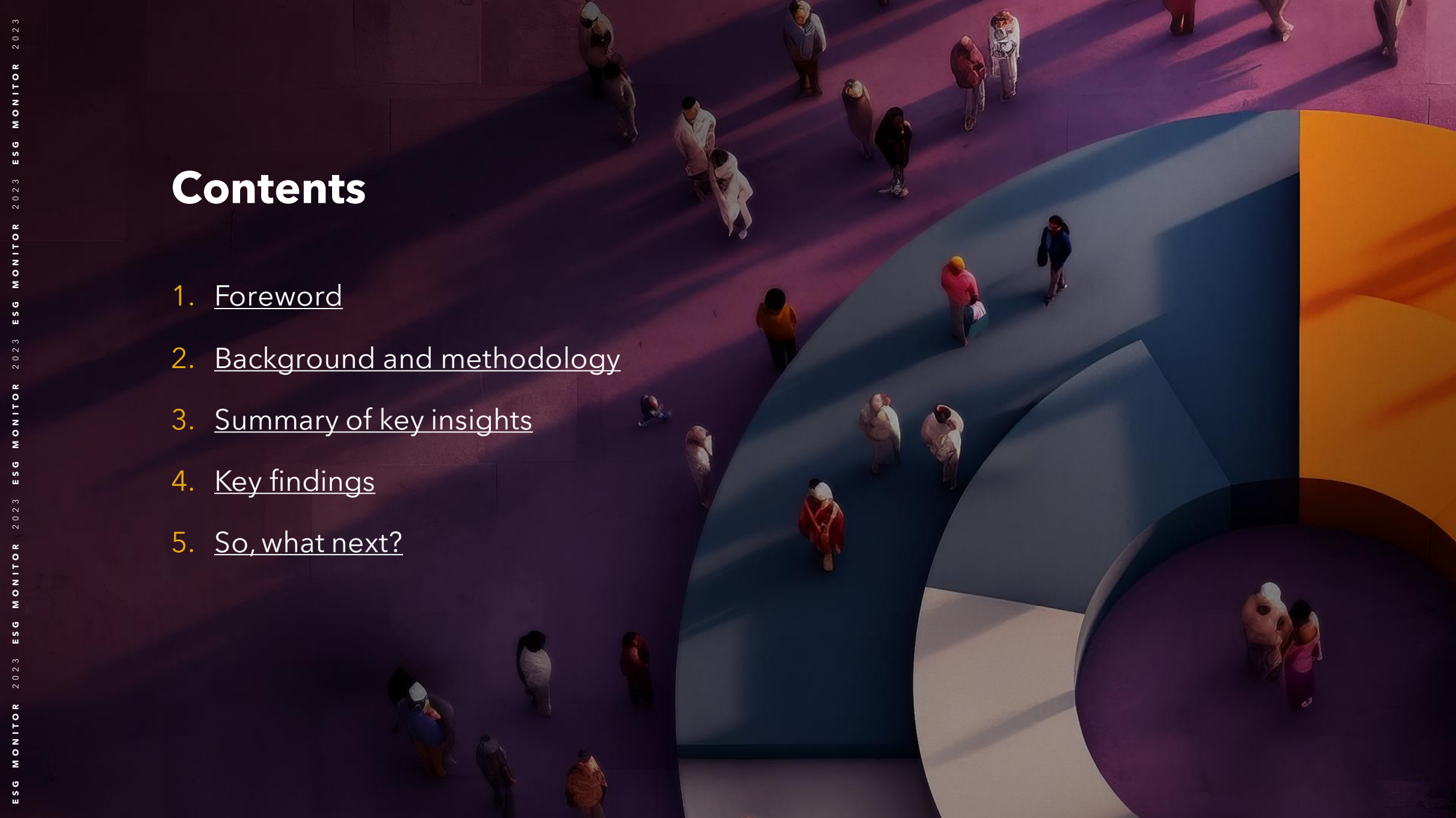
What the community expects from corporates on ESG

UK REPORT

2023 RESEARCH FINDINGS

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Part 1.

Foreword





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Foreword

Many of our clients seek answers to questions including "Which of our ESG actions should we talk about?", "Are we focusing on the right things or too many things?" and "How do we make sure our investment in ESG is cutting through? "

At SEC Newgate, we know ESG initiatives significantly impact a company's reputation. As public awareness and interest in ESG issues continues to grow, companies are increasingly concerned that their ESG initiatives may be seen as insincere, labeled as 'greenwashing' or, on the flip-side, open them up to anti-'woke' attacks.

Despite growing societal concerns about the cost of living, the public still expects companies to demonstrate genuine corporate citizenship and authenticity in their ESG efforts.

In response to this, we often see organisations making decisions on which ESG actions to take, which to communicate, and how to go about it, based on gut feelings and intuition, leaving them vulnerable to public scrutiny and unable to authentically communicate their impact.

The SEC Newgate Global ESG Monitor offers a unique perspective by objectively examining community expectations and identifying what influences the public perspective of corporate ESG authenticity.

We help clients understand how community expectations are changing; what ESG actions they should be leveraging in their communications based on their reputation, impacts and community priorities; the risks they need to mitigate; and how to weave this into a compelling and authentic narrative.

This research builds on SEC Newgate's growing body of thought leadership work in this space, providing a clear evidence base to help you bridge this gap.

Part 2.

Background & methodology



The questions our clients ask us...

We know that reputation and meaningful action on ESG are inextricably linked and our clients are grappling with the best ways to deliver on community expectations.

1.

"Do our customers care about ESG issues? Does it make a difference in their behaviour?"

2.

"Where do we start? What actions are the right fit for us?"

3.

"Which of all the good things we do should we talk about?"

4.

"Is it actually okay to talk about the good things we do?"

5.

"We're worried about the anti-woke risk"

6.

"How do we avoid being accused of greenwashing?"

7.

"We're spending a lot of money on community & ESG but it's just not resonating..."

8.

"Should we be taking a position on social issues?"

Background & methodology

For the third year running, SEC Newgate has conducted research to understand community awareness and perceptions around Environmental, Social and Governance (ESG) issues and actions by corporates in this space.

1,009

Respondents from the UK



12,080

Respondents across 12 countries and territories

This research is part of an annual global study, and this report presents the findings from the United Kingdom (UK).

Participants were sourced from global panel provider PureProfile, with questionnaires translated and completed in-language in Colombia, France, Germany, Hong Kong SAR, Italy, Poland, Spain and United Arab Emirates (UAE).

Fieldwork was conducted from late July to early August 2023.

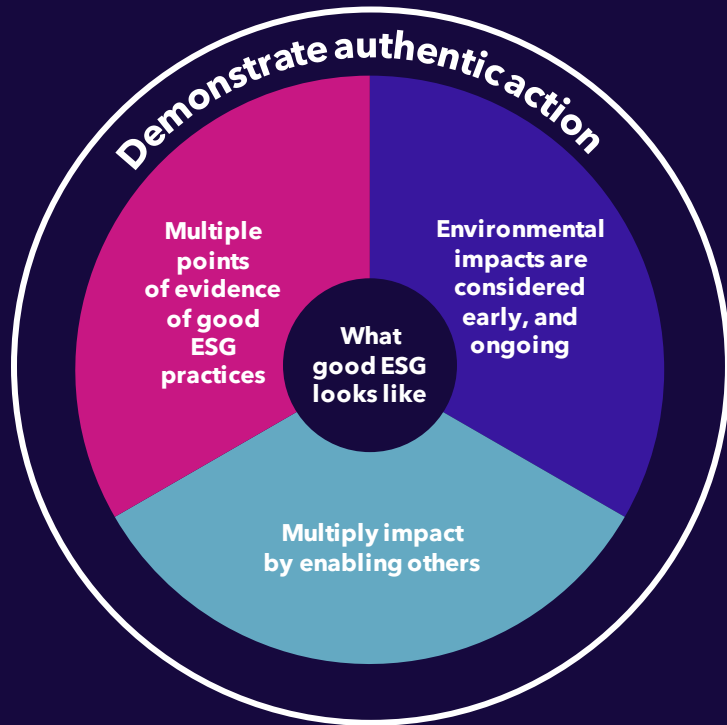
The final results have been weighted by the actual age and gender proportions within each country or territory. Where the global results are referenced, each country is given equal weighting to demonstrate comparison.

