

# ESG Pulse Report

A SHARPENED FOCUS

# What is the DFIN ESG Pulse Report?

To collect environmental, social and governance (ESG) perspectives, DFIN and Morning Consult collaborated on a study, which assessed ESG focus, change, responsibility, and collaboration across finance, HR, and marketing/communication, legal and sustainability professionals in the U.S. and U.K. markets.

## Who are the respondents?

This survey was conducted in October 2021 among a sample of 200 decision-makers at public and private companies. Half of the surveys were completed by decision-makers within the U.S. market, and the other half were completed by decision-makers in the U.K. market. The survey was conducted online and targeted toward employees with responsibility in one of these five areas:

- Finance
- Human Resources
- Marketing/Communication
- Legal
- Sustainability

## How should I use it?

To gauge the global ESG market outlook and plan your next move.

# Unlocking tomorrow's environmental, social & governance opportunities

Investments in the ESG market have gained significant traction in recent years among investors, and today, it's the talk of the town.

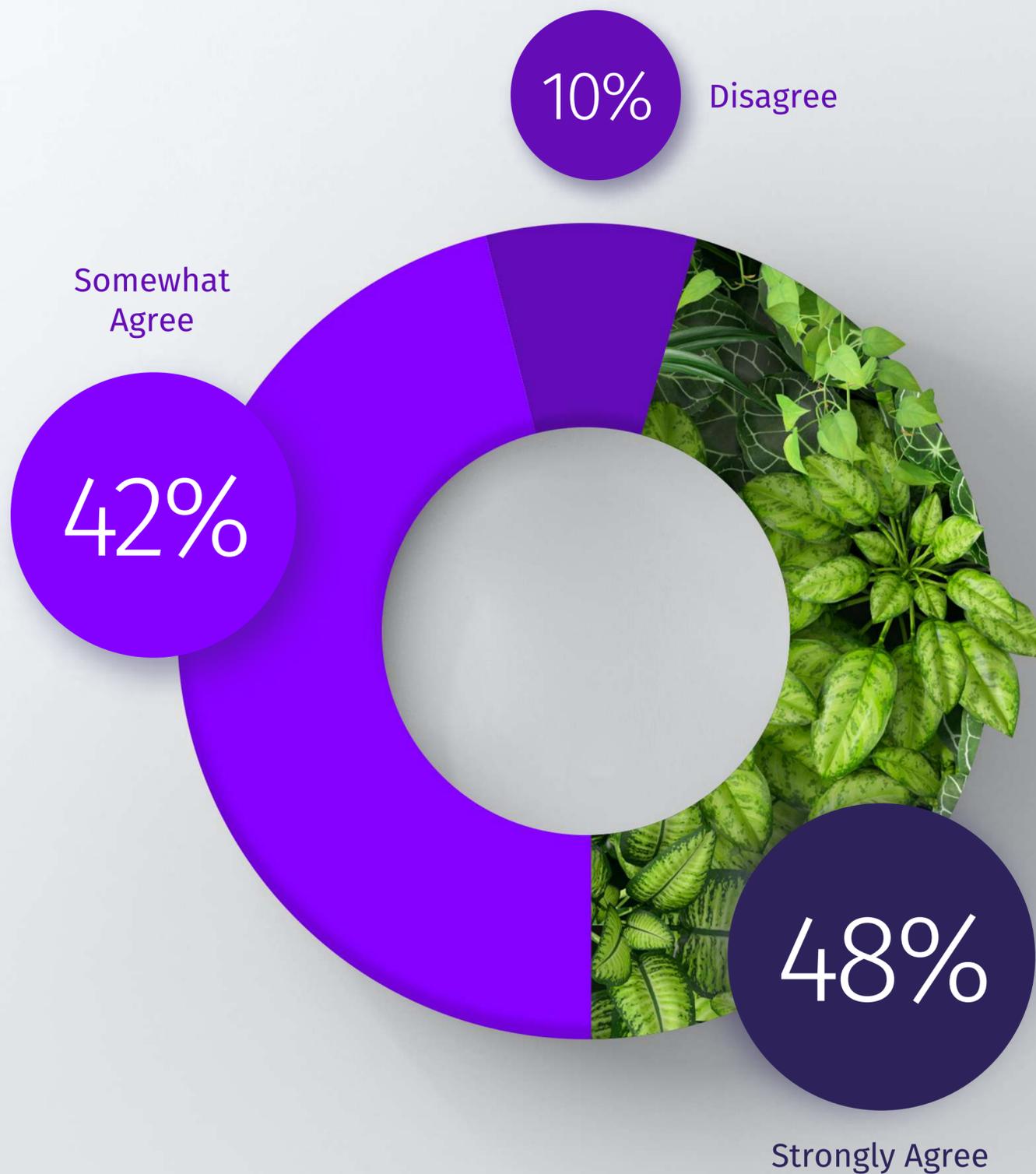
Business executives agree ESG programs are key components of long-term value and business resiliency. They expect to see an increase and improvement in ESG reporting as a means to drive better decision-making and transparency.

# About the study

To collect ESG perspectives, DFIN and Morning Consult collaborated on a study, which assessed ESG focus, change, responsibility, and collaboration across finance, HR, and marketing/communication professionals. To ensure we captured perspectives across a broad geographic range, we ran this survey across two markets: the United States (N = 100) and the United Kingdom (N = 100).

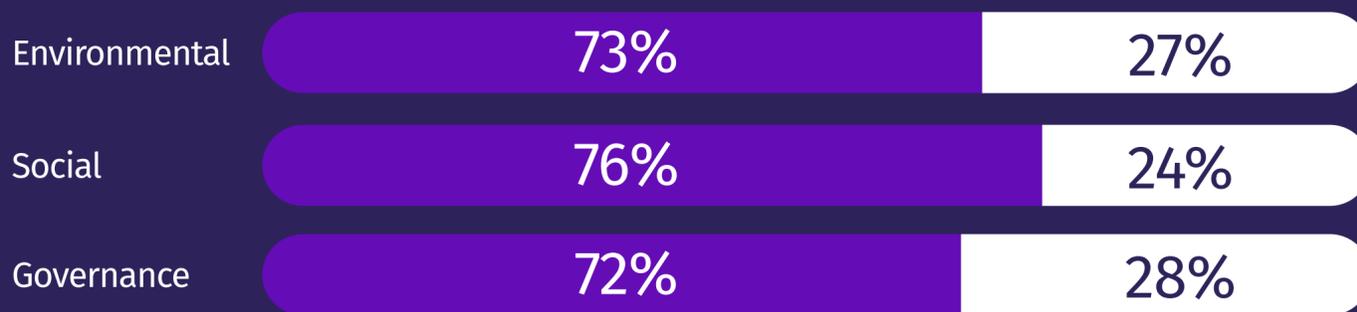
The results contained in this report summarize key findings from business professionals in both markets and highlight how companies have seen ESG evolve in recent times, where they see the space moving in the coming years, and how they think about third-party support in this domain.

90% of business executives agree that increasing investment in ESG can drive bottom-line value for the business.



Around **75%** of stakeholders say their ESG focus has increased significantly in the past 2 years, and an even greater proportion see it increasing further in the next 3 years.

To what extent has your company's focus on each of the following ESG areas increased in the past 2 years?



To what extent do you expect your company's focus on these areas to increase in the next 3 years?

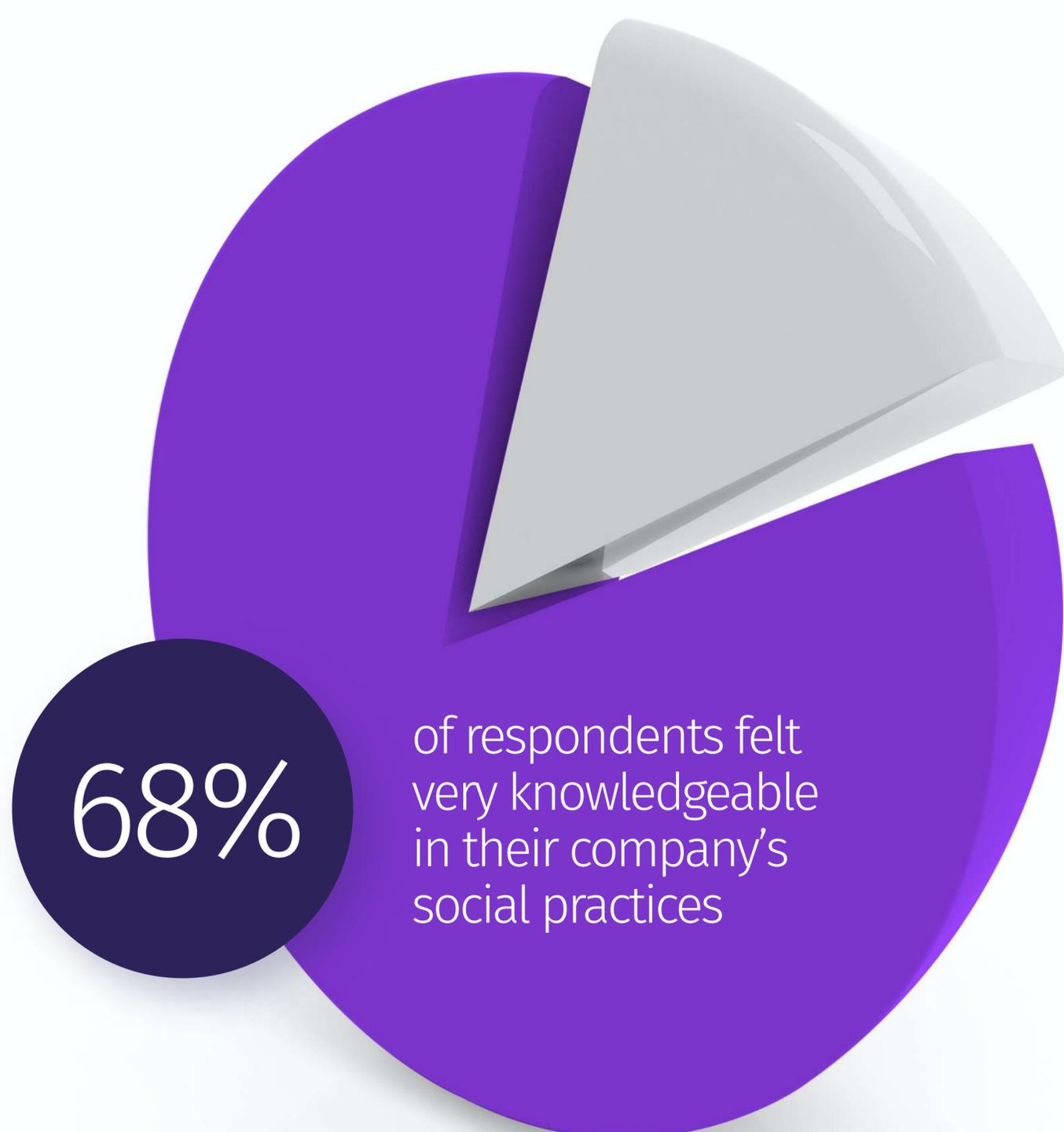


● Very Much ● Somewhat

(Top 2 Answers)

# Been there, doing that...

Business leaders ranked their knowledge of company social practices – inclusivity, gender and diversity, employee engagement, data protection, community relations, health and safety, human rights and labor standards – higher than all other initiatives, noting the importance of this functional area in today's environment.



