

Savanta:

Environmental, Social and Corporate Governance

Push for progress



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make better decisions

Where will the ESG push for progress come from?

This time last year we gained business opinions on Environmental, Social and Corporate Governance (ESG) issues and topics - whilst concern was high and many planned to take action, develop policies, borrow for ESG projects and/or invest ethically, only a minority actually had a sustainability policy.

A year on, and a tough year at that, what's the story now?

We used our Business Tracker to survey 1,009 UK businesses (592 up to £1m turnover, and 403 £1m+ turnover) in March 2023 to get an updated view.

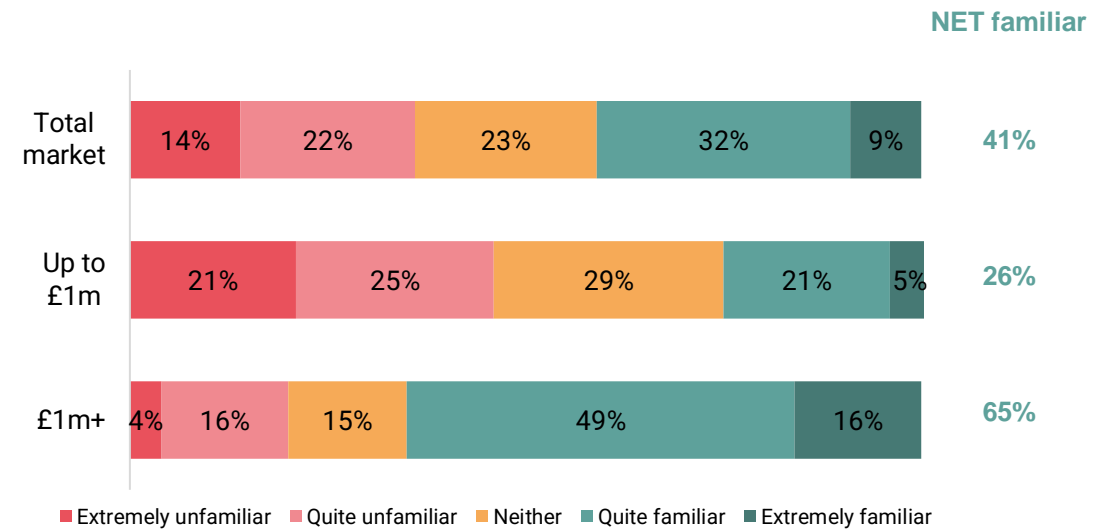
Despite lots of noise, familiarity with ESG is relatively low

So, whilst article after article is being written about ESG, familiarity amongst businesses is still limited. Some four in 10 (41%) claim some familiarity but most of these are only 'quite familiar' (32%) and we are left with a third who don't feel familiar at all (36%).

Unsurprisingly, familiarity is much higher amongst larger businesses where arguably ESG requirements have greater implication. Most businesses with a turnover over £1m claim higher familiarity (65% - 16% 'extremely' and 49% 'quite') compared to a minority of their smaller turnover business counterparts expressing the same (26% - 5% 'extremely' and 21% 'quite').

There is still a need for greater education as, without understanding, how will businesses truly engage.

Familiarity with the topic of ESG by business size



Q. To what extent would you say you are familiar with the topic of Environmental, Social, and Governance (ESG) and what it entails for businesses?

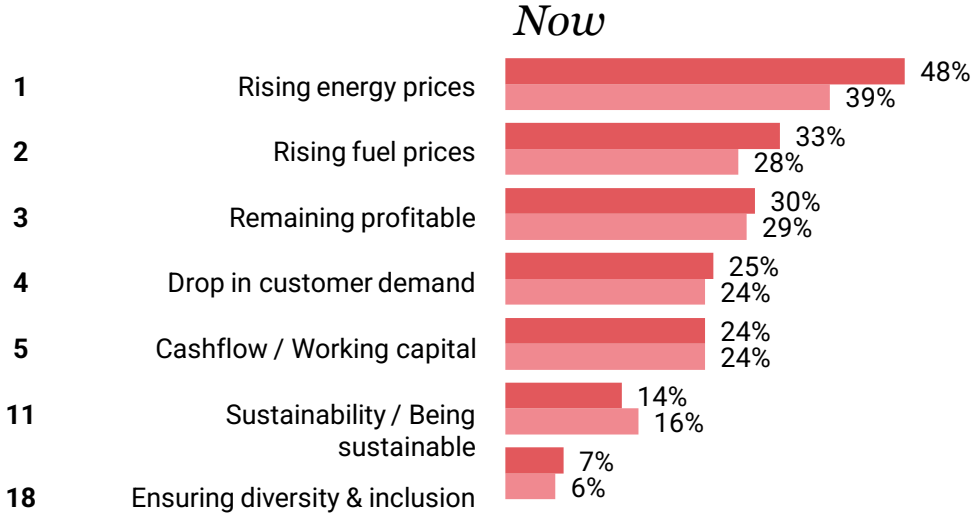
Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

