

SEC NEWGATE

Global ESG Monitor

What the community expects from corporates on ESG

HONG KONG SAR 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 focusing on the right things or too many things?" and "How do we ensure 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 sincere, and not labeled as 'greenwashing' or attempts to ride the 'wokeness' wave.

ESG initiatives significantly impact a company's reputation. 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.

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

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 impact and community priorities; the risks they need to mitigate; and how to weave this into a compelling and authentic narrative and disseminate this to their audiences.

James Hill

MANAGING PARTNER, SEC NEWGATE GREATER CHINA

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.

1,002

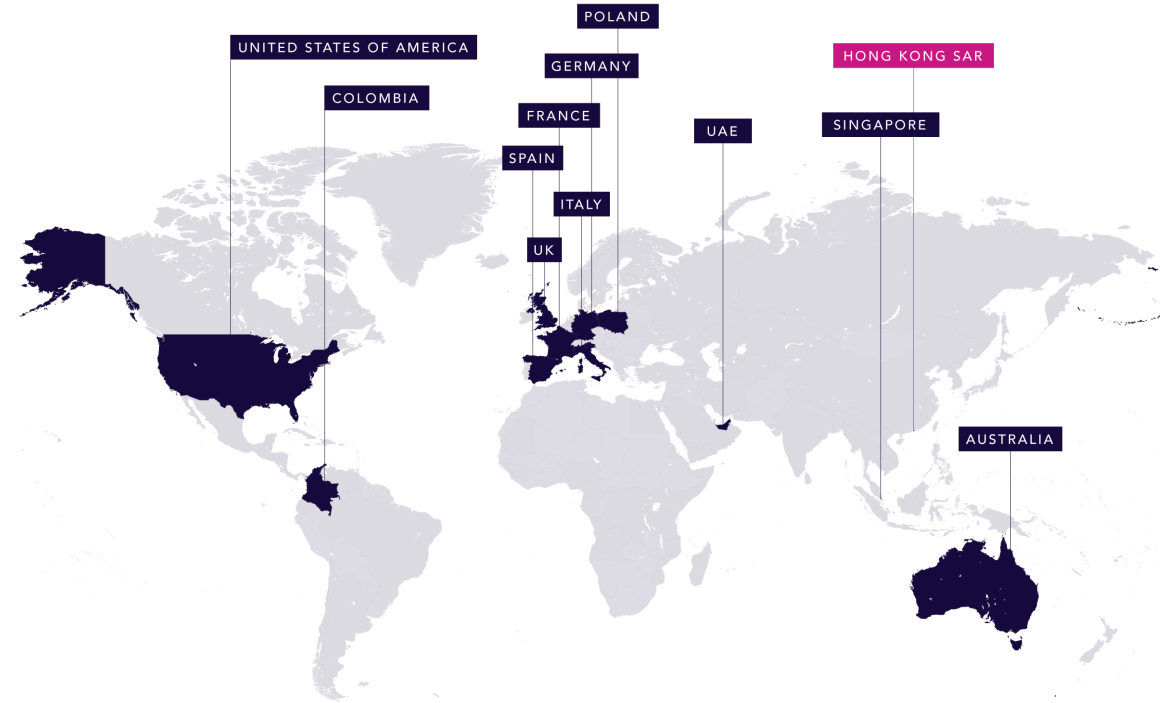
Sample of **n=1,002** from **Hong Kong SAR**

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 Hong Kong SAR (HK SAR). 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 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 and territory 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 Hong Kong SAR appear to have reached a tipping point. A primary focus on economic contributions is no longer enough to meet expectations and genuine action to mitigate impacts on people and the planet is a baseline expectation.

- **People are increasingly engaged with ESG issues.** Results show a significant increase in both awareness of (85% aware, up 15% since last year) and interest in ESG issues, with 71% rating their interest at 7 or more out of 10, up 21% since 2022.
- **The community wants corporates to take action on ESG issues.** In 2023, 79% agreed it was important for corporates to take action on ESG issues, and this increased significantly since 2022 (up 10%).
- **We're seeing improvements in performance ratings for companies and the government on ESG overall and on most underlying metrics in Hong Kong SAR.** Overall ESG ratings of companies, the government and not for profit organisations have increased significantly over the last year as have ratings of many industries - particularly the banking and finance sector.
- **These findings come against a backdrop of increased optimism and declining concerns around cost of living, the economy and affordable healthcare.** The majority of people in Hong Kong believe the SAR is heading on the right track (77%) and this has improved significantly since 2022 (61%). When asked to select the top 3 issues for Hong Kong's future, the main priorities remained addressing cost-of-living pressures, strengthening the economy and delivering high quality, affordable health care - although the level of concern around these issues has declined this year.
- **Community expectations of corporates have changed.** Traditionally, many saw corporates' primary role was to make a positive financial contribution to the economy, including providing jobs and paying taxes. It's increasingly clear that the community does not want this at the expense of environmental, social and ethical obligations. Most do not think they should have to pay extra for these obligations - that this is just part of doing business these days.
- **The community want organisations to think of themselves as one part in a system,** with both positive and negative impact on the environment and society. There is strong expectation that they should take action on ESG issues and also speak out on issues that are important to their employees and customers - but not necessarily on any environmental and social issues.
- **The community believes that good ESG performers are taking a holistic approach and demonstrating action.** The community wants companies to consider their environmental impacts early and ongoing, and to support and enable others. Key to this is seeing genuine efforts to demonstrate good ESG at multiple points, i.e. among customers, employees, supply chain, lending decisions, etc.
- **Poor ESG performers are called out for their harmful impact on the environment** (including overuse of plastics), poor workplace culture, prioritising excessive profit over the wellbeing of customers or the community, or who are 'stuck' in a world that is moving on and are slow to transition to sustainability.
- Last year our research revealed 'The Great Disconnect' occurring in communications around ESG issues and this year we found that **the Disconnect is still partly still occurring in Hong Kong SAR.** The community wants companies to communicate their ESG efforts more clearly and this year we have seen an increase in the proportion of people who are looking for this type of information - bridging part of the disconnect. However, trust still remains a major issue in ESG communications.

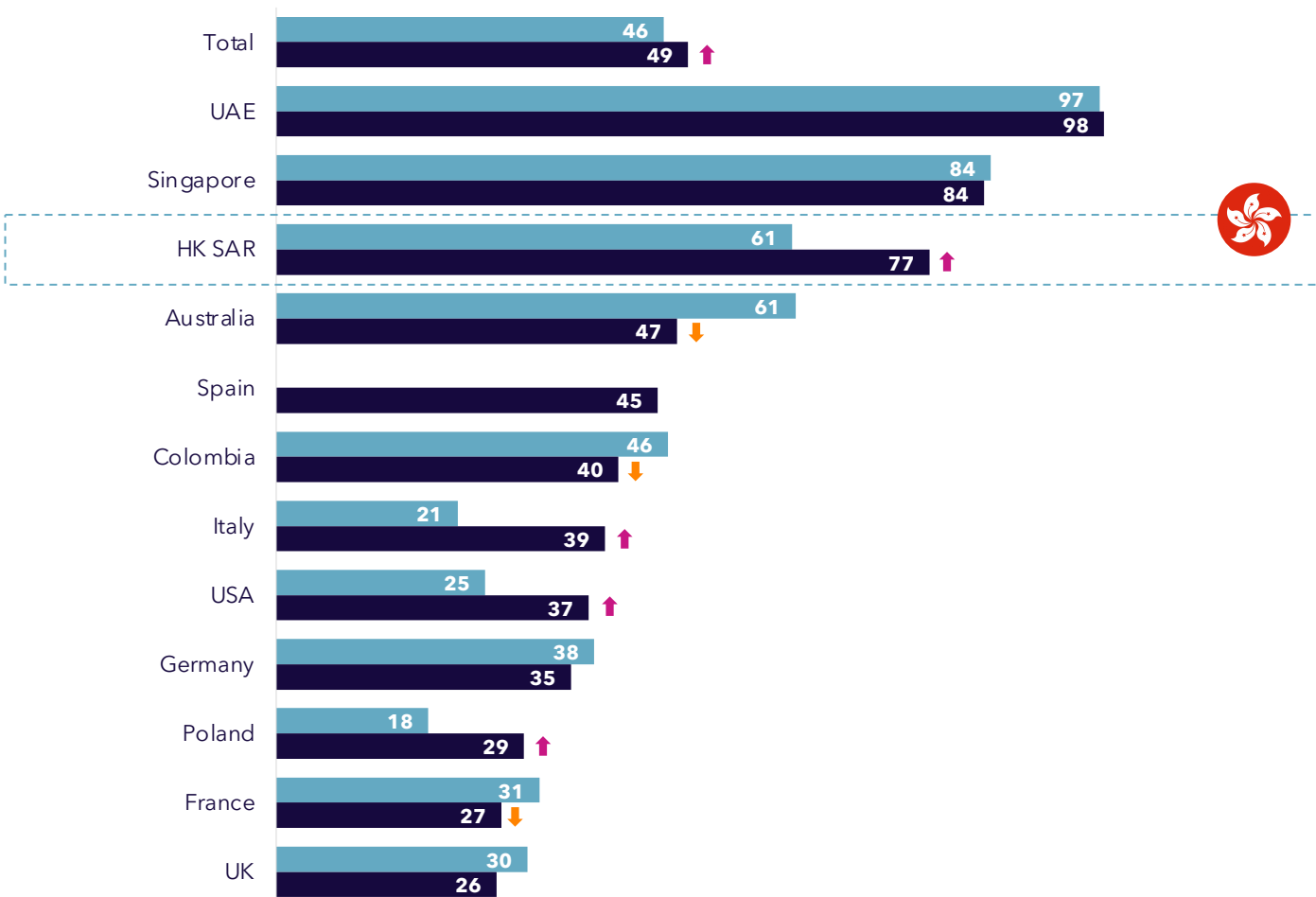
Part 4.