Part 3.

Summary of key insights



In 2023, community expectations for organisations to act on ESG have reached a tipping point, suggesting genuine action on this front is no longer up for debate. A primary focus on economic contribution is no longer enough.



Against a backdrop of pessimism and the UK public reeling from successive national crises, our research indicates significantly more interest in ESG issues, with ESG considerations affecting voting behaviour and consumer choices, even if ‘ESG’ - as a term - lacks meaning for the UK public.

As demonstrated in the 2022 study, there is a consistently high level of importance placed on companies taking action on ESG issues - and a desire for companies to speak out issues that are important to their employees and customers.

However, the gap between expectations and perceived actions is widening, with performance ratings for large companies and government on ESG remaining low, and UK citizens being the least likely to agree that companies are using their power for good, compared to all other countries surveyed in the global study.

In the context of poor performance on ESG, how does the community want large companies to demonstrate that they are using their power and influence for good?

The community values corporates operating a profitable business, including providing employment to workers and returns to shareholders, but the way they get there is equally important.

The research demonstrates that the community wants companies to be thinking about their impacts on society and the environment in their decision-making processes.

The public want proof of good governance underpinning decisive action on environmental and social issues.

And what does the community think about ESG communications from companies?

SEC Newgate’s 2022 research revealed ‘The Great Disconnect’ in corporate ESG communications. We saw the community wanting companies to communicate their ESG efforts more clearly, coupled with a clear lack of trust in what they were being told.

And in 2023 The Great Disconnect remains unreconciled. Trust remains a key issue in ESG communications, with a significant increase in community distrust in what organisations say about their ESG performance, and nearly two thirds thinking that greenwashing is a big problem in the UK.

However, where does the responsibility lie? Although seven in ten believe companies should have a consistent approach to reporting their ESG performance, the same amount feel that there should be better Government regulation, which would offer a transparent and enforceable framework for ESG claims.

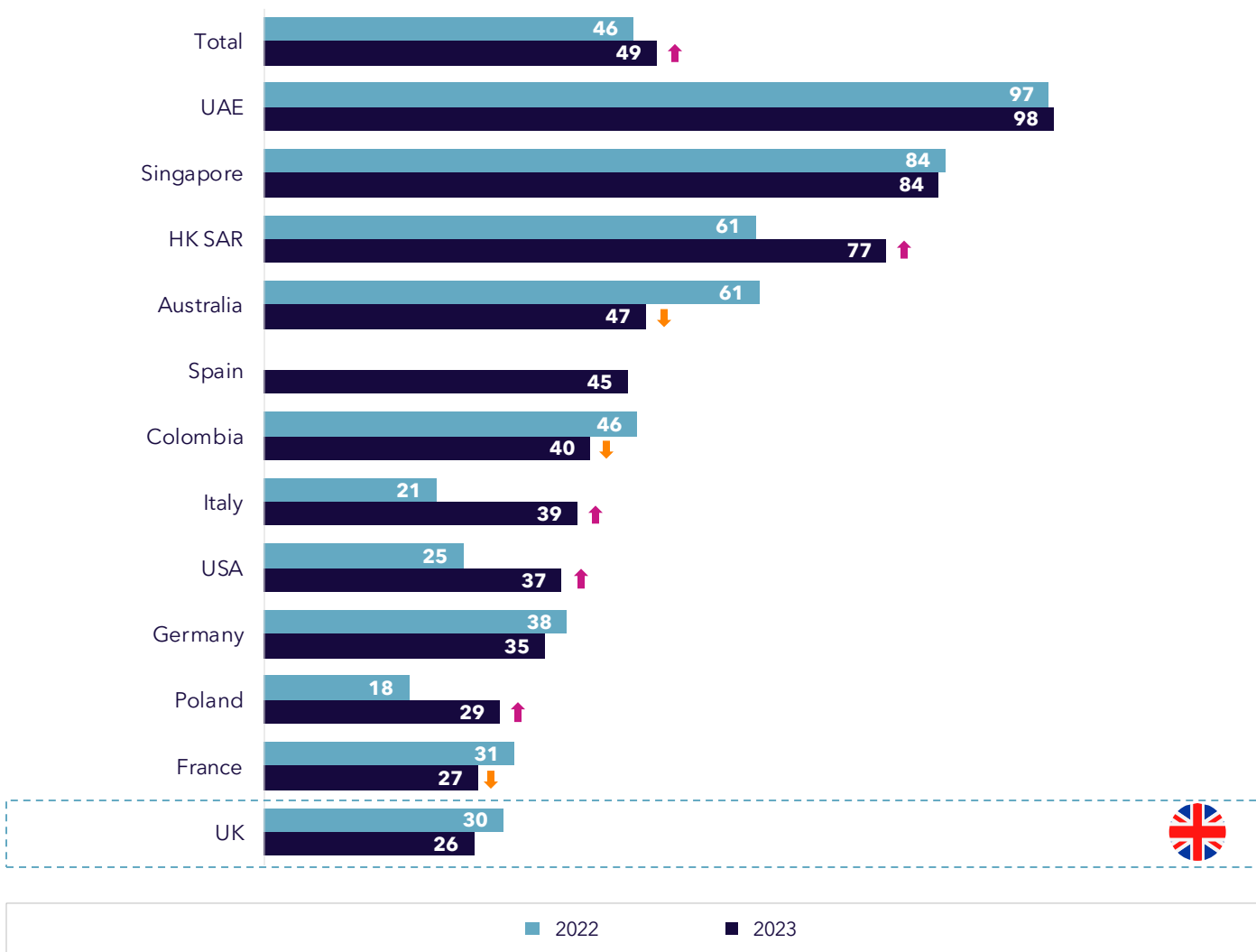
Part 4.

Key findings



Perceived direction country/territory is heading

(% WHO SAY IT'S ON THE RIGHT TRACK)



Key finding 1.

The United Kingdom is now the most pessimistic nation within the global study.

With the UK experiencing a cost-of-living crisis, intergenerational housing inequality, a declining National Healthcare System, and dwindling confidence in the political system, it is perhaps unsurprising that only a quarter feel that the country is heading in the right direction - almost half of the global total.

This sets the scene for stronger interest in companies' ESG actions and demands from the public that they should use their power and influence for good.



Right track (%)

