

SEC NEWGATE

Global ESG Monitor

What the community expects from corporates on ESG

GERMANY REPORT

2023 RESEARCH FINDINGS

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Part 1.

Foreword





Foreword

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

As public awareness and interest in ESG issues continues to grow, companies are increasingly concerned that their ESG initiatives are seen as insincere, labeled as 'greenwashing' or attempts to ride the 'wokeness' wave.

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.

Compared to the global total, there is a strong sense of pessimism among the German population: **65% of Germans believe that the country is generally heading into the wrong direction.** In this climate, it is crucial for companies to demonstrate genuine corporate citizenship and authenticity in their ESG efforts.

ESG actions are often based on gut feelings and intuition, leaving corporates vulnerable to public scrutiny and unable to authentically communicate their impact. 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.

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

Dr. Isabelle Zirden, GM

GENERAL MANAGER, SEC NEWGATE GERMANY

Part 2.

Background & methodology



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.

1,005

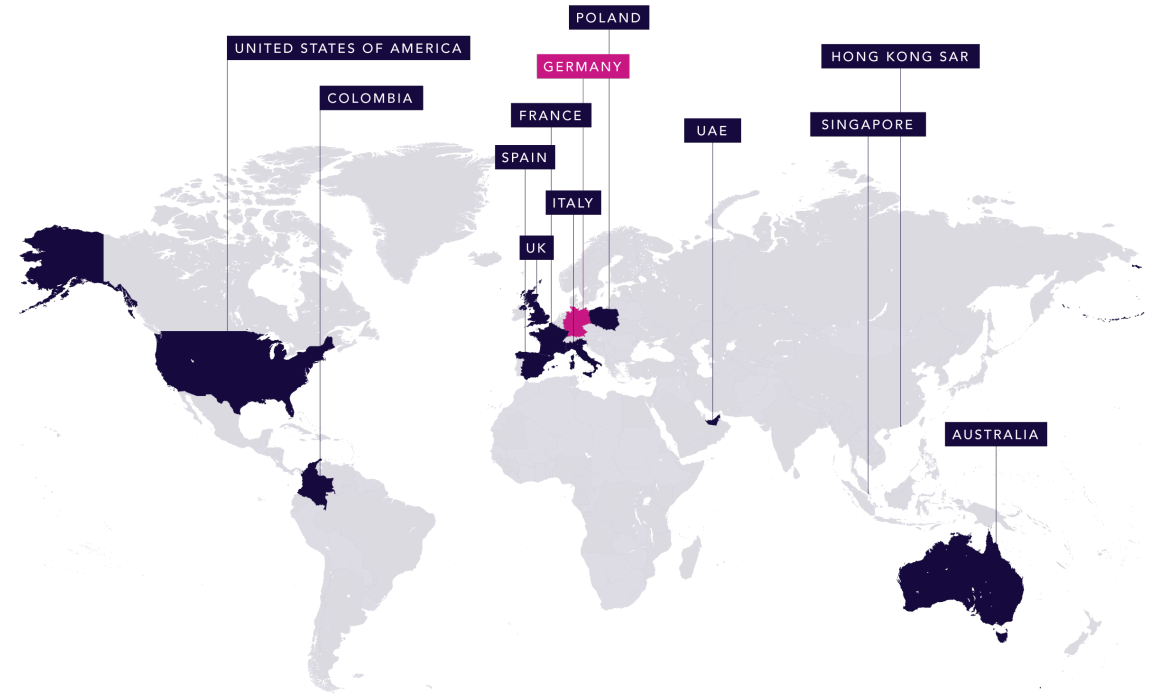
Sample of **n=1,005** from **Germany**

12,080



Sample of **n=12,080** across **12 countries and territories**.

This research is part of a global study, and this report presents the findings from Germany. 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.

Quotas were set by age, gender and location to ensure a nationally representative sample of citizens aged 18+, and the final results were weighted by the actual age and gender proportions within each country or territory. For the 'total' results, each country is given equal weighting.



Other methodological notes to keep in mind

1. Survey questions and sample sizes are shown at the bottom of each page. Unless otherwise specified, questions were asked of all participants.
2. Results may not always total 100% due to rounding or questions allowing multiple-responses.
3. Where possible, results are compared to the 2022 and 2021 survey results for each country as well as the 'global total' i.e. for all 12 countries and territories included in the 2022 and 2021 studies.
4. Down  and up  arrows show where results are statistically significantly lower / higher than the previous year (95% confidence level).

Part 3.

Summary of key insights



Summary of key insights

In 2023, community expectations for organisations' action on ESG in Germany are strengthening, suggesting genuine action on this front is no longer up for debate. A primary focus on economic contributions is no longer enough to meet expectations.

- **People are increasingly engaged with ESG issues.** Results show that interest in ESG issues has risen sharply in Germany, with 54% rating their interest at 7 or more out of 10 (up 9% since last year).
- **The community wants corporates to take action on ESG issues.** In 2023 69% agreed it was important for corporates to take action on ESG issues.
- **There appears to be less action by corporates in Germany than in other parts of the world over the year. Compared to the global total, German employees are more disappointed by their employers.** Overall ESG ratings of companies, not for profit organisations and various industries have remained consistent, but ratings of the national government have significantly dropped over the last year. Of note is that those in Germany gave comparatively lower ratings than the global total. In addition, German employees are more disappointed by their employers than in other countries.
- **These findings come against a backdrop of pessimism and ongoing concerns about the cost of living.** Two thirds of people in Germany believe that their country is heading in the wrong direction (65%) and this has risen slightly since 2022 (62%). When asked to select the top three issues for their country's future, the main priorities remained addressing the rising cost of living (37%), ensuring quality affordable healthcare (24%) and securing affordable food supplies - although concern over this measure decreased this year (32% in 2022).
- **Companies in Germany score highest in the "G" of "ESG": Ratings of "Governance" actions have risen sharply compared to last year.** Ensuring fair pay and good conditions, ensuring appropriate safeguard to prevent privacy breaches and paying their fair share of taxes are the ESG aspects which grew significantly in perceived performance year on year.
- **The Great Disconnect continues.** Last year our research revealed 'The Great Disconnect' occurring in communications around ESG issues and this continues. There remain several challenges here. Firstly, the community wants companies to communicate their ESG efforts more clearly but most are not actively searching for this information. Secondly, trust remains a massive issue in ESG communications and this makes it difficult for companies to get cut-through.