Executives rate themselves as very knowledgeable in the ESG space, reflecting the business focus in this area in recent years.

69%

of executives label themselves as ESG experts.

77%

have aspirational feelings about their efforts and see themselves as leaders focused on optimization.

# ESG is nothing new.

Nearly two-thirds of business executives rate themselves as very knowledgeable about the below ESG topics:

ESG as an overall business concept



Specific ESG practices and policies within your company



Your company's environmental practices



Your company's social practices



Your company's governance practices



● Very Knowledgeable    ● Somewhat Knowledgeable

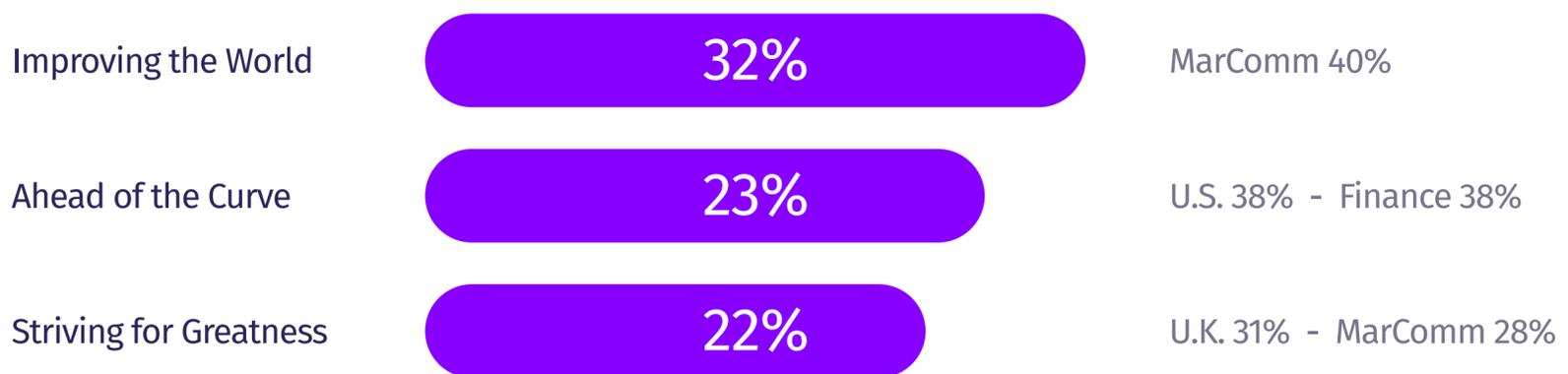
(Top 2 Answers)



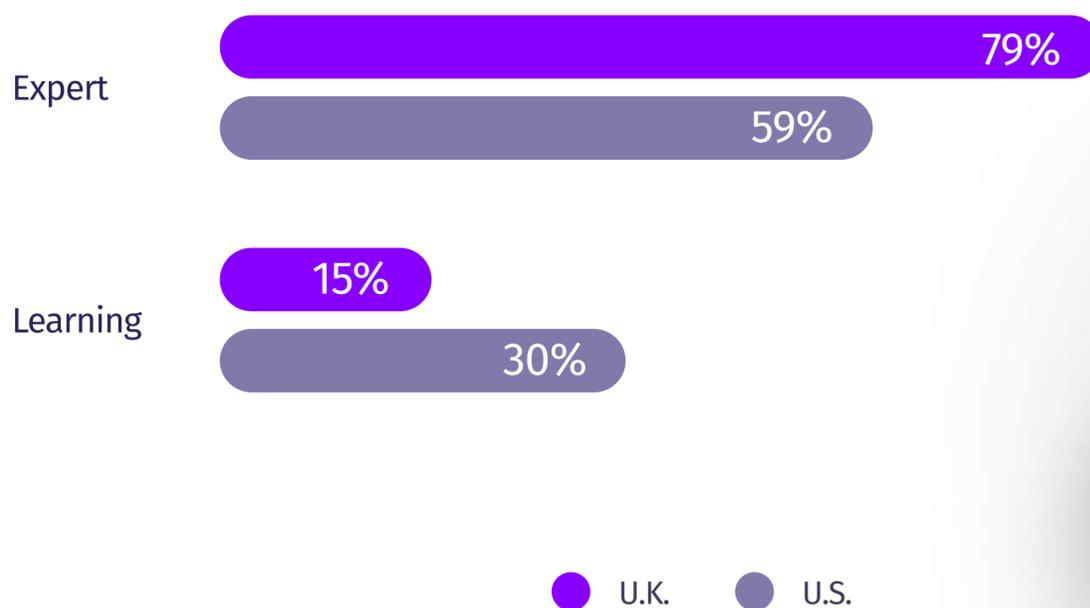
ESG may have gone mainstream in 2021, but for many business executives, it has been embedded within the fabric of their job responsibilities and organizations for quite some time. Most surveyed view themselves as ESG experts that are already “improving the world,” if not ahead of the curve with their efforts.

U.K. business executives feel very confident in their knowledge of the ESG space, while the U.S. respondents feel they are still learning the ropes.

If someone on the street asked you which of the following best describes your company’s ESG efforts, which would you be most likely to say?



If you had to use one word to describe your knowledge of the ESG space, what would it be?



ESG is seen as a widely important topic both within one's company and the larger industry, with around 95% rating it as at least somewhat important across all the following entities:

Peer companies within your industry



Your company specifically



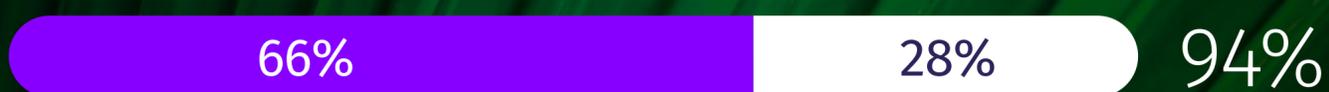
Leading companies outside your industry



Your specific department within your company



Your role within your larger department



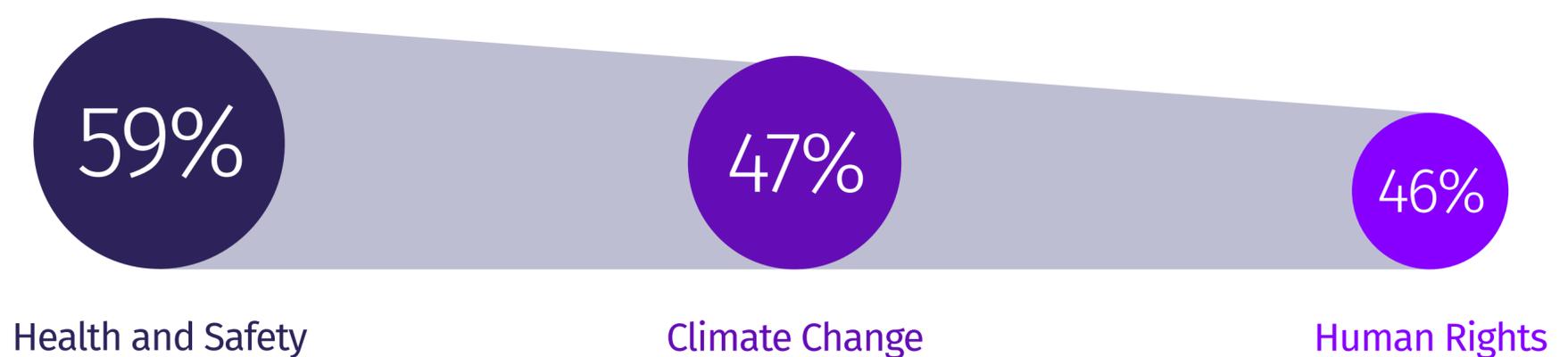
● Very Important      ● Somewhat Important

(Top 2 Answers)

