



ESG Knowledge Survey

The knowledge level and needs with respect to ESG

Introduction

With the 2019 Green Deal, Europe is fully committed to the transition to a sustainable economy. While the old economy mainly focused on the organisation's financial results, the new economy also looks towards the commitment to sustainability issues, such as climate change, human rights, and diversity. Thanks to new laws and regulations, this commitment is more and more binding.

The Green Deal's sustainability program obligates companies to gradually focus more on people, the environment, and society: ESG. The abbreviation stands for Environmental, Social, and Governance.

But are organisations adequately equipped to make their business operations more sustainable? What about the level of knowledge and the need for new knowledge and skills in the field of ESG in medium and large organisations? Commissioned by the ESG Innovation Institute (see text box), research firm Motivaction investigated this in the summer of 2022. The survey was conducted among 260 decision makers in the field of sustainability policy, finance and/or knowledge development within organisations with more than 250 employees.

KPMG and Nyenrode have set up the ESG Innovation Institute to help organisations make the transition to sustainability. Organisations can create added value in their business operations by balancing financial and economic results, transparency, social interests and the environment. We aim to make the latest ESG knowledge, skills and ecosystem accessible to executives who want to accelerate the route to sustainability in a professional and informed way.

In addition to its educational offering, the ESG Innovation Institute also includes an academic ESG chair at Nyenrode, from which research, scientific publications and opinion and debate take place. By building and harnessing a community within the ESG Innovation Institute, we want to start a movement among business leaders - to inspire them and facilitate innovative, sustainable and responsible leadership.

The survey answers the following questions:

- What is the spontaneous and prompted awareness of ESG?
- What is the current level of knowledge in the field of ESG and what are the knowledge needs?
- What is the current level of knowledge of laws and regulations concerning ESG and what is the attitude towards these laws and regulations?

The results of the study show that there is work to be done: the transition to a sustainable economy requires major steps to be taken in developing and sharing the right knowledge, mindset, and skills.

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Reading guide

This report shows the main findings of this survey based on the entire target group. Furthermore, the most striking differences between certain groups are broken down by company size and turnover. Significant differences are indicated by a red arrow up ▲ (significantly higher) or a green arrow down ▼ (significantly lower). For some breakdowns, the sample size is too small to make significant statements. If this is the case, this is described textually next to the graphs.

Method and design

This study was conducted using a quantitative online survey (CAWI). The survey was conducted among decision makers with respect to sustainability policy and/or finance and/or knowledge development within organisations with more than 250 employees (n=261). The sample was recruited from the integrated business section of the ISO 26362 certified StemPunt Motivaction panel.

In some graphs, the percentages do not add up to one hundred percent. In this case, there are (minor) rounding differences.



7 key points from the survey



Presence of and need for ESG knowledge

Familiarity with ESG



Sustainability and new leadership





7 key points from the survey



ESG knowledge level is insufficient

1

On average, decision makers in the area of sustainability policy, finance and/or knowledge development within organisations with more than 250 employees give themselves a failing grade (rating: 5.4) for their own level of ESG knowledge.

In addition, half of them indicated that they were not familiar with the ESG concept, despite an explanation of the abbreviation. The unfamiliarity with ESG is also reflected in the results, that relatively many of them fill in “Do not know” to questions regarding ESG knowledge development within their organisation.

Unfamiliar with ESG within the organisation, more familiar with sustainability policy

2

It is striking that people are virtually unfamiliar with ESG and what the organisation is doing in that area, while they say they are familiar with the organisation’s sustainability policy. Perhaps the term ‘sustainability’ appeals more to the imagination; ESG is not yet a commonly used term within medium and large organisations. In particular, they say internal sustainability (safety and inclusiveness of own employees) have priority on the sustainability agenda. Policies that impact society rank third.

Lack of knowledge and expertise on enhancing sustainability within organisations

3

Most of the decision makers feel there is a lack of knowledge within their own organisation, and see lack of time and lack of specialists in particular as challenges when it comes to developing sustainability knowledge and skills. People do have specific ideas about developing ESG knowledge within the organisation: train more internal employees, attract more expertise from outside, and learn through practice. 30% expect to have to develop the most ESG knowledge in the next five years in the area of new laws and regulations.

People do believe it is important to invest in ESG knowledge; lack of knowledge hinders the road to a fully sustainable economy. Additional investments are needed for this; however, half of the decision makers have no idea how much.

Responsibility and knowledge on ESG is spread across the organisation

4

According to 38% of decision makers, the organisation's management board are primarily responsible for ESG development. The largest organisations also mention the sustainability department. Furthermore, they are also of the opinion that the primary responsibility is spread across different departments. Similarly, according to the decision makers, different officials spread across the organisation, such as sustainability managers, operations managers, and corporate responsibility managers, have the most ESG knowledge.



Willingness to invest time in own ESG knowledge

5

Most decision makers (39%) believe they need between one to five hours on a weekly basis to develop their own ESG knowledge. More than half (54%) of the decision makers, who indicated they would need a certain number of hours, are also willing to invest that number of hours. A fourth (26%) want to spend less time on their own ESG knowledge development. This is more common among decision makers in smaller organisations. A fourth of the decision makers think it fits their role and position to comply to new laws and regulations regarding ESG. ESG knowledge can best be developed through education and training (46%), sharing experiences with colleagues in the industry (38%), and through learning from practice.



Lack of knowledge on laws and regulations with regards to sustainability

6

More than half are concerned about the lack of knowledge about new legislation and regulations with regards to sustainability within their organisation. Two thirds are of the opinion that there is a lack of knowledge correctly interpret the laws and regulations concerning the sustainability of organisations. Nearly two thirds state that they have insufficient knowledge of most laws concerning the sustainability of organisations themselves; however, 63% does not know enough about one of the most important laws in this area: The Corporate Sustainability Reporting Directive. This is especially true for the decision makers who work for larger organisations (> 5,000 employees).



