

SEC Newgate

ESG Monitor

United States Report

2022 RESEARCH FINDINGS



Executive Summary.

Last year's inaugural SEC Newgate ESG monitor highlighted growing expectations in the United States and globally that businesses do more to demonstrate meaningful impact across ESG priority areas.

But 2022 has been a challenging year for many in the US, and this year's study shows that a range of global disruptions, such as steeply rising cost of living, rising energy prices, ongoing reverberations from the pandemic, and the war in Ukraine, are causing Americans to take a step back and refocus on shopping fundamentals like price, quality, and convenience. This increased focus on economic issues makes it challenging for companies to meaningfully engage consumers in non-pocketbook issue areas like ESG.

That said, Americans do still overwhelmingly feel that US businesses have a responsibility to behave like good citizens and consider their impacts on other people and the planet, and most do still expect these companies to be taking action on ESG issues. This suggests that ESG is a durable ongoing priority for American consumers that is here to stay.

In particular, Americans are looking for more transparency from US businesses about their ESG practices, and want this information to be readily available in easy-to-find, attention-grabbing ways. And most Americans, especially young adults, continue to be willing to reward companies who do this well and punish those who do not.

About GSG and SEC Newgate: In April 2022, GSG announced a new partnership with SEC Newgate, an international strategic communications company headquartered in Milan, Italy. GSG is now the flagship US agency for the consultancy. With 900 employees across 43 offices on five continents, the partnership allows us to execute communications campaigns seamlessly across international markets and benefit from the perspectives and collaboration of our new colleagues.

Methodology: For the second year running, SEC Newgate conducted research to understand community awareness and perceptions around Environmental, Social and Governance (ESG) issues. The research involved a 15-minute online survey conducted among 12,063 citizens across 12 countries and territories, including 1,001 from the United States. Participants were sourced from global panel provider PureProfile. Fieldwork was conducted in mid to late July 2022. Quotas were set by age, gender and location to ensure a nationally representative sample of citizens aged 18 or over, and the final results were weighted by the actual age and gender proportions for the US.

Throughout the report:

▼▲ indicates significant differences between the US and global results.

 Indicates global data.

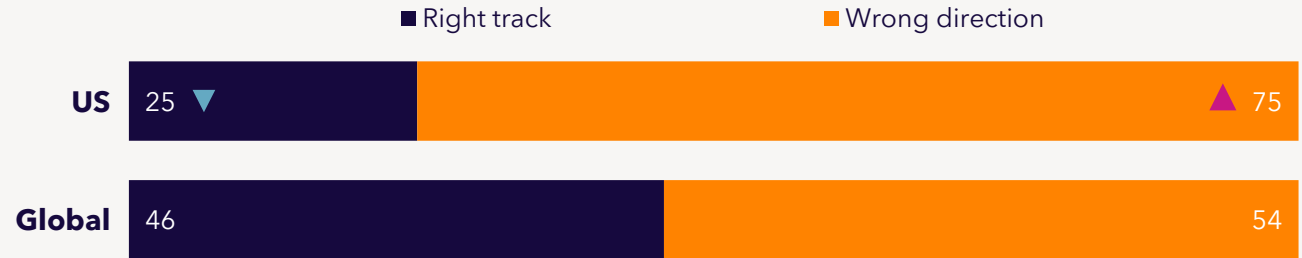
The mood in the US is pessimistic.

The mood is quite pessimistic in the US, where the percentage of Americans who feel the country is headed in the right direction is 21 points below the global average.

This is largely driven by economic concerns – six of the top seven concerns among Americans are financial, and addressing the rising cost of living is most top of mind. This laser-focus on economic issues makes it challenging for companies to meaningfully engage consumers around non-pocketbook issue areas like ESG.