And businesses have so many other challenges

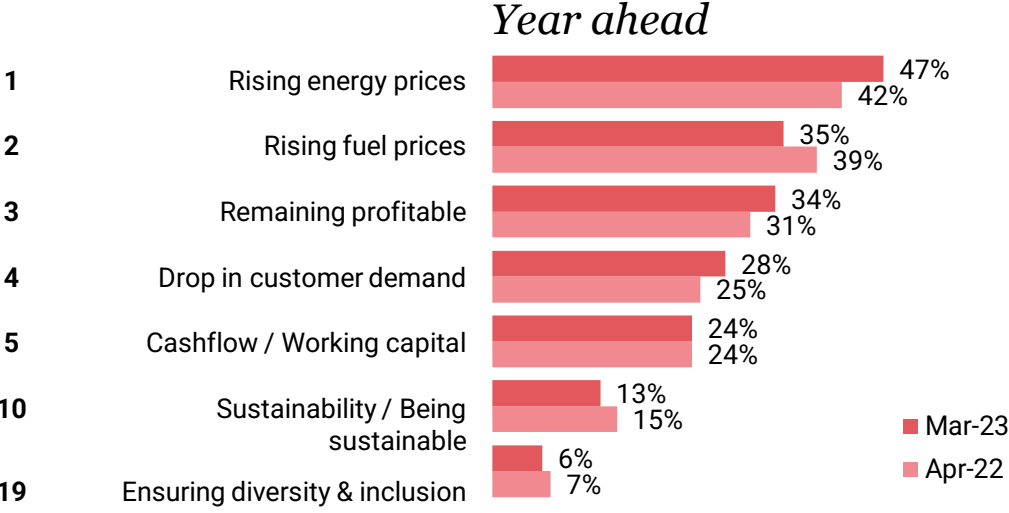
UK business and the economic environment has been in turmoil for so long now that ESG is relatively low on the agenda. Businesses are focusing on the here and now in the battle for survival. The top four challenges (of 19 tested) facing businesses at the moment, and in the year ahead, include: Rising energy and fuel prices, remaining profitable, coping with a drop in customer demand and cash flow issues. These are the same as they were a year ago.

Disappointingly, being sustainable comes in at rank 11 (at the moment) and 10 (year ahead) of the 19 challenges tested. Few see ensuring diversity and inclusion as a significant challenge facing their business (7%), ranked at 18th (at the moment) and 19th (a year ahead) of the 19 challenges posed.

