



ThoughtLab

# Best practices of digital leaders: ESG

Report for ServiceNow

May 2022

# Research overview

ServiceNow and ThoughtLab conducted a **global survey of 1,000 executives** in February-April of 2022 to understand how companies and public entities around the world are prioritizing and making progress in three key areas of growing business importance: achieving environmental, social, and governance (ESG) goals, aligning customer and employee experience, and building a culture of innovation. The research was also designed to assess how they are using digital technologies and innovation to support those efforts.

The survey covered a mix of **C-Suite executives**, including Chief Executive Officers, Chief Operating Officers, Chief Finance Officers, Chief Information Officers, Chief Human Resources Officers, Chief Risk Officers, and Chief Customer Care Officers (CCCOs) or their equivalents. These executives worked in **five industry sectors across 13 countries**. Company sizes ranged from \$350 million to more than \$5 billion.

For the portion of the survey covering ESG, which is analyzed in this report, we identified best practices by categorizing respondents as **beginners, intermediates, and leaders**, based on the progress they have made in key areas of ESG, and correlated this to the benefits they are generating. This enabled us to show what leaders do differently than others, and the benefits to be gained by moving to the next stage of maturity. We also examined companies' overall level of maturity in digital transformation, categorizing them as well as into three digital maturity groups, also **beginners, intermediates, and leaders**. We examined any similarities between digital leaders and ESG leaders in their ESG efforts.

Our main research objective is to help organizations **achieve excellence** in using digital technologies and tools to optimize outcomes in the three areas identified, and to help drive their overall performance.

# Respondent profile and maturity curve

# Respondent profile

## Our survey covered five industries:

- **Financial services** (retail and commercial banking, wealth and asset management, insurance)
- **Healthcare/Life sciences** (healthcare payers and providers, and pharmaceutical and medical device producers)
- **Manufacturing** (heavy equipment, automotive, consumer food and beverages, consumer electronics and durables, mining and natural resources)
- **Public sector** (federal/national, state/provincial, city/local)
- **Telecommunications** (wireless/mobile operators, cable/internet operators, virtual operators)

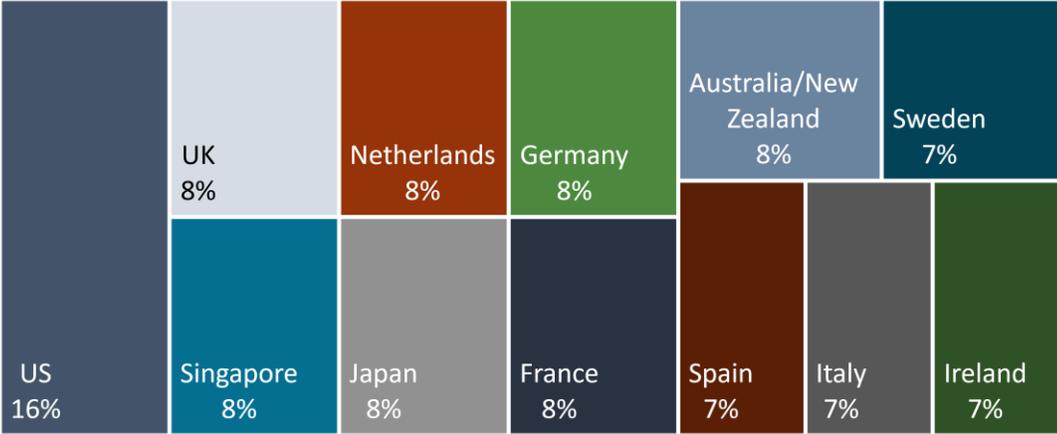
## The regions and 13 countries in the survey sample were:

- **North America:** US
- **Europe:** France, Germany, Ireland, Italy, Netherlands, Spain, Sweden, UK
- **Asia Pacific:** Australia, Japan, New Zealand, Singapore

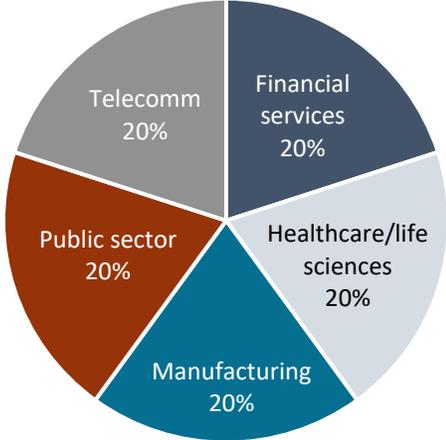


# Respondent breakdown

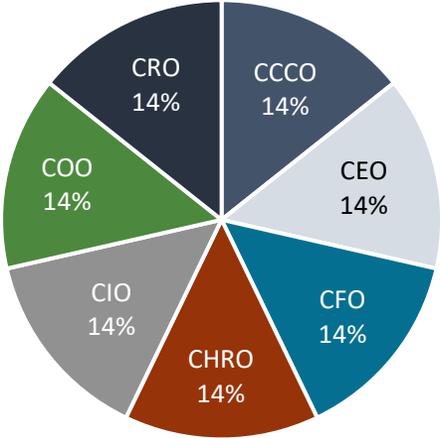
By country



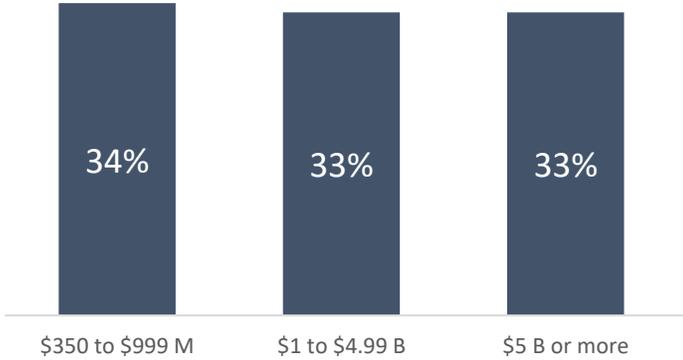
By industry



By role



By revenue size



# Defining ESG maturity

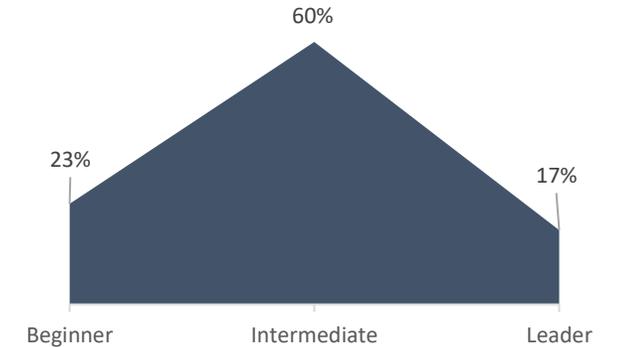
We developed an ESG maturity curve based on Q9 in the survey, where respondents self-reported their level of progress on 11 initiatives to achieve their ESG goals.

The initiatives were:

1. Identify the most material ESG issues for our business and stakeholders
2. Develop an ESG vision, strategy, implementation plan, and budget
3. Develop an effective organizational structure, skills, and resources to advance our ESG strategy
4. Communicate ESG strategy and goals to all stakeholders: investors, customers, employees, etc.
5. Set, track, and report metrics for ESG performance
6. Build our ESG goals into our procurement and supply chain processes
7. Incorporate ESG goals into product, service, and business model innovation
8. Incorporate ESG goals into our digital transformation plans
9. Harness advanced digital technology to support our ESG efforts
10. Integrate ESG goals and metrics into investment decisions
11. Utilize a commonly used reporting framework (such as GRI, SASB, or TCFD)

## ESG maturity stages

For each organization, we calculated a score of 0-4 based on the responses to Q9. We then took the average of the scores for each respondent and categorized the respondents into one of the three maturity stages. Those below the 25th percentile of scores were classified as beginners, those above the 75th percentile as leaders, and those in between as intermediates.



We organized the maturity stages as a bell curve: 23% of organizations were categorized as beginners, 60% as intermediates, and 17% as leaders.

## Scoring question

Q9. Which level of progress has your organization made on the following initiatives to achieve your ESG goals?

(not considering=0; planning=1; early implementation=2; mid-implementation=3; advanced stage=4)

# Defining digital maturity

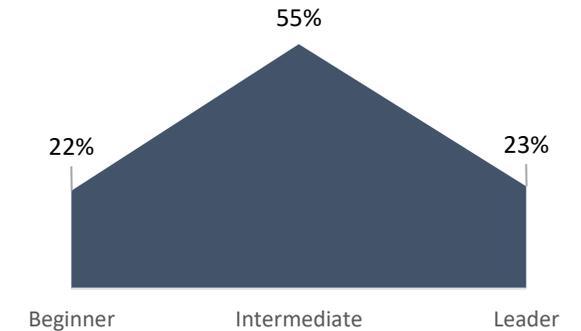
In addition, we developed a digital maturity framework based on Q6 in the survey, where respondents self-reported their organization's stage of development in 12 areas of digital transformation.

The areas were:

1. Digital strategy and roadmap
2. Data management and analytics
3. Digital enterprise platform
4. Automation
5. Digitized workflows
6. Seamless customer experience
7. Advanced cybersecurity
8. Digital compliance
9. Digitized employee experience
10. Innovation culture
11. Software deployment
12. Advanced digital technologies

## Digital maturity stages

For each organization, we calculated a score of 0-4 based on the responses to Q6. We then took the average of the scores for each respondent and categorized the respondents into one of the three maturity stages. Those below the 25th percentile of scores were classified as beginners, those above the 75th percentile as leaders, and those in between as intermediates.



**We organized the maturity stages as a bell curve: 22% of organizations were categorized as beginners, 55% as intermediates, and 23% as leaders.**

## Scoring question

Q6. In which stage of development is your organization in the following areas of digital transformation, and where do you expect to be in two years?