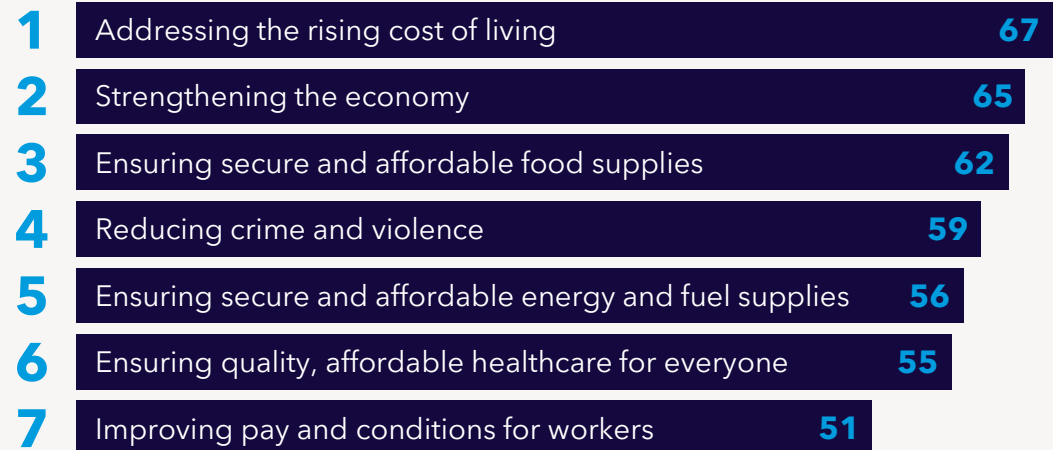
The percentage of Americans who feel the country is headed in the right direction is 21 points below the global average.

Overall, do you think that things in the United States are heading on the right track or in the wrong direction?



American pessimism around the direction of the country is largely driven by economic stressors, and six of the top seven concerns are financial.

The following are things that some people believe are important for the United States' future. How important are these things to you personally? (% who gave an "extremely important" rating of 9 or 10 out of 10)





Over **3 in 4** (77%)

agree that **companies have a responsibility to behave like a good citizen** and consider their impacts on other people and the planet.



78% agree



Over **3 in 4** (77%)

agree that **companies have the power and influence to make a positive difference** in the world.



75% agree



Around **2 in 3** (67%)

agree that **companies should make a start on ESG action**, no matter how small.



71% agree



Just over **1 in 2** (54%)

agree that **companies should be penalized for lack of action** on key ESG issues.



62% agree

Americans have high expectations for US companies.

Despite their focus on the economy, Americans still overwhelmingly feel that companies have a responsibility to behave like good citizens and consider their impacts on other people and the planet. They truly believe that companies have the power to make positive difference in the world, and are quite aligned with the global average in this way.

This suggests that even if ESG issues aren't as top-of-mind for Americans as economic issues right now, there is still an expectation that companies are taking action on ESG issues and striving to be responsible actors.

There is low awareness around the term 'ESG'.

Even though there is broad consensus that companies should be taking steps to have a more positive impact on the world, awareness and understanding of the term "ESG" itself is still extremely low in the US.

Nearly two-thirds of Americans haven't heard of ESG at all, which is significantly above the global average. Even once they are provided with a definition, over half of Americans rate their level of awareness about corporate ESG activities between 0-5 on a scale of 0-10.

Young people 18-49 are significantly more likely to understand the term "ESG" and feel informed about the ESG practices of US companies than adults 50+.

Awareness of the term "ESG" is extremely low in the US.

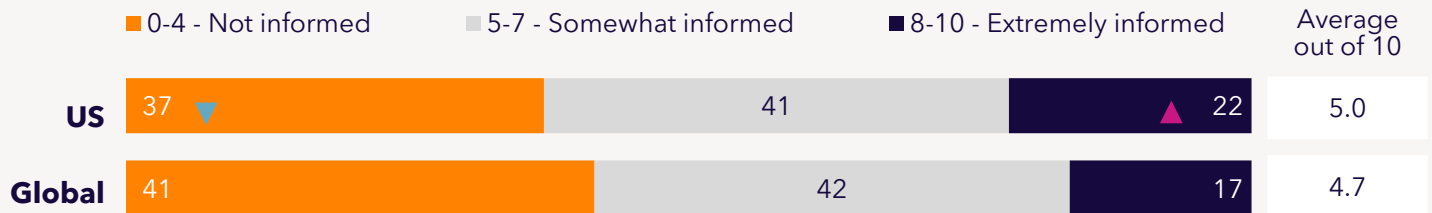
Before today, had you heard of the term "ESG," which stands for "Environmental, Social and Governance"?