Significant challenges facing business now and, in the future



Q. Which of the following would you say are significant challenges facing your business *at the moment*?



Q. Thinking of the year ahead, which of the following would you say will be significant challenges facing your business?

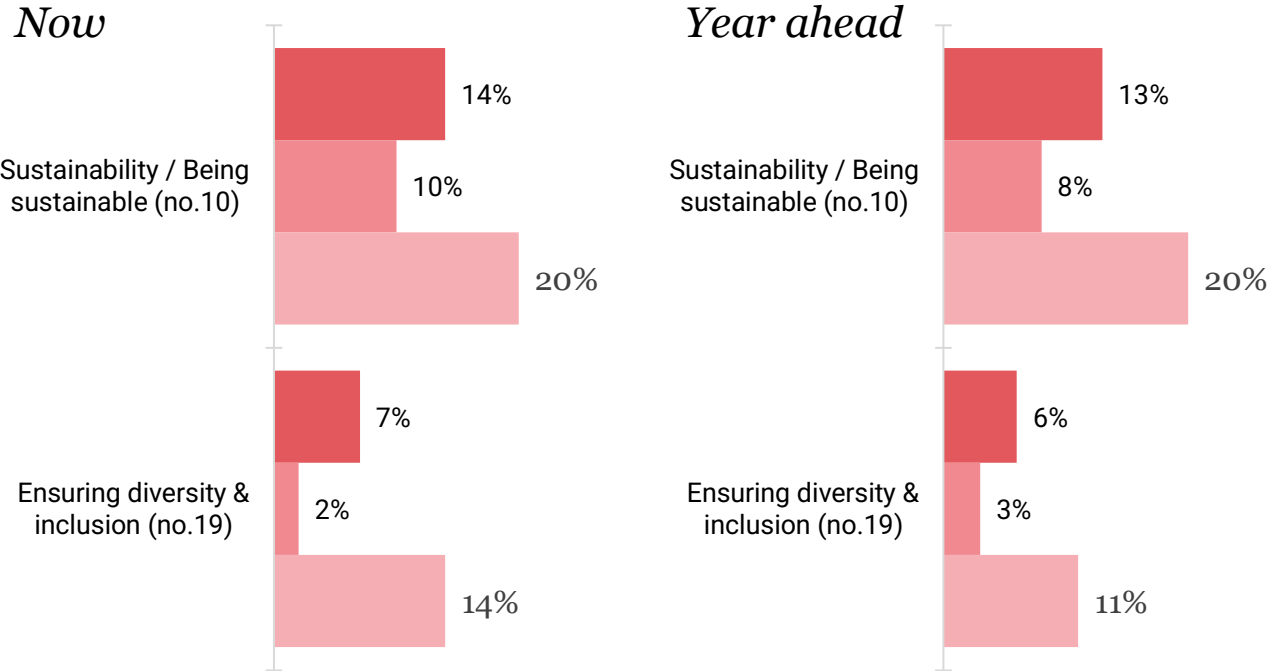
Base: All turnovers (Mar 2023 1,009 | April 2022 1,009)

As one might expect, ESG is higher on the radar for larger businesses with a £1m+ turnover.

Do businesses feel there is limited challenge?
 Have they got ESG covered?
 Or is ESG just falling down the list with all the other immediate challenges businesses are trying to navigate?
 We think the latter.

Significant challenges facing business now and, in the future *by business size*

■ Total ■ Up to £1m turnover ■ £1m+ turnover



Q. Which of the following would you say are significant challenges facing your business *at the moment*?

Q. *Thinking of the year ahead*, which of the following would you say will be significant challenges facing your business?

Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

Businesses have so many other priorities

Indeed, when asked directly how much of a priority five key areas were to their business, 'introducing or acting on your organisation's ESG policy' was the least mentioned of the set.