Key findings



Perceived direction country/territory is heading

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



Key finding 1.

The majority of people in Hong Kong have a sense of optimism and believe that the SAR is heading on the right track (77%), and this has improved significantly since 2022 (61%).

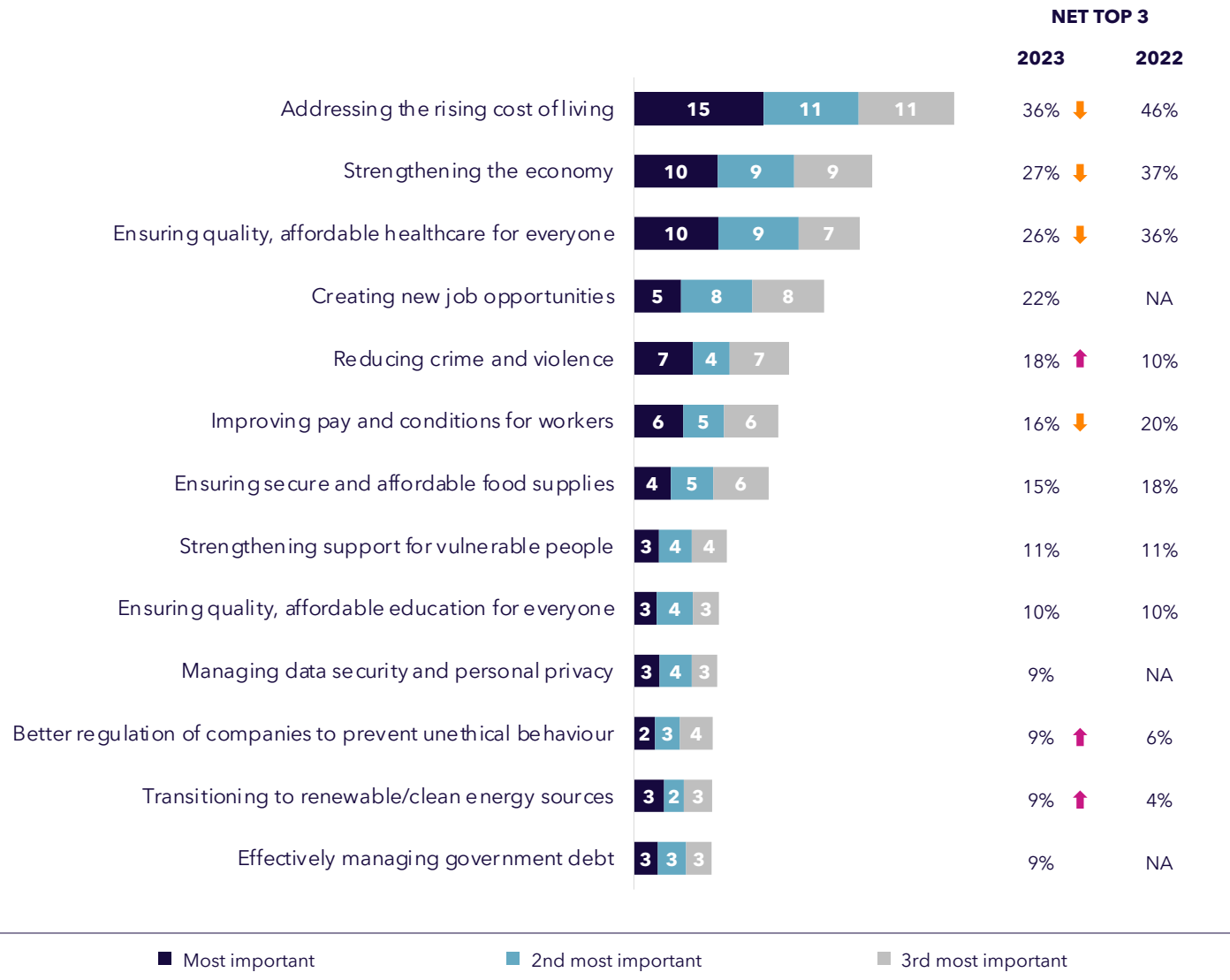
Given Hong Kong was still under lockdown and mask-wearing regulations at the time of the research field work last year, this change comes as no surprise.



Right track (%)	Wrong direction (%)
77	23

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 Hong Kong SAR's future (%)

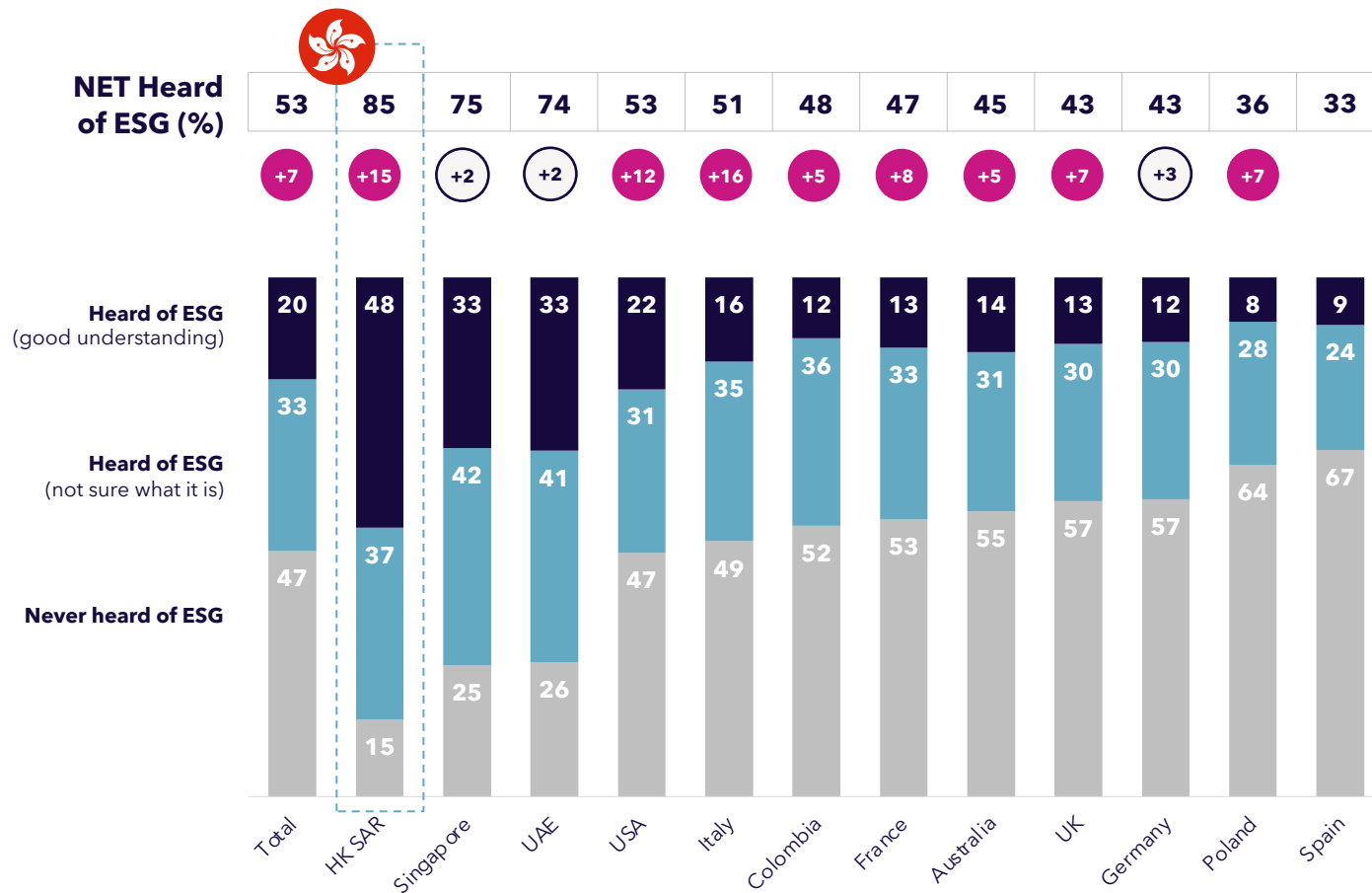


Key finding 2.