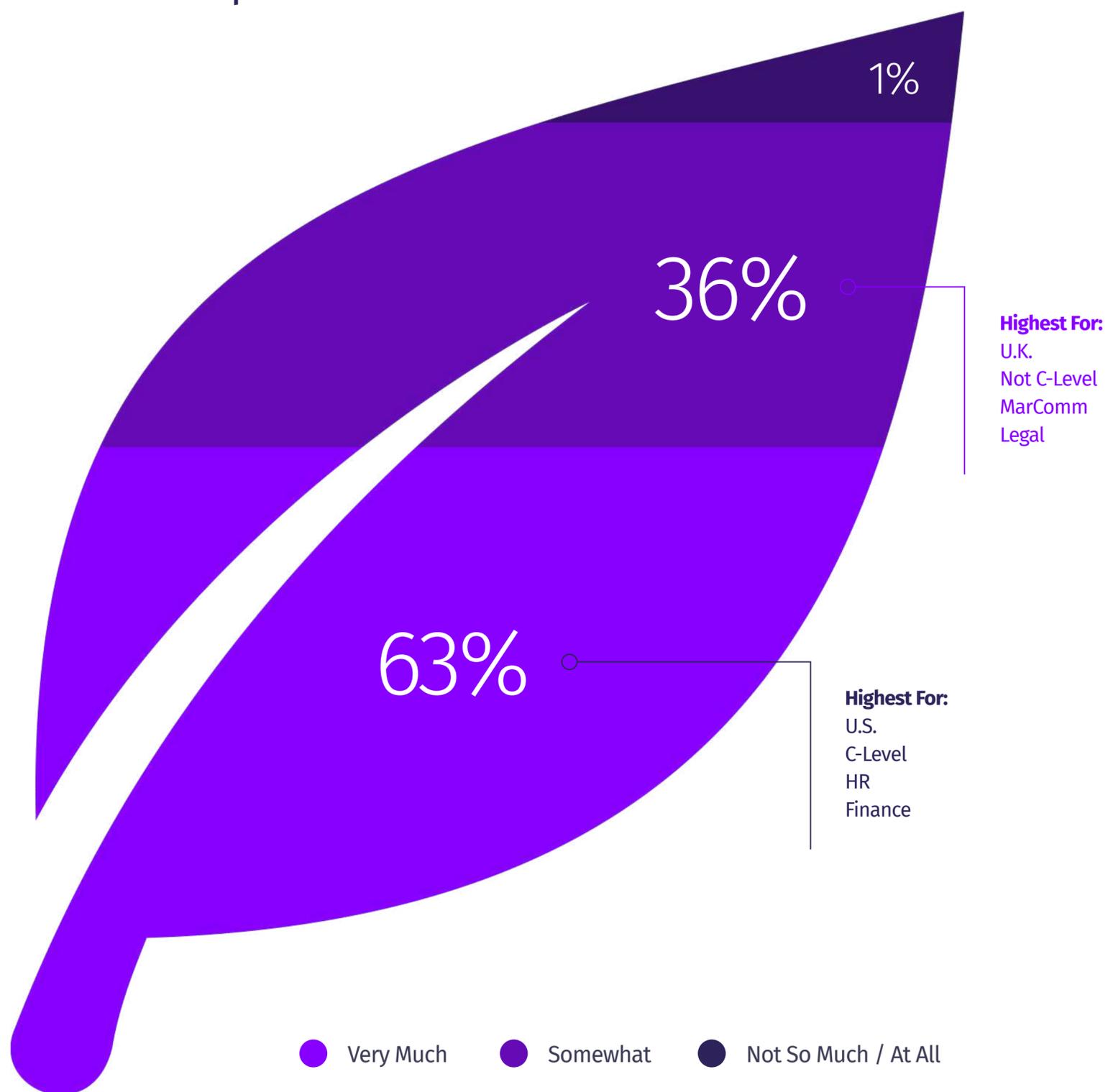
Respondents felt their organizations outperform competitors in *health and safety, climate change and human rights*.

Human rights was considered a stronger performance area than long-time corporate sustainability issues like energy efficiency and carbon emissions.

Energy efficiency is the likeliest environmental area to grow in priority over the next 3 years. Carbon emissions are also taking more precedence, as performance is clearly lacking.



About two-in-three ESG decision-makers pay heavy attention to ESG frameworks and ratings, with the remaining third paying at least some attention. More attention is paid among U.S. companies, higher-level stakeholders, HR and finance professionals.



# The spotlight is on social

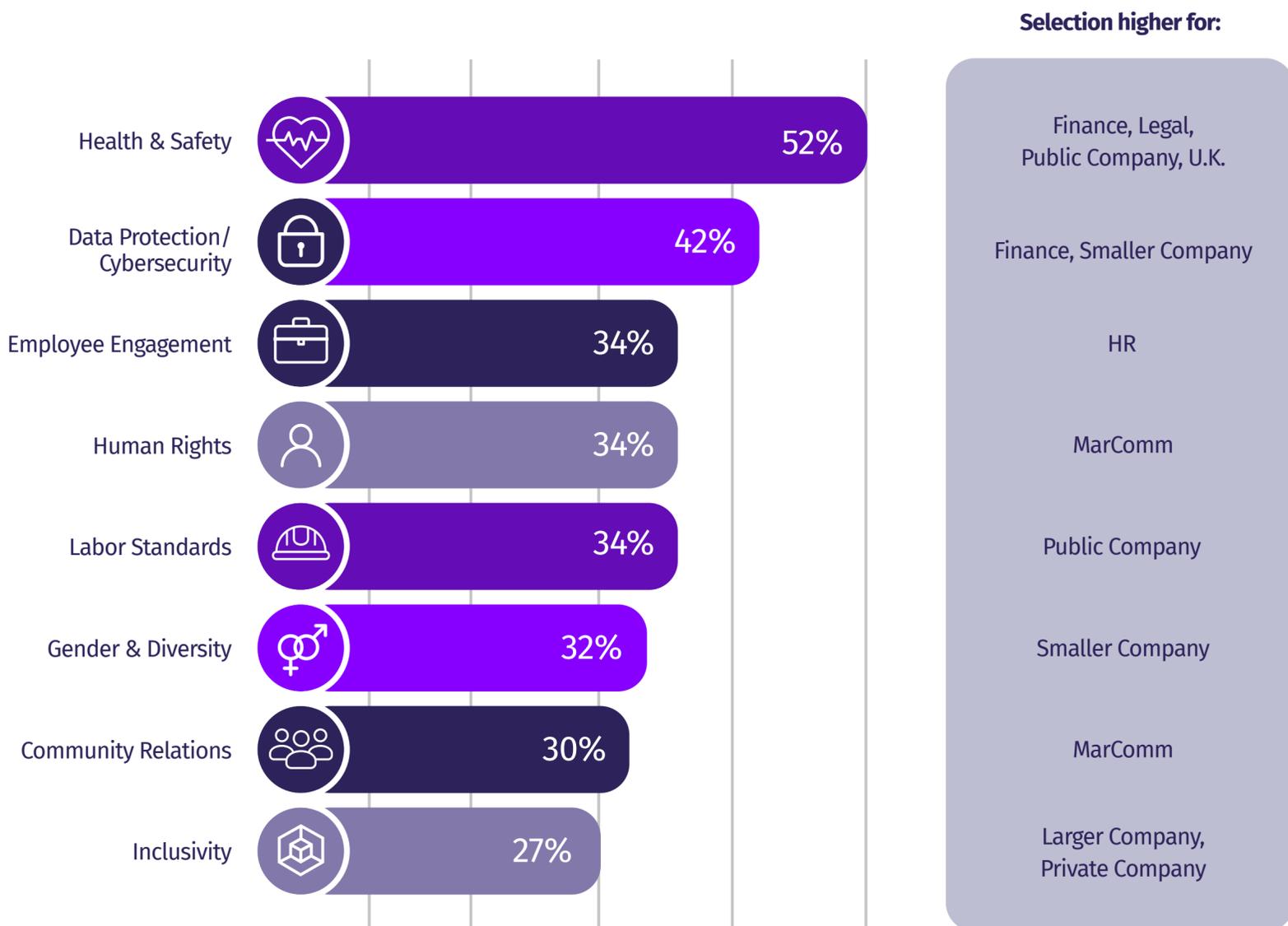
**Social practices** have been the top focus for companies in the past 2 years but will share the spotlight with governance in the next 3 years.

Overall, about 75% of ESG decision-makers state their company's ESG focus has **increased "very much"** in the past 2 years and even more see this focus increasing in the next 3 years.

The top five areas of **social-focused growth** in the next 3 years are health and safety, data protection/cybersecurity, employee engagement, human rights and labor standards.

The emphasis on social comes during a critical point in business operations, as leaders continue to navigate the COVID pandemic, personal information security, as well as various issues of social unrest.

Within which social areas do you expect your company's focus to increase the most in the next 3 years?