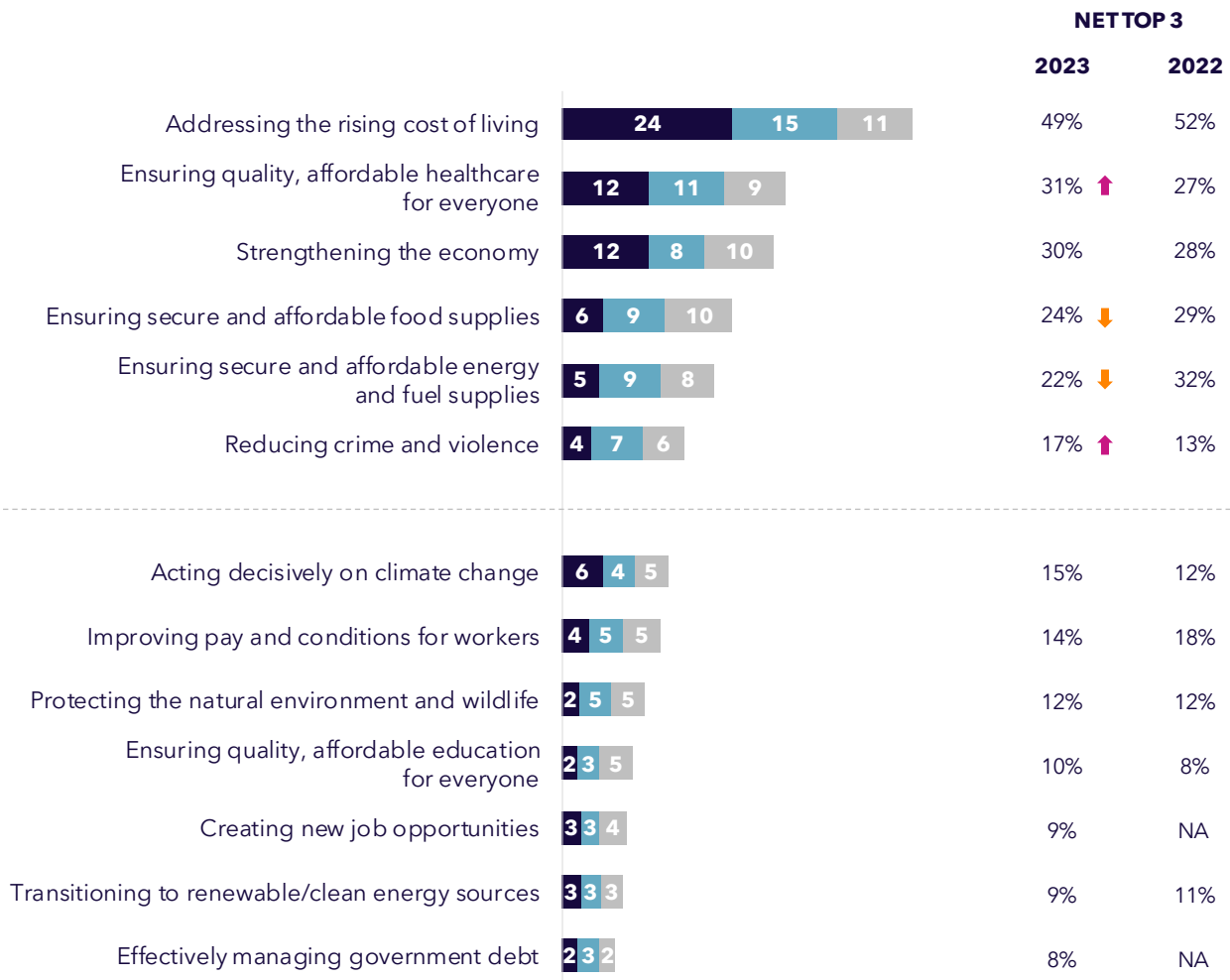
26

Wrong direction (%)

74

Q1. Overall, do you think that things in [country or territory] are heading on the right track or in the wrong direction?

Most important issues for the UK's future (%)



■ Most important ■ 2nd most important ■ 3rd most important

Key finding 2.

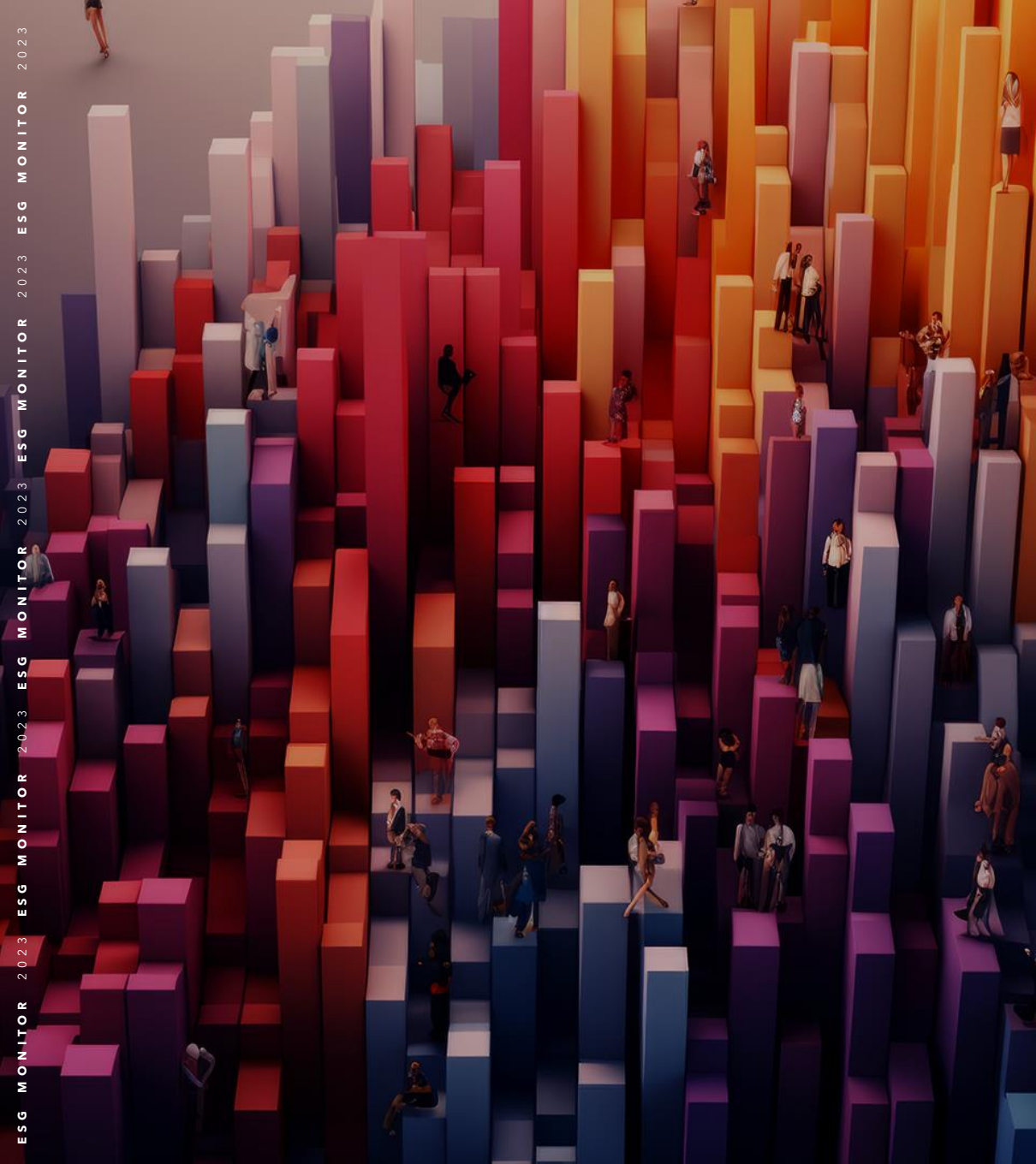
This is brought to life by the community's priorities for the UK's future.

In the current climate of polycrisis, those issues that can alleviate personal hardship feel more urgent than ESG issues. Notably, however, a rising number (15%) select 'acting decisively on climate change' as one of their top three priorities for the UK's future.

Results are largely consistent by generation, although GenZ place higher importance on:

- **Employment issues**, such as improving pay and conditions for workers (28% vs 11% other generations) and creating new job opportunities (16% vs 8%); and
- **Social issues**, such as reducing racial inequality (10% vs 4%) and strengthening response to violence against women (13% vs 5%).

Q20. From the following list (of 26 issues), please select the three things you personally feel are most important for the UK's future. Rank them from 1 to 3 where 1 is the most important thing and 3 is the third most important thing. Only top 13 issues shown in chart



Although 'ESG' - as a term - appears to lack meaning for the UK public, expectations for corporate action on ESG have reached a tipping point, suggesting the need for action is no longer up for debate.

Research findings indicate significantly more interest in ESG issues, with ESG considerations affecting voting behaviour and consumer choices.

As demonstrated in the 2022 study, there is a consistently high level of importance placed on companies taking action on ESG issues - and a desire for companies to speak out issues that are important to their employees and customers.

However, the gap between expectation and perceived action is widening, with performance ratings for large companies and government on ESG remaining low, and UK citizens being the least likely to agree that companies are using their power for good, compared to all other countries surveyed in the global study.

UK unprompted awareness of the term 'ESG' (%)

2023

NET Heard of ESG: **43%**



2022

NET Heard of ESG: **36%**



■ Never heard of ESG ■ Heard of ESG (not sure what it is) ■ Heard of ESG (good understanding)

Q3. Before today, had you heard of the term "ESG" which stands for "Environmental, Social and Governance (ESG)"?