- I hadn't heard of ESG before today
- Heard of ESG - not sure what it is
- Heard of ESG - have a good understanding of it

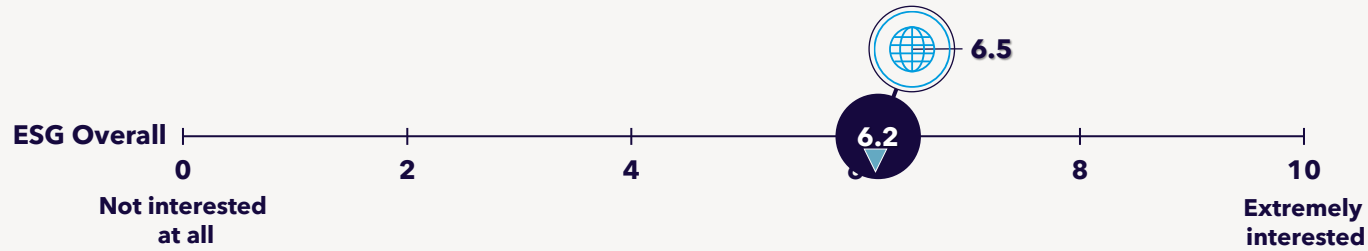


Few feel well informed about ESG, even when provided with a definition.

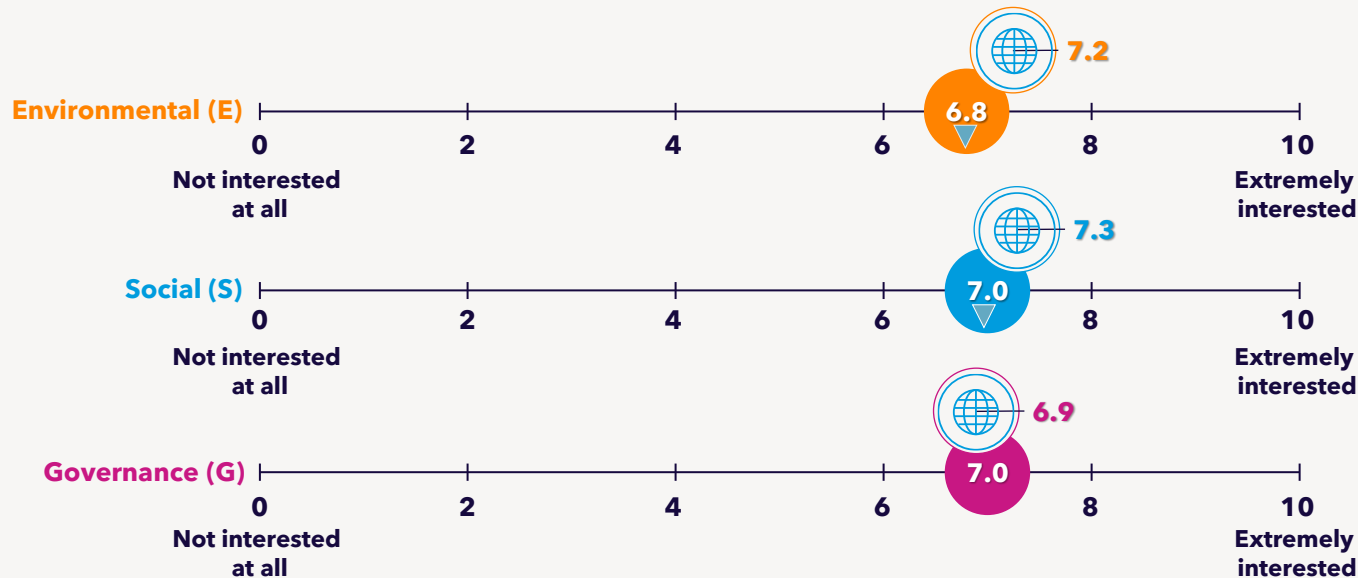
How informed do you currently feel about companies' ESG activities and performance on a scale from 0 to 10?



How interested are you in Environmental, Social and Governance (ESG) issues, if at all, on a scale of 0 to 10?



And how interested are you in following aspects of ESG, if at all, on a scale of 0 to 10?



Americans need more specificity around ESG issues.

As other more pressing priorities around the cost of living have come to the forefront, interest in ESG in the US remains significantly below the global average.

That said, Americans are far more interested in ESG issues when they are framed as environmental, social, or governance issues rather than “ESG issues,” likely because so few fully understand what the term ESG encompasses.

Companies need to be very clear about the specific initiatives they are engaged in and the issues they are striving to address rather than using jargon that can be difficult to understand.