Community priorities on an SAR level are: addressing cost-of-living pressures, strengthening the economy, and delivering quality, affordable healthcare for everyone.

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

Unprompted awareness of ESG (%)



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

+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)

Key finding 3.

Overall recall of the term ESG has increased significantly in Hong Kong, with 85% aware of it, up from 70% last year.

Awareness of 'Net Zero' is also significantly higher this year (85% up from 77% in 2022).

Awareness of Net Zero (total average 54%)

Top 3

Bottom 3

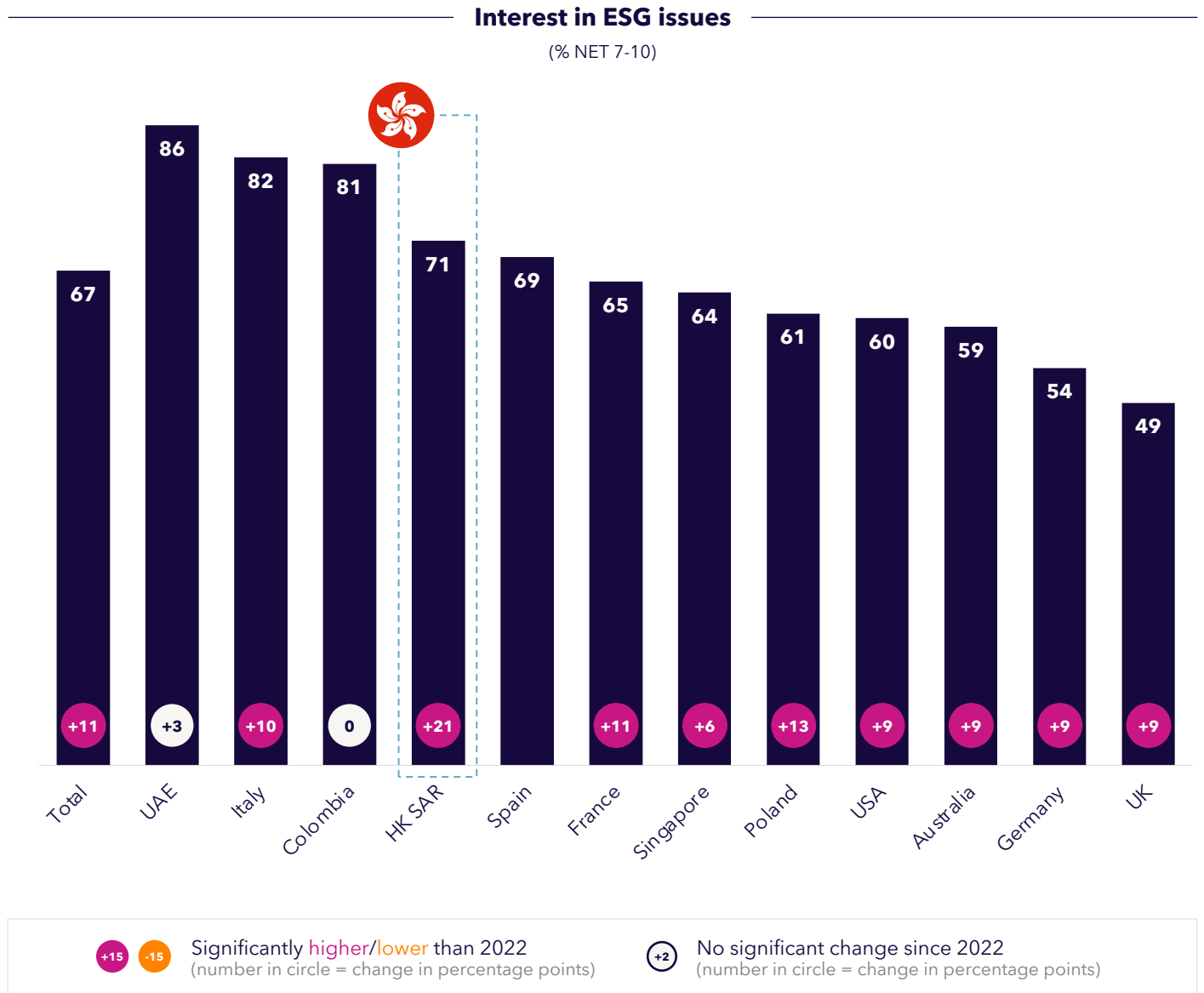
Hong Kong SAR (85%)
 United Kingdom (85%)
 Australia (76%)

France (22%)
 Germany (25%)
 Spain (27%)

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

Key finding 4.

And interest in ESG issues has risen even more sharply - with the biggest jump noted in Hong Kong, up by 21% this year.



Q4. How interested are you in Environmental, Social and Governance (ESG) issues, if at all?
 * See [page 34](#) for a full definition

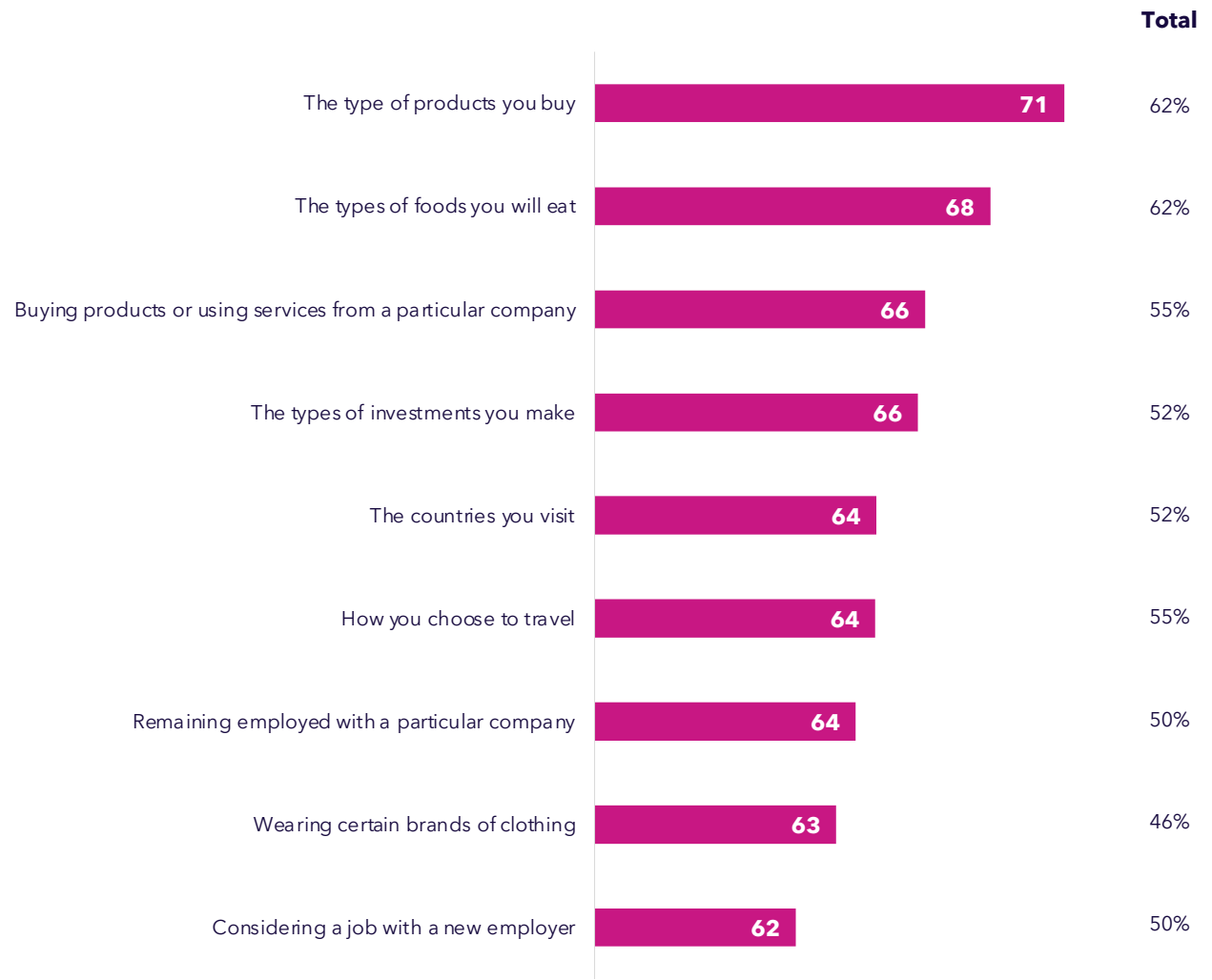
Key finding 5.

ESG issues are influencing decisions in a wide range of areas, in particular, the types of products they buy and the foods they will eat.