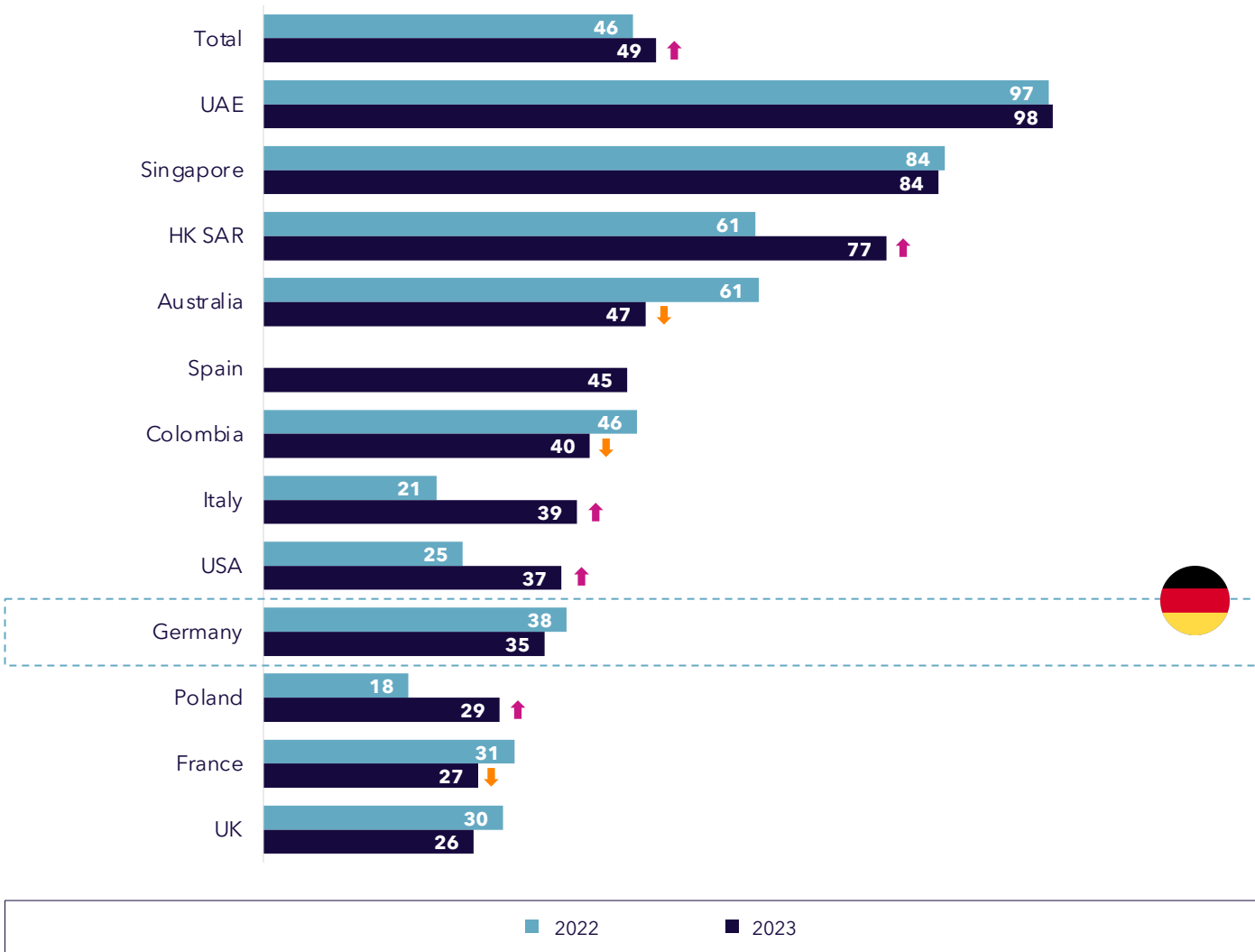
Part 4.

Key findings



Perceived direction country/territory is heading

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



Key finding 1.

There remains a strong sense of pessimism:

65% of Germans believe that the country is generally heading into the wrong direction.



Right track (%)