(not considering=0; planning=1; early implementation=2; mid-implementation=3; advanced stage=4)

# Where organizations stand in ESG maturity

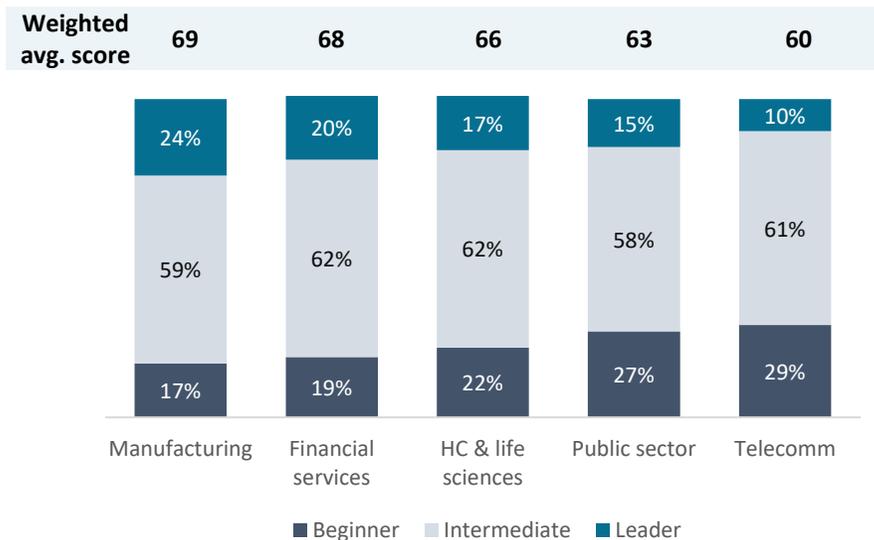
Our survey results and analysis show that manufacturing is ahead of other industries in progress made in various areas of ESG. This is partly because manufacturing was the biggest industry by revenue size in the survey sample, with 51% having revenue of \$5 billion or more. We found that the larger the organization, the more advanced it is in ESG. Entities in the US are more advanced than those in APAC and Europe. Size is a factor here as well, with nearly half of US firms falling in the largest revenue size category.

As a group, manufacturing has the most leaders, 24% of the manufacturing sample, and the fewest beginners, 17%. It is followed by financial services and healthcare and life sciences. The public sector and telecommunications have the fewest leaders and the largest share of beginners. On a weighted average basis (with leaders assigned a 3x ranking, intermediates a 2x ranking, and beginners 1x), the same holds true: manufacturing firms are ahead, and public-sector and telecoms entities trail behind.

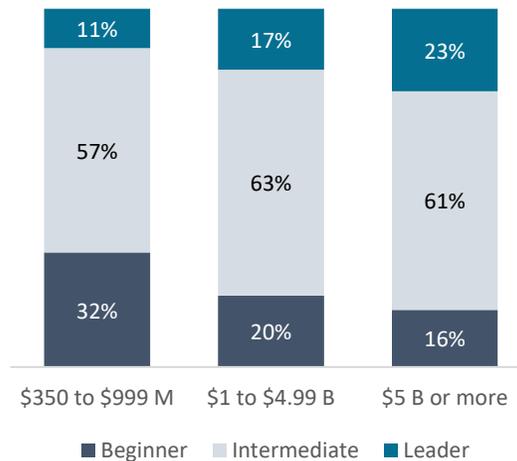
Intermediates represent the vast swath of all five sectors, suggesting that all sectors are striving to improve in meeting their ESG goals.

The larger the entity, the more likely it will be a leader—23% of those with revenue of \$5 billion or more are leaders, compared to 17% of mid-sized entities and only 11% of those with under \$1 billion in revenue. Regionally, the percentages are closer, but firms in the US have a tad more leaders and notably fewer beginners.

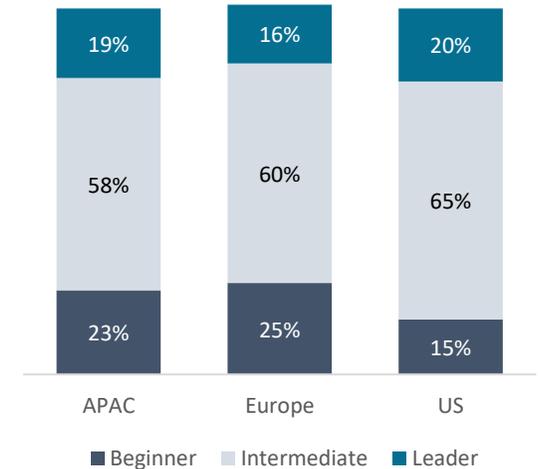
ESG maturity by industry/sector



ESG maturity by revenue size



ESG maturity by region



# Where organizations stand in digital maturity

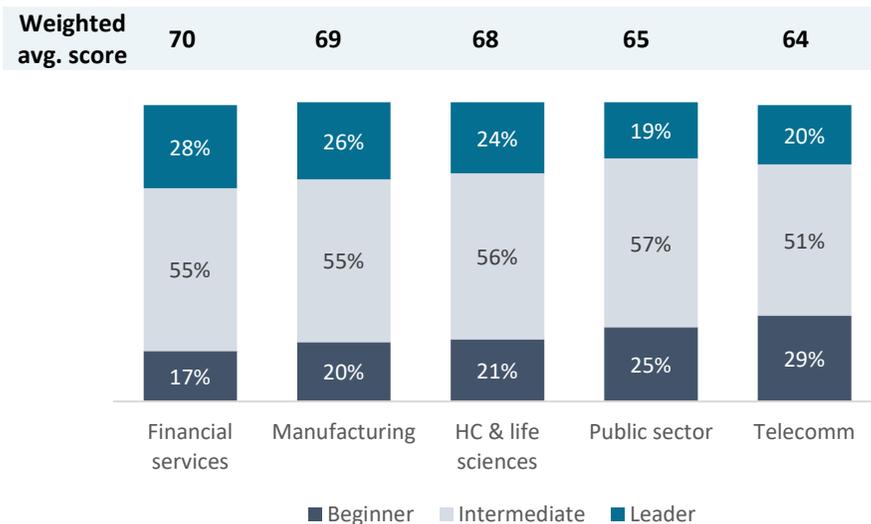
Digital maturity levels follow a similar pattern to that of ESG maturity. However, the financial services industry stands ahead of others, overtaking manufacturing, according to our survey results. As is generally the case, the largest firms in revenue size are most advanced in their digital transformation, while the smallest are the least. By region, organizations in the US are the most digitally mature.

As a group, financial services firms boast the most digital leaders, at 28%, and the fewest beginners, just 17%. Manufacturing has slightly fewer leaders and slightly more beginners. The public sector and telecommunications companies trail the other industries, as is the case with ESG maturity. More than 50% of organizations across industries are in the Intermediate stage of digital transformation.

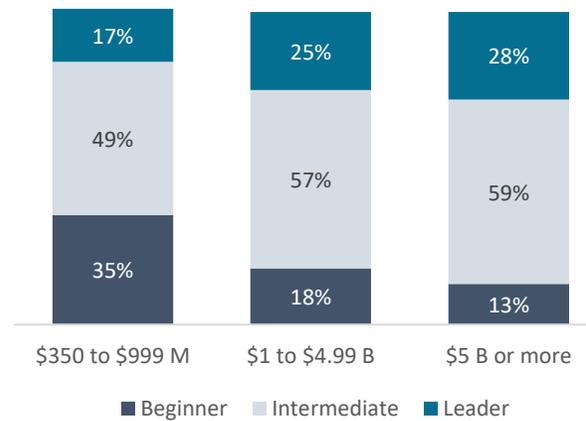
The larger the entity, the more likely it will be a leader—28% of those with revenue of \$5 billion or more are leaders, against 25% of mid-sized entities and 17% of those with under \$1 billion in revenue. A whopping 35% of small firms remain digital beginners.

It is no surprise that the US—a global leader in digital technology and solutions—has the largest share of leaders and the smallest percentage of beginners by far, compared to APAC and Europe. Revenue size plays a role here as well, since the US entities in the sample tended to be much larger, with 46% in the \$5 billion or more size category compared with 36% for APAC and 28% for Europe.

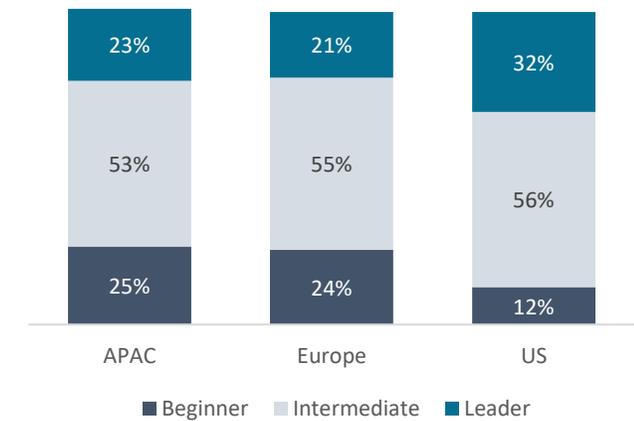
Digital maturity by industry/sector



Digital maturity by revenue size



Digital maturity by region



# The ESG imperative

# Pressure to achieve ESG goals comes from all sides

Sustainability and the social good have become top priorities for organizations, spurred by the COVID-19 pandemic and growing global attention to the impacts of climate change. Pressure around ESG issues is coming from all stakeholders, including ESG rating agencies, top managers and the board, regulators, customers, and investors. This explains why organizations are moving more rapidly to set and achieve ESG goals.