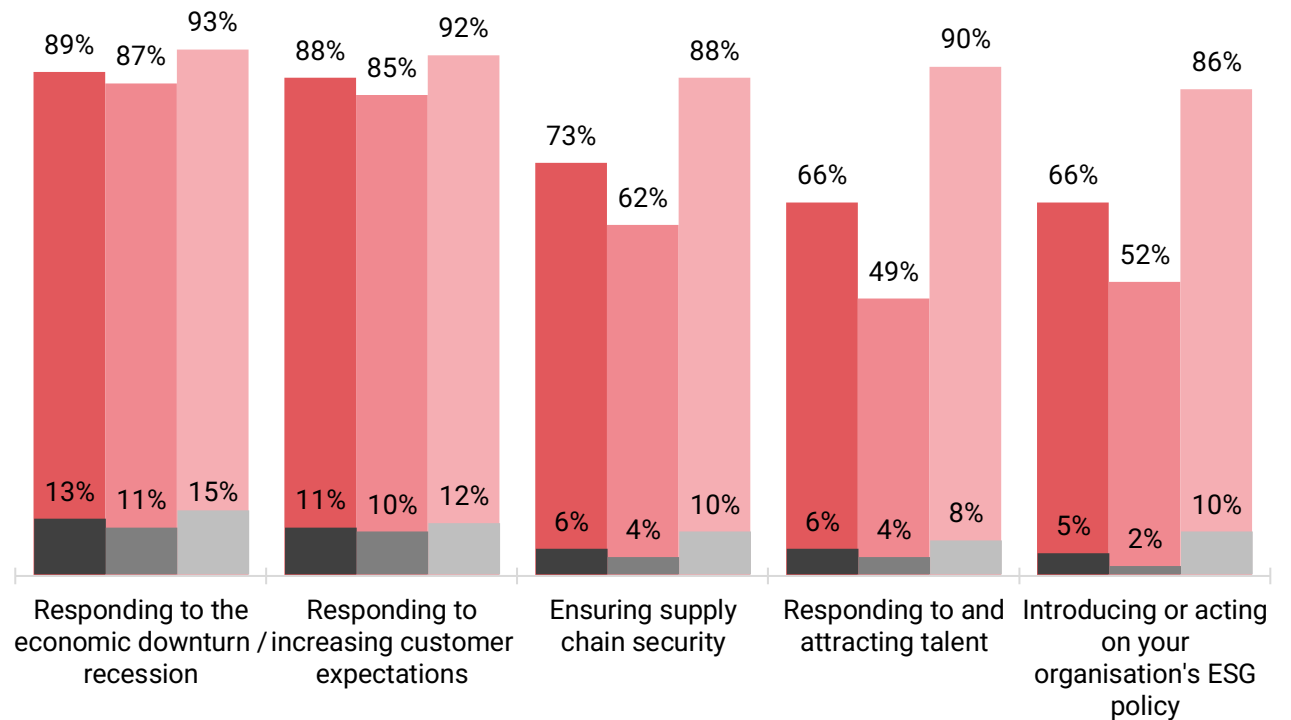
That said, encouragingly, two thirds said it was a slight (33%), significant (27%) or one of their most important priorities (5%).

This suggests that whilst businesses consider other challenges to be more significant to their business, they do still consider ESG a priority for their business strategy. This bodes well.

Again, we see larger business (£1m+ turnover) more likely to be prioritising introducing or acting on their organisation's ESG policy (86%) compared to their smaller business counterparts (52%).

ESG position within business priorities *by business size*

% slight / significant / one of our most important priorities % one of our most important priorities
 ■ Total ■ Up to £1m ■ £1m+ ■ Total ■ Up to £1m ■ £1m+
 Data in grey relates to 'one of our most important priorities'



Q. How much of a priority are the following to your business strategy currently?

Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

Do businesses just talk the talk?

Six in 10 (59%) business decision makers thought businesses use ESG policies to promote their image without taking real action (i.e., 'green' or social washing), but almost half thought businesses are, in general, improving their response to ESG (48%).

Over four in 10 (44%) feel that wider market events (i.e., Covid-19, war in Ukraine, cost of living crisis) has slowed or reversed their business' focus on ESG, but positively 4 in 10 (41%) agreed that ESG was a key component to their current business strategy.

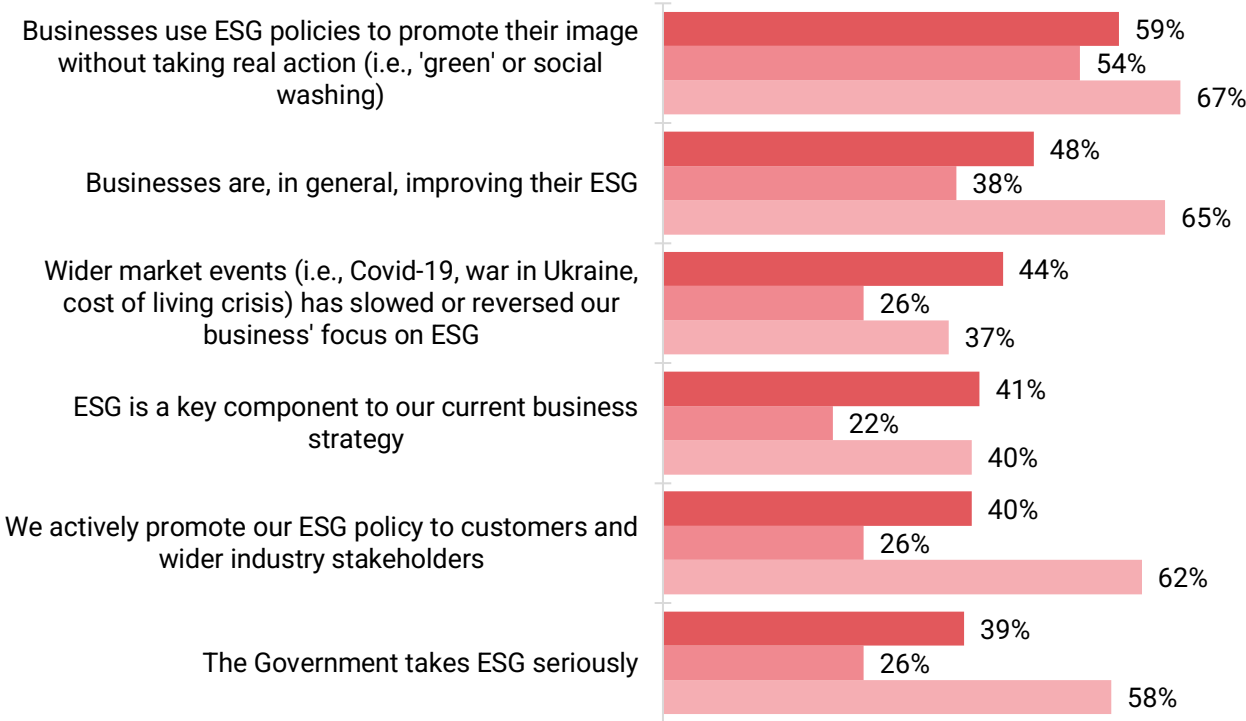
Clearly, it's a very mixed bag.