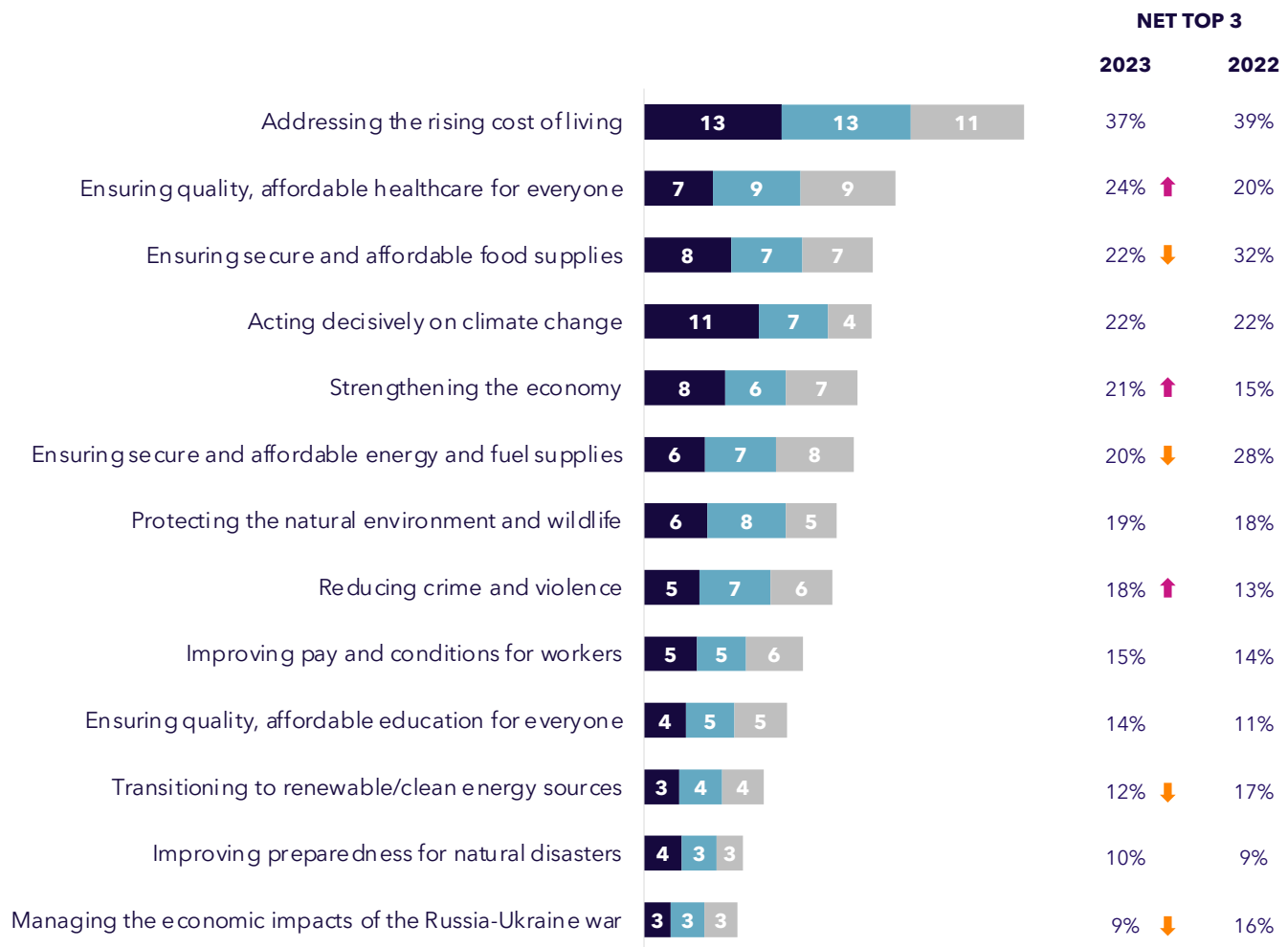
35

Wrong direction (%)

65

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

Most important issues for Germany's future (%)



■ Most important

■ 2nd most important

■ 3rd most important

Q20. From the following list (of 26 issues), please select the three things you personally feel are most important for Germany'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*

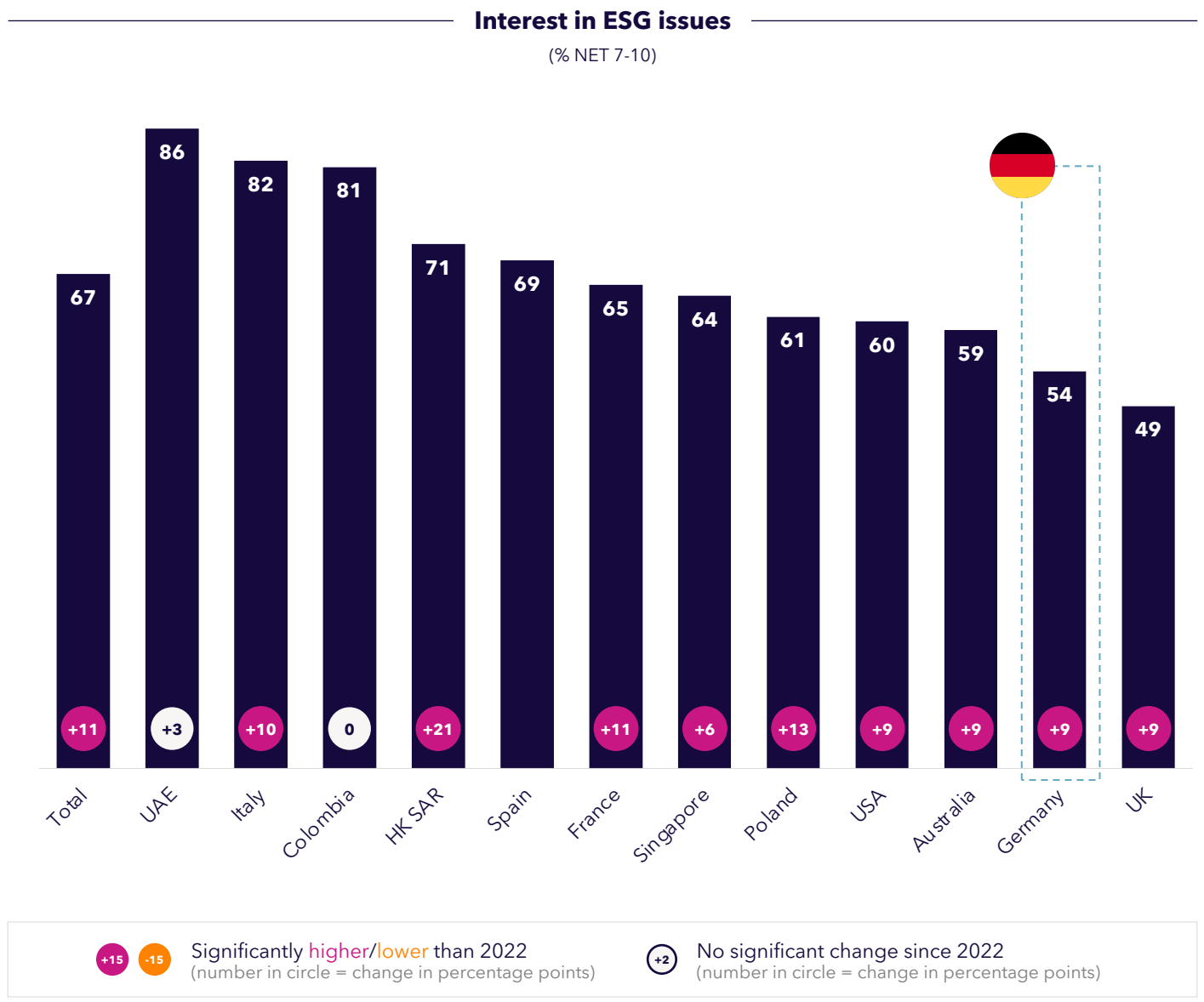
Key finding 2.

Priorities are addressing cost-of-living pressures, delivering high quality, affordable health care and ensuring affordable food supplies.

Acting decisively on climate change ranks as a significantly higher priority than in other countries.

Key finding 3.

Despite an increasing pressure on people's private lives, interest in ESG issues has risen sharply this year in Germany.



Q4. How interested are you in Environmental, Social and Governance (ESG) issues, if at all?
 * See [page 29](#) for a full definition

Key finding 4.

Most people still think it is very important for companies to take action on ESG issues.