This holds true across all industries and regions. ESG rating agencies and senior management are the top proponents of an ESG approach. Around 90% or more of organizations are seeing medium to high pressure from these stakeholders, and nearly as many from regulators and business partners. Notably, fewer respondents cite pressure from local communities—although the figure is higher in APAC and among public-sector entities—and from employees. Yet 62% of organizations do cite pressure from their workers, a substantially high number. Employees in financial services firms seem to exert more ESG pressure, and those in APAC less than in the other regions.

Financial services and telecoms, which are more heavily regulated, experience somewhat more pressure on average across stakeholder groups than other industries, while manufacturers experiences the least. However, because of their large size, manufacturing firms are ahead in ESG progress, despite being subject to relatively less pressure.

## By industry/sector

|                           | Financial | HC/life sciences | Manufact. | Public sector | Telecoms | All        |
|---------------------------|-----------|------------------|-----------|---------------|----------|------------|
| ESG rating agencies       | 94%       | 92%              | 93%       | 94%           | 95%      | <b>93%</b> |
| Senior management & board | 92%       | 93%              | 89%       | 94%           | 91%      | <b>91%</b> |
| Regulators                | 90%       | 86%              | 84%       | 89%           | 90%      | <b>87%</b> |
| Business partners         | 80%       | 80%              | 81%       | 86%           | 86%      | <b>83%</b> |
| Customers                 | 84%       | 79%              | 68%       | 74%           | 84%      | <b>78%</b> |
| Investors                 | 76%       | 79%              | 72%       | 73%           | 69%      | <b>73%</b> |
| Local communities         | 66%       | 65%              | 67%       | 70%           | 68%      | <b>67%</b> |
| Employees                 | 68%       | 62%              | 54%       | 61%           | 65%      | <b>62%</b> |

## By region

|                           | APAC | Europe | US  |
|---------------------------|------|--------|-----|
| ESG rating agencies       | 93%  | 93%    | 94% |
| Senior management & board | 92%  | 91%    | 91% |
| Regulators                | 88%  | 87%    | 89% |
| Business partners         | 82%  | 83%    | 81% |
| Customers                 | 74%  | 79%    | 80% |
| Investors                 | 70%  | 73%    | 79% |
| Local communities         | 71%  | 66%    | 64% |
| Employees                 | 56%  | 64%    | 63% |

Q7. What level of pressure on ESG issues are you seeing from the following stakeholders? (Top two, medium and high) **Green=relatively highest pressure. Red=lowest pressure.**

# Environmental goals top organizations' ESG agendas

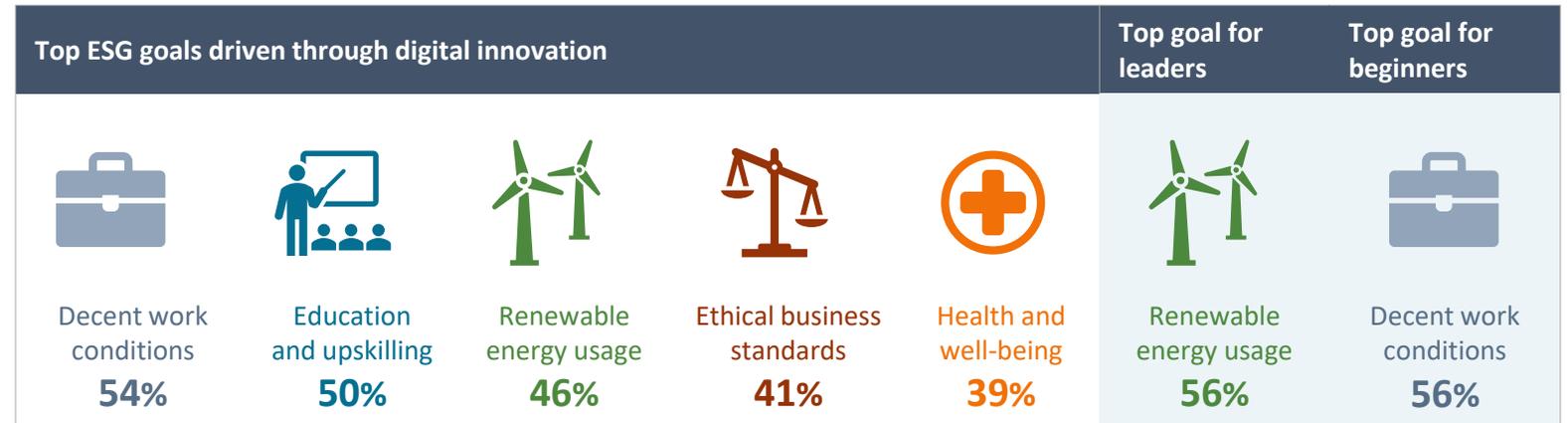
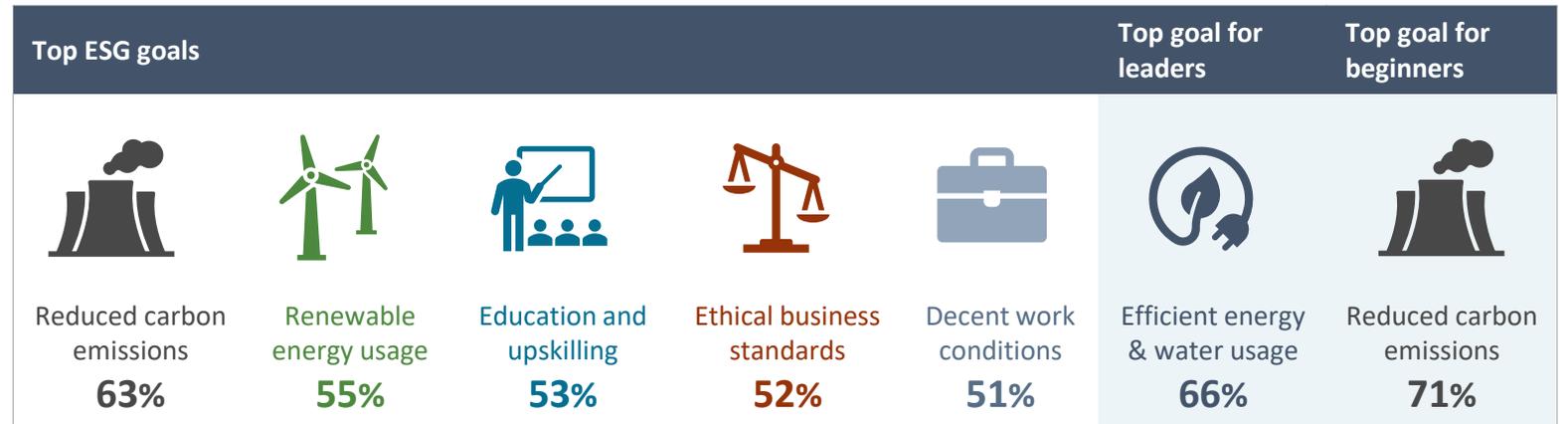
Most organizations surveyed are focused on environmental sustainability as their primary ESG goal, with 63% attempting to reduce carbon emissions and 55% using renewable energy sources.

Said the CRHO of an Italian wealth management firm: “We are investing in entrepreneurial initiatives to achieve a sustainable economy with low carbon emissions. We have achieved the goal of carbon neutrality a year earlier than expected.”

ESG leaders are also very energy-focused. The top ESG goals for two-thirds are efficient energy and water usage and reduced carbon emissions. This is followed by renewables usage (63%). Beginners are principally keen to reduce carbon emissions (71%).

More than half of entities are also prioritizing key social and governance goals. Fifty-three percent are working on education and upskilling, 52% aim to adopt ethical business standards, and 51% to provide decent work conditions.

In an increasingly digital world, technology plays a critical role in supporting ESG agendas. Half or more of entities are using digital innovation to promote decent work conditions and for education and upskilling. Nearly that many—and 56% of leaders—are depending on innovation to help source renewable energy. Beginners are most focused on using innovation to support decent work conditions.



Q12. Which are your top ESG goals, and which goals are you driving through digital innovation? Select all that apply

# Executives give a solid thumbs up to ESG

**ESG programs are no longer a subject of debate: most organizations recognize that they are good for business. And digital innovation is central to achieving ESG goals.**

Nearly two-thirds of organizations say that having an ESG program helps attract and retain talent—a solid motivator for making progress on ESG. The same share of respondents say that ESG initiatives help deliver better financial results, underscoring the fact that such efforts can translate directly to the bottom line. And more than half note that ESG is a top priority for the C-Suite and the board. Gone are the days when generating a profit is a more important goal than ESG, with only 13% of executives agreeing with that statement.

Industries vary in their views on ESG. Financial firms see ESG programs as particularly important for attracting talent and supporting financial results. They also are more likely to have C-Suite and board backing for ESG. Healthcare firms are more apt than others to see digital innovation as supportive of ESG. Manufacturers, among the biggest polluters in the world, are ahead in setting Net Zero targets.