Q24. Before today, have you heard of the term "Net Zero"?

Key finding 3.

Despite a rise in general awareness, 'ESG' - as a term - appears to be almost meaningless.

The proportion of the community with a 'good understanding' of the term 'ESG' has barely moved since 2022 (13% vs. 12%). This largely confirms findings from SEC Newgate's 2022 'Great Disconnect' research that the term itself feels inaccessible and complex, as it is comprised of a range of very different standards, policies and behaviours - though once explained, people were generally familiar with the ESG components and believed companies should act in this space.

This trend around lack of understanding indicates that it may be time to reconsider using the term 'ESG' when communicating with the community.

In terms of general awareness, GenY were most likely to have heard of ESG (50%) compared to other generations (41%).

In contrast, awareness of 'Net Zero' has increased overall since 2022, from 79% to 85% today. Moreover, 39% reported having a good understanding of 'Net Zero'.

After answering the initial 'awareness' question on the term ESG in the survey, participants were shown following detailed explanation:

As you may already know, the term "ESG" refers to standards, policies and behaviours that organisations have in relation to Environmental, Social and Governance issues.

Some examples of these issues include:



Environmental

Action on climate change, use of natural resources, waste management, pollution, toxin free environments and the preservation of habitats and living creatures.



Social

Human rights, working conditions, health and safety, social equality, diversity and inclusion, contributing to the local community, speaking out on social or political issues.



Governance

Ethical standards, transparent reporting, responsible policies and procedures, board diversity, data protection and privacy, risk management etc.

Key finding 4.

When the community can unpack what 'ESG' means, a growing level of interest is revealed, coupled with high expectations for companies to act and speak out on ESG issues.

Interest in ESG issues is rapidly gaining momentum in the UK, with almost half of the community stating interest in ESG issues, a significant gain from last year's ESG Monitor results.

Building on this interest, the expectation for companies to act decisively on ESG is evident. Seven in ten feel it is important for companies to take action on ESG issues, and six in ten agree that companies have a responsibility to use their platforms to speak out on ESG issues.

GenY and GenZ express the most interest in ESG issues (55% and 58% respectively) - with GenZ being especially likely to think that it is important overall for companies to take action on ESG (81% vs 68% other generations).

These younger generations are also more likely to agree that companies should speak out on ESG issues, with GenZ feeling especially strong about wanting to hear from companies (76%), followed by GenY (69%).

Interest and importance of companies to take action and speak out on ESG issues (UK)

Interest in ESG issues

% NET 7-10



70%
of British citizens think it is **important** for **companies** to **take action on ESG**
(% NET 7-10)

63% agree
Companies should speak out on issues that are important to their employees and customers



Q4. How interested are you in Environmental, Social and Governance (ESG) issues, if at all?
 Q23 - How important do you think it is for companies to take action on environmental, social and governance issues? 0=not at all important, 10=extremely important
 Q15. To what extent do you agree or disagree with the following statements?

Key finding 5.

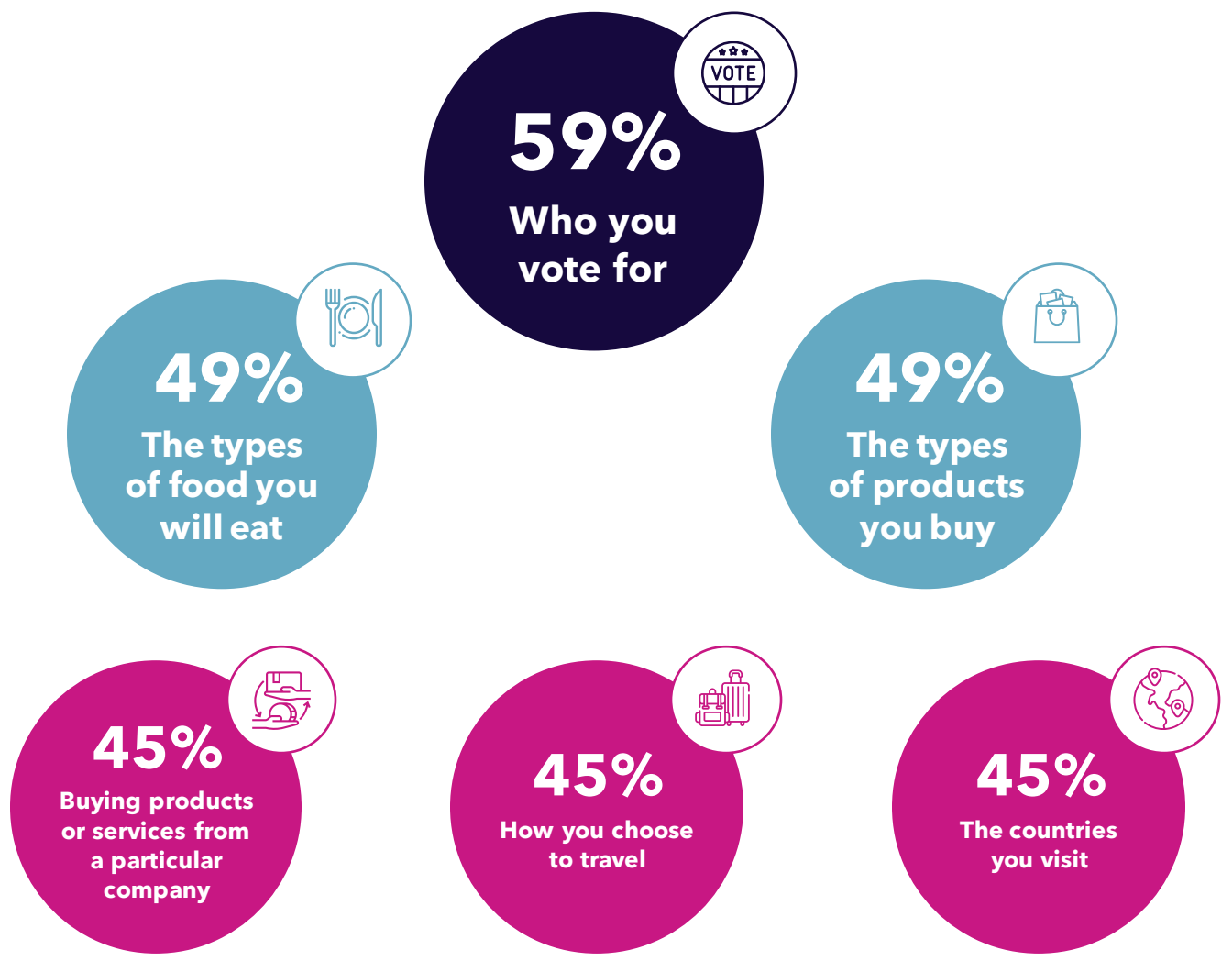
In the UK, ESG issues are a key factor in community decision making, especially when deciding who to vote for.

Since 'ESG' is closely connected with 'doing the right thing' by people and the planet, supported by strong governance, it is perhaps unsurprising that there is a direct connection between ESG issues, and the political representatives people choose.

But not far behind this is growing consideration of ESG issues in people's personal choices: from the types of food they choose to eat, to the types of products they will buy and who they buy them from, to sustainable choices around travel.

Importance of ESG issues on personal decision making

(% NET 7-10)



Q30. How important are ESG issues to you personally when it comes to making decisions about the following?
 0=not at all important, 10=extremely important

Key finding 5. (cont'd)

Around a third of UK citizens also factor in ESG when considering their employment and investment choices.