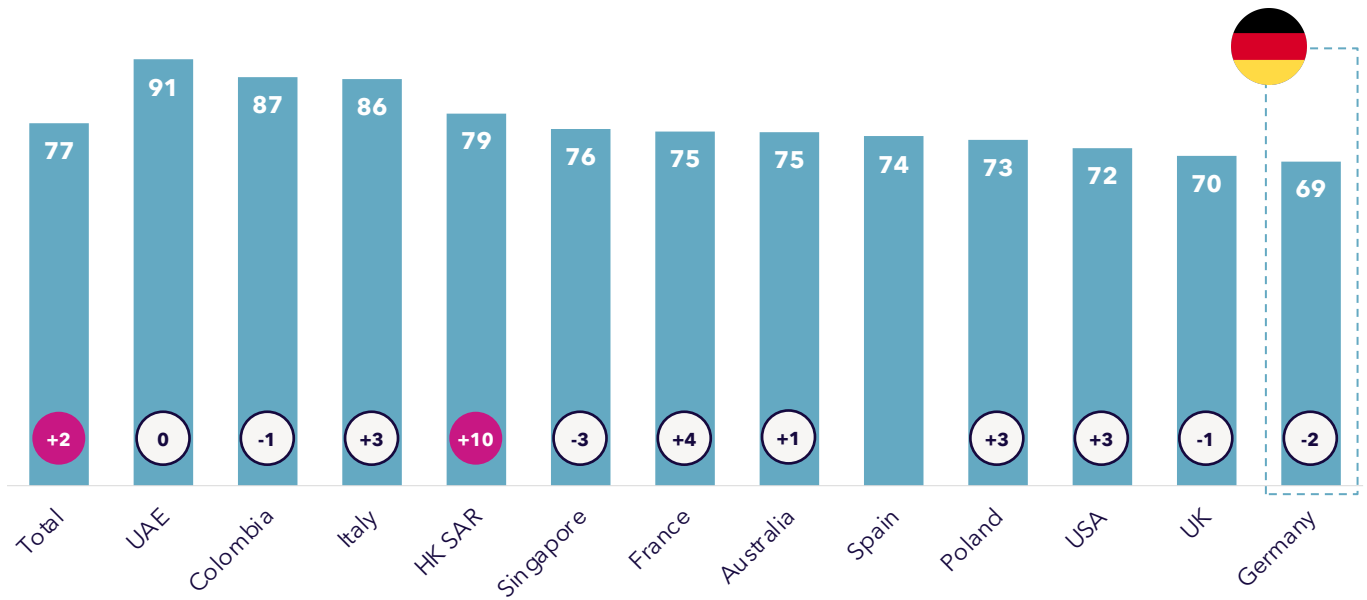
Importance of companies taking action on ESG issues

(% NET 7-10)



69%

in Germany think it is important for companies to take action on ESG issues.



+15 -15 Significantly higher/lower than 2022 (number in circle = change in percentage points)

+2 No significant change since 2022 (number in circle = change in percentage points)

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

Key finding 5.

Germans are undecided as to whether profit and ESG performance can go hand in hand.

Consumer expectations of companies when it comes to ESG

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)

1.



52% agree -7%

Companies **can be profitable** while also performing well on ESG

(13% disagree, 35% are neutral)

2.



58% agree -4%

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

(10% disagree, 32% are neutral)



Significantly higher/lower than 2022 (number in circle = change in percentage points)



No significant change since 2022 (number in circle = change in percentage points)

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



So, what do people think good and bad ESG performance looks like?

What is expected from corporates?

The community values corporates operating a profitable business, providing employment and returns to shareholders, 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. A primary focus on economic contributions is not enough to meet expectations anymore. This reflects a shift towards a more holistic 'systems thinking' lens which recognises the interconnectedness of all parts of a system.

Key finding 6.

The 'best' ESG performers consider their environmental impacts from the outset, enable others to make a difference and have ESG genuinely embedded in multiple points of their operations.

Survey participants were asked to describe what specific actions companies with good ESG performance are doing.

Qualitative analysis of the verbatim comments reveals there is a consistent theme of actions across the companies mentioned as doing well in ESG.

By far the most frequently mentioned initiatives were things that limit negative environmental impacts. Other key themes included supporting and enabling others, showing good ESG practices in multiple points of the organisations practices and genuinely trying.

What actions characterise companies who are seen to do a **good job on ESG?**



Environmental impacts are considered early, and ongoing

Strong performers find ways to minimise their company's impact from the start - from embracing renewable energy sources, to using recyclable packaging materials or natural ingredients in products, and safely disposing of their waste.



Multiple points of evidence

People are increasingly citing multiple points of evidence rather a single, flagship program when making an assessment.

These ranged from treatment of customers and employees, to the manufacturing and sales processes it uses, through to recycling activities and lending decisions.

Q29A_2. What is it that they are doing well specifically?



Multiply impact by enabling others

Philanthropic donations and grassroots community initiatives are the more established ways of demonstrating good ESG performance.

Increasingly people are interested in how companies can have a bigger impact by making it easier for others to take practical action that makes a difference.



Genuinely trying

Demonstrating action behind ESG commitments is being noted - even if not to a gold standard or perfect, people like seeing *some* action (rather than none).

Being flashy can lead to scepticism.

Key finding 7.

The 'worst' companies are those causing harm to the environment, treating employees or customers poorly, or are slow to act on ESG issues.

Survey participants were asked to describe what specific actions companies they see as performing poorly on ESG are doing.

The environmental lens reigns supreme in the minds of the community when assessing ESG performance, and many can name companies that have mismanaged their environmental impacts or are a drain on natural resources.

Poor performers are also called out for a lack of care or concern for their employees and customers, poor workplace culture or prioritising excessive profit over the wellbeing of customers or the community. This is when people see the financial performance of a company prioritised over environmental, social and ethical obligations.

What actions characterise companies who are seen to do a **bad job on ESG?**



Harmful impacts on the environment

Frequent mentions of excessive pollution, contributing to deforestation, exploitation of natural resources and generally lacking environmental responsibility.



Excessive profits, price gouging and promoting overconsumption

Putting their own needs and profits above all else. Charging high fees and prices and making a massive profit during a cost-of-living crisis.

Also promoting over-consumption and producing poor quality products.



Worker exploitation and bad conditions

Unfair treatment of workers, including poor pay, working conditions or hours and job instability. Lack of diversity and inclusion was also mentioned.



Slow transition to sustainability

A lack of commitment to sustainability, including a slow, inadequate or non-existent transition to green energy and reducing their carbon footprint, and/or not offering environmentally-friendly products.