Notably, those in Hong Kong placed higher importance on many aspects compared to the global total.

Importance of ESG issues on decision making in Hong Kong SAR

(% 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 6.

The majority still think it's very important for companies to take action on ESG issues, and this has increased significantly since 2022.

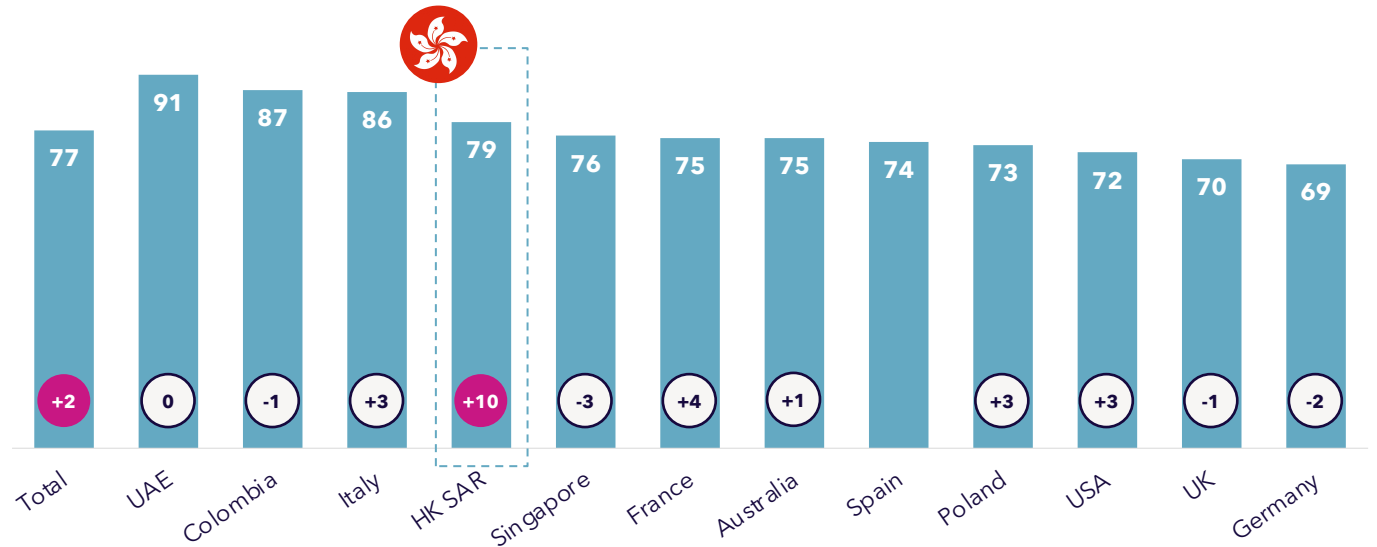
Importance of companies taking action on ESG issues

(% NET 7-10)



79%

in Hong Kong SAR think it is important for companies to take action on ESG issues significantly up by 10% since 2022



+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 7.

The majority say companies should speak out on issues important to their employees and customers, and just over half agree that they should speak out on broader issues.

Consumer expectations of companies when it comes to ESG

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)

1.



71% agree

Companies **should speak out on issues that are important** to their employees and customers

(5% disagree, 23% are neutral)

2.



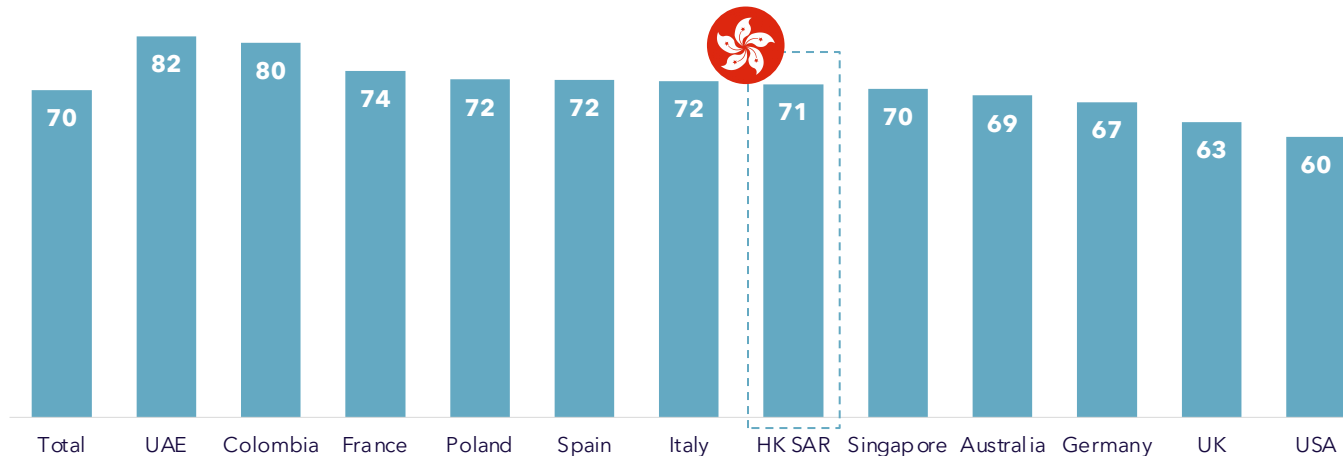
55% agree

Companies **should focus on their core business** rather than trying to have broader influence on social and environmental issues

(19% disagree, 26% are neutral)

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

(% AGREE)



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

Key finding 8.

Most people think companies can be profitable while also performing well on ESG, but there is some willingness to pay for better ESG performance.

Consumer expectations of companies when it comes to ESG

(% 'STRONGLY' OR 'SOMEWHAT' AGREE)

3.



70% agree +8

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

(6% disagree, 23% are neutral)

4.



71% agree +6

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

(7% disagree, 22% are neutral)

5.



61% agree +12

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

(11% disagree, 28% 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)



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.

People in Hong Kong want companies to be thinking about their impacts on society and the environment in their decision-making processes. This reflects a shift towards a more holistic 'systems thinking' lense which recognises the interconnectedness of all parts of a system.

Key finding 9.

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 taking.

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 programme 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.



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 10.

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 that they see as performing poorly on ESG are taking.

The environmental lense reigns supreme in the minds of the community when assessing ESG performance, and many can name companies that have mismanaged their environmental impact 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.

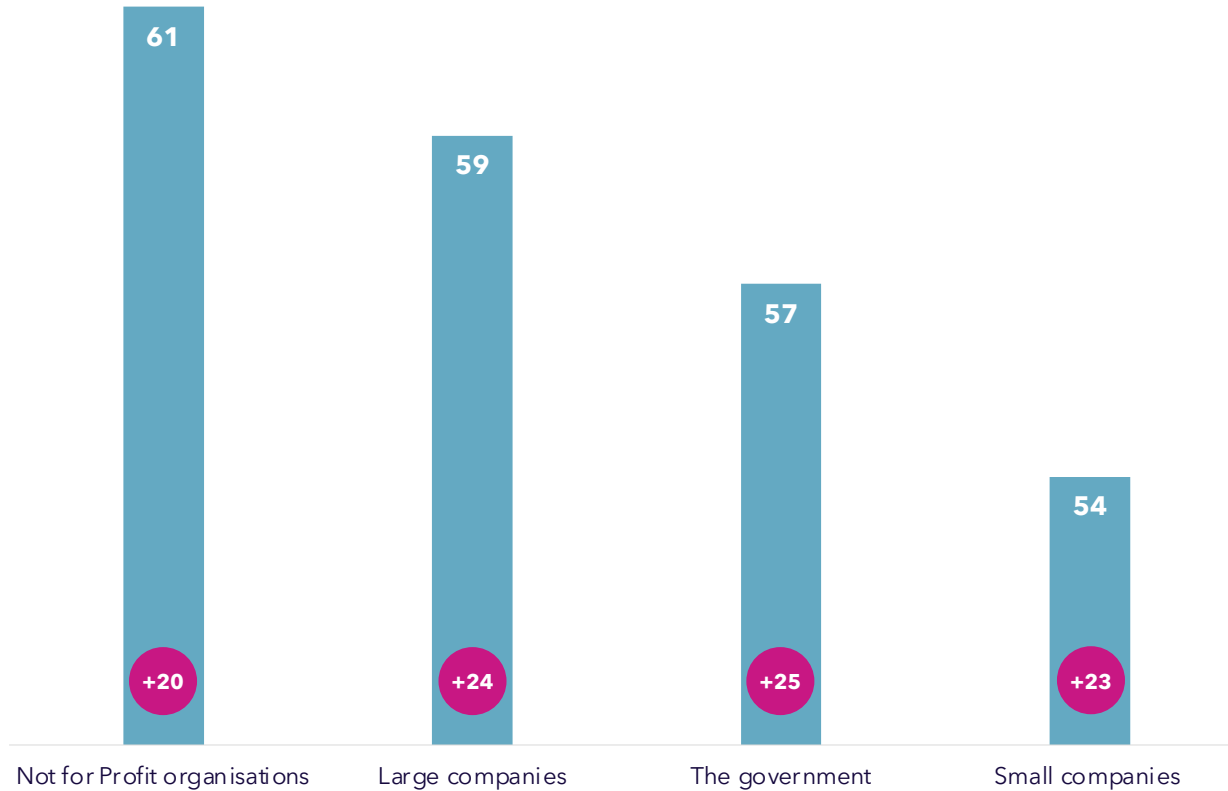


Too much plastic

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 Hong Kong SAR 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 11.