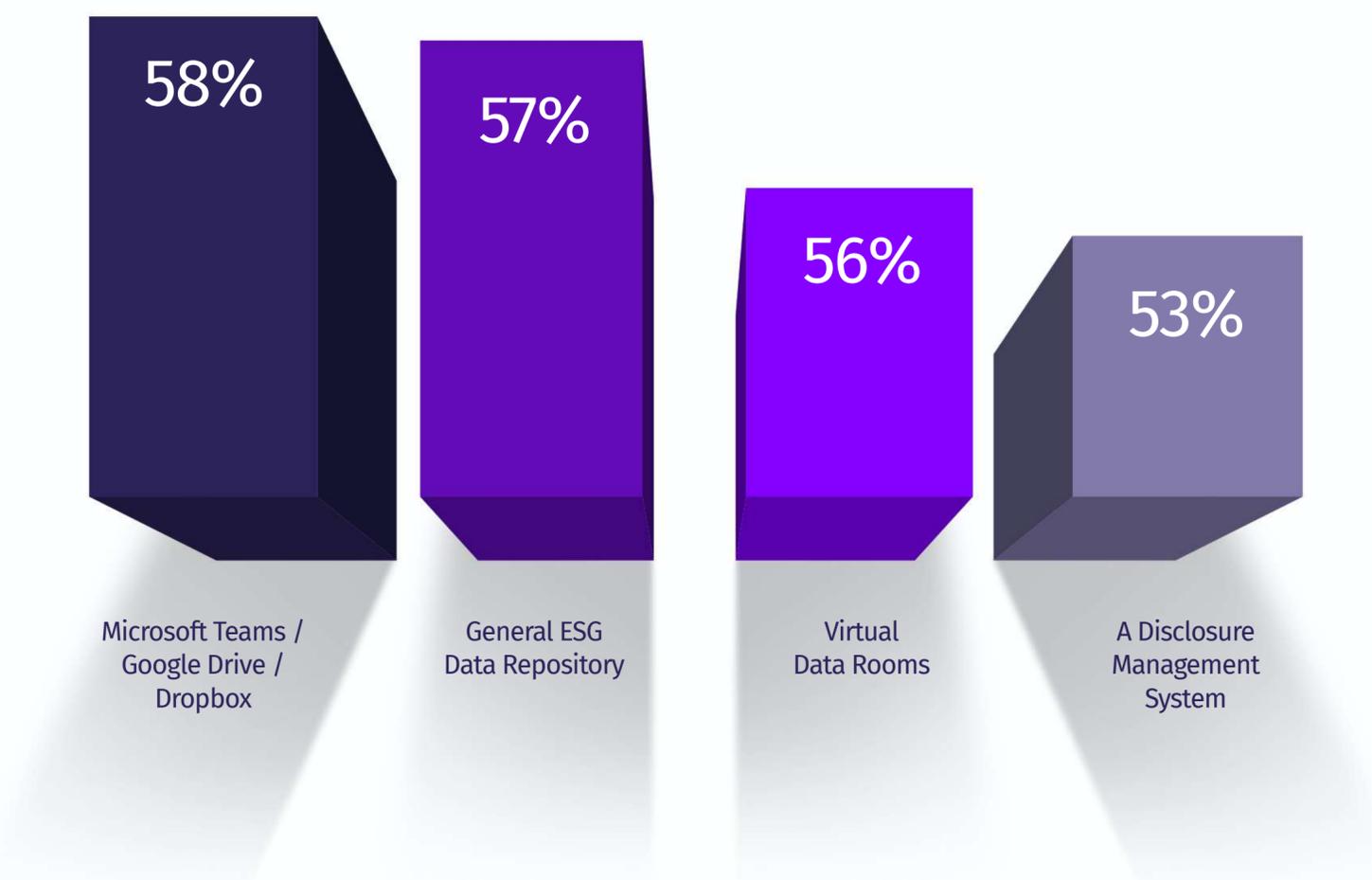


Despite confidence among business leaders, the ability to report on ESG successes remains suspect. For example, while over **80%** have a platform to house/share ESG information, the majority rely on basic file-sharing systems.

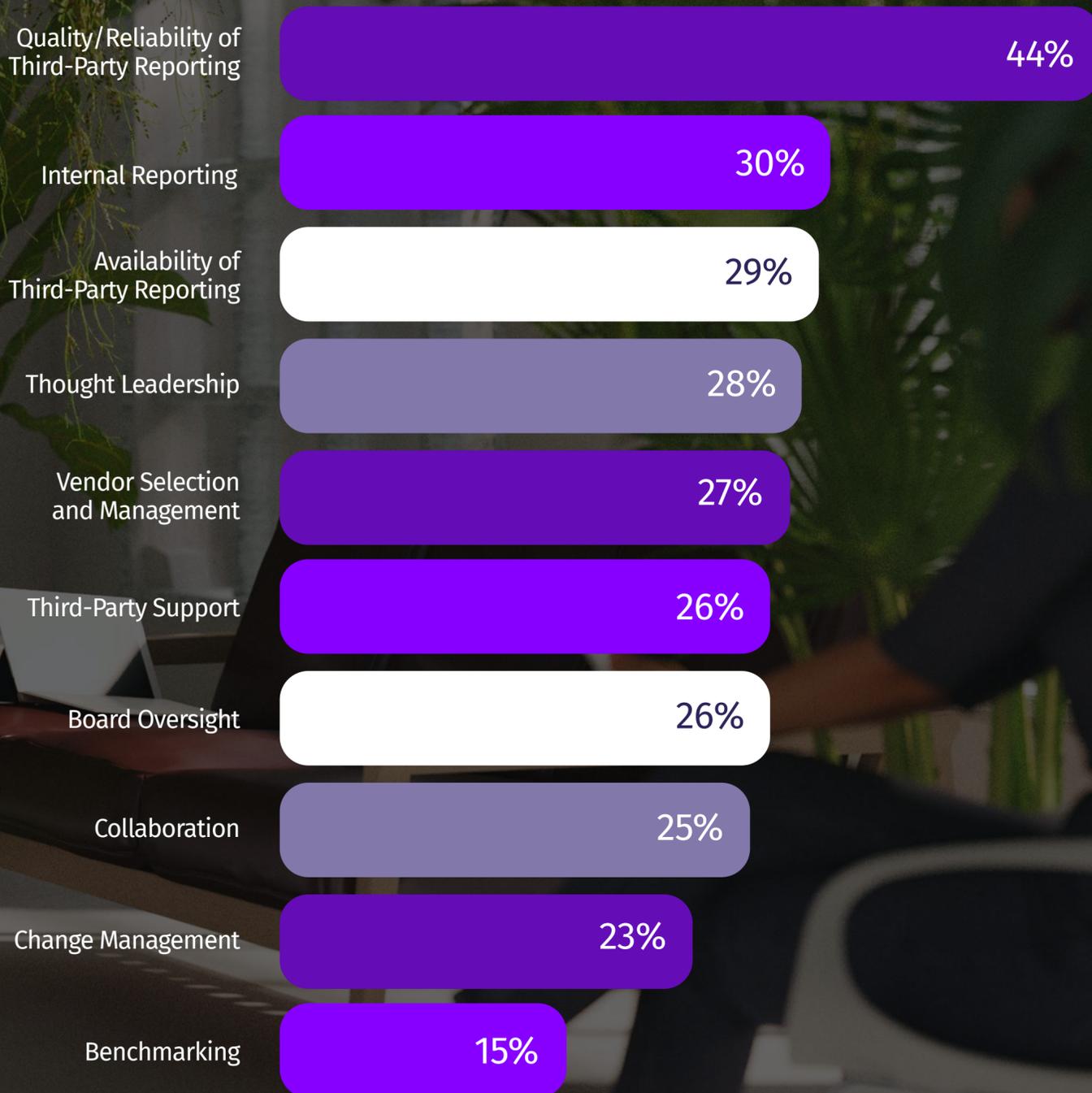
Do you currently have a platform to house and/or share information on ESG across groups?



Which of the following platforms are you using to house and/or share ESG information across your company?



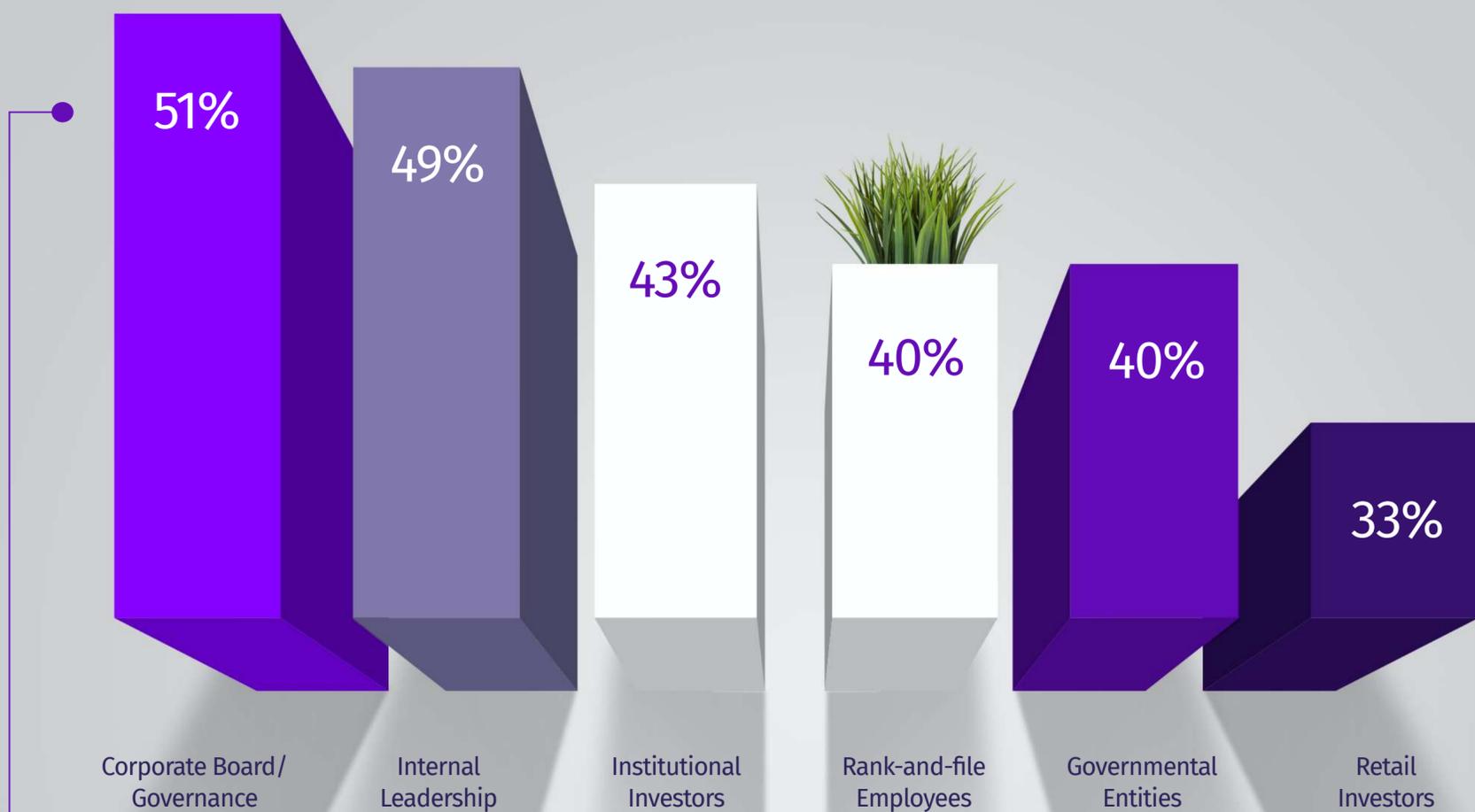
# Which of the following represent areas of difficulty for your company in its current ESG reporting efforts?



Average Number of Challenges Selected: 2.7

While corporate governance and internal leaders are pushing for more/better ESG reporting, 40% of respondents said “rank-and-file employees” are asking for this, too.