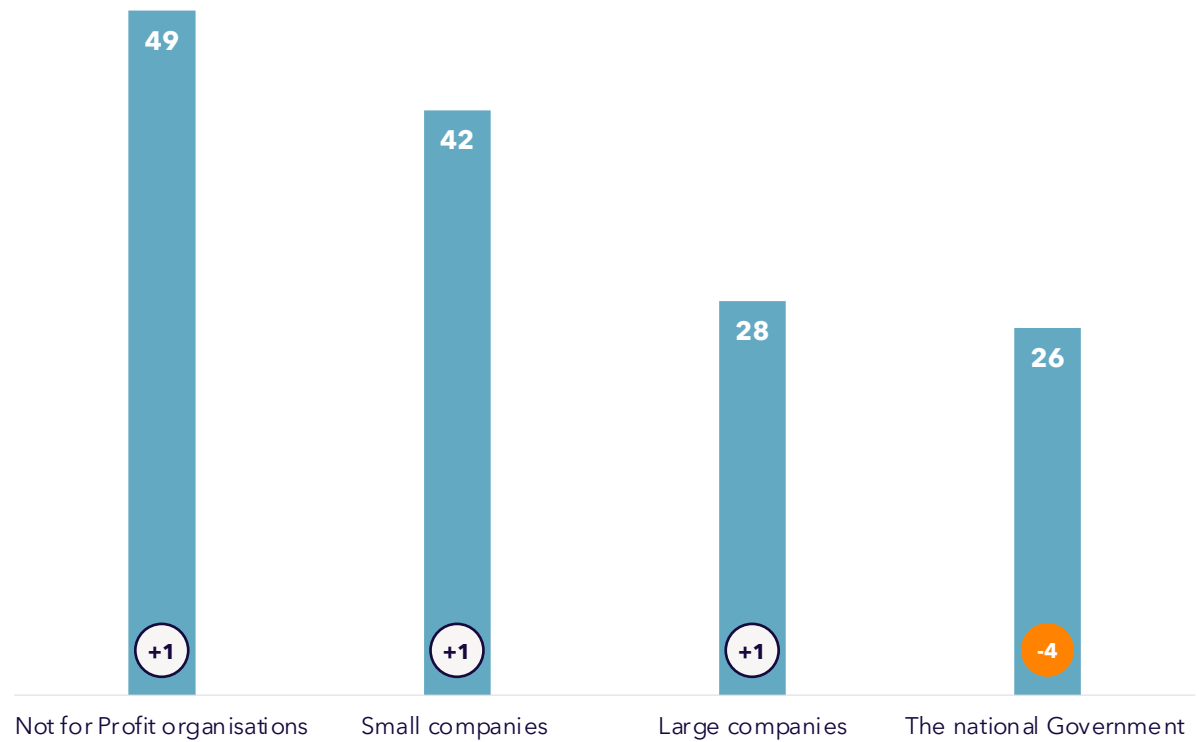


Too much plastic

Companies that manufacture plastic and use excessive or non-recyclable plastic packaging are seen as significant contributors to a broad (and growing) range of environmental issues.

Performance of various groups in Germany when it comes to ESG

(% NET 7-10)



+15 **-15** Significantly higher/lower than 2022
(number in circle = change in percentage points)

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.

Ratings of the overall performance of national government on ESG have significantly dropped over the last year.

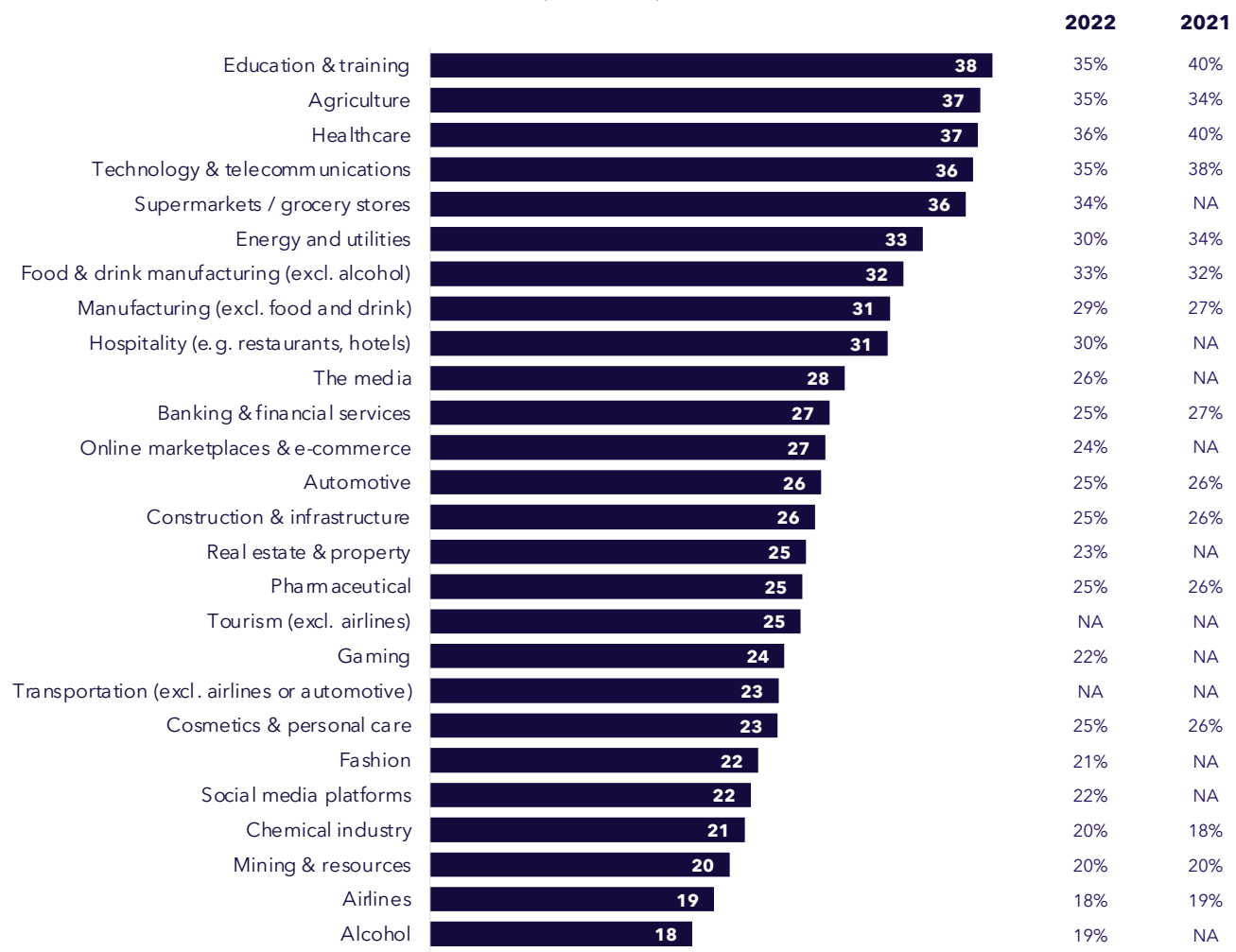
Overall ESG ratings of companies and not for profit organisations have remained consistent.