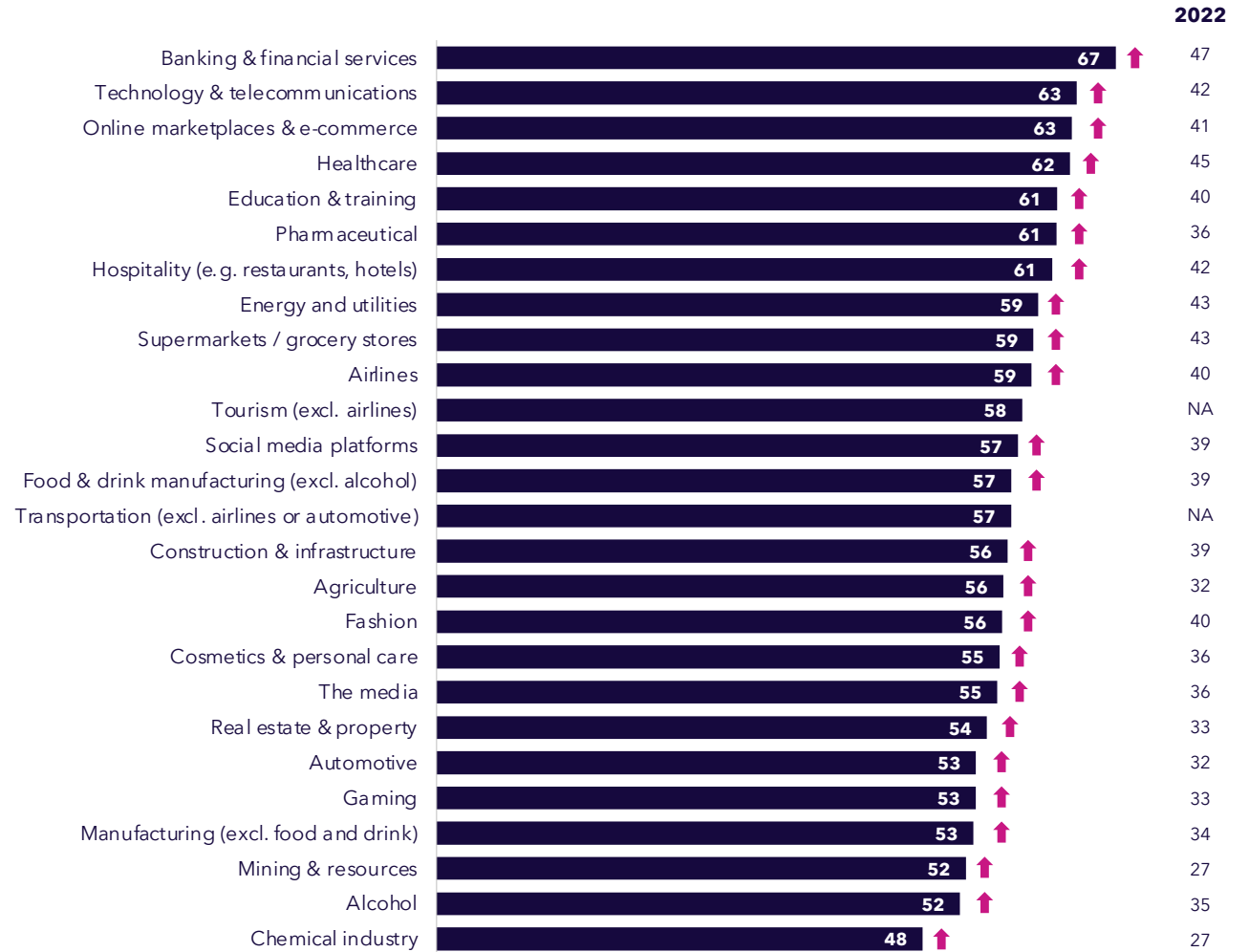
Ratings of the overall performance of companies, government and not for profits on ESG have increased significantly over the last year.

Key finding 12.

There have also been notable improvements in ESG performance ratings across all industries, in particular, the banking and finance sector.

Ratings of industry ESG performance in Hong Kong SAR

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

Ratings of many granular ESG actions have also increased

Ratings on company performance on various ESG aspects in Hong Kong SAR

(% NET 7-10)



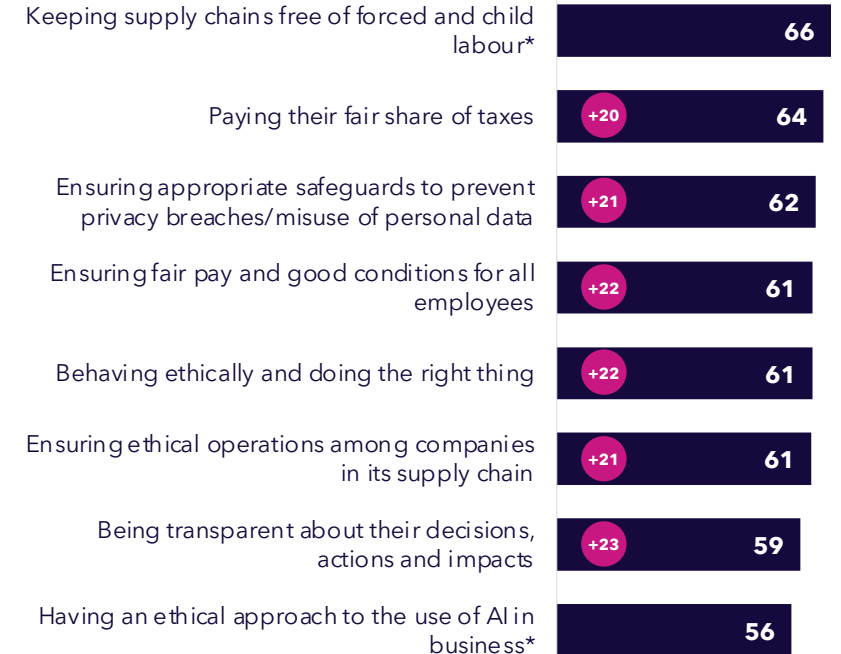
Environmental



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

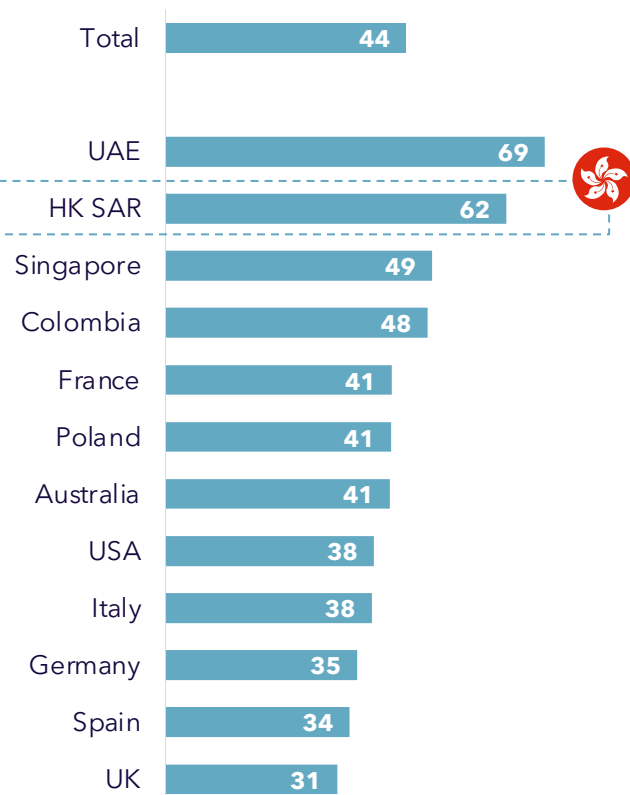
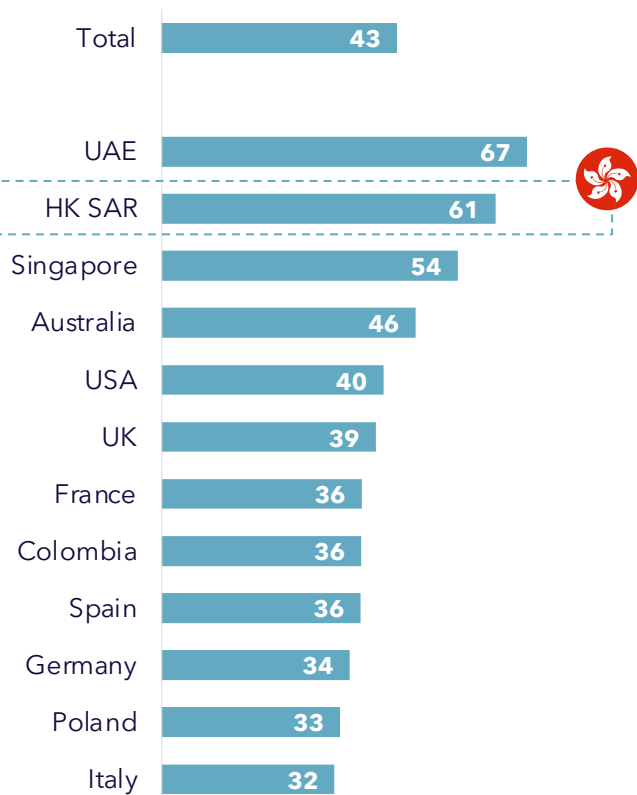
Q13. In general, how would you rate the performance of companies in HK SAR on the following things? 0=very poor, 10=excellent

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 14.