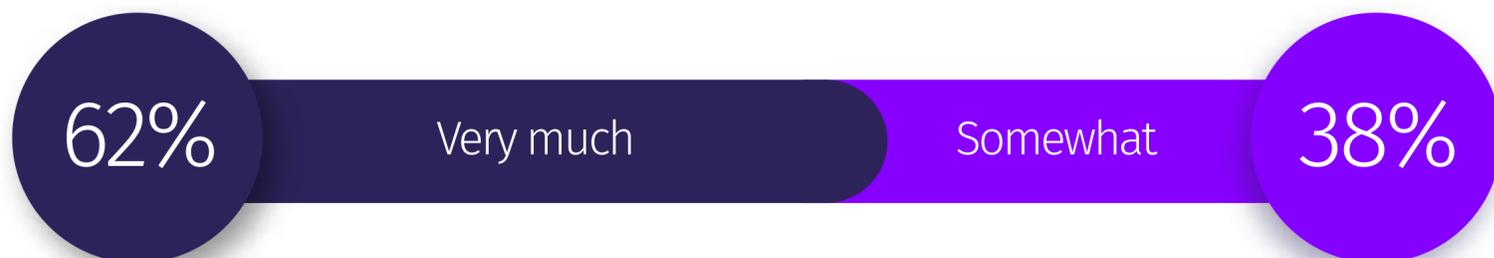
Which of the following entities are asking for more reporting about ESG from your company?



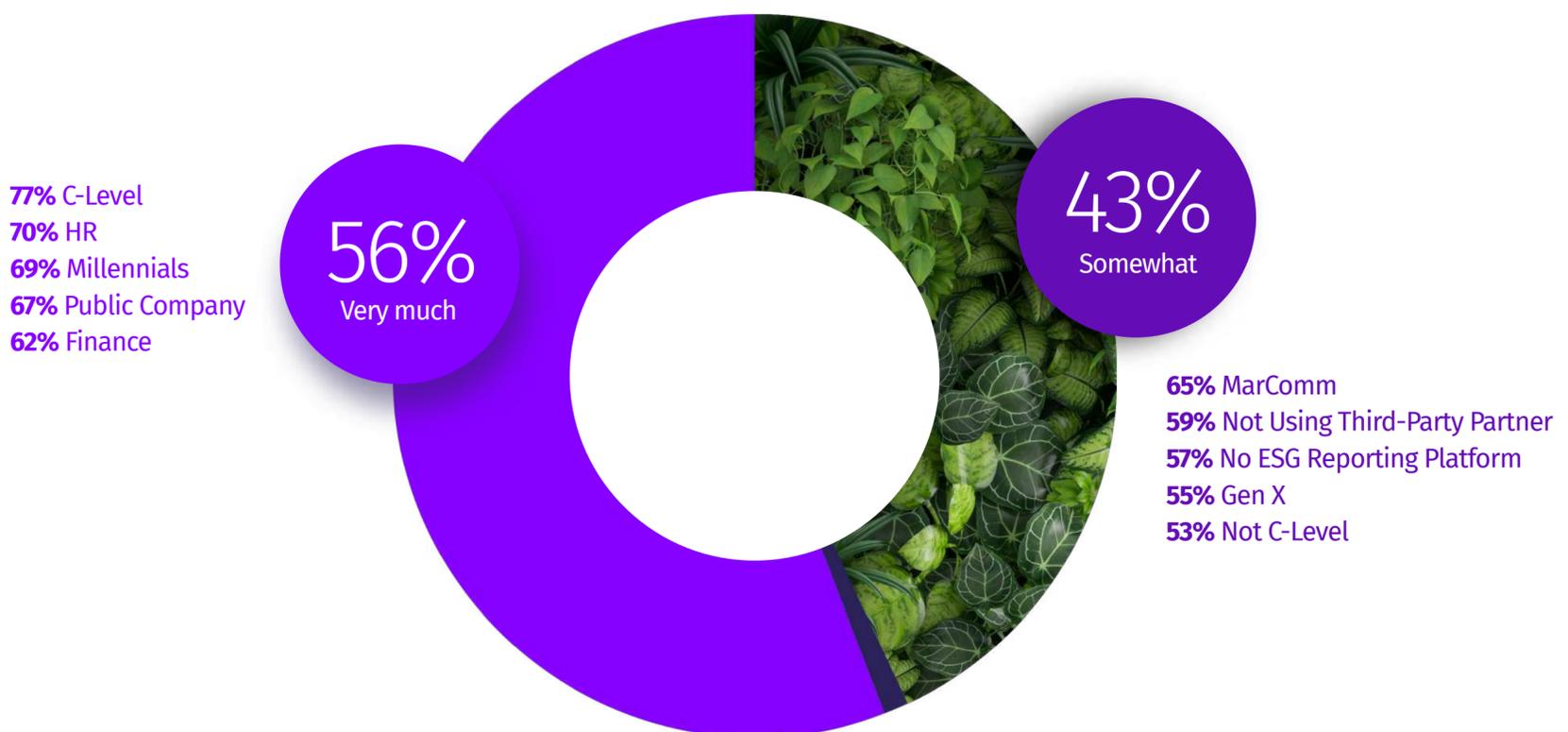
Stakeholders who select this option are overwhelmingly less likely to select “retail investors” as well, suggesting that companies with a firm internal mandate on ESG are less swayed by the whims of retail investors.

62% of decision-makers surveyed are very involved in ESG work at their company and 99% of decision-makers have gotten more involved in the past 2 years, with more than half (56%) saying their involvement has increased “very much.”

To what extent are you **personally involved** in ESG-related work at your company?

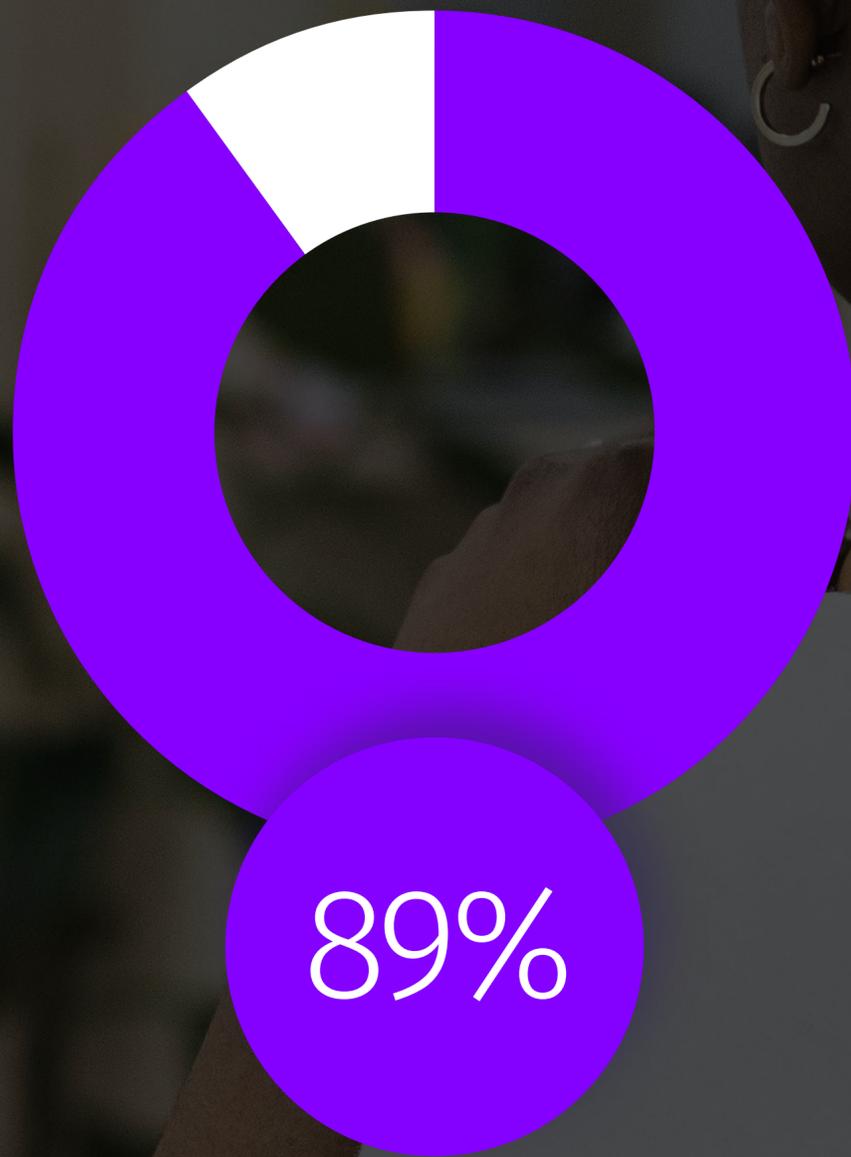


To what extent has your involvement in ESG-related work **increased in the past 2 years?**



ESG reporting requirements are complex and burdensome for our organizations.