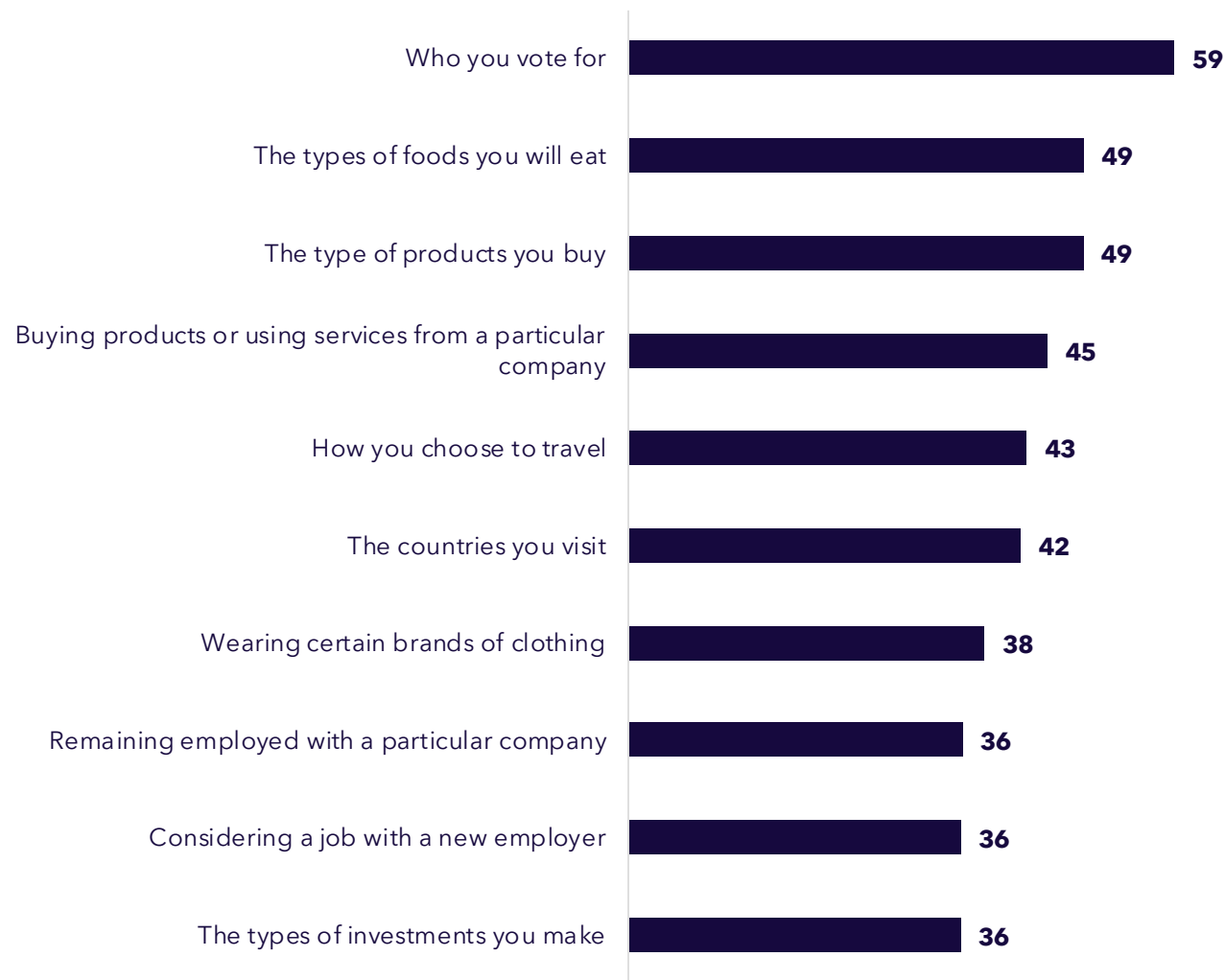
The emerging impact of ESG on decision-making in these areas is especially prominent among younger cohorts.

Around half GenY and GenZ consider ESG when choosing to remain with a current employer (51% and 47% respectively) or move to a new employer (51% and 52%).

Both these generations are also far more likely to consider ESG important when making investment decisions (43% GenY and 46% GenZ).

Importance of ESG issues on personal decision making

(% NET 7-10)



Q30. How important are ESG issues to you personally when it comes to making decisions about the following?
0=not at all important, 10=extremely important

Who should bear the cost of ESG?

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



69% agree

Companies can be profitable while also performing well on ESG



63% agree

Companies should not pass on the cost for better ESG performance to their customers



32% agree

I'd be prepared to pay more for products or services from companies with stronger ESG performance

Key finding 6.

The majority of people believe that companies can be profitable while also performing well on ESG, and it is clear that companies are expected to bear any costs associated with good ESG performance.

Notably, **GenY** and **GenZ** are significantly more likely to be prepared to support companies who perform better on ESG, with 44% willing to pay more compared to older generations (25%).

Performance of various groups in the UK when it comes to ESG

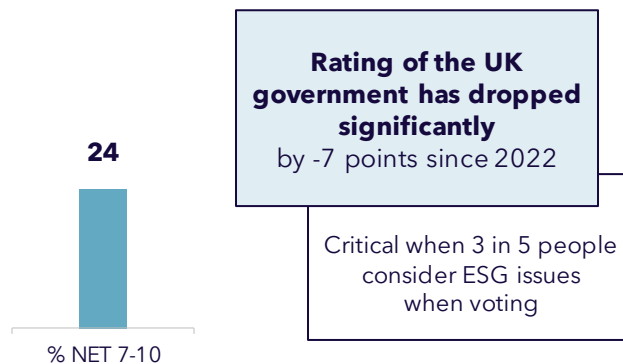
Small and large companies



Not for profit organisations



The national Government



Key finding 7.

Despite strong community interest and expectations, large companies and the Government are perceived to perform poorly on ESG.

Just over 1 in 5 people feel that large companies are performing well when it comes to acting responsibly on ESG. Considering the importance the community places on companies taking action on ESG, there is a clear imperative to act decisively and communicate this clearly to the community, to address this wide perceptions gap.

GenZ and GenY tended to perceive smaller and purpose-led organisations as demonstrating better performance: NFP's (55% vs 36% of other generations); and small companies (44% vs 28% of other generations).

However, sentiment towards the declining performance of the national Government is level across all generational cohorts.

Q6. Overall, how would you rate the performance of the following groups when it comes to acting responsibly on Environmental, Social and Governance (ESG) issues? 0=very poor, 10=excellent

Key finding 8.

UK citizens are the least likely to agree that companies are using their power for good.

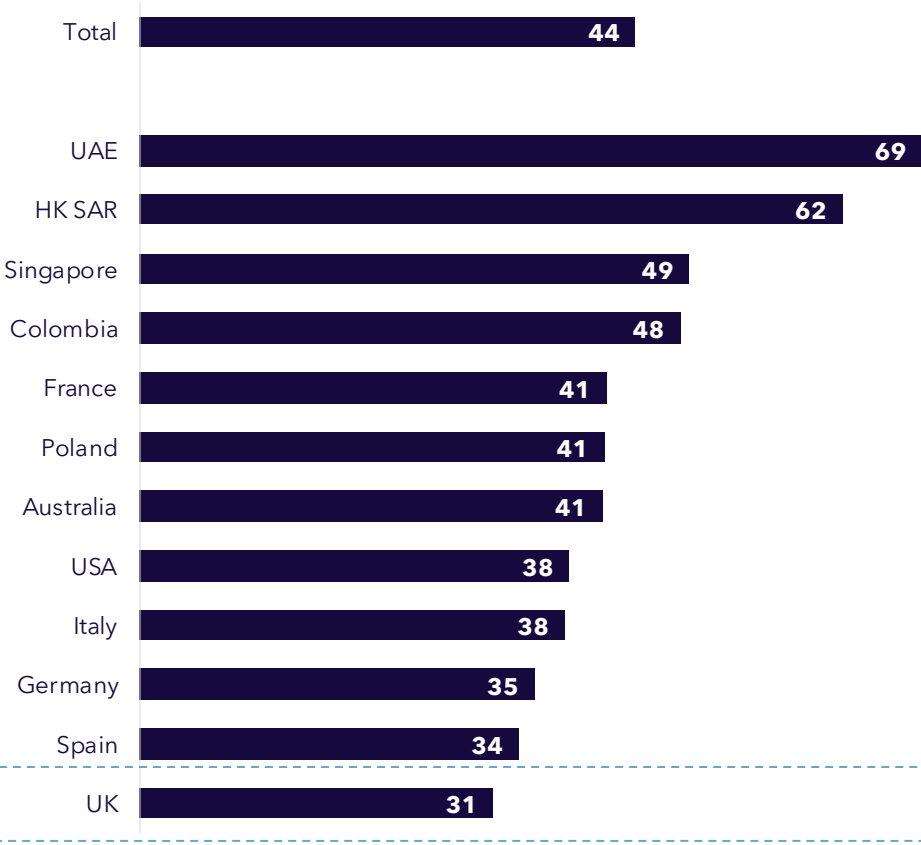
Despite high expectations on companies to undertake action on ESG issues and initiatives, only a third believe that companies in the UK are using their power and influence for positive change.