Around six in ten people in Hong Kong believe corporates are behaving ethically and are using their power to create positive change.



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 the information.

In this year's study we found that the Disconnect is still occurring. Trust remains a major issue in ESG communications. More than half do not trust what organisations say about their ESG performance and three in five think that green-washing is a big problem among companies.

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

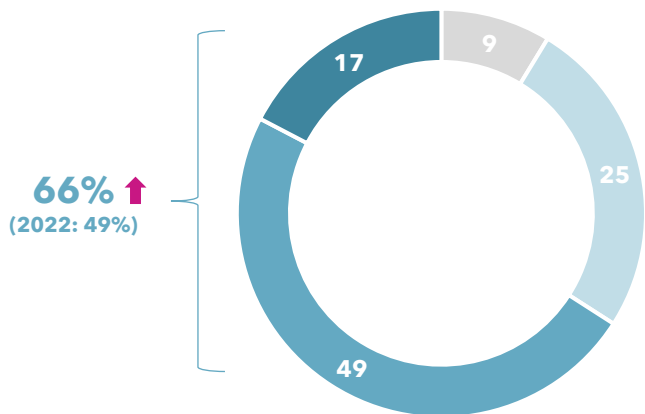


68% agree

(2022: 67%)

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

But...



And **66%** are looking for information on companies' ESG activities and performance.

This *is* growing - reflecting heightened awareness and interest in ESG across the globe.



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

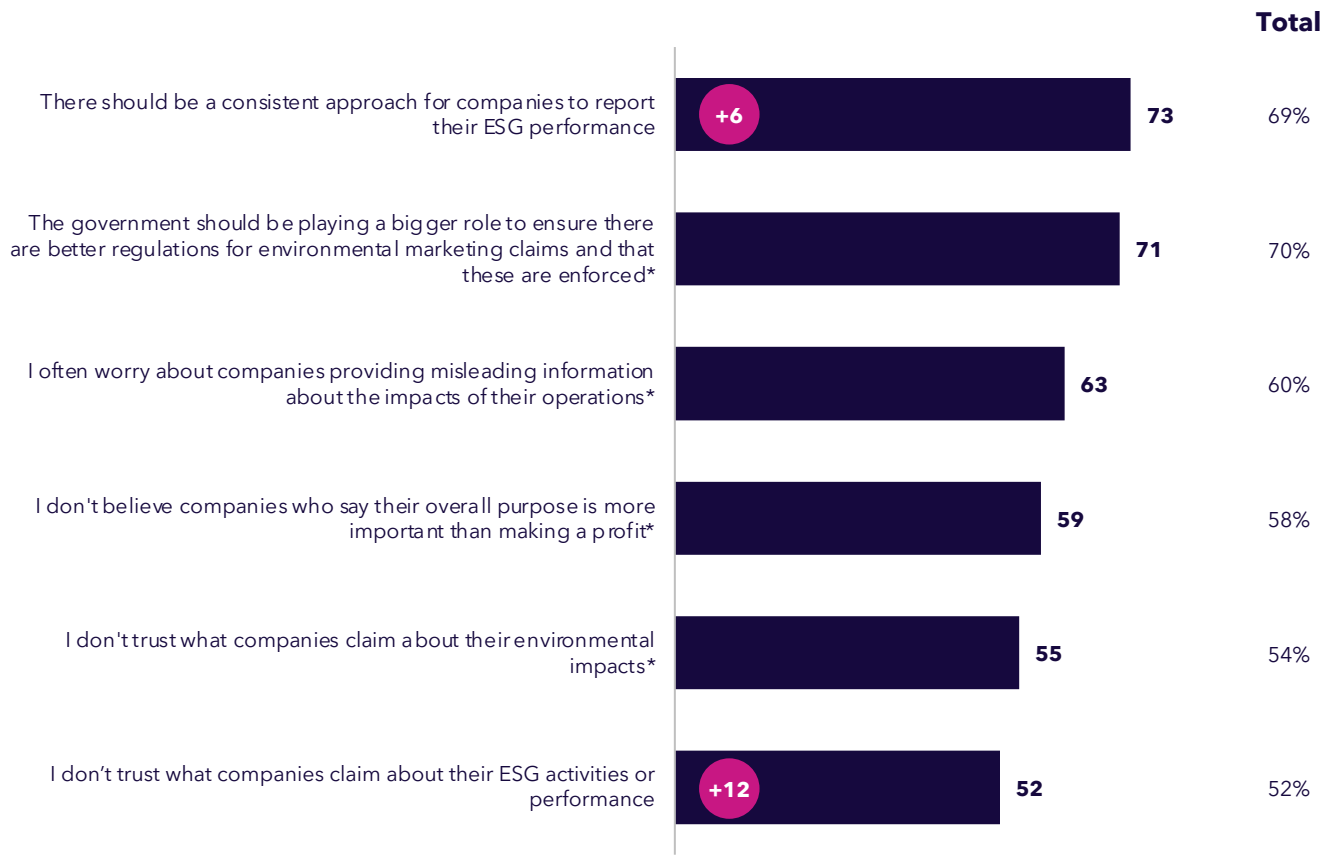
Key finding 15.

In Hong Kong, one part of the Disconnect appears to be reducing. Around two thirds want companies to clearly communicate what they are doing, and consumers are increasingly looking for information about this (66% up from 49% last year).

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 Hong Kong SAR

(% 'STRONGLY' OR 'SOMEWHAT' AGREE; % NET 7-10)



+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)

Key finding 16.

However, 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.

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

*Not asked in 2022

Key finding 17.

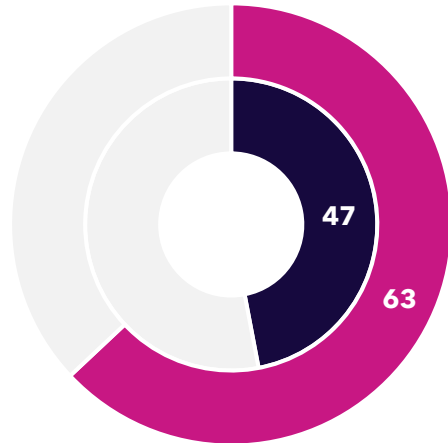
Around three in five people in Hong Kong have heard of the term 'greenwashing' and a similar proportion think it is a real problem once they see the definition.

"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 (%)

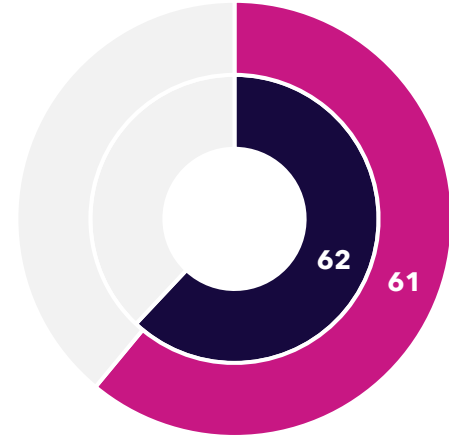
1.

Total



2.