Key finding 9.

ESG performance ratings across most industries have also remained consistent this year.

Ratings of industry ESG performance in Germany

(% 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 Germany when it comes to acting responsibly on Environmental, Social and Governance (ESG) issues

Ratings of Governance actions have increased significantly

Ratings on company performance on various ESG aspects in Germany

(% NET 7-10)



Environmental



Social



Governance



Significantly higher/lower than 2022 (number in circle = change in percentage points)



No significant change since 2022 (number in circle = change in percentage points)

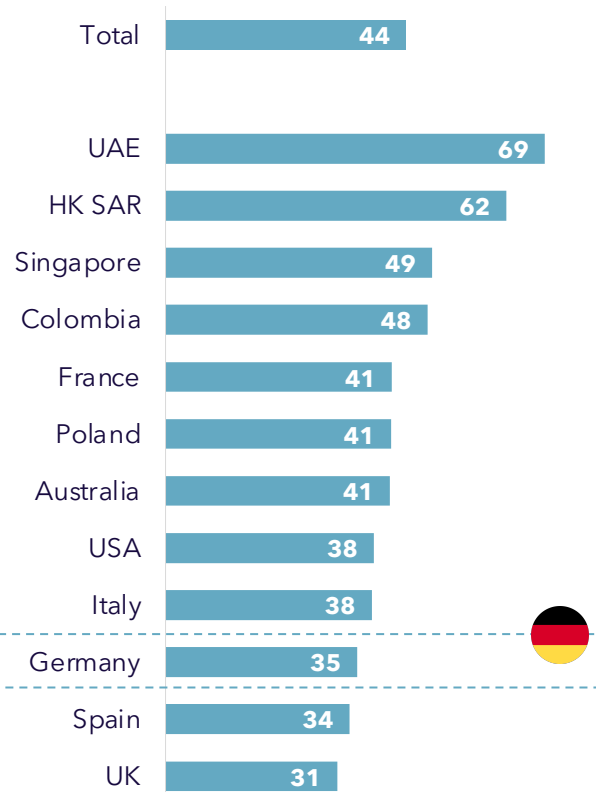
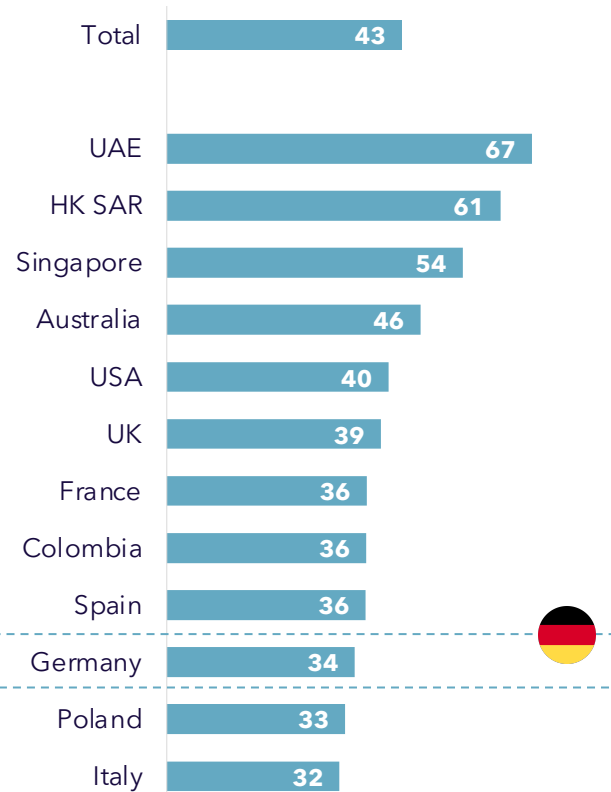
*Not asked in 2022

Views on company behaviours in general - NET Agreement

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)

'Companies are generally behaving ethically and doing the right thing'

'Companies are using their power and influence to create positive change'



Key finding 11.

Corporates in Germany score poorly in demonstrating ethical behaviour and positive influence.



What does the community think about *ESG communications from companies?*

In 2022 our research revealed 'The Great Disconnect' occurring in ESG corporate communications. We saw the community wanting companies to communicate their ESG efforts, while being very passive in consuming this information and, more concerningly, not trusting them.

In this year's study we found that the Disconnect is still occurring. Trust remains a massive issue in ESG communications. More than half don't trust what organisations say about their ESG performance.

Part 1 of 'The Great Disconnect'
 - Communications expectations and frequency
 of looking for ESG information

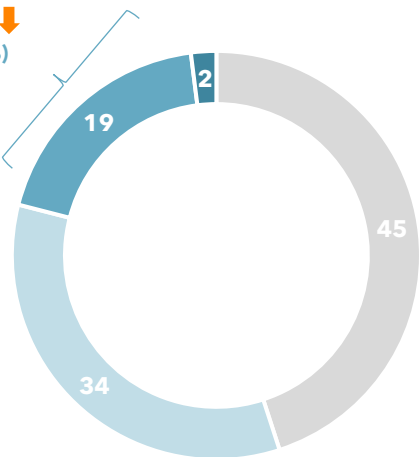


63% agree ↓
 (2022: 67%)

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

But...

21% ↓
 (2022: 23%)



Just 21% are looking for information on companies' ESG activities and performance.



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

Key finding 12.

People expect companies to take action and be transparent about it. But they're also not an 'actively engaged' audience.

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?