Larger business (£1m+ turnover) are more positive about ESG generally but are also more likely to say they feel that wider market events have slowed or reversed their business' focus on ESG .

Attitudes towards ESG by business size

% agree / agree strongly

■ Total ■ £1m+ turnover ■ Up to £1m turnover



Q. How strongly do you agree or disagree with the following statements about Environmental, Social & Governance (ESG)?

Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

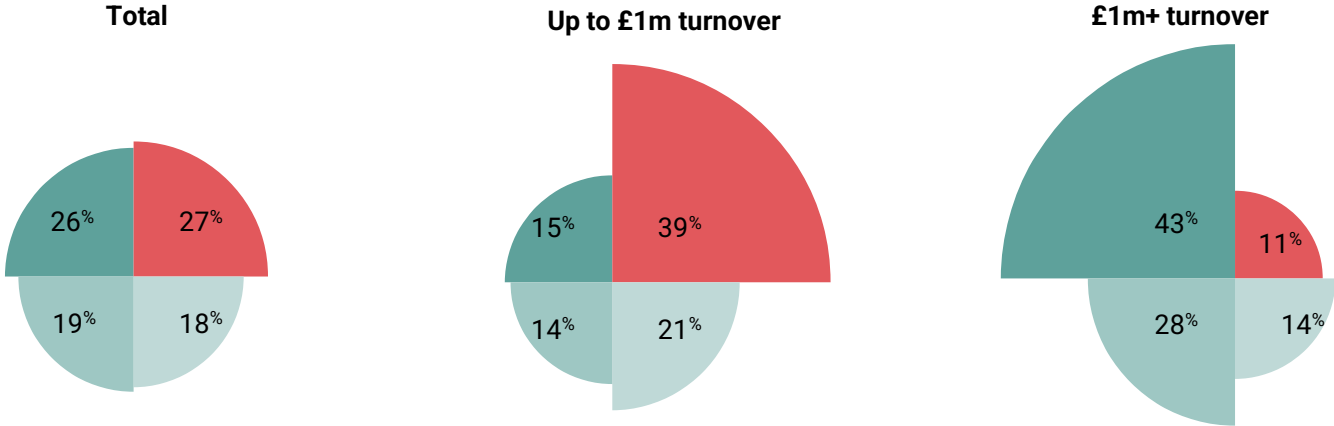
Whilst the majority don't have an ESG policy, most businesses have taken some action

A quarter of businesses (26%) have an ESG policy/commitment in place. Equally a quarter (27%) have no policy or commitment and no plans to introduce one. This is disappointingly similar to findings this time last year and a sign of the immense pressures businesses have been under this past year.

Larger business (£1m+ turnover) are far more likely to have a policy or commitment in comparison to their smaller business counterparts (43% vs 15%) and are far less likely to say they have no policy or commitment and no plans to introduce one (11% vs 39%).