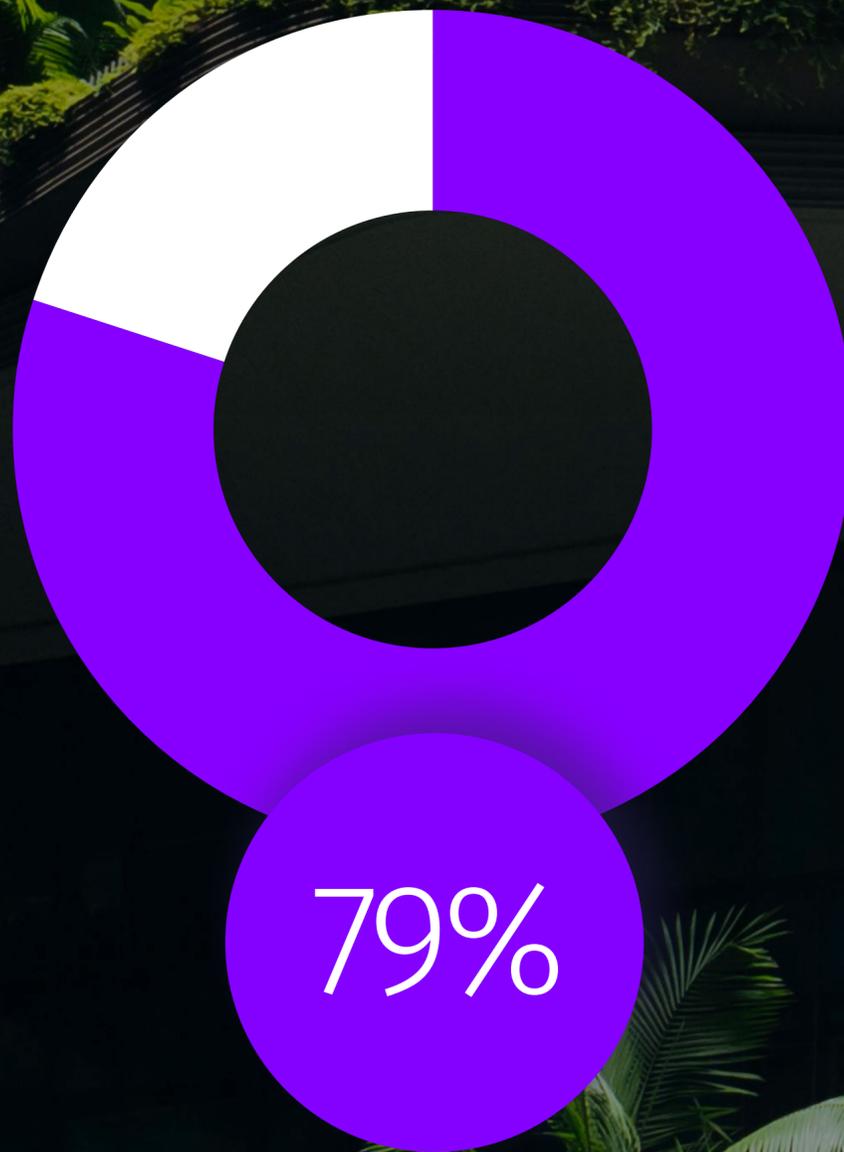
To what extent do you agree or disagree with the above statement?



of companies agree ESG reporting is **burdensome** for their organizations

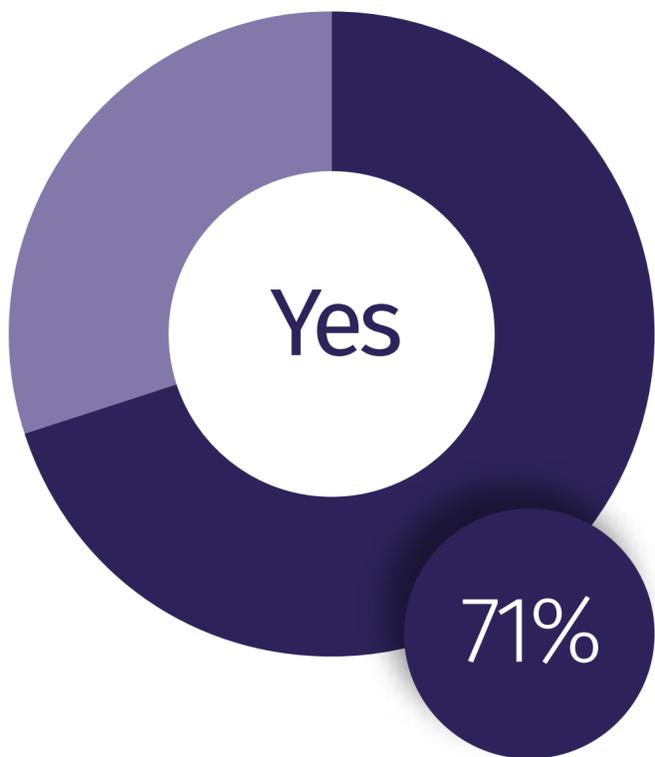
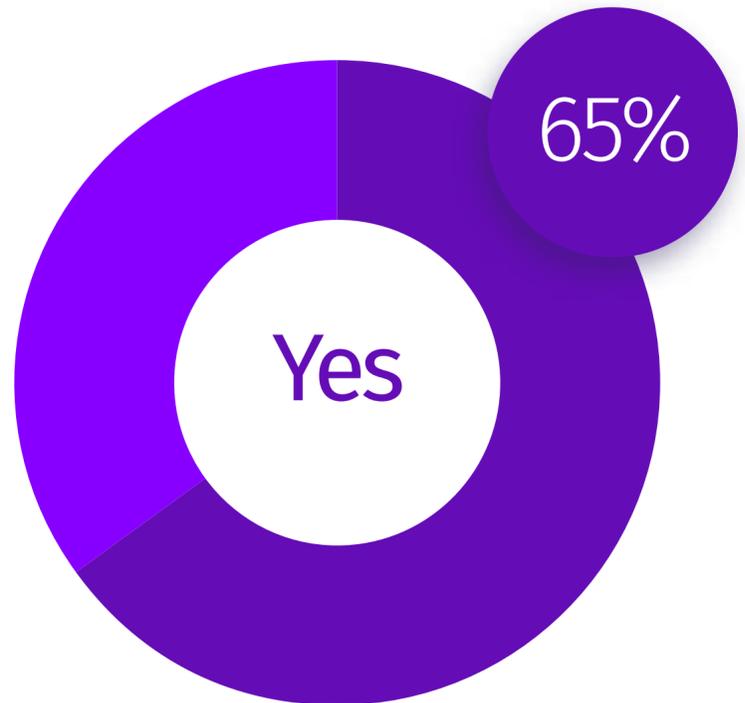
If the SEC were to change ESG reporting requirements in the future, our company would be unprepared to handle the changes.

To what extent do you agree or disagree with the above statement?



are **potentially unprepared** for the reporting requirements change from entities like the SEC in the future.

65% responded “yes” when asked if their companies had plans for financial reporting teams to provide greater **oversight** and support for ESG.

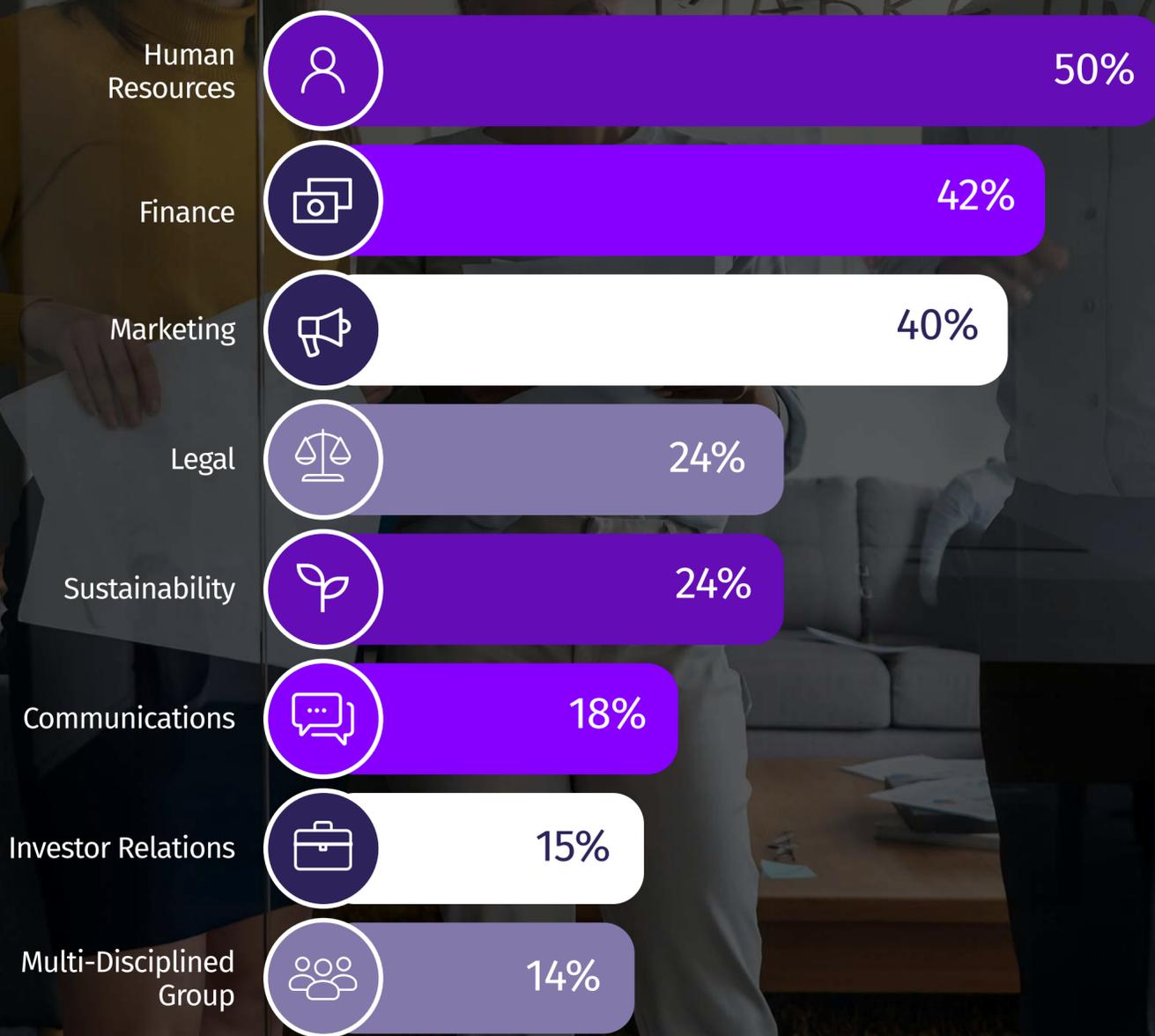


71% responded “yes” when asked if there were plans to add **disclosure** controls on ESG data.



# HR, finance, and marketing are the teams most involved in ESG initiatives.

From the list below, please select all departments at your company who are — to your knowledge — actively involved in ESG work.



While the top departments may be more likely to be involved in ESG work, the survey sample is focused entirely on these groups overall. As such, there is a bias in the extent of involvement from the top 3 categories in this chart.

Average Number of Groups Selected: 2.3

# Primary oversight of ESG reporting belongs to HR and marketing.

To the best of your knowledge, which department at your company is **primarily overseeing** ESG reporting and tracking?



# Most stakeholders see enhanced ESG reporting as a 'means' to drive better decision-making and transparency in annual reporting.