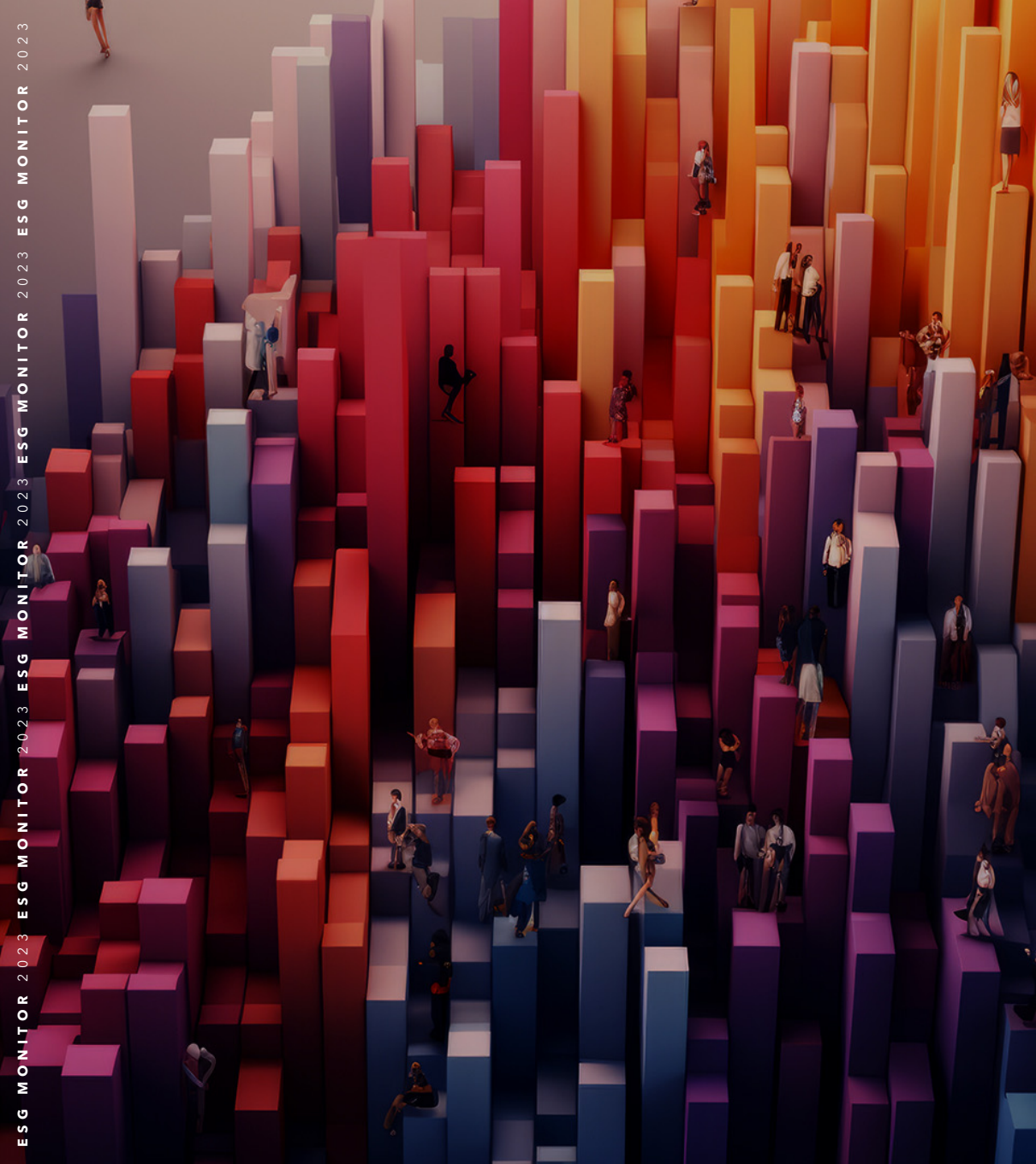
Hong Kong SAR



■ NET heard of Greenwashing

■ How much of a problem is it? (% NET 7-10)

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 HK SAR, if at all?



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.

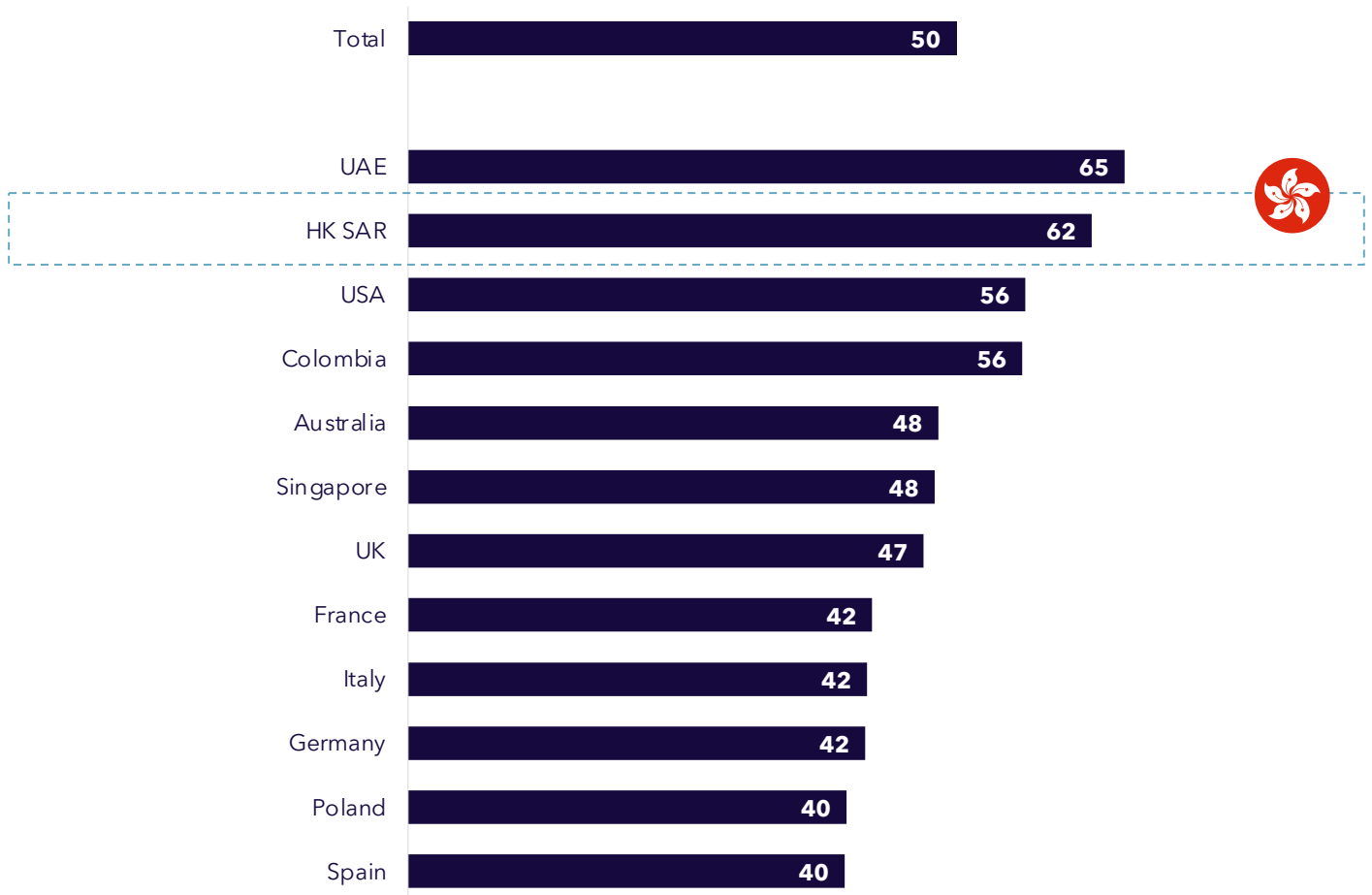
In this study we drilled down into employee sentiment to understand how they think their employer is performing in this area and how important ESG issues are when seeking a new job.

Key finding 18.