Whether businesses have an ESG policy, or plan to *by business size*

- We **already have** an ESG policy / commitment in place
- We don't have an ESG policy / commitment, but have **plans to introduce one this year**
- We don't have an ESG policy / commitment, but **plan to introduce one in the future**
- We have **no plans** to introduce an ESG policy / commitment



Which of the following best describes your business' current response to issues of Environmental, Social, and Governance (ESG)?

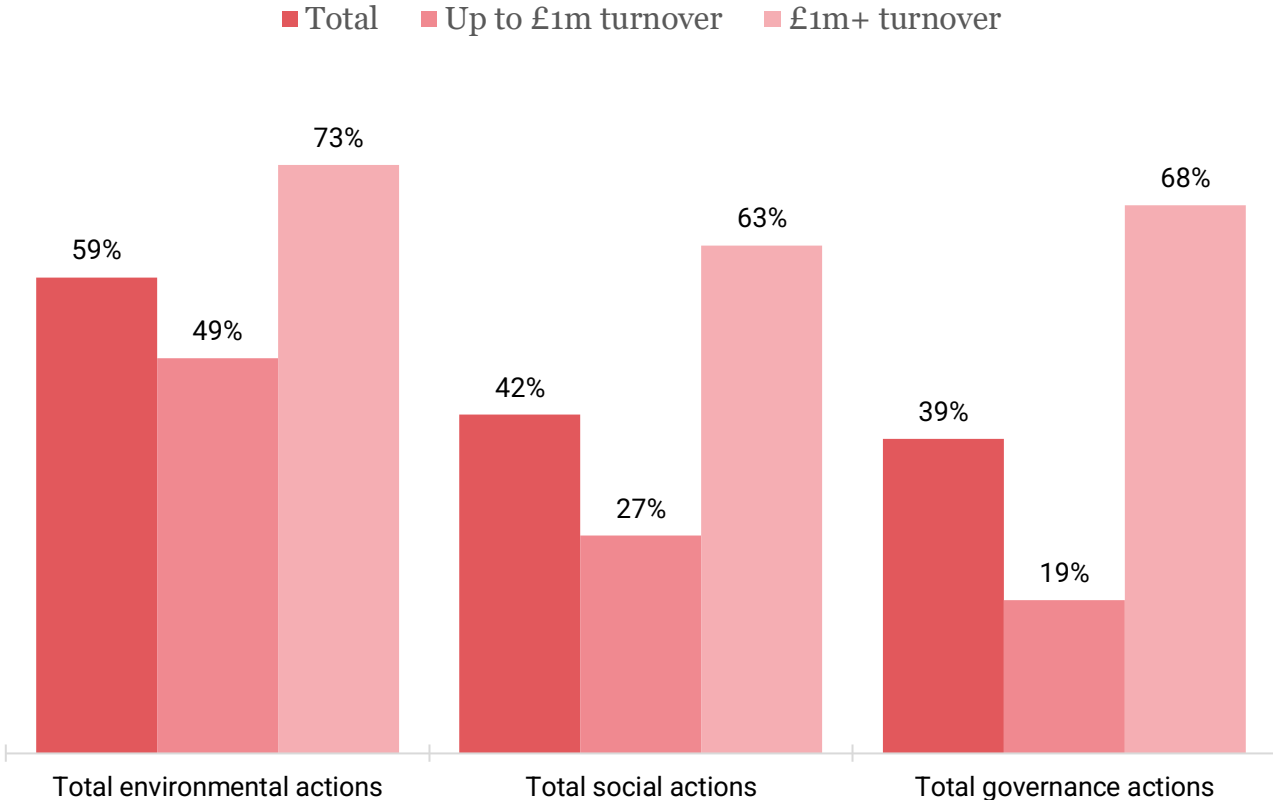
Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

But, that said, the majority of businesses have taken some action

More than half (59%) have undertaken some kind of environmental action, two fifths social (42%) and 39% a governance action. This is to be celebrated.

Again, we see that it is the larger businesses that are leading the march on tackling actions on ESG.

Action in the past 12 months *by business size*



Q. In the past 12 months, which of the following actions, if any, has your business taken regarding Environmental, Social & Governance (ESG)?