GenY and GenZ were notably more sympathetic to companies' efforts, with 40% and 38% respectively agreeing that companies are using their power positively (compared to 26% of other generations).

Views on companies' use of power and influence to create positive change

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)

“Companies are using their power and influence to create positive change”



Q15. To what extent do you agree or disagree with the following statements...?

Key finding 9.

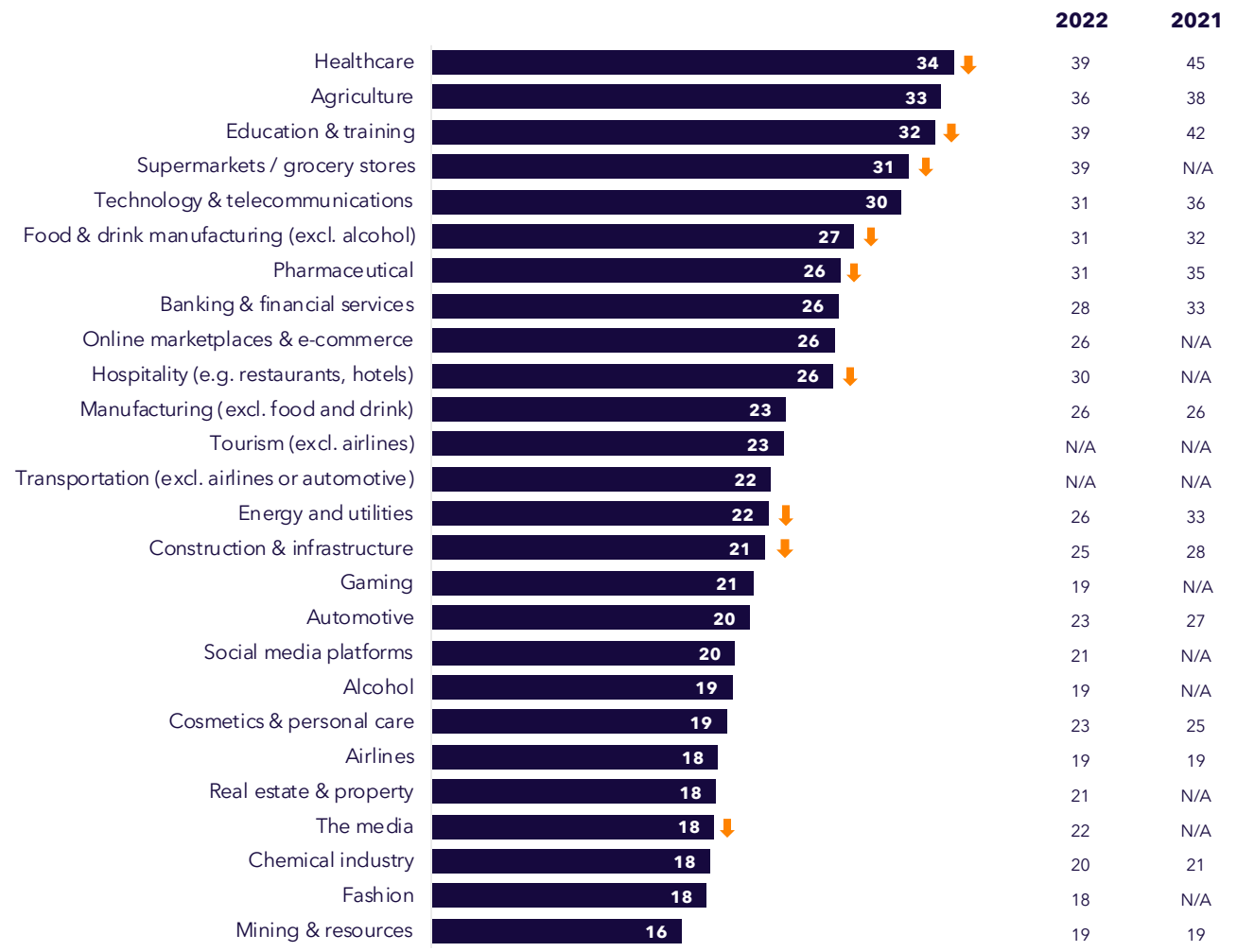
Since 2022, there has been a notable decline in ESG performance ratings across most sectors.

Likely fuelled by pessimism, rising energy bills and the widespread effects of the cost-of-living crisis, the perceived performance of UK sectors has generally dropped across the board.

Significant declines have been experienced in healthcare, education, supermarkets, food and drink manufacturing, pharmaceutical, hospitality, energy and utilities, construction & infrastructure, and the media.

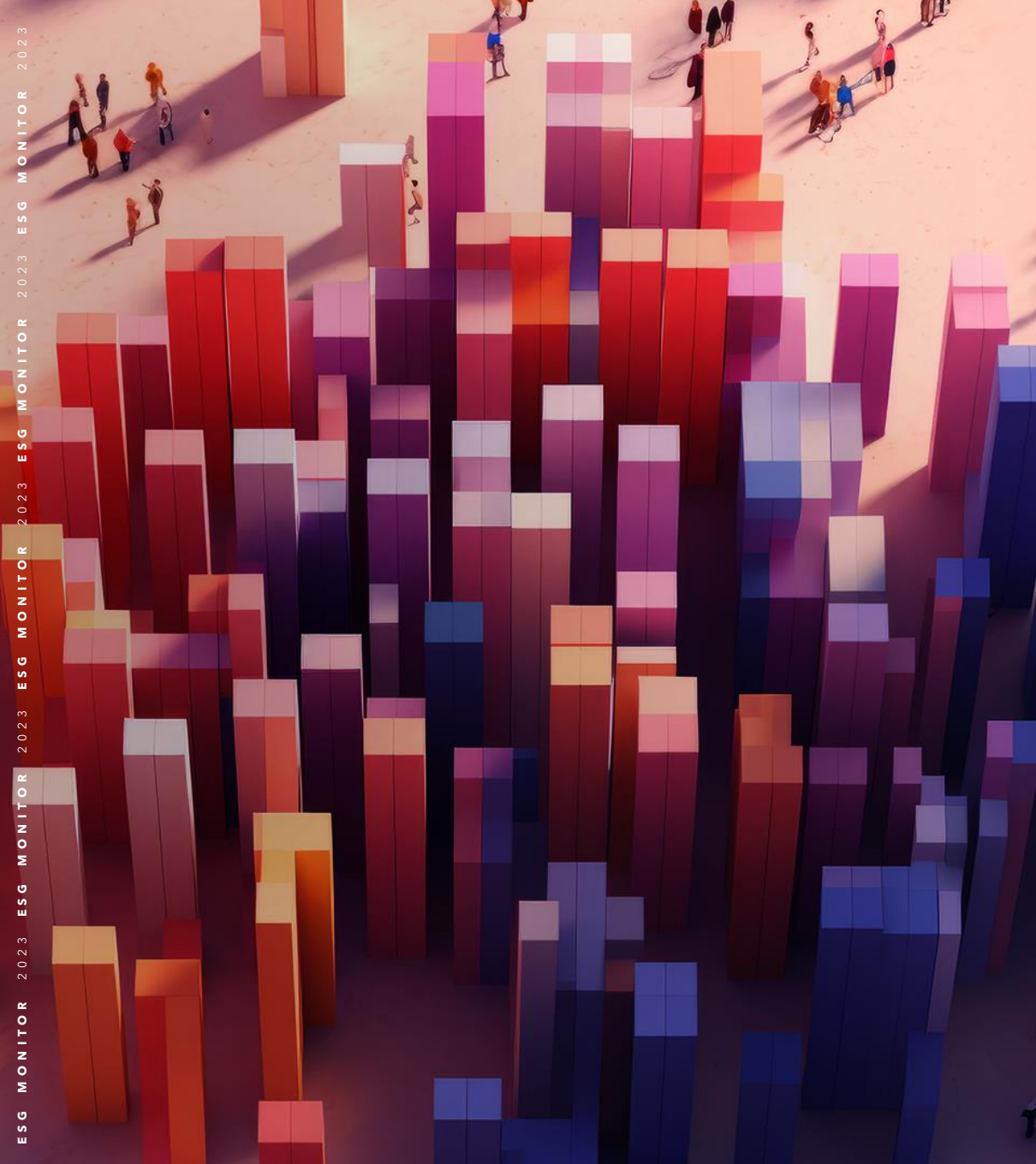
Ratings of industry ESG performance in the UK