### Organizations’ approach to ESG: % of all respondents agreeing

| Statement   | % agreeing |
|---|------------|
| Our ESG program enables us to attract and retain top talent.                            | 64%        |
| Our ESG program enables us to deliver better financial results.                         | 64%        |
| Digital innovation is key to achieving our ESG goals.                                   | 61%        |
| ESG programs are top priority for our C-Suite and board.                                | 57%        |
| Firms should take a stand on ESG and communicate goals to builds trust & transparency.  | 31%        |
| Our company has set a date for achieving Net-Zero emissions.                            | 29%        |
| Our company is not doing enough on ESG beyond regulatory requirements.                  | 29%        |
| It is challenging to achieve ESG goals while meeting shareholder profit expectations.   | 21%        |
| Our company has set or plans to set science-based targets.                              | 21%        |
| Our company is considered a leader in ESG by financial markets and rating companies.    | 21%        |
| The pandemic is elevating the importance of ESG across our organization.                | 15%        |
| Our main goal is generating profit for shareholders rather than delivering ESG results. | 13%        |

### Industry high and low, % agreeing

| Industry high                   | Industry low             |
|---------------------------------|--------------------------|
| Financial services 71%          | Telecoms 54%             |
| Financial services 69%          | Telecoms 58%             |
| Healthcare 64%                  | Public sector 57%        |
| Financial service 64%           | Public sector 52%        |
| Healthcare 37%                  | Financial services 28%   |
| Manufacturing 46%               | Healthcare, telecoms 22% |
| Telecoms 35%                    | Public sector 25%        |
| Financial service 26%           | Manufacturing 16%        |
| Healthcare 24%                  | Public sector 15%        |
| HC, public sector, telecoms 22% | Manufacturing 19%        |
| Telecoms 20%                    | Manufacturing 11%        |
| Telecoms 22%                    | Public sector 10%        |

Q8. Which of the following statements do you agree with regarding your organization’s approach to ESG? Select all that apply.

# Executives often see ESG through their own functional lenses

There is general consensus about the value of ESG, but there are some differences in how executives view their organizations’ ESG approaches.

While two-thirds of executives believe ESG programs enable them to attract and retain top talent, CHROs, highly involved in the recruitment process, are more skeptical. They may naturally be more concerned with other factors that play into a prospective hire’s decisions, such as salary. CFOs are most likely to cite financial gains from ESG programs: almost three-quarters think their ESG efforts help deliver better financial results. Chief risk officers are not as confident, with only 53% agreeing.

CEOs have great trust in digital innovation and see ESG as a top priority for the C-Suite and the board—good news for ESG proponents striving to advance their agendas. Said the CEO of a US telecoms firm: “Our company invests in digital capabilities to attract the type of talent that the company requires while also taking into account the diversity of the organization.” But CFOs, more narrowly focused on finances, are less convinced: only 44% think digital innovation is key to achieving social and sustainability objectives.

### Organizations’ approach to ESG

| Statement   |
|---|
| Our ESG program enables us to attract and retain top talent.                            |
| Our ESG program enables us to deliver better financial results.                         |
| Digital innovation is key to achieving our ESG goals.                                   |
| ESG programs are top priority for our C-Suite and board.                                |
| Firms should take a stand on ESG and communicate goals to builds trust & transparency.  |
| Our company has set a date for achieving Net-Zero emissions.                            |
| Our company is not doing enough on ESG beyond regulatory requirements.                  |
| It is challenging to achieve ESG goals while meeting shareholder profit expectations.   |
| Our company has set or plans to set Science Based Targets.                              |
| Our company is considered a leader in ESG by financial markets and rating companies.    |
| The pandemic is elevating the importance of ESG across our organization.                |
| Our main goal is generating profit for shareholders rather than delivering ESG results. |

| Function high and low, % agreeing  |  |
|------------------------------------|--|
| Function high                      | Function low                           |
| Chief Information Officer, 75%     | Chief Human Resources Officer, 48%     |
| Chief Financial Officer, 73%       | Chief Risk Officer, 53%                |
| Chief Executive Officer, 72%       | Chief Financial Officer, 44%           |
| Chief Executive Officer, 62%       | Chief Financial Officer, 51%           |
| Chief Information Officer, 41%     | Chief Human Resources Officer, 22%     |
| Chief Financial Officer, 38%       | Chief Risk Officer, 20%                |
| Chief Operating Officer, 37%       | Chief Financial Officer, 18%           |
| Chief Risk Officer, 29%            | Chief Financial; Chief Operating, 16%  |
| Chief Financial Officer, 42%       | Chief Customer; Chief Information, 14% |
| Chief Financial Officer, 26%       | Chief Executive Officer, 14%           |
| Chief Human Resources Officer, 25% | Chief Information Officer, 6%          |
| Chief Risk Officer, 17%            | Chief Operating Officer, 8%            |

Q8. Which of the following statements do you agree with regarding your organization’s approach to ESG? Select all that apply.

# Organizations are making impressive progress on key ESG initiatives

Organizations overall have made robust progress on a range of initiatives to drive their ESG performance, with the most effort going towards communicating their ESG strategy and goals to all stakeholders (82% in mid-implementation or advanced stage on this initiative).

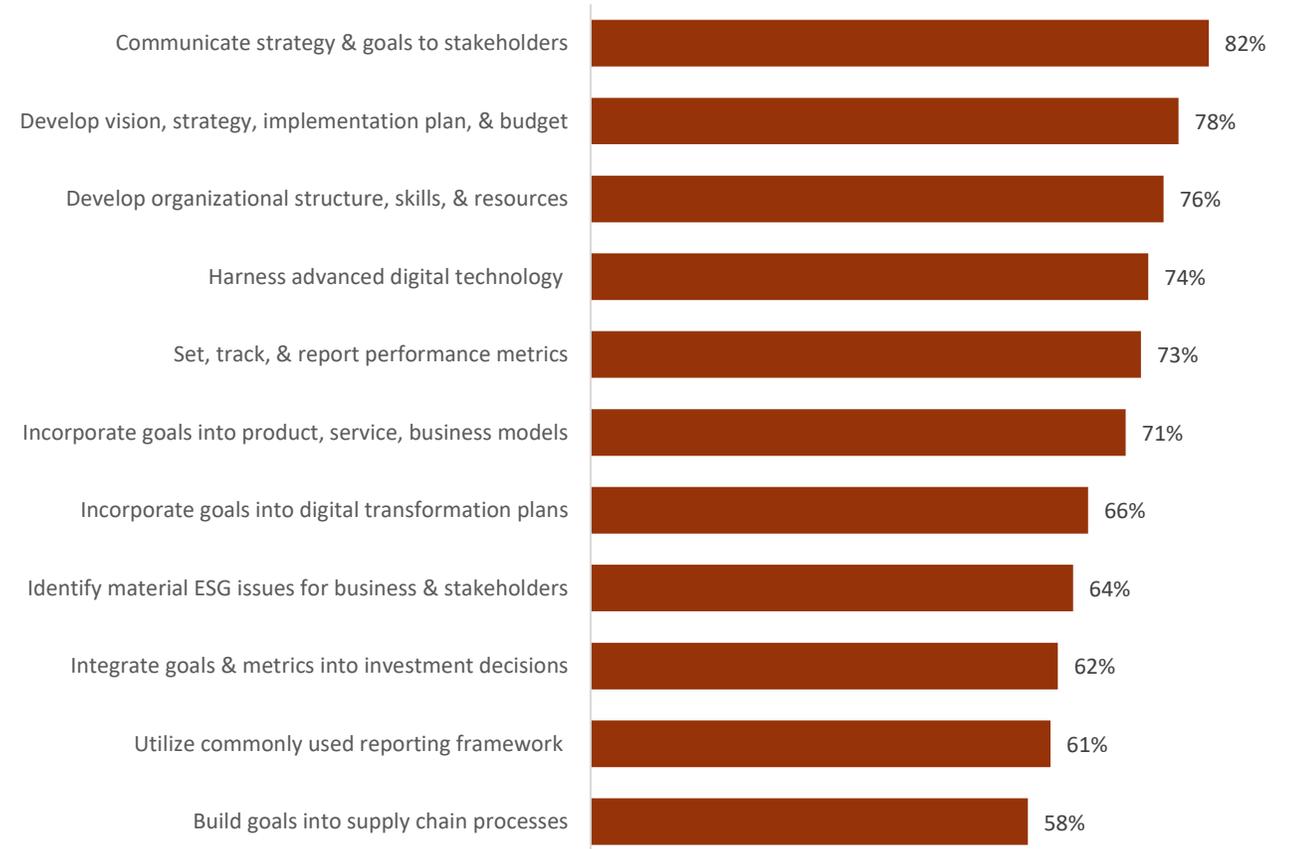
Nearly as many entities have developed a vision, strategy, and implementation plans, as well as an effective organizational structure and skills needed to advance in ESG. These are perhaps the most critical prerequisites for accomplishing ESG objectives.

Three-quarters of entities also are setting, tracking, and reporting on ESG metrics. For example, the chief customer care officer of a French telecoms firm said it is using IoT analytics and data management tools to monitor its ESG initiatives.

Somewhat fewer organizations, albeit still more than half, are utilizing a common framework to report on ESG progress and are building ESG goals into procurement and supply chain processes. Said the CEO of another French telecoms firm: “We try to manage, measure and continually improve operations, including creating a more sustainable supply chain.”

This is laudable progress on all fronts, and attests to the fact that ESG is no longer an afterthought for most organizations, but rather a core part of business plans and performance objectives.