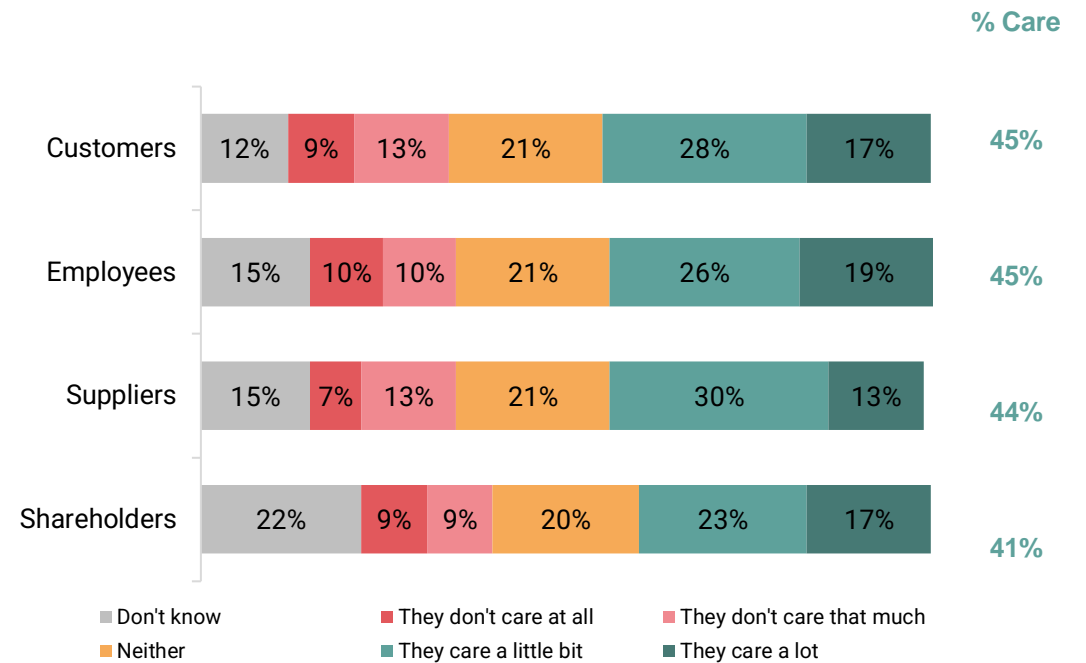
Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

So, whilst there is a will, the 'way' is mixed – will stakeholders be the catalysts?

It is clear that some businesses are taking action around ESG but with everything else businesses are dealing with, focus is limited, and progress is inconsistent.

Will it be stakeholder voice that pushes the agenda? Perhaps not yet. Businesses felt that only four in 10 of their stakeholders care about ESG.