(% NET 7-10)



↑↓ Arrows indicate results that were either significantly higher/lower than 2022

Q11. How would you rate the performance of the following industries operating in the UK when it comes to acting responsibly on Environmental, Social and Governance (ESG) issues?



Against a backdrop of poor performance on ESG, how does the community want large companies to demonstrate that they are using their power and influence for good?

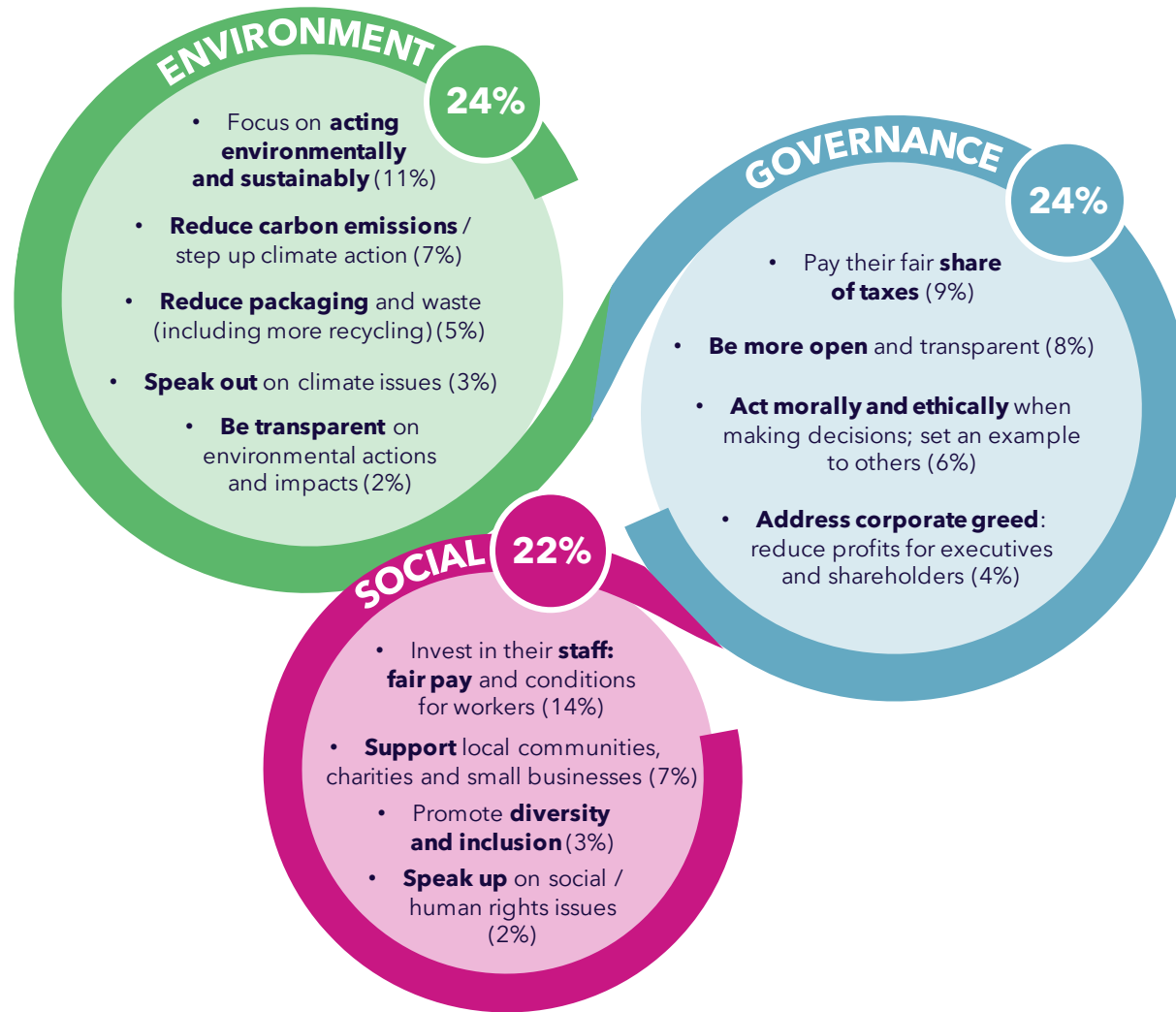
The community values corporates operating a profitable business, including providing employment to workers and returns to share-holders, but the way they get there is equally important.

The community wants companies to be thinking about their impacts on society and the environment in their decision-making processes.

The public want proof of good governance underpinning decisive action on environmental and social issues.

Key finding 11.

The UK public feel that good governance is just as important as companies' environmental actions.



ECONOMIC actions are also top of mind:

- Addressing the cost of living / fair and lower prices (8%)
- Creating more jobs / training opportunities for British people (3%)
- Supporting the British economy (e.g. trade) (3%)
- Listening to and looking after customers (2%)

- 14% gave other ways for companies to use their power, such as lobbying government or using their social media to promote a stronger ESG agenda
- 17% were unsure what companies can do

Q28. What do you think is the most important thing big companies can do to use their power and influence for good in the UK?

Note: Question asked in an open-ended format, with verbatim survey responses thematically coded. Due to multiple coding (where respondents gave more than one answer), themes will not add to NET % scores, or to 100%.

What good and bad ESG performance looks like

| | | | | | | | | | | | | | |
|---|---|---|--|---|--|--|---|---|--|---|--|--|--|
| E |  | Increase sustainability and environmental consciousness |  | Reduce and recycle |  | Reduce fossil fuels and carbon emissions |  | Harmful impacts to the environment |  | Too much plastic and packaging |  | Slow transition to sustainability | |
| | S |  | Fair pay and treatment of staff and workers |  | Give to charities and social issues |  | Inclusion and fairness |  | Worker exploitation and poor working conditions |  | Causing social harm or harm to consumers | <p>However, 56-58% could not think of specific examples of good and bad ESG performance</p> | |
| | | G |  | Ethical corporate practices and taxes |  | Provide good business services to customers |  | Be honest and transparent |  | Dishonest conduct or lacking governance |  | | Excessive profits, price gouging and promoting overconsumption |



What does the community think about ESG communications from companies?

SEC Newgate's 2022 research revealed 'The Great Disconnect' in corporate ESG communications. We saw the community wanting companies to communicate their ESG efforts more clearly, coupled with a clear lack of trust in what they were being told.

And in 2023 The Great Disconnect remains unreconciled. Trust remains a key issue in ESG communications, with a significant increase in community distrust in what organisations say about their ESG performance, and nearly two thirds thinking that greenwashing is a big problem in the UK.

However, where does the responsibility lie? Although seven in ten believe companies should have a consistent approach to report their ESG performance, the same amount feel that there should be better Government regulation, which would offer a transparent and enforceable framework for ESG claims.

The Engagement Disconnect



65% agree

Companies **should communicate the results of their ESG efforts** more clearly for consumers and investors

But...