Progress on ESG initiatives, mid-implementation and advanced stage



Q9. Which level of progress has your organization made on the following initiatives to achieve your ESG goals? (Top two, mid-implementation and advanced stage)

# ESG leaders and digital leaders are well aligned

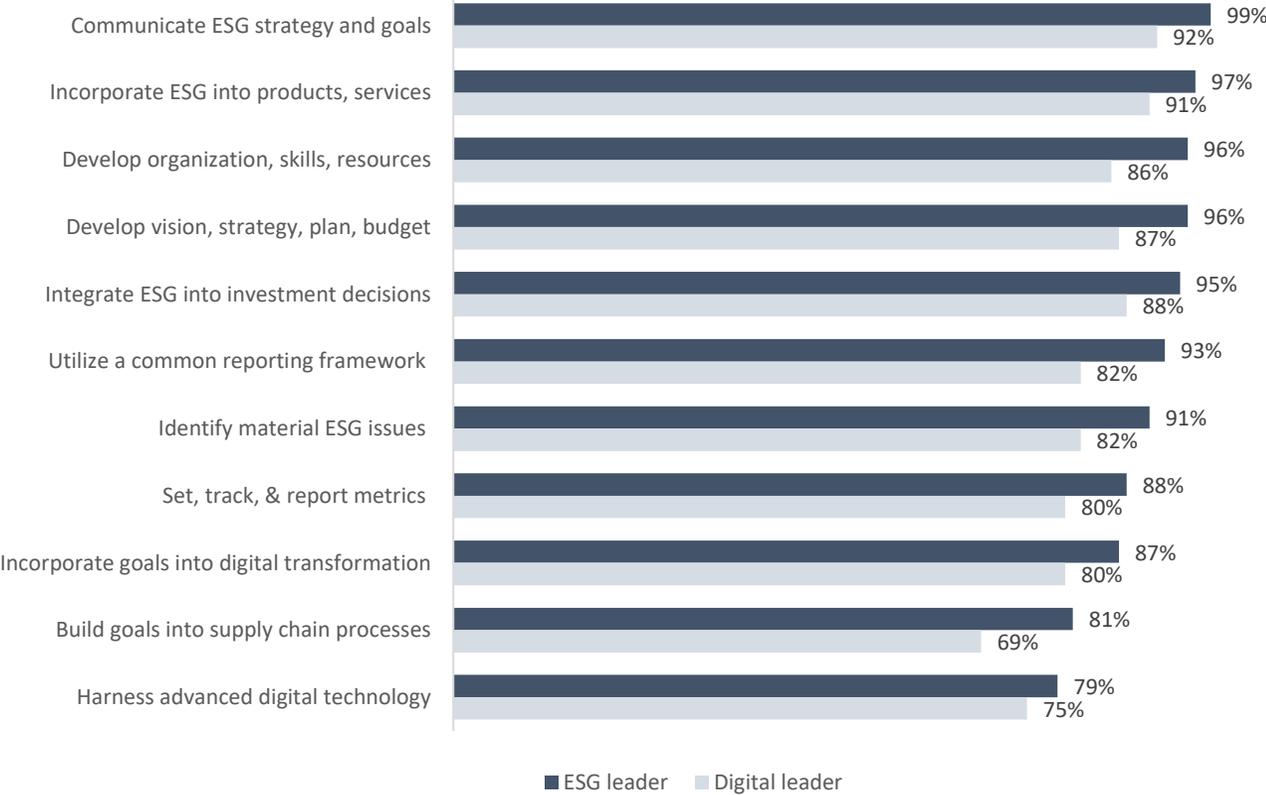
While ESG leaders are advancing most on ESG-related initiatives, there is a strong correlation with the efforts being made by entities that qualify as digital leaders.

ESG leaders are only slightly ahead of entities that are most digitally mature in their efforts across most areas designed to further their ESG agendas. The similarities are closest for the most common initiatives: communicating ESG strategy and goals, and incorporating ESG objectives into products, services, and business models.

Only in a few areas are ESG leaders notably ahead of digital leaders. These include developing the right organizational structure and skills for ESG, utilizing a common reporting framework, and building ESG goals into supply chain processes.

Overall, however, the data suggests that, in most areas, organizations that are most ahead in their digital transformation journey also tend to be advanced in their progress on ESG.

Progress on ESG initiatives, mid-implementation and advanced stage, ESG leaders vs. digital leaders



Q9. Which level of progress has your organization made on the following initiatives to achieve your ESG goals? (Top two, mid-implementation and advanced stage)

# Steps and technologies to support ESG

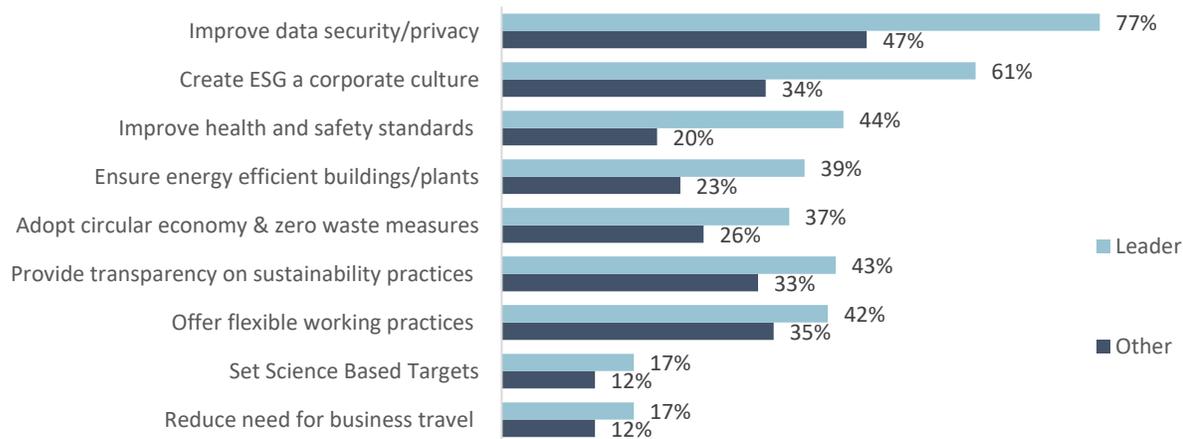
# Data security and building culture are top steps for ESG leaders

Improving data security and privacy is the top step that all organizations—especially leaders—take today to ensure they achieving their ESG aims. This underscores that, in today’s digital world, ESG is broader than the environment and encompasses elements such as ethical use of data and technology.

Organizations overall also are prioritizing steps to attract the right talent to pursue their ESG goals and to create a corporate culture supportive of ESG. Across the board, entities will be beefing up their efforts across all environmental, social, and governance components over the next two years, but especially for data security and talent.

At present, leaders, besides taking more steps combined than others do, are doing relatively much more in several areas. These include data privacy, creating an ESG culture, improving health and safety standards, ensuring energy efficiency, and adopting circular economy practices. Across all of these elements, leaders provide a roadmap for less mature firms to follow.

## What ESG leaders do more than others



## Steps taken to achieve ESG goals now and in 2 years

| Step  | Now | 2 years | % ppt change |
|---|-----|---------|--------------|
| <b>G</b> Improve data security/privacy                          | 52% | 65%     | +13          |
| <b>S</b> Improve talent attraction, retention, development      | 40% | 54%     | +14          |
| <b>G</b> Create ESG corporate culture                           | 39% | 46%     | +7           |
| <b>E</b> Set a goal for becoming Net Zero                       | 39% | 50%     | +11          |
| <b>S</b> Offer flexible working practices                       | 36% | 42%     | +6           |
| <b>G</b> Provide transparency on sustainability practices       | 35% | 39%     | +4           |
| <b>E</b> Adopt circular economy & zero waste measures           | 28% | 30%     | +2           |
| <b>E</b> Ensure energy efficient buildings/plants               | 26% | 28%     | +2           |
| <b>S</b> Diversify workforce & hire underrepresented groups     | 24% | 29%     | +5           |
| <b>E</b> Ensure suppliers/partners follow sustainable practices | 24% | 32%     | +8           |
| <b>S</b> Improve health & safety standards                      | 24% | 35%     | +11          |
| <b>G</b> Promote ethical business practices                     | 22% | 29%     | +7           |
| <b>G</b> Build robust compliance function                       | 14% | 19%     | +5           |
| <b>S</b> Increase community investment/engagement               | 14% | 16%     | +2           |
| <b>E</b> Reduce need for business travel                        | 13% | 22%     | +9           |
| <b>E</b> Set Science Based Targets                              | 13% | 17%     | +4           |
| <b>G</b> Tie executive incentives to achieving ESG goals        | 6%  | 14%     | +8           |

Red=largest increases

Q10. What steps is your organization taking now or planning to take (or to continue to take) over the next two years to achieve its ESG goals? Select all that apply.

# Industries pursue common steps to bolster ESG

There is relatively little differentiation currently by industry in the steps organizations are taking to further their ESG objectives. Improving data security is the predominant measure across the board. Setting a goal for becoming Net Zero also figures among the top four steps for all industries.

Making sure they attract, retain, and develop talent that is supportive of ESG is another priority for most industries. On the other hand, healthcare and life sciences companies are more concerned than any other about being transparent about their sustainability practices. When averaged across all the 17 steps assessed in our survey, manufacturers are taking the most, followed by financial services firms. Telecoms and public-sector entities lag slightly behind.

To bolster data security and privacy, entities are using various digital tools. “Advanced data management and analytics gives a more robust framework for enforcing data privacy,” said the CIO of a Swedish healthcare firm. The CHRO of a telecoms firm in Singapore noted that use of different digital enterprise platforms had improved data security significantly.

Firms are also using technology to help develop the ESG talent they need. The CIO of a French telecoms firm said: “Our company is focused on creating jobs, education, and improving skills through cloud, IoT, and digital computing.”

**Top steps taken to achieve ESG goals now, by industry**

|                     | Manufacturing             | Financial services                | Healthcare/LC                             | Telecoms                          | Public sector             |
|---------------------|---------------------------|-----------------------------------|---|-----------------------------------|---------------------------|
|                     | Improve data security 56% | Improve data security 62%         | Improve data security 56%                 | Improve data security 53%         | Improve data security 45% |
|                     | Create ESG culture 48%    | Offer flexible work practices 42% | Talent attraction 42%                     | Talent attraction 42%             | Create ESG culture 41%    |
|                     | Talent attraction 44%     | Set goal for Net Zero 40%         | Transparency on sustainable practices 40% | Offer flexible work practices 40% | Set goal for Net Zero 39% |
|                     | Set goal for Net Zero 43% | Create ESG culture 37%            | Set goal for Net Zero 39%                 | Set goal for Net Zero 36%         | Talent attraction 38%     |
| <b>Avg. steps %</b> | <b>28%</b>                | <b>27%</b>                        | <b>27%</b>                                | <b>25%</b>                        | <b>25%</b>                |

Q10. What steps is your organization taking now or planning to take (or to continue to take) over the next two years to achieve its ESG goals? Select all that apply.