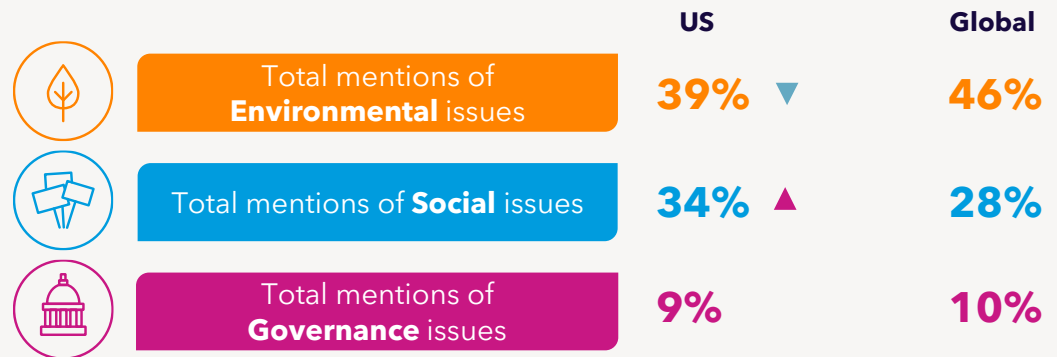
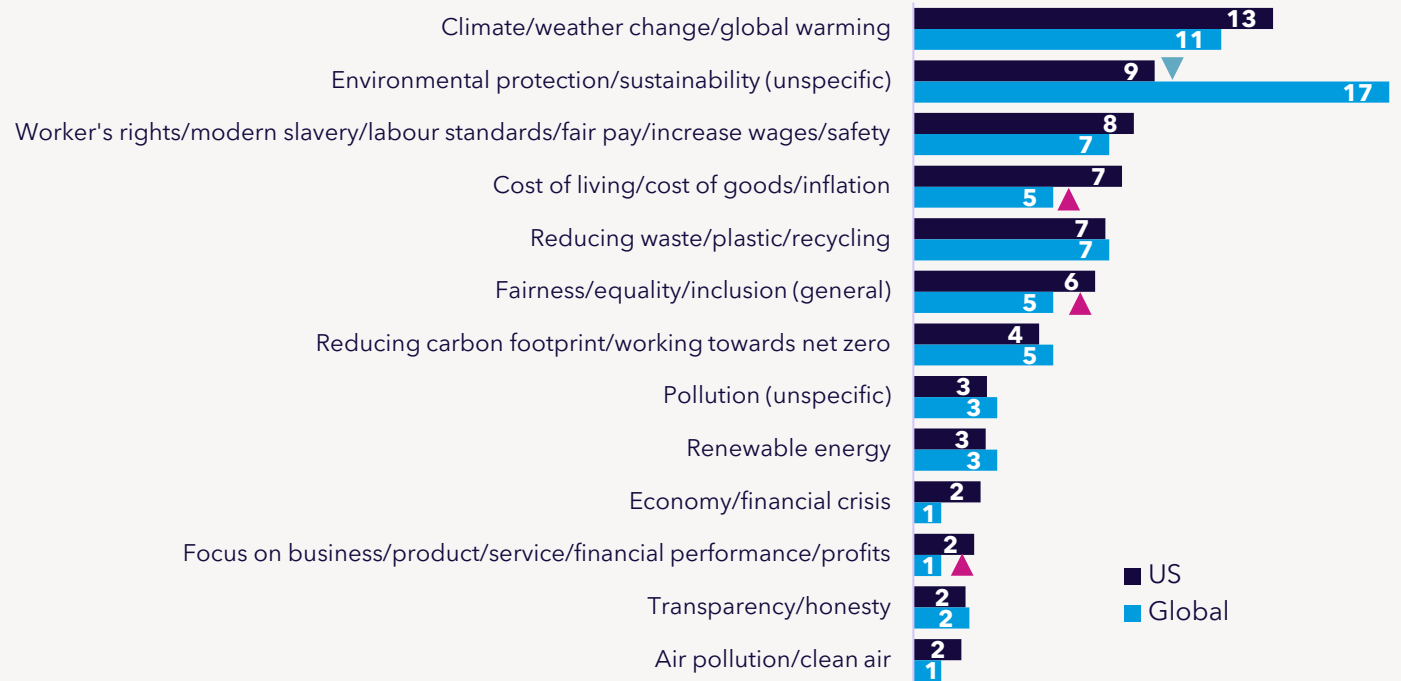
Within ESG, Americans prioritize climate and environmental issues and cost of living issues.

Americans think it's most important for companies to focus on two primary categories of ESG issues – climate and environmental issues and cost of living issues, including fair pay and increased wages for workers.

The importance of social issues like cost of living and increasing wages is significantly higher in the US than globally, while the importance of environmental issues is significantly lower in the US than globally.

Americans think focusing on climate/environmental issues and cost of living issues is most important.

What is the one Environmental, Social or Governance issue you think is most important for companies in the United States to be focusing on?