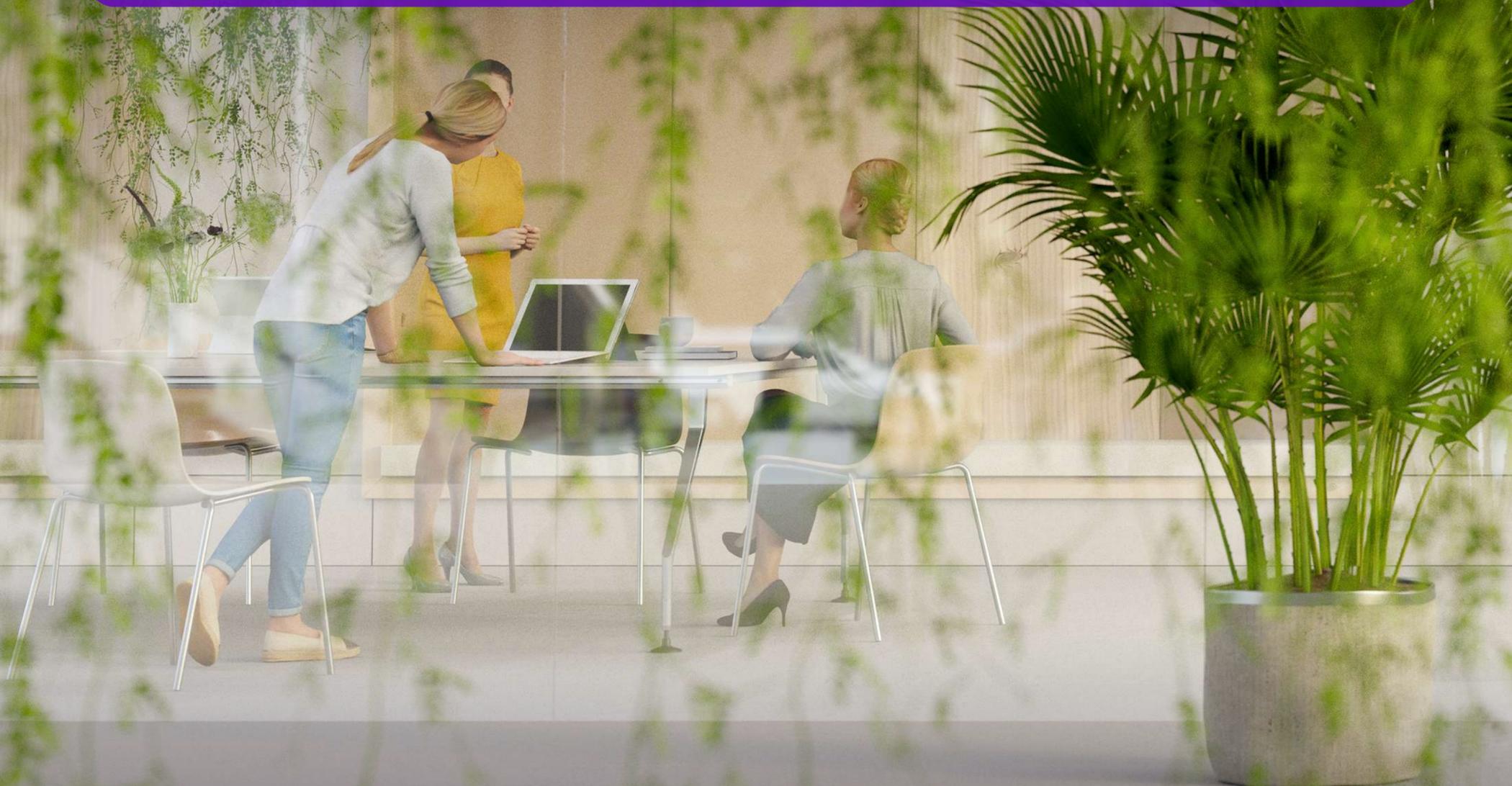
To your knowledge, what are some reasons these entities are asking for more ESG reporting from your company?



Average Number of Reasons Selected: 2.7

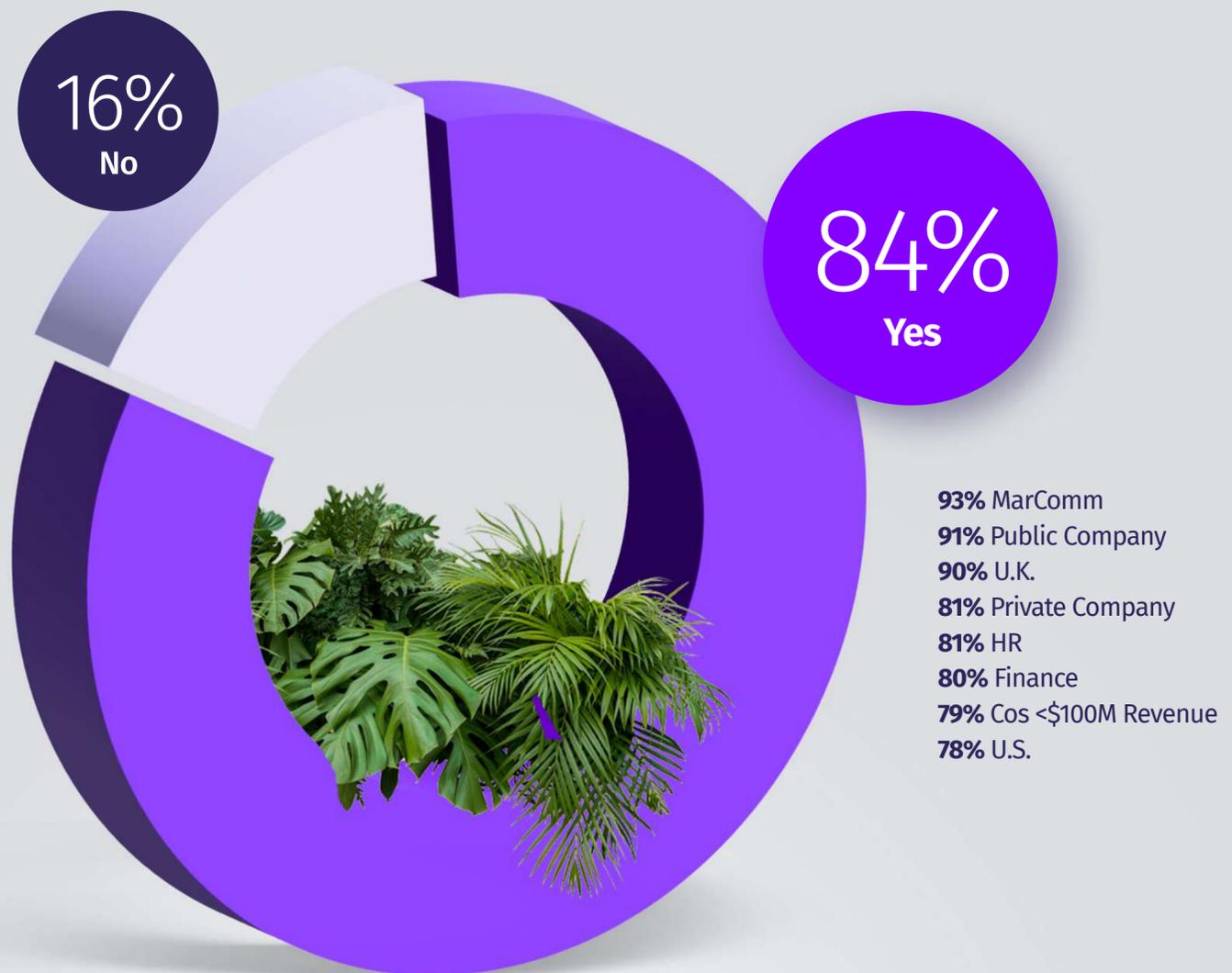
Over **80%** of ESG decision-makers partner with third-party firms in the ESG domain, and 100% find those partnerships helpful in driving organizational priorities.

Collaboration is ubiquitous in the ESG domain as at least 93% collaborate with other company departments on ESG-related work.



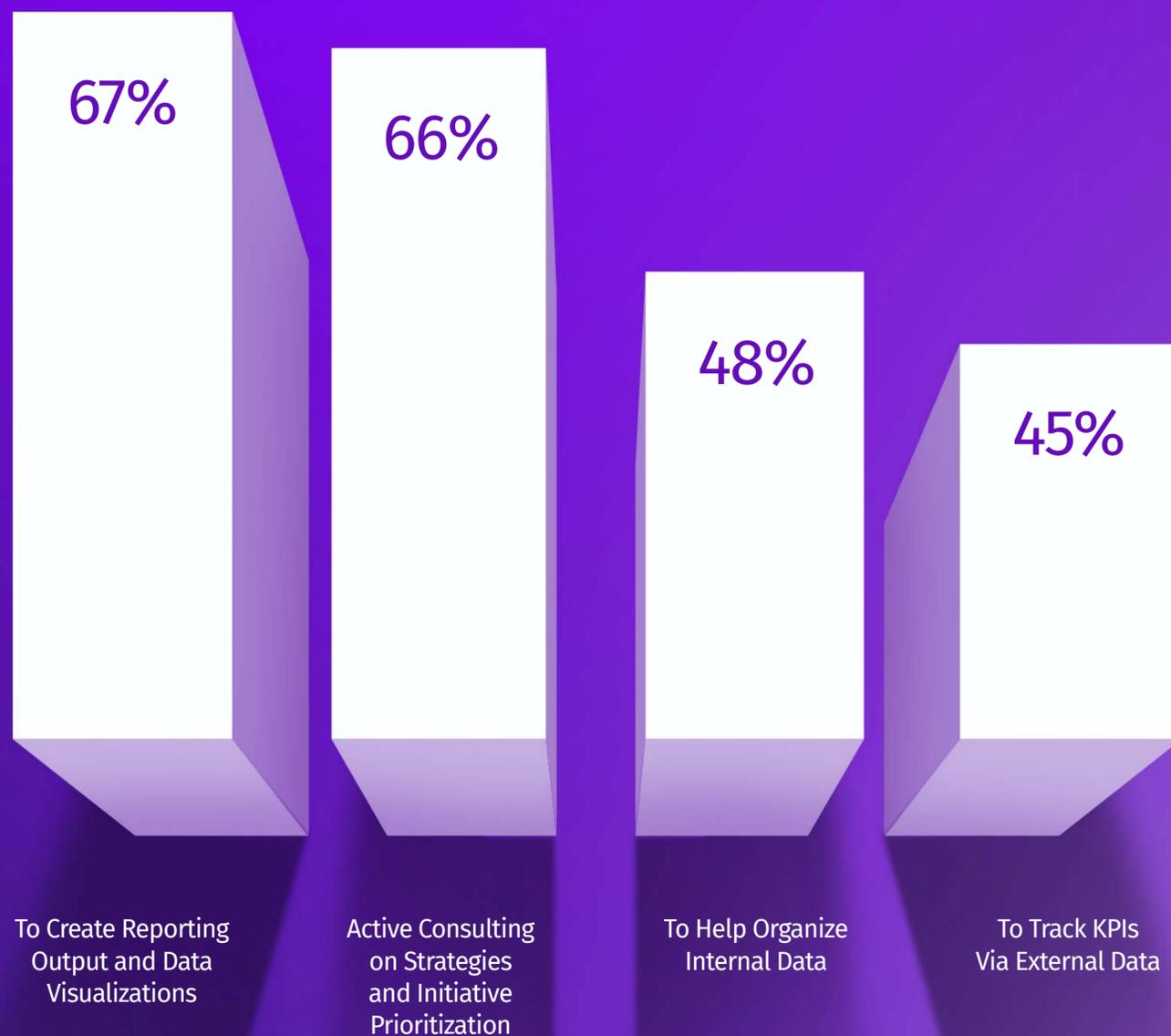
# Organizations are recognizing that outside support is needed to drive ESG initiatives.