## Regional differences emerge with some ESG steps

Whereas there are many universal steps taken by organizations across the regions surveyed, there are variations in a few key areas.

The biggest divergence is in setting a goal for becoming Net Zero, where the US is far ahead, with 58% of organizations taking this measure (vs. 32% in APAC and 37% in Europe). In a similar vein, US-based entities are ahead in setting science-based targets for their ESG plans. This reflects the relatively more advanced stage of ESG maturity of organizations in the US.

European organizations are slightly ahead in several areas, particularly transparency on sustainability practices, adopting circular economy measures, and working with suppliers to ensure sustainable practices. This likely is the result of stronger regulatory requirements in Europe for ESG compliance and disclosure.

But firms are also adopting such measures for internal reasons. Said the COO of a Swedish manufacturer of medical devices: “Employee health and well-being improve when a circular economy and zero-waste policies are implemented.”

Where APAC entities stand out, particularly against the US, is in creating an ESG corporate culture (44%) and diversifying their workforce and hiring from underrepresented groups—32% vs. just 15% of organizations in the US. While diversity and inclusiveness is gaining traction as an imperative among US companies, it still has some way to go compared to APAC and European firms.

### Steps taken to achieve ESG goals now, by region

| Step   | APAC | Europe | US  |
|--|------|--------|-----|
| G Improve data security/privacy                          | 51%  | 51%    | 58% |
| S Improve talent attraction, retention, development      | 42%  | 39%    | 42% |
| G Create ESG corporate culture                           | 44%  | 38%    | 36% |
| E Set a goal for becoming Net Zero                       | 32%  | 37%    | 58% |
| S Offer flexible working practices                       | 38%  | 34%    | 41% |
| G Provide transparency on sustainability practices       | 31%  | 37%    | 33% |
| E Adopt circular economy & zero waste measures           | 21%  | 31%    | 27% |
| E Ensure energy efficient buildings/plants               | 23%  | 27%    | 26% |
| S Diversify workforce & hire underrepresented groups     | 32%  | 23%    | 15% |
| E Ensure suppliers/partners follow sustainable practices | 19%  | 26%    | 24% |
| S Improve health & safety standards                      | 26%  | 24%    | 25% |
| G Promote ethical business practices                     | 22%  | 22%    | 19% |
| G Build robust compliance function                       | 10%  | 15%    | 12% |
| S Increase community investment/engagement               | 8%   | 17%    | 15% |
| E Reduce need for business travel                        | 12%  | 15%    | 7%  |
| E Set Science Based Targets                              | 8%   | 13%    | 23% |
| G Tie executive incentives to achieving ESG goals        | 5%   | 8%     | 3%  |

Green=highest across regions

Q10. What steps is your organization taking now or planning to take (or to continue to take) over the next two years to achieve its ESG goals? Select all that apply.

# Digital technologies and solutions support ESG progress

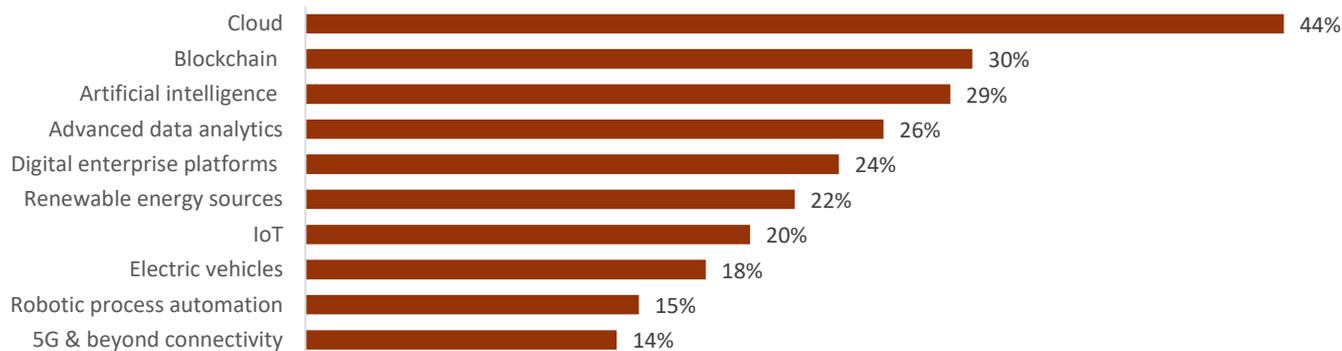
Organizations make use of a range of technologies to advance their ESG goals, but cloud is employed most often—by 60% today—and is also the top technology in effectiveness.

Cloud usage supports environmental goals by reducing an organization’s carbon footprint. This is particularly important for industries under the sustainability spotlight such as energy and for manufacturers looking to build the model, clean factories of the future. In two years, use of the cloud to support ESG will jump to nearly three-quarters of entities.

Advanced data management and analytics, along with AI, are currently used by more than half of organizations, and nearly as many employ IoT. At the other end of the spectrum, use of edge computing, digital twins, 3D printing, grid computing, and automation of regulatory compliance (RegTech) is still in its infancy.

Over the next two years, entities will ramp up their use of all technologies. For now, they are finding that—besides the cloud—blockchain, AI, data analytics, and digital enterprise platforms are most effective. Blockchain, for example, is useful for collecting data on ESG and in some industries, such as manufacturing, to gather supply chain information. Said the chief risk officer of a Swedish insurance firm: “We use cloud-based data platforms and blockchain-enabled monitoring systems to achieve our ESG goals.”

## Most effective technologies to advance ESG goals



## Technologies used to advance ESG goals, now and in 2 years

| Technology/solution                  | Now | 2 years | % pt change |
|--------------------------------------|-----|---------|-------------|
| Cloud                                | 60% | 73%     | +13         |
| Advanced data management & analytics | 53% | 63%     | +10         |
| Artificial intelligence              | 51% | 60%     | +9          |
| IoT                                  | 48% | 56%     | +8          |
| Digital enterprise platforms         | 43% | 48%     | +5          |
| Blockchain                           | 38% | 40%     | +2          |
| Alternative energy sources           | 36% | 42%     | +6          |
| Renewable energy sources             | 35% | 42%     | +7          |
| Virtual collaboration tools          | 32% | 42%     | +10         |
| 5G & beyond high-speed connectivity  | 30% | 36%     | +6          |
| Robotic process automation           | 27% | 32%     | +5          |
| Autonomous vehicles/drones/robotics  | 21% | 32%     | +11         |
| Electric vehicles                    | 18% | 28%     | +10         |
| ESG reporting and disclosure tools   | 15% | 24%     | +9          |
| Edge computing                       | 13% | 20%     | +7          |
| Digital twin computing               | 9%  | 11%     | +2          |
| 3D printing                          | 5%  | 5%      | --          |
| Grid computing                       | 5%  | 7%      | +2          |
| RegTech                              | 4%  | 7%      | +3          |

Red=largest increases

Q11. Which digital technologies and solutions is your organization using to advance your ESG goals? Which do you plan to use, or continue to use, over the next two years? Of those technologies that you have used, which have been most effective in achieving your ESG goals? S

# Technology use can differ by industry

All industries are adopting technologies to drive their ESG performance, but financial services leads the way.

The cloud is among the top four technologies employed across industries. Advanced data analytics and AI also are commonly utilized to support ESG objectives. But financial services uses more technologies on average (followed by manufacturing), and, notably, employs blockchain far more than any other industry (91% of financial firms). Financial services firms are at the forefront in developing blockchain applications in other areas as well.

The COO of an asset management firm in Singapore confirmed that using blockchain has been quite beneficial for achieving the firm’s ESG objectives. The CFO of a US-based wealth management firm also said: “Our ESG goals have been kept on track thanks to blockchain technologies and the utilization of IoT sensors.”

The public sector and telecoms are most likely to employ IoT. Said the CIO of a French telecoms firm: “The most important technologies for achieving our sustainability goals are IoT and AI, which help us upskill our employees and improve waste management.” Public-sector entities also focus more than others on optimizing use of renewable or alternative energy, installing solar panels and using more electric vehicles, for example, since they feel more pressure from citizens to adopt sustainable practices and reduce their carbon emissions.

Top four technologies used by industries now

|                        | Financial                   | Manufacturing               | Healthcare/LC                   | Telecoms          | Public sector                  |
|------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------|--------------------------------|
|                        | Blockchain 91%              | Advanced data analytics 54% | AI 58%                          | Cloud 72%         | IoT 62%                        |
|                        | AI 62%                      | Renewable energy source 54% | Advanced data analytics 57%     | 5G and beyond 65% | Cloud 59%                      |
|                        | Cloud 62%                   | Cloud 53%                   | Cloud 56%                       | IoT 61%           | Renewable energy source 55%    |
|                        | Advanced data analytics 55% | AI 52%                      | Digital enterprise platform 49% | AI 45%            | Alternative energy sources 55% |
| <b>Avg. tech usage</b> | <b>32%</b>                  | <b>31%</b>                  | <b>27%</b>                      | <b>27%</b>        | <b>26%</b>                     |

Q11. Which digital technologies and solutions is your organization using to advance your ESG goals? Which do you plan to use, or continue to use, over the next two years? Of those technologies that you have used, which have been most effective in achieving your ESG goals?