Americans are prioritizing fundamentals over ESG-related factors when choosing companies to shop with.

When choosing a [bank/energy provider/grocery store/supermarket], how important are the following factors? (% indicates the average score across all industries tested)



But Americans do consider a company's ESG efforts when deciding whether or not to buy from them.

In your day-to-day life, how important are ESG issues in influencing whether you decide to purchase products or services from specific companies on a scale of 0 to 10?



ESG issues are impacting US purchasing behavior.

Within the context of acute cost of living concerns, Americans are currently prioritizing the fundamentals like price, quality, and convenience over ESG-related factors when choosing companies to shop with.

That said, company reputation and values do still rise to the top of factors influencing purchasing decisions, and a key way to articulate company identity and values is through ESG initiatives.

In addition, Americans rate the importance of the company's ESG efforts when deciding whether or not to buy a product or service a 6.2 out of 10, suggesting they are taking ESG into account to some degree when making purchasing decisions, even if this is lower than the global average. ESG may not be table stakes yet, but it isn't something that companies can ignore.

Americans reward companies with good ESG practices.

Nearly two-thirds of Americans say they have taken some sort of action against a company in response to an ESG issue, though this is lower than the global average of 66%. Young adults and Americans who identify as part of the LGBTQI+ community are far more likely to have taken action based on an ESG issue.

Importantly, not only are there consequences for failing to engage on ESG issues, but there are actually benefits to actively engaging in ESG - nearly half of Americans say they have purchased or used a product or service because of a company's ESG behavior, suggesting the payoff to standing out in this area can be great.

A majority of Americans say they have taken some sort of action against a company in response to an ESG issue.

In the past two years, have you done any of the following things in response to an environmental, social or governance issue?



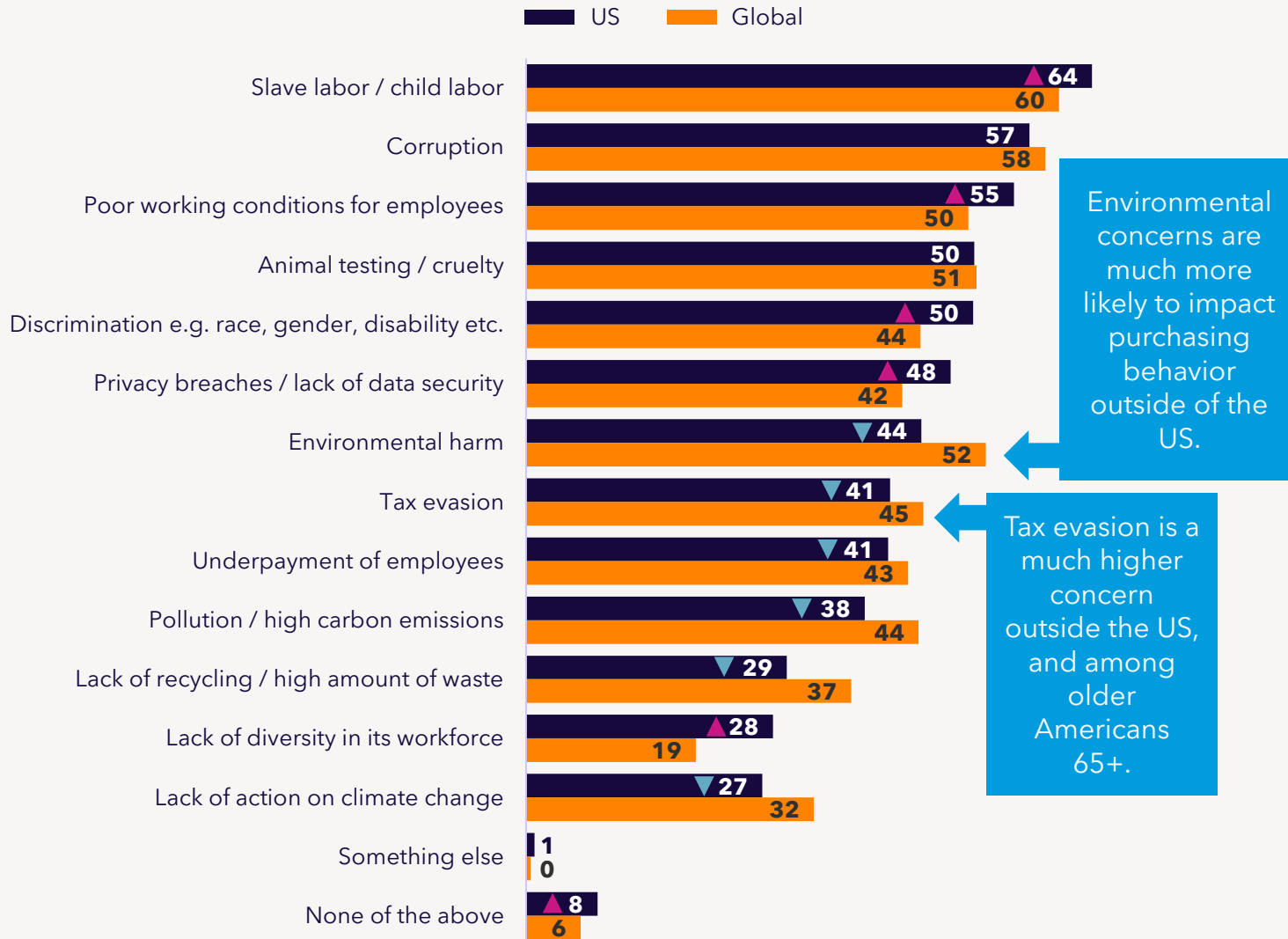
61%
of Americans have done one or more of these things