Only three in five agree 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

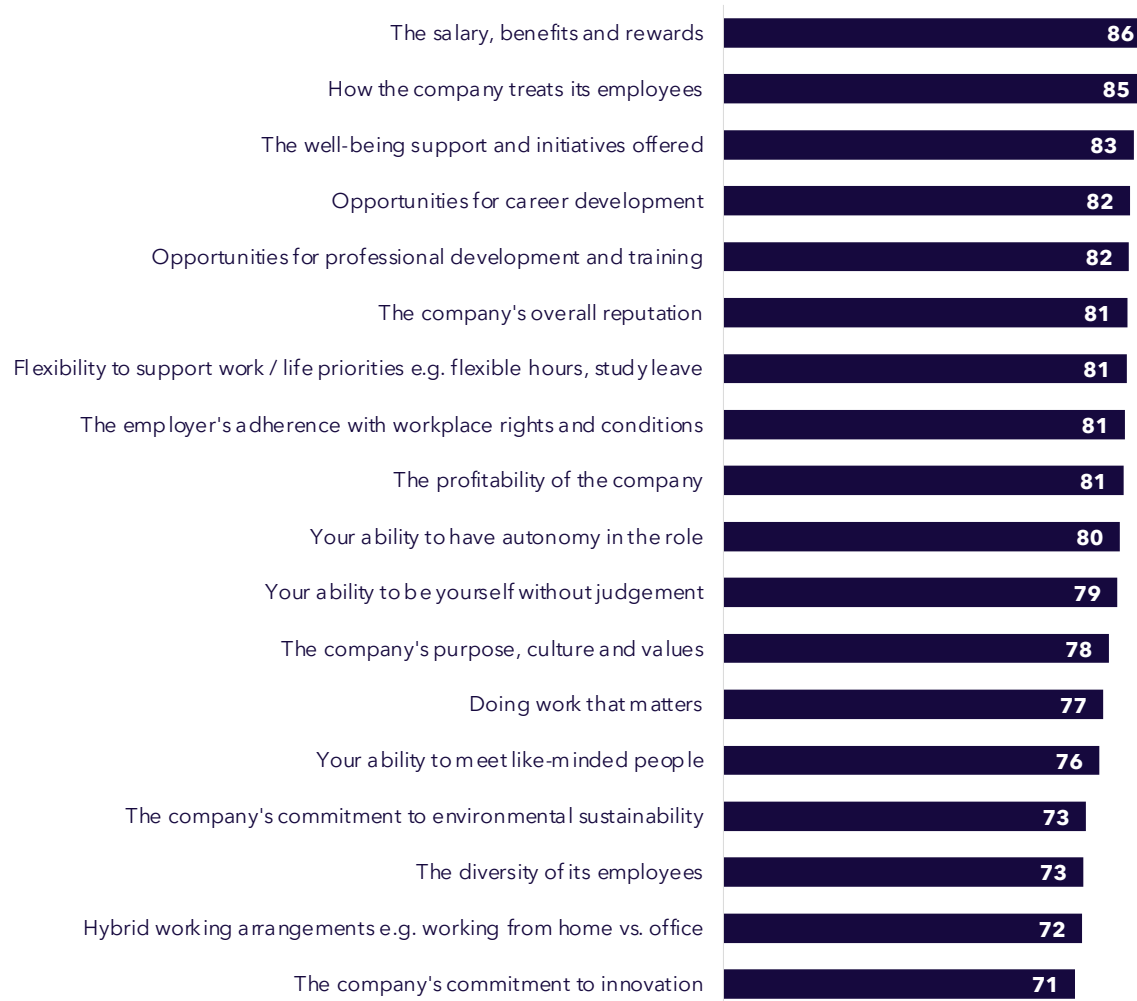
(% 'STRONGLY' OR 'SOMEWHAT' AGREE)



Q15. To what extent do you agree or disagree with the following statements. Base: Those who are employed, Global Total n=7,969; HK SAR n=898

Importance of specific factors when choosing a new employer

(% NET 7-10)



Key finding 19.

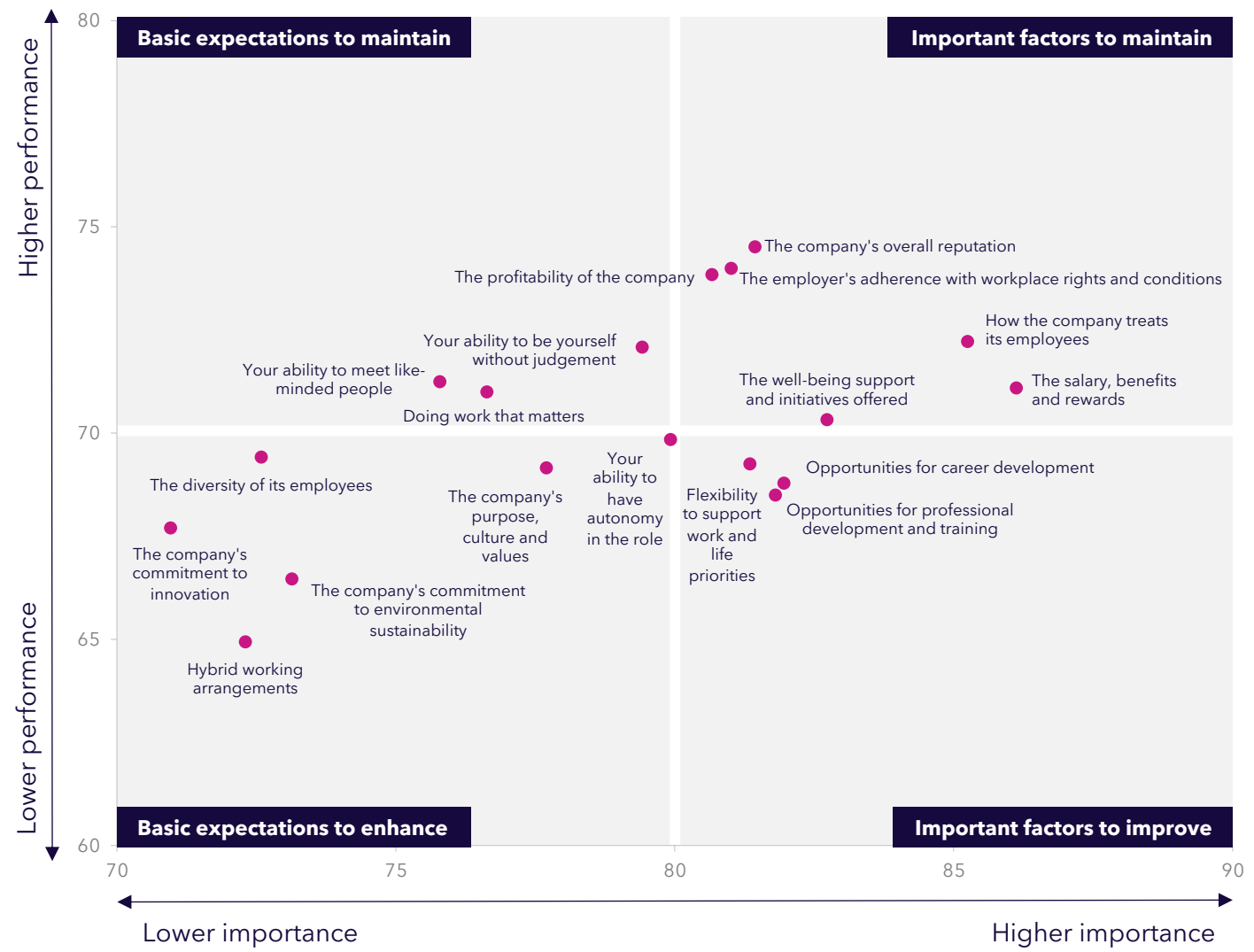
Employees have high expectations of organisations as employers, the main considerations being salary, benefits and rewards and how the company treats employees.

Q31. If you were considering a potential new employer, how important would the following things be for you personally?

Key finding 20.

There are some key gaps between what employees are looking for and how they rate their current employer, relating to career advancement, professional development, and working arrangements.

Performance (% NET 7-10) vs. importance (% NET 7-10)



Q31. If you were considering a potential new employer, how important would the following things be for you personally? Base: All participants, n=1,002
 Q32. How would you rate your current employer on those same aspects? Base: Those who are employed, n=898

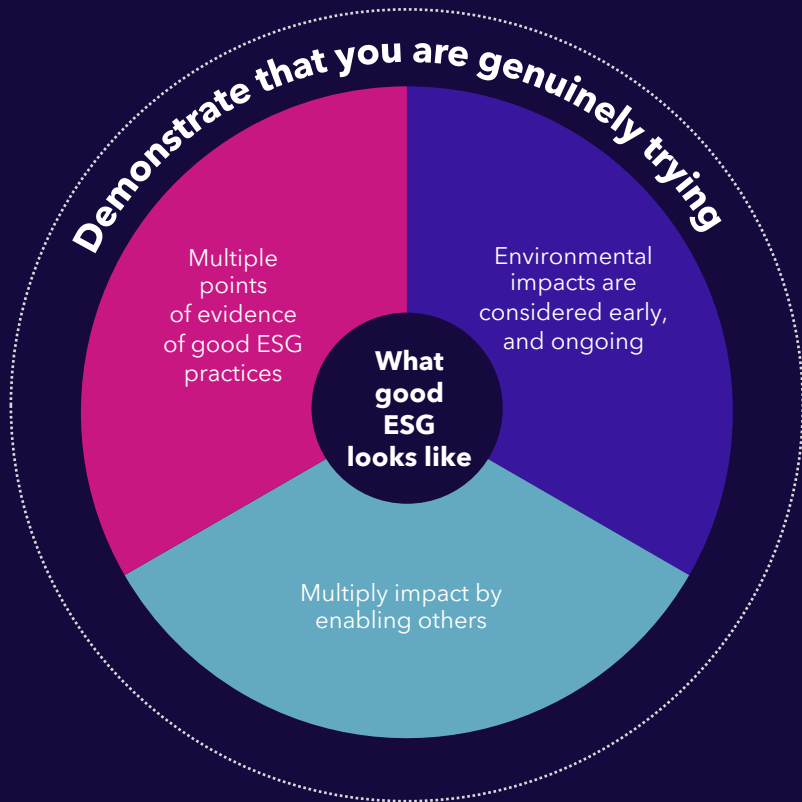
Part 5.

So, what next?



So, what next?

Key Take Outs



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 (first and foremost) 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 is 'going the extra mile'.

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

It is 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 will 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 and territories.

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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