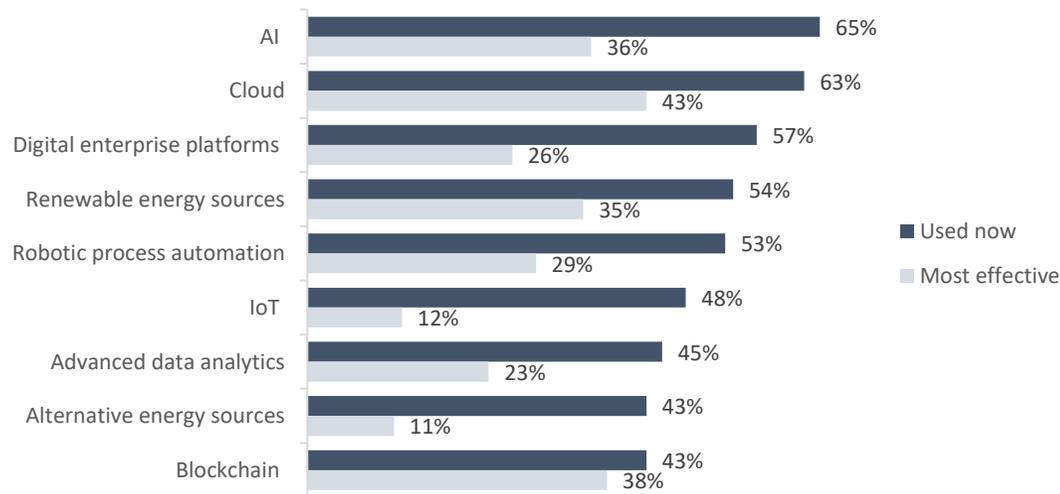
# Technology use: ESG leaders vs. digital leaders

Our survey found that ESG leaders use AI far more than other organizations (65%, vs. 39% of beginners and 55% of intermediates) and they report that AI, along with the cloud, are most effective for helping them achieve ESG goals. Digital leaders are similar in their use of various technologies for ESG purposes.

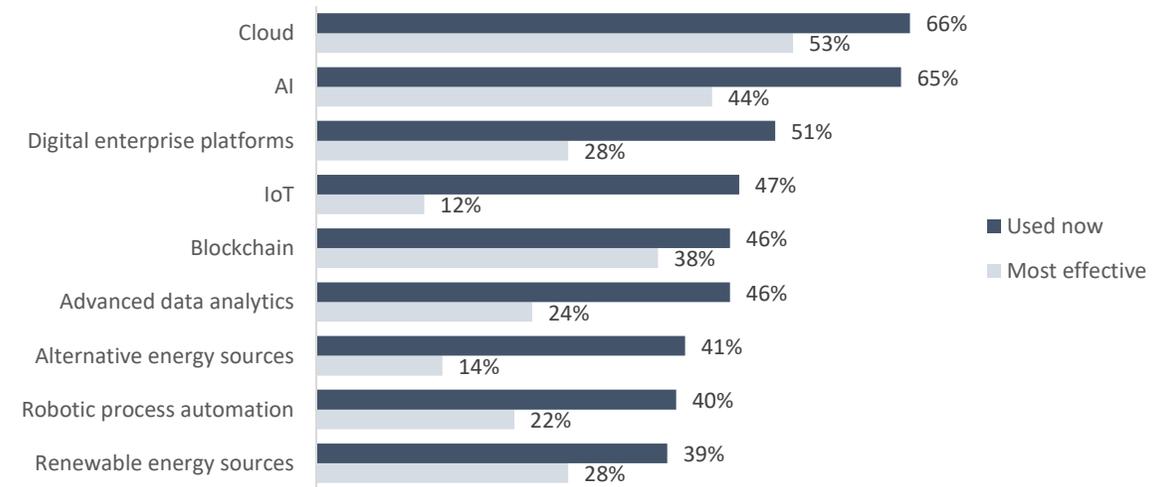
ESG leaders also make greater use of digital enterprise platforms to implement ESG policies. As beginners and intermediates advance in their ESG journeys, they are likely to use AI, the cloud, and such digital platforms more intensively as well.

We also compared the use of technologies by ESG leaders against the use by digital leaders—those that under our digital maturity framework are most advanced across 12 areas of digital transformation. There is a strong parallel in both groups’ employment of AI, the cloud, digital enterprise platforms, IoT, advanced analytics, and even blockchain. The biggest area of divergence is renewable energy sources, used by 54% of ESG leaders and just 39% of digital leaders. Overall, therefore, leaders in both groups seem closely aligned.

Top technologies used by ESG leaders and their effectiveness



Top technologies used by digital leaders and their effectiveness



Q11. Which digital technologies and solutions is your organization using to advance your ESG goals? Which do you plan to use, or continue to use, over the next two years? Of those technologies that you have used, which have been most effective in achieving your ESG goals?

# Benefits and challenges

# Organizations can generate concrete benefits from ESG

An ESG strategy is not just based on altruism: it can spur major financial and other important business gains.

Achieving sustainability and related goals helps to boost innovation for almost half of respondents now, the top cited benefit. It also increases cost efficiencies and customer satisfaction for 45%. Said the CIO of a Dutch healthcare provider: “We create innovation in our medical system by advancing our technologies, thereby offering better healthcare opportunities to our community.”

ESG also helps to boost revenue growth and shareholder value. And a workplace supportive of sustainability motivates employees to work together and provides a stronger culture and employee engagement. All such benefits are expected to increase in two years—with revenue growth jumping the most, by 17 percentage points.

Leaders highlight the rich set of benefits that come from ESG initiatives. Almost two-thirds are growing revenue and over half see greater shareholder value—much more than beginners. This underlines a new normal in a more socially and environmental conscious world, where ESG drives better performance results.

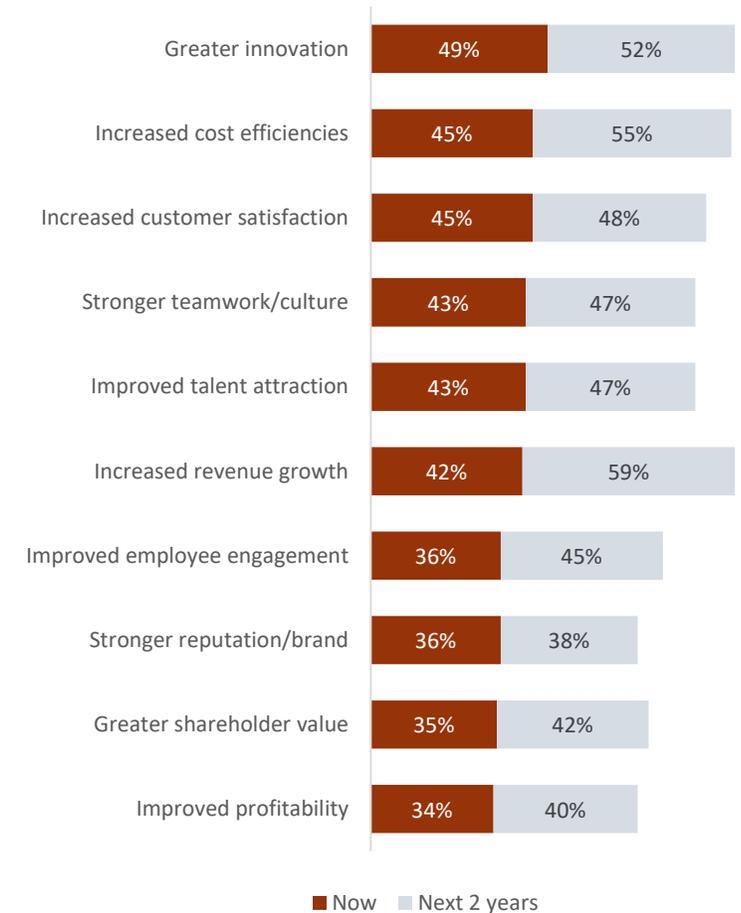
## Biggest difference in benefits now for leaders vs. beginners



## Biggest difference in benefits now for beginners vs. leaders



## Top 10 benefits in achieving ESG goals, now and in 2 years



Q13. Which benefits are you seeing from your ESG strategy and which benefits do you expect to see, or continue to see, over the next two years?

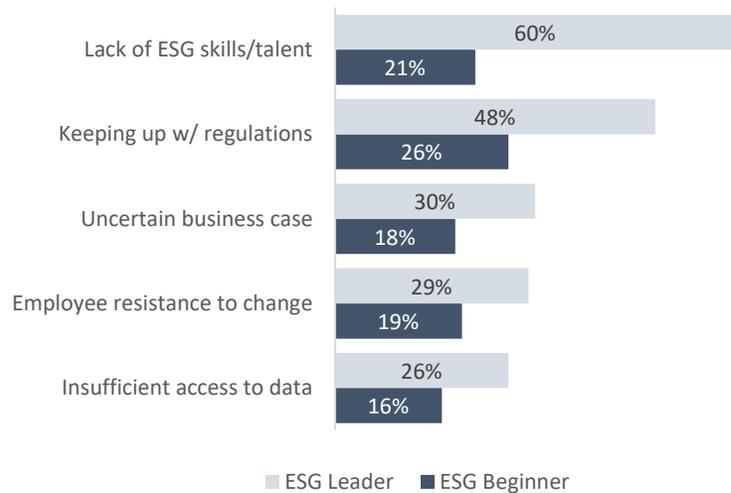
# Lack of skills and talent can hamper ESG efforts, especially for leaders

A shortage of relevant skills and talent represents a hurdle for organizations trying to achieve their ESG goals. That explains why talent acquisition and development is a main step they pursue to advance their agendas.