74%
of Americans who identify as part of the LGBTQI+ community have done one or more of these things

77%
of Americans 18-34 have done one or more of these things

66%
of people globally have done one or more of these things

Which of the following ESG related actions or issues (if any) would genuinely make you stop or avoid using a company's products or services?



Worker issues are most likely to lead to boycotting.

While slave labor and corruption remain top concerns for Americans, poor working conditions for employees are also one of the biggest ESG issues that would lead people to stop buying a company's products or services – and this is a much larger priority in the US than globally.

This reinforces the idea that supporting employees is table stakes for American companies and should be a top priority for US companies looking to engage on ESG.

Many Americans are willing to pay the price for ESG.

Though most Americans do think companies can be profitable while performing well on ESG and therefore feel they shouldn't pass on the cost for better ESG performance to their customers, many consumers are willing to play their part - nearly half say they would pay more for products or services from companies with stronger ESG performance, and 2 in 5 would be willing to receive a lower return on their investment.

Young Americans aged 18-24 and Americans who work for a large company are most willing to pay more in exchange for better ESG practices.



7 in 10 (70%)

agree that **companies can be profitable while also performing well on ESG.**



71% agree



Just over **3 in 4** (62%)

feel **companies should not pass on the cost for better ESG performance** to their customers.



67% agree



Around **1 in 2** (44%)

are **prepared to pay more** for products or services from companies with stronger ESG performance.



46% agree



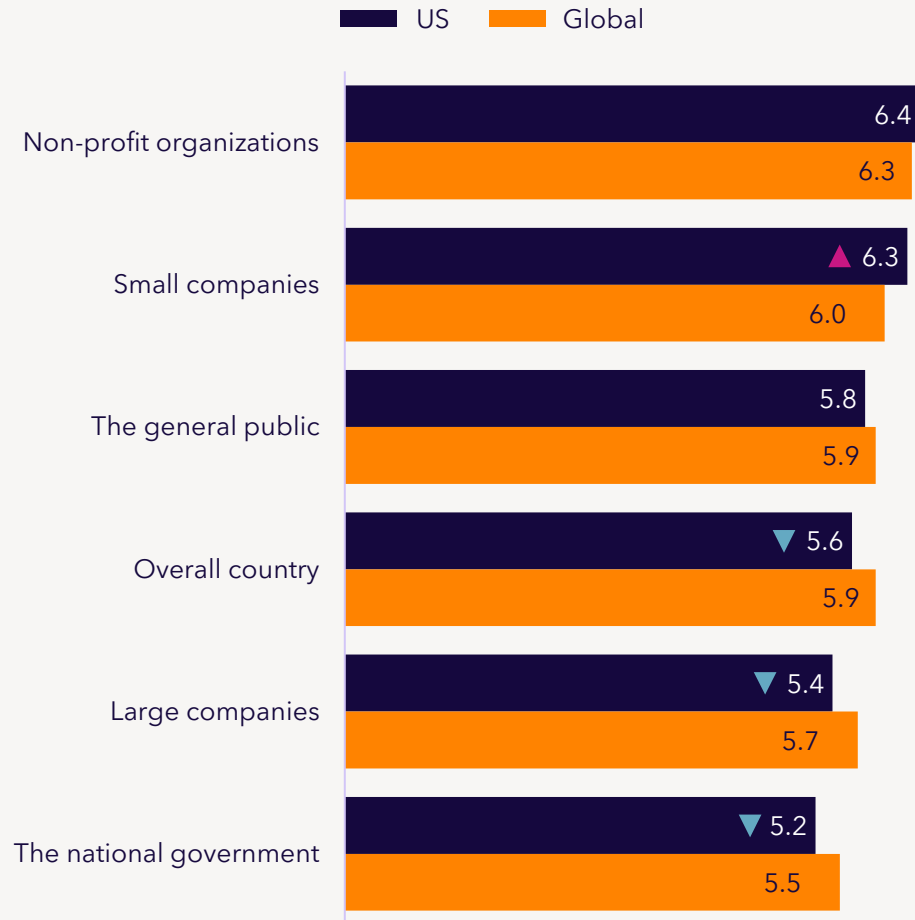
2 in 5 (40%)