Stakeholder attitude to ESG *by total market*



Q. To what extent do you think your stakeholders care about ESG?

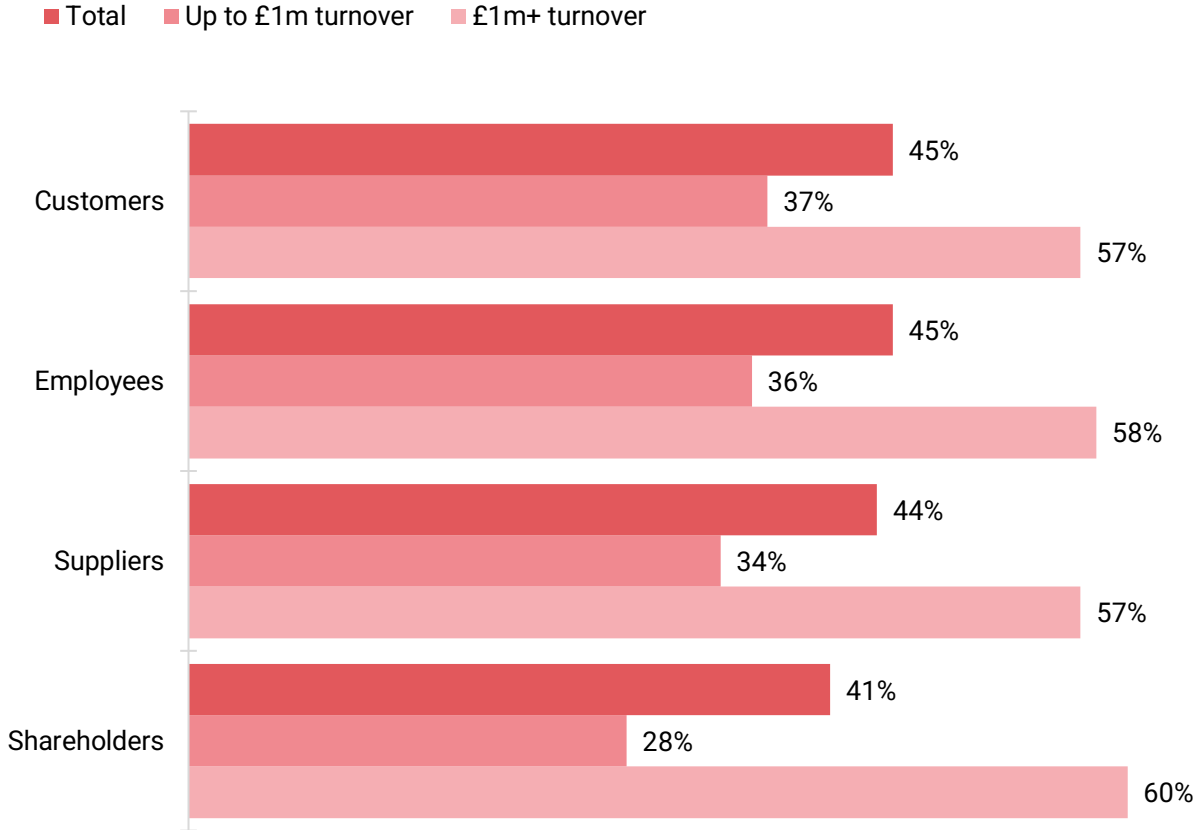
Base: All turnovers 1,009

If we look at larger businesses, we see a ray of hope

Here the majority feel that their stakeholders care about ESG at approximately 6 in 10 for suppliers (57%), employees (58%), customers (57%) and shareholders (60%). No doubt this will have been a driving force.

Given that smaller turnover businesses form the majority of the total UK business market, it is imperative that they see the benefit of ESG commitment.

Stakeholder attitude to ESG *by business size*
 % care a little / a lot



Q. To what extent do you think your stakeholders care about ESG?

Base: All turnovers (1,009), up to £1m (592), £1m+ (403)

What's next?

How do we accelerate the process, for the benefit of humankind? Businesses, particularly smaller businesses, need to see the business benefit as well as the human benefit of ESG if it is to become the priority it needs to be.

And yet there are so many ways that investing in ESG can reap rewards. Environmental policies can save business revenue by introducing more energy efficient processes and reducing waste. Social policies can forge links with local communities driving loyalty and support and governance policies can improve risk management and limit supply chain failure, to name but a few. Showing good and true ESG practices and commitment can help business attract and retain both loyal and good customers and employees.

What can we do? Stakeholders can make a difference. Our demand for better ESG will accelerate business demands for better ESG.

We are all customers and employees of businesses, some of us are suppliers and some shareholders.

We need to demand better.



“ As stakeholders, we can make a difference. We need to demand better.

Sources:

Savanta's Business Tracker survey amongst 1,009 UK businesses in March 2023 and 1,009 UK businesses in April 2022

Team



Stephen Palmer

EVP

Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board.

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Sue Lewis

Senior Director

Sue has over 30 years' market research experience, including six years' experience client side (in the healthcare sector at BUPA and in business banking at Barclays, where she was a senior market research manager). Before joining Barclays, Sue was previously an associate director at City Research. Sue has a BSc (Hons) degree in Sociology from the University of Southampton and is a certified member of the MRS (CMRS).

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Ben MacGregor

Director, Client Development

Ben has spent the last 25 years working in financial services, providing targeted support to some of the most recognisable global brands across banking, insurance, payments, wealth, and investment banking. Recently that has included support across the ESG journey – from strategies to reach Net Zero to corporate reputation work. Ben moved to Savanta at the end of 2021 to support the growth of the financial services business.

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Matthew Mann

Director

Matt has over 10 years of research experience in B2B and B2C industries. He has significant experience leading the delivery of brand tracking projects for a diverse range of clients. Alongside supporting brand tracking projects across the team, Matt also heads up Savanta's Business Essentials propositions and Savanta's Business Tracker survey.

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