Are you using any third-party companies to support data collection and/or reporting efforts in the ESG space?



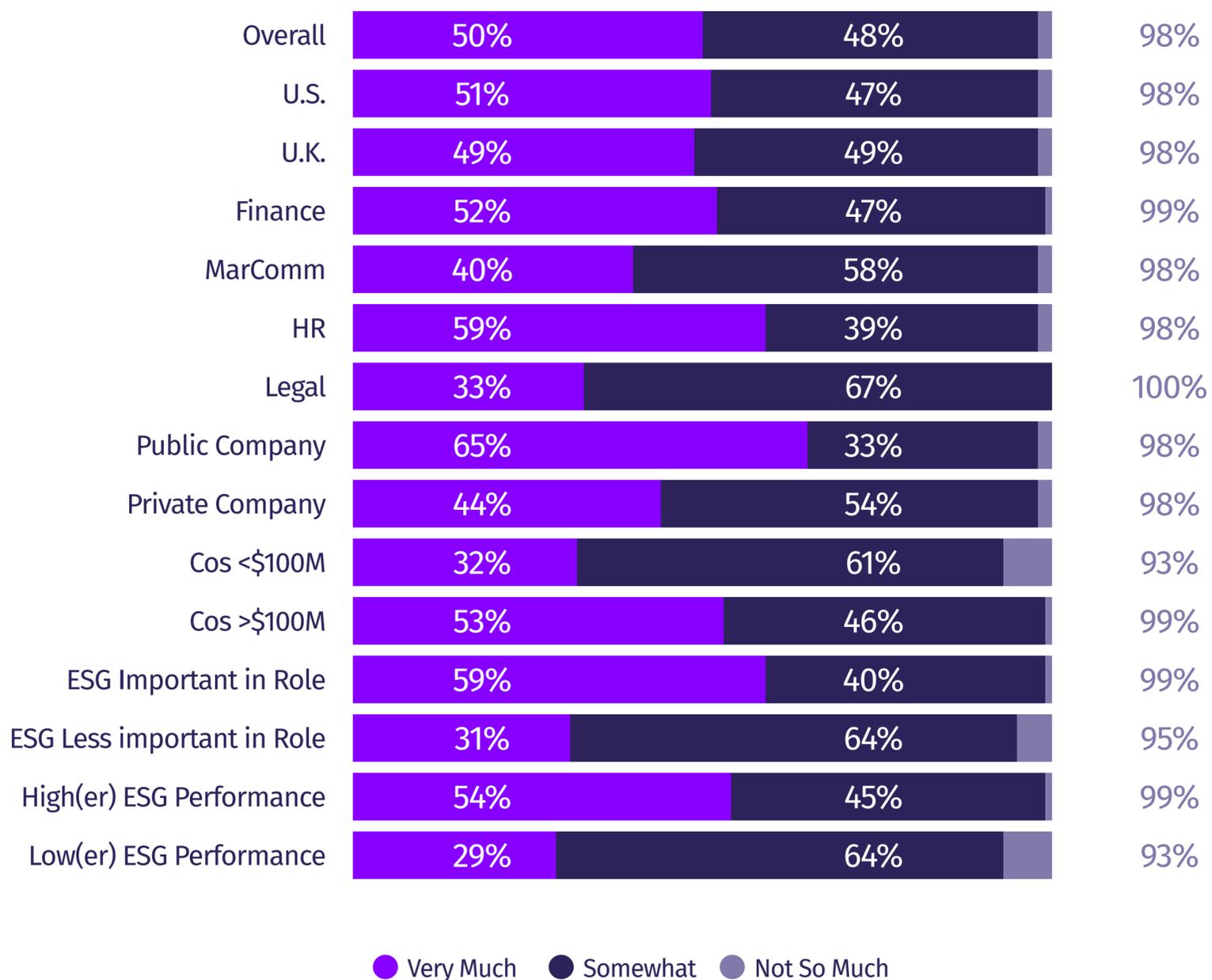
# Reporting is one of the key reasons that business leaders are looking to third-party organizations for support.

Which of the following best describes how you're partnering with third-party companies in the ESG space?



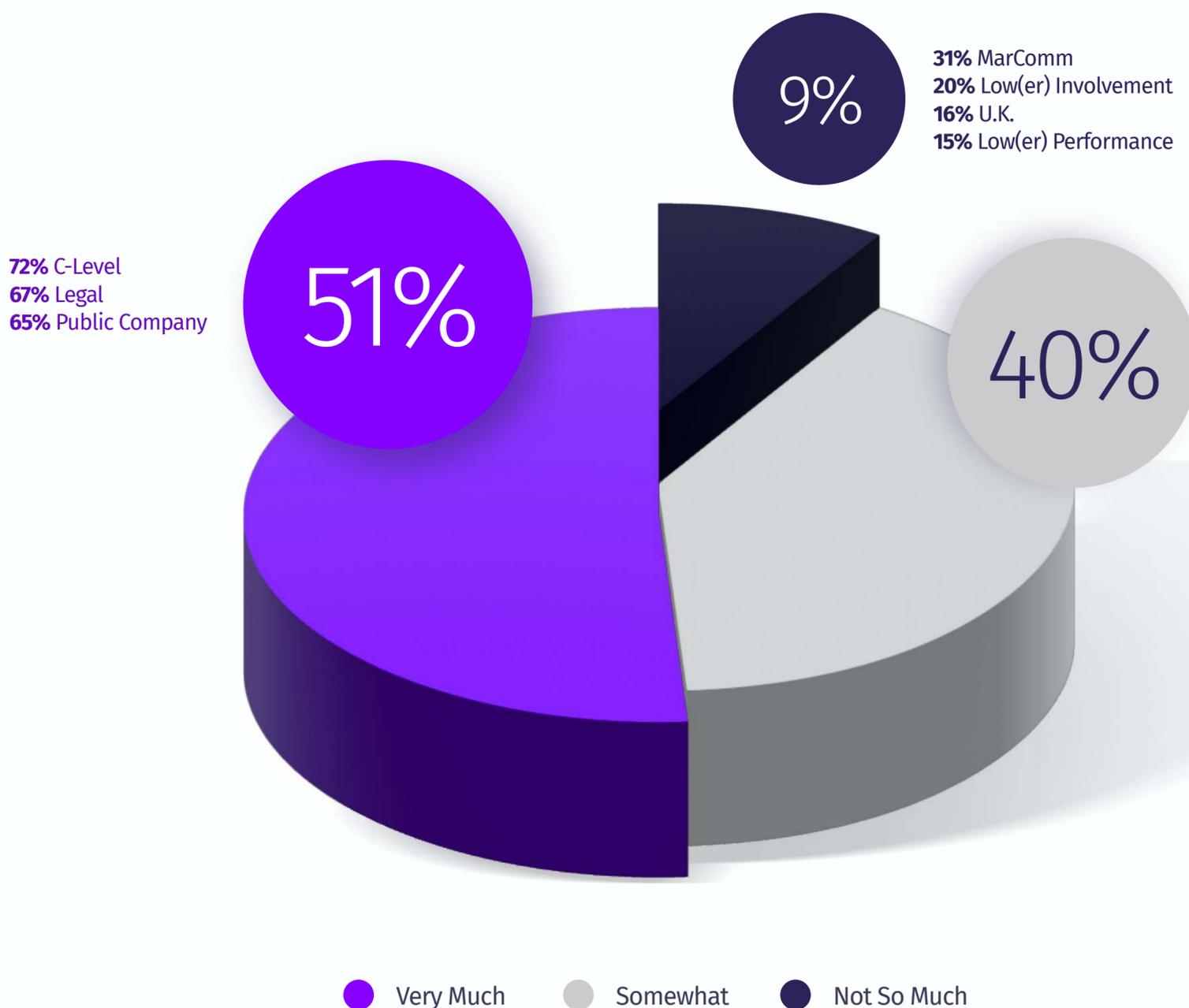
Collaboration is critical to ESG successes, with over **92%** of respondents denoting its importance. Chief among these proponents are HR, public companies, larger firms, and higher-performing ESG groups.

To what extent are you collaborating with other company departments on ESG-related work?



# Despite the call for collaboration, over half of the respondents identified challenges in doing so.

To what extent are you experiencing challenges when it comes to collaborating on ESG initiatives?  
Among 98% who are collaborating on ESG:



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