are **prepared to receive a lower return on** investment in companies with stronger ESG performance.



45% agree

How would you rate the performance of the following groups when it comes to acting responsibly on ESG issues, on a scale of 0 to 10?



Americans are critical of current ESG practices.

Americans are critical of current ESG practices and largely find them to be lackluster across organizational types.

Though non-profits and small companies are generally perceived to be stronger in the ESG space than large companies, none receive a performance rating of more than 6.4 out of 10, and US ratings for the national government, large companies, and the country overall are significantly below the global average.

Americans are especially critical of the media and social media.

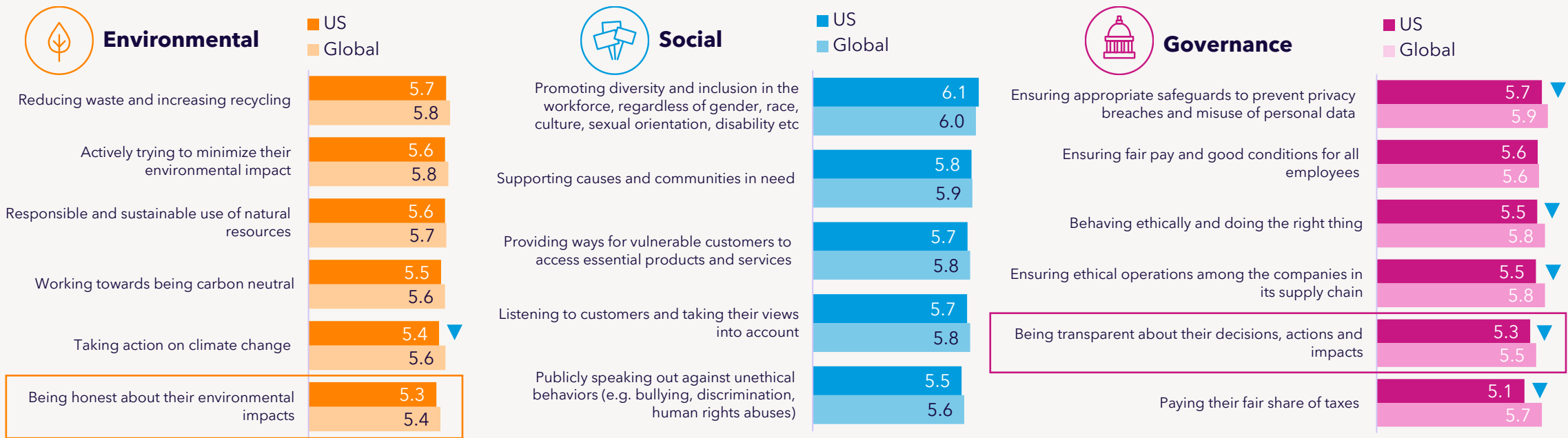
Americans also largely find ESG practices to be lackluster across industries. Notably, Americans are especially critical of the media and social media industries, rating them as poorly as the chemical and mining industries and far more harshly than people globally do.

How would you rate the performance of the following industries operating in the United States when it comes to acting responsibly on ESG issues, on a scale of 0 to 10?



Global

In general, how would you rate the performance of companies in the United States on the following things, on a scale of 0 to 10?




Companies need to be more transparent about their ESG practices.

Half of Americans don't trust what companies claim about their ESG activities and performance, and this perceived lack of transparency is one of the biggest things dragging down perceptions of how US companies are handling ESG issues. For example, across a wide range of issues Americans think companies are doing especially poorly at "being honest about their environmental impacts" in the environmental space and "being transparent about their decisions, actions, and impacts" in the governance space. Companies need to prioritize communicating more openly and transparently about their ESG efforts if they want to reap the benefits of being perceived as taking ESG seriously.