Part 2 of 'The Great Disconnect' - Attitudes towards company claims and reporting in Germany

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



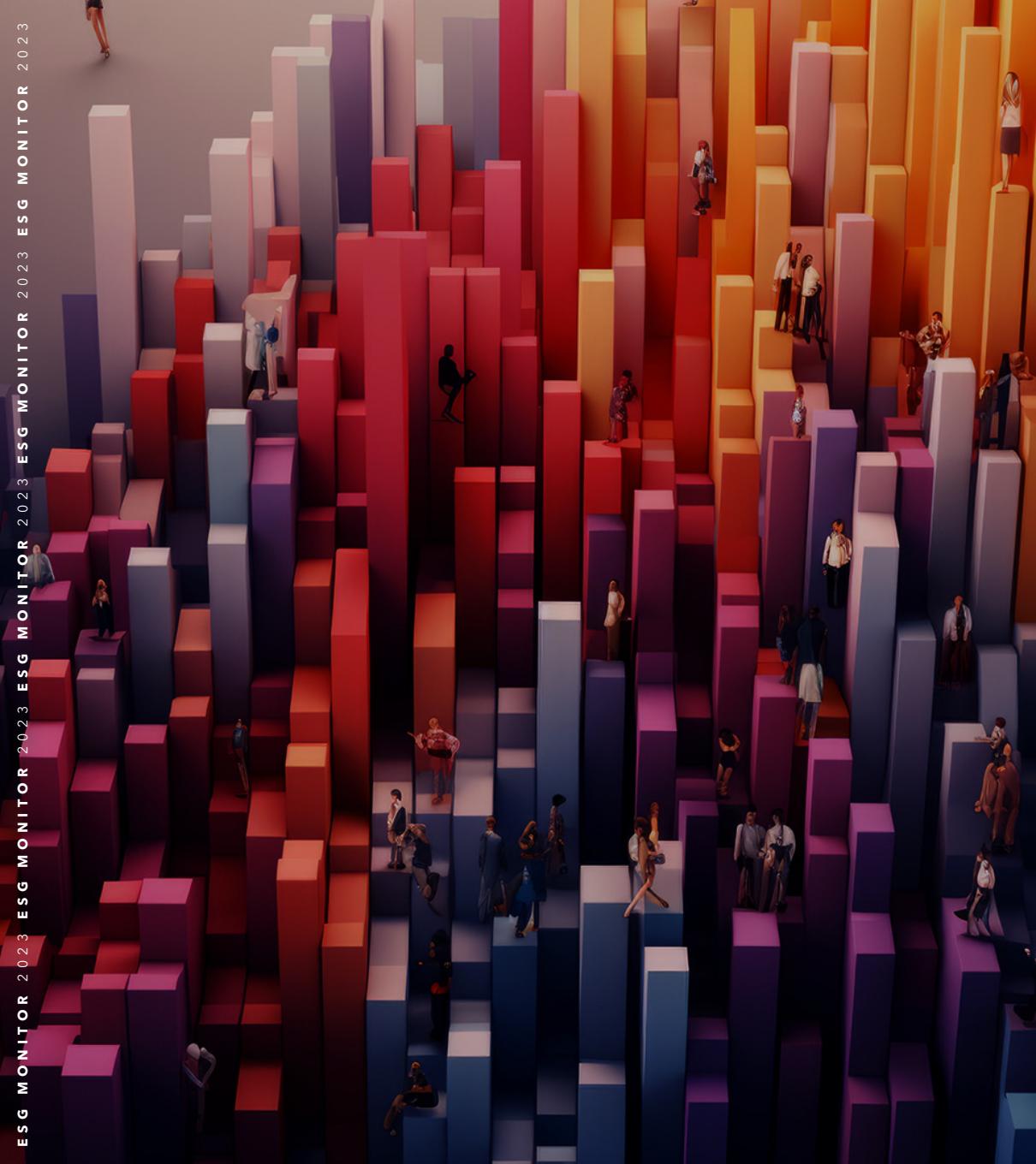
Significantly higher/lower than 2022
(number in circle = change in percentage points)



No significant change since 2022
(number in circle = change in percentage points)

Key finding 13.

Distrust in what corporates claim about their ESG activities is deeply embedded and there remains a strong interest in a consistent and regulated reporting approach.



Our qualitative research shows that *employees are a major audience* for ESG actions

We know that employees are the group paying most attention and that they're very quick to identify a disconnect between what is said and what is actually done. We also know that they are a highly trusted source of information on how their employer is doing more broadly.

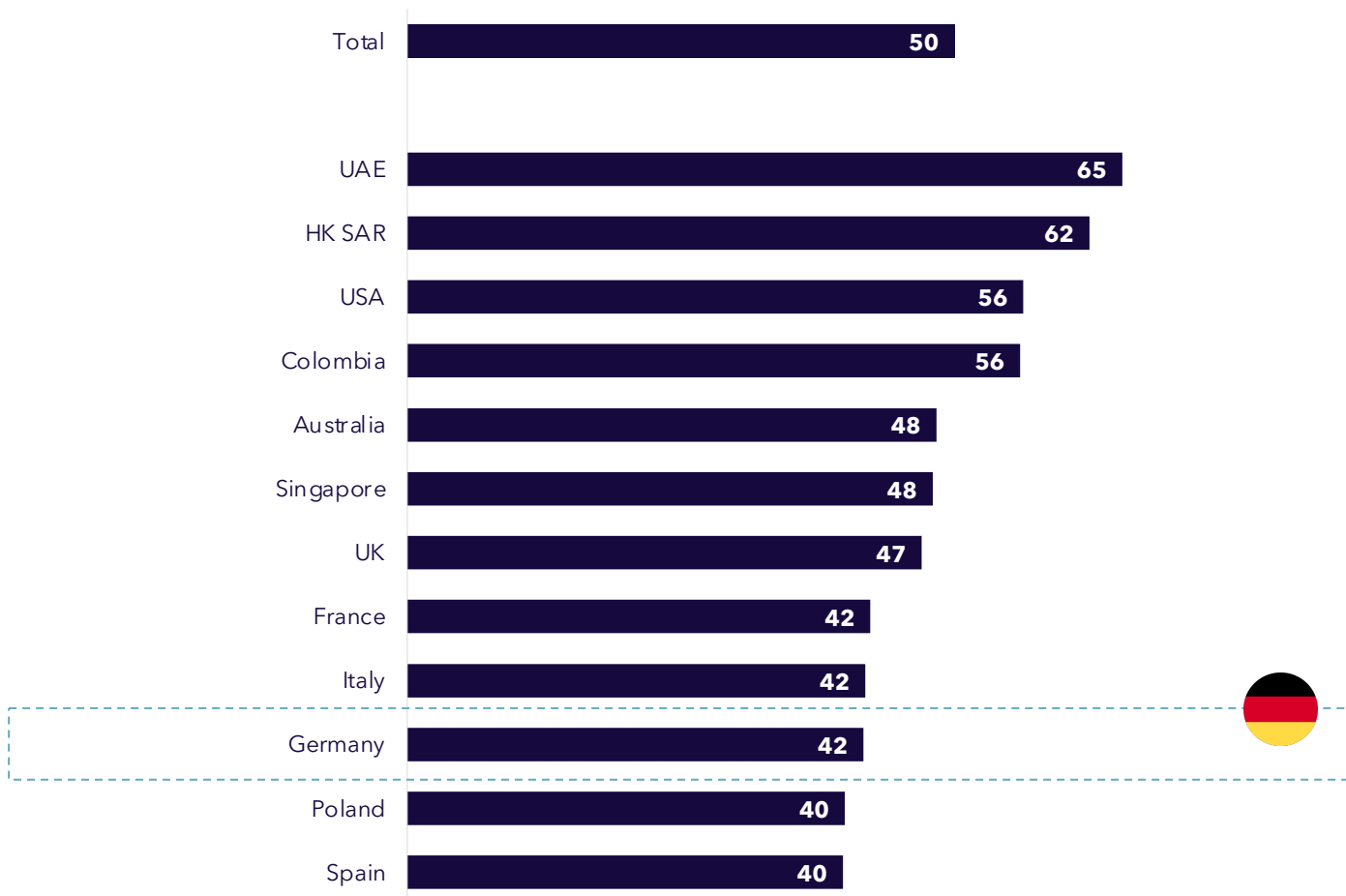
In this study we drilled down into employee sentiment to understand how they think their employer is performing in this area and how important ESG issues are when seeking a new job.