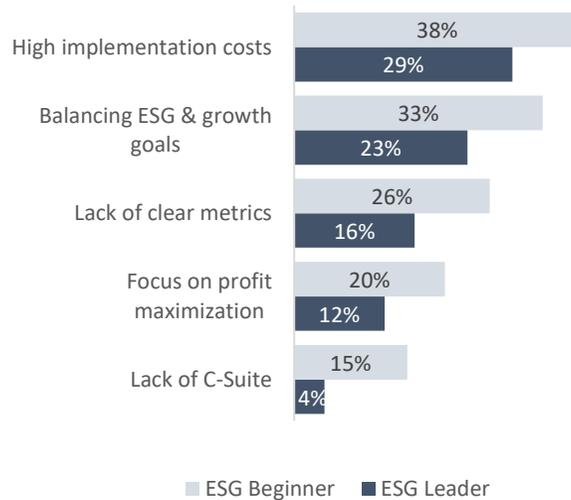
Forty-four percent of respondents list a lack of ESG skills as their main challenge. For leaders, it's even worse, with almost two-thirds struggling with this issue. Talent doesn't seem to be a major challenge for beginners, however, which are just starting their ESG journeys. Said the CFO of an Australian mining and natural resources company: "Our ESG objectives include helping in the acquisition of additional digital talent, which also will lead to higher productivity."

Keeping up with regulations is a major pain point for almost 40% of respondents and almost half of leaders. Organizations also face some financial burdens, with a third citing insufficient technology investment and almost 30% struggling with high implementation costs and inadequate budgets. High costs and low budgets is the number one challenge for beginners (38%), which need to begin their investment in ESG. They also struggle to balance their ESG agenda with their growth goals (33%).

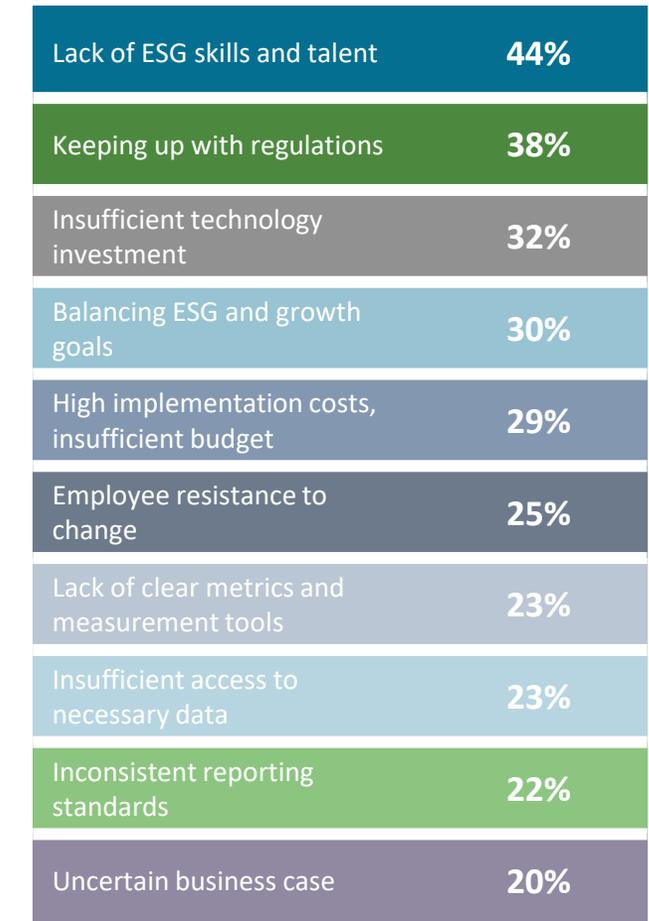
## Biggest difference in challenges for leaders vs. beginners



## Biggest difference in challenges for beginners vs. leaders



## Top 10 challenges in achieving ESG goals



Q14. Which are the biggest challenges that your organization faces in achieving its ESG goals?

# Benefits and challenges by industry

## Industries largely agree on top ESG benefits and challenges.

Greater innovation is the number one benefit listed by all industries in the sample. Around half of respondents across the board cite it as their main benefit. Said the CHRO of a French wealth and asset management firm: “We seek equity and inclusion at all times, and harness technologies like cloud computing to drive industry innovation.”

For healthcare providers and the public sector, increased cost efficiencies is a close second. Other industries put increased customer satisfaction and retention in second place.

Organizations also share similar challenges across industries. The lack of ESG skills and talent is the biggest hurdle for almost all of them, and a close second for the financial sector. To deal with this, the CIO of a Swedish bank said: “We are upskilling our staff in new technologies such as AI and machine learning so that they can advance and even contribute to our long-term success.”

Regulations are also a major obstacle across industries, with all sectors citing them among their top three pain points. This is no surprise since nearly 90% of organizations on average say regulators are exerting strong pressure on them over ESG issues.

Financial challenges are mentioned by all industries except the financial sector: healthcare providers, manufacturers, and the public sector struggle with insufficient technology investment, while telecoms firms are burdened with high implementation costs.

## Top three benefits of ESG by industry

| Industry      | Benefits               |   |   |
|---------------|------------------------|---|---|
| Financial     | Greater innovation 49% | Increased customer satisfaction/retention 48% | Improved talent attraction/retention 45%        |
| Healthcare    | Greater innovation 54% | Increased cost efficiencies 53%               | Increased customer satisfaction/retention 47%   |
| Manufacturing | Greater innovation 48% | Increased customer satisfaction/retention 45% | Stronger teamwork; Increased revenue growth 45% |
| Public sector | Greater innovation 49% | Increased cost efficiencies 49%               | Stronger teamwork 48%                           |
| Telecoms      | Greater innovation 47% | Increased customer satisfaction/retention 47% | Increased revenue growth 43%                    |

## Top three challenges of ESG by industry

| Industry      | Challenges                      |                                  |                                    |
|---------------|---------------------------------|----------------------------------|------------------------------------|
| Financial     | Keeping up with regulations 47% | Lack of ESG skills/talent 45%    | Balancing ESG and growth goals 32% |
| Healthcare    | Lack of ESG skills/talent 48%   | Insufficient tech investment 37% | Keeping up with regulations 36%    |
| Manufacturing | Lack of ESG skills/talent 48%   | Keeping up with regulations 36%  | Insufficient tech investment 35%   |
| Public sector | Lack of ESG skills/talent 39%   | Keeping up with regulations 35%  | Insufficient tech investment 35%   |
| Telecoms      | Lack of ESG skills/talent 40%   | Keeping up with regulations 39%  | High implementation costs 33%      |

Q14. Which are the biggest challenges that your organization faces in achieving its ESG goals? Q13. Which benefits are you seeing from your ESG strategy and which benefits do you expect to see, or continue to see, over the next two years?

# Key takeaways

- 1. Setting and achieving ESG goals have become a central part of business strategy across industries and regions,** spurred in part by the COVID-19 pandemic and growing global attention to the impacts of climate change. Pressure around ESG issues is coming from all stakeholders, including ESG rating agencies, senior managers and the board of directors, regulators, customers, investors, and employees.
- 2. Most organizations are prioritizing environmental sustainability as their primary ESG goal.** Almost two-thirds are attempting to reduce carbon emissions and 55% are striving to use renewable energy sources. More than half of entities are also focusing on key social and governance goals. Fifty-three percent are working on education and upskilling, 52% aim to adopt ethical business standards, and 51% to provide decent work conditions.
- 3. Organizations are recognizing that ESG programs are good for business.** Nearly two-thirds say that having an ESG program helps attract and retain talent. The same share say that ESG initiatives help deliver better financial results, underscoring the fact that such efforts can translate to the bottom line.
- 4. Entities across the board have made robust progress on a range of initiatives to drive their ESG performance.** The most effort has gone towards communicating ESG strategy and goals to all stakeholders (82%), and nearly as many organizations have developed a vision, strategy, and implementation plans, as well as an effective organizational structure and skills needed to advance in ESG.
- 5. Improving data security and privacy is the top step towards achieving ESG goals, taken by more than half of organizations.** They are also prioritizing measures to attract the right talent to pursue their ESG goals (49%) and to create a corporate culture supportive of ESG (39%). These percentages will jump notably in two years' time.
- 6. Organizations make use of a range of digital technologies to support their ESG efforts, but cloud is employed most often.** Sixty percent use the cloud now, and it is also the top technology in effectiveness. Advanced data management and analytics, along with AI, are used by more than half of organizations, and nearly as many employ IoT. At the other end of the spectrum, use of edge computing, digital twins computing, 3D printing, grid computing, and automated regulatory compliance technology (RegTech) is still in its infancy.
- 7. A shortage of ESG talent is the biggest challenge reported by organizations as they seek to achieve their ESG objectives.** Forty-four percent list this as a major pain point. For leaders, it's even worse, with almost two-thirds struggling with lack of skills. Keeping up with regulations is a major hurdle for almost 40% of respondents and almost half of leaders. Entities also face some financial burdens, with a third citing insufficient technology investment and almost 30% struggling with high implementation costs and inadequate budgets.
- 8. Organizations are reaping concrete benefits from their ESG programs.** Almost half report that they have boosted innovation, the most widely cited benefit. ESG increases cost efficiencies and customer satisfaction for 45% of respondents. ESG also helps to boost revenue growth (42%) and shareholder value (35%). Leaders are benefiting even more, with almost two-thirds citing growing revenue and over half seeing greater shareholder value.

# ThoughtLab

ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic, and demographic shifts on industries, cities, and companies.

To learn more about ThoughtLab, visit: [www.thoughtlabgroup.com](http://www.thoughtlabgroup.com)

For further information about this study, please contact:

Lou Celi, Chief Executive Officer  
[louceli@thoughtlabgroup.com](mailto:louceli@thoughtlabgroup.com)

Anna Szterenfeld, Editorial Director  
[annaszterenfeld@thoughtlabgroup.com](mailto:annaszterenfeld@thoughtlabgroup.com)

Laura Garcell, Associate Editor  
[lauragarcell@thoughtlabgroup.com](mailto:lauragarcell@thoughtlabgroup.com)