Nearly **1 in 2** (48%) **don't trust what companies claim** about their ESG activities and performance.

 51% agree



7 in 10 (70%)

agree that **companies should communicate the results of their ESG efforts more clearly** for consumers and investors.



69% agree



About **7 in 10** (69%)

agree that there should be a **consistent approach for companies to report their ESG performance.**



71% agree



7 in 10 (70%)

are **prepared to give a company a second chance if it is transparent about its mistakes** and demonstrates how it will do better in future.



72% agree

Americans reward companies who improve their ESG communications.

Much of this perceived lack of transparency is coming from a lack of communication, and American companies stand to gain from better communicating about their ESG efforts.

70% of Americans say companies should communicate the results of their ESG efforts more clearly, and just as many say there should be a more consistent approach for companies to report their ESG performance.

Notably, however, the payoffs for better communication can be big – 7 in 10 Americans say they would give a company a second chance if they were transparent about the mistakes they made and clearly communicated about how it would do better in the future.

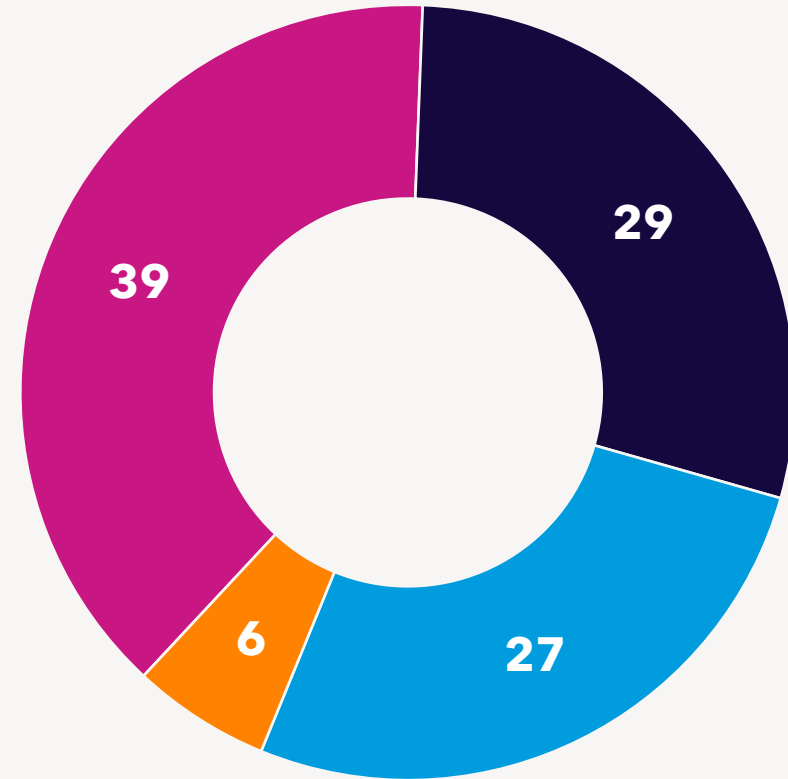
ESG communications need to be proactive and attention grabbing.

Over two-thirds of Americans rarely or never seek out information about ESG practices, which largely explains why awareness around ESG in the US is so low across the board. This means that not only do companies need to communicate more transparently about their ESG efforts, the burden is on them to do so in more attention-grabbing ways.

The fact that consumers know so little about corporate ESG efforts presents a major opportunity for companies to stand out as industry leaders in this area, but since consumers are not actively looking for this information companies need to be extra creative and proactive about how they disseminate this information.

Companies need to find creative, attention-grabbing ways to communicate more transparently about their ESG efforts.

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



■ Never ■ Rarely ■ Sometimes ■ Often

Contacts

Jade Floyd

Senior Vice President, Global Strategy Group
jfloyd@globalstrategygroup.com

Carly Meyerson

Vice President, Global Strategy Group
cmeyerson@globalstrategygroup.com

Sue Vercoe

Managing Director, SEC Newgate Research
sue.vercoe@secnewgate.com.au

Irene Diseris

Director, SEC Newgate Research
irene.diseris@secnewgate.com.au

Angus Trigg

Partner, SEC Newgate / ESG
angus.trigg@secnewgate.com.au

© Copyright. SEC Newgate Pty Ltd. 2022.