4 in 5

do not look for this information (never / rarely)



NET Look for ESG information: **20%**



■ Never ■ Rarely ■ Sometimes ■ Often

Key finding 12.

We know that people want companies to act on ESG issues. But they also want them to communicate more clearly about what they are doing.

A key finding of 'The Great Disconnect' demonstrated that many organisations struggle to know how to address this issue of ESG communications - and achieve cut through.

2023 findings remain largely consistent, with only a fifth of people actively looking for information on companies' ESG activities and performance (at least sometimes).

With two thirds of the community agreeing that companies need to communicate the results of the ESG efforts more clearly, people clearly see the onus on companies to communicate their efforts, rather than the burden of proof being upon them to seek out information.

Q15. To what extent do you agree or disagree with the following statements?

Q26. How often, if ever, do you look for information or do research on a company's ESG activities or performance?

Trust in company claims about ESG issues

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



60%

Don't believe companies who say their overall purpose is more important than making a profit



49%

Don't trust what companies claim about their ESG activities or performance

Increased significantly
by +6 points since 2022

52%

Often worry about companies providing misleading information about the impacts of their operations



Key finding 13.

And moreover, the claims from companies about their ESG actions are also met with distrust and scepticism.

'The Great Disconnect' is further amplified by the issue of trust, with half of the community lacking trust in companies' claims about their ESG activities and performance, a significant increase from 2022. A similar number also worry about companies providing misleading information about the impacts of their operations.

This issue is compounded by cynicism towards companies' motivations for ESG actions with three in five cynical of any company that claims that purpose is more important than profit.

Key finding 14.

The issue of trust is further exposed by the salience of 'Greenwashing' - a term that has captured the imagination of the UK public - who connect more with this term than 'ESG'.

It is perhaps unsurprising that half of those surveyed also distrust what companies claim about their environmental impacts.

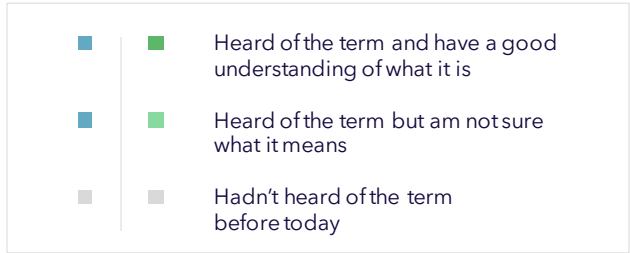
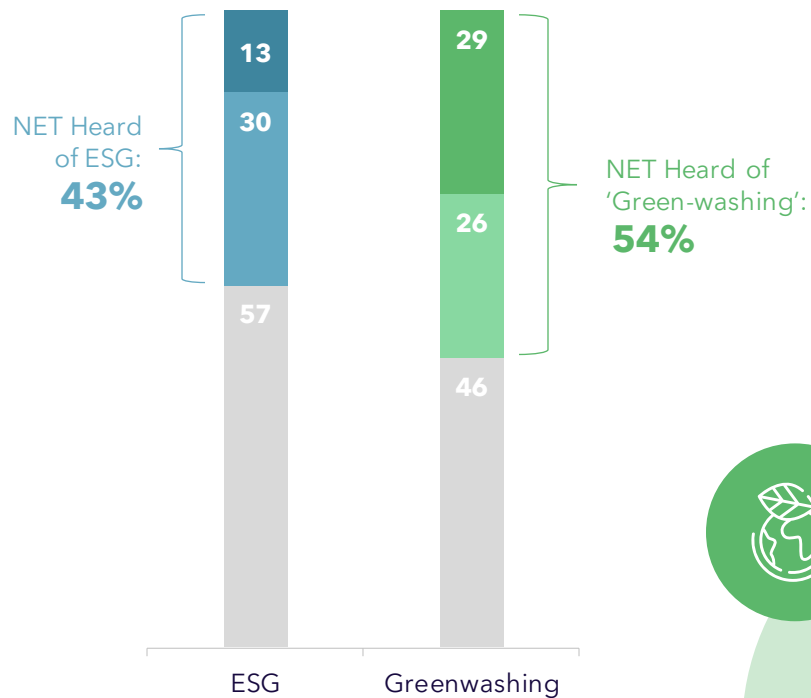
Connected to this, half were also aware of the term 'Greenwashing' - and almost three in five considered it to be a big problem in the UK, with GenZ as the most likely to hold this perception (65%).

The data suggests that 'Greenwashing', as a term, has achieved more salience with the public than the more established 'ESG', with nearly three in ten having a good understanding of the term.

Survey participants were shown the following explanation of greenwashing:

"Greenwashing" is when a company provides misleading or false information to consumers or investors about how environmentally friendly, sustainable or ethical its products and/or operations are.

Awareness of the term 'greenwashing' and perceived scale of the problem (%)



58%
Rated **Greenwashing** as a big problem in the UK
(% NET 7-10)

51%
Don't trust what companies claim about their environmental impacts

Q33. And before today, had you heard of the term "Greenwashing?"
 Q34. How much of a problem do you think Greenwashing is among companies in [country or territory], if at all?
 Q15. To what extent do you agree or disagree with the following statements?

Questions to judge an ESG action

1.

Is the action genuine?

Do they really believe in this?

2.

Are they showing long-term commitment

or is this just a one-off action?

3.

Is the action meaningful?

Will it do anything?

4.

What evidence is there that they've actually done it?

Our qualitative research shows that people ask themselves four questions to judge an ESG action by a corporate.

Attitudes towards the measurement and reporting of ESG

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



68% agree

There should be a **consistent approach for companies to report their ESG performance**



67% agree

The Government should be playing a bigger role to ensure there are better regulations for environmental marketing claims and that these should be enforced

Key finding 15.

Alongside better communication of ESG actions, a more consistent approach to measurement and reporting of ESG is required to bridge 'The Great Disconnect'.

Comparable to insight from SEC Newgate's 2022 study, seven in ten agree that there should be a consistent approach for companies to report their ESG performance.

Yet, it would seem that the public feel this issue is not only the responsibility of companies to solve, with seven in ten also agreeing that the **Government should be playing a bigger role** to ensure there are better regulations for environmental marketing claims and that these should be enforced.

Without a defined regulatory framework, it will remain a challenge for companies to 'measure up' to the public's expectations on ESG and to break down the barrier of distrust around their claims regarding ESG activities and performance.

Part 5.

So, what next?



Key Take Outs for Communications

Key Take Outs

1.

The community expects action and wants organisations to consider and act on all their impacts on people and the planet

2.

Think carefully
about which actions you highlight in communications

3.

Tell a story and include specific proof-points to build trust
- answer the 4 questions

4.

Provide multiple proof points
for overall impact

5.

Don't go it alone
- join forces with others and empower your customers

6.

You don't have to be perfect
- just try

7.

Gen Z and Millennials
show the way

8.

Bad news sticks
- focus on addressing these issues before they become a problem

So, what next?

Navigating the New Landscape

SEC Newgate UK's 'Green & Good' team offer unique understanding of reputation, community opinion, stakeholder priorities, and their interaction with ESG.

Our ESG approach is grounded in empirical data, not assumption.

Our approach is practical, actionable and fully customisable.

1. Assess & Diagnose

- Workshop and audit of existing actions and effectiveness data to get a clear understanding of current position, gaps and assumptions
- Stakeholder, employee and community research depending on need

2. Strategy

- Analysis of what will resonate, prioritisation of ESG initiatives based on research insights
- ESG communication strategy development
- Narrative development, message testing
- Development of ESG and reputation dashboard for Exec and NEDs
- Issues and crisis preparedness

3. Implement

- ESG/Sustainability report drafting and editing
- Internal engagement and alignment - change communications
- Community relations
- Government, media and stakeholder engagement
- Testing of campaign materials

4. Review

- Ongoing review of sentiment via media, social media and research
- Updates to dashboard as appropriate
- Gap identification and refine the strategy as appropriate
- Adapt to changing issues or priorities



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Thank you

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