Key finding 14.

Only two in five believe that their employer is genuinely trying to do the right thing when it comes to ESG.

My employer is genuinely trying to do the right thing when it comes to ESG

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



Q15. To what extent do you agree or disagree with the following statements. Base: Those who are employed, Global Total n=7,969; Germany n=622

Importance of specific ESG factors when choosing a new employer

(% NET 7-10)



Key finding 15.

Employees have high expectations of organisations as employers in Germany.

In particular, how the company treats staff, remuneration and workplace rights and conditions are of high importance when seeking a new employer.

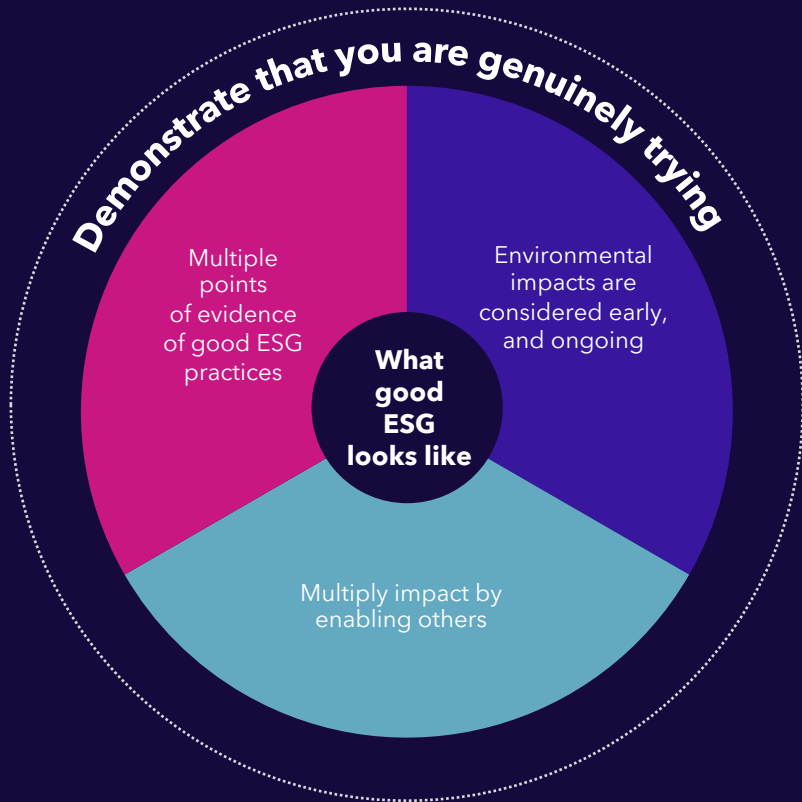
Part 5.

So, what next?



So, what next?

Key Take Outs for Communications



1. Consider and act on all impacts on people and the planet

Expectations have changed and the community now expect organisations to think about their impacts on planet and people from the outset.

2. Think carefully about which actions you highlight

Start by reflecting on the impacts your organisation has and how this aligns with the values in the communities you operate in. Make sure you have permission to play in that space and assess whether your actions are simply seen as 'what's expected' or whether it's 'going the extra mile'.

3. Tell a story and include specific details to build trust

It's hard to get cut through as people are busy and highly sceptical of greenwashing. People respond to good stories that align to their values and have solid proof points. They want to know your actions are genuine, will actually make a difference, that you're committed, and they want to see the evidence-base.

4. Provide multiple proof points for overall impact

Increasingly people require multiple points of evidence that a company is 'doing the right thing'.

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

Consider the multiplier effect. Look at how you can work with staff, partner organisations and government to find solutions to complex problems. People want to be empowered to play their part - if you can make it easy for them.

6. You don't have to be perfect - just try

People anthropomorphise companies and talk about them as if they're people. It's okay to be human. They don't expect you to be perfect from the outset - they just want to see you genuinely trying. Apologise if you don't get it right, course correct and keep trying.

7. Gen Z and Millennials show the way

These generations are strong supporters of ESG initiatives so can be targeted with tailored messaging now. They can also help you future-proof your strategy. Employees in this generation also have specific information needs.

8. Focus on addressing these issues before they become a problem

Bad news sticks. There are some things - like paying correct wages and a fair share of tax, and meeting human rights and modern slavery obligations - that people assume you'll get correct. But they'll punish you severely if you get them wrong.

Appendix

How we defined ESG in this study

The issue of terminology in a study like this is fraught with difficulty and we're aware that the term ESG has particular connotations in different countries.

We investigated the use of different terms in focus groups in 2022 but found similar issues or limitations with other phrases. For example, many felt the term sustainability referred primarily to actions that protect the environment.

On balance, most liked the use of ESG as a framework for companies to use to hold themselves to account on the issues that matter most to the community.

After asking participants whether they had heard of the term ESG, which we said stands for 'Environmental, Social and Governance', they were shown the text below.

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.



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Thank you

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