Transition to a sustainable economy requires new leadership

7

More than three-fourths of decision makers believe that leadership changes when executives are held accountable for non-financial performance. In addition, two-thirds agree more than they disagree that managers should be held accountable for their business impact on people and the environment. In addition, one could learn more from other organisations, and decision makers believe that leaders should take more risks - risks without knowing what it will yield and not being guided by the financial result.



Familiarity with ESG

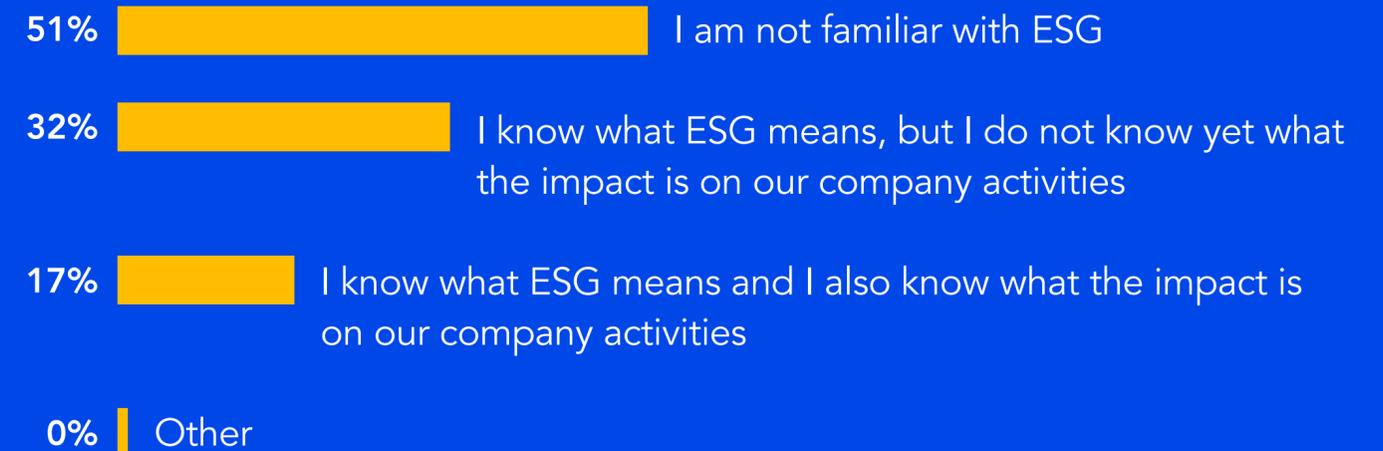


Majority not very familiar with the concept ESG

31% spontaneously answers the question what ESG means to them, while 69% have no idea. In this case, no explanation is given about the concept of ESG. Of the 31% who indicate that they are familiar with the term, more than a fourth correctly state that ESG stands for Environmental, Social, Governance. Some think that the abbreviation stands for European Sustainability Goals or that the 'E' stands for 'Economics'. Other concepts related to it are: sustainability, the environment, and corporate responsibility.

After the explanation below, half indicate that they are not familiar with this. A third say they know what it means, but not how it impacts business, and 17% say they are aware of both.

How familiar are you with ESG and what does it mean to your business activities?



Further explanation to the questionnaire: ESG stands for the impact of business activities on people, the environment, and society. In short, making business operations more sustainable in order to contribute to the UN's Sustainable Development Goals.

Sustainability policy present in most organisations

According to the decision makers, most organisations (85%) have developed a sustainability policy, and they are reasonably aware of the phase in which the sustainability policy is. Only 15% do not know this.

Almost a third indicate that the first steps have been taken in specific business units and that objectives have been set. According to 27%, the organisation has also defined a strategy.

One-tenth of them (12%) indicate that everything in relation to the sustainability policy is in order, but that people still need to be trained.

▲ The more turnover the organisation has, the more often people indicate that a strategy has been determined.

To what extent has your organisation developed a sustainability policy?



Familiarity with organisation's sustainability agenda

People seem to be well aware of what the organisation is doing with regard to the sustainability agenda. More than half to almost 90% say they are more familiar than unfamiliar with topics such as the health and safety of their own employees (88%), declining biodiversity (76%*), and reporting sustainability information (76%).

Less is known about the influence of climate change on own business activities (43%) and the introduction of circular business models (43%*), but the majority is still more known than unknown.

**Sample size is small; results should be considered indicative.*

To what extent are you familiar with what your organisation does in relation to the sustainability in the following subjects?

Safety and health of own employees



Inclusiveness and diversity of own employees



Declining biodiversity



Reporting on sustainability information



Ethically Responsible Supply Chain



Reducing greenhouse gases



Comply with changed laws and regulations in accordance with the Green Deal



Introduction of circular business models



Influence of climate change on own business activities



Internal sustainability mentioned most often as a priority

Particular factors such as safety and health (42%) as well as inclusivity and diversity (36%) of our own employees have priority on the sustainability agenda. Then factors such as reducing greenhouse gases (34%) and complying with changing laws and regulations in accordance with the EU Green Deal (26%) are addressed.

According to the decision makers, the introduction of circular business models (13%) and the decline in biodiversity (7%) are at the bottom of this list of priorities on their organisation's sustainability agenda.

▲ Organisations with 250-999 employees more often indicate that declining biodiversity is a priority (10%); however, for organisations with 1,000-5,000 employees this is virtually no priority (1%).

Which subjects have priority on the sustainability agenda of your organisation?





**Presence of
and need for
ESG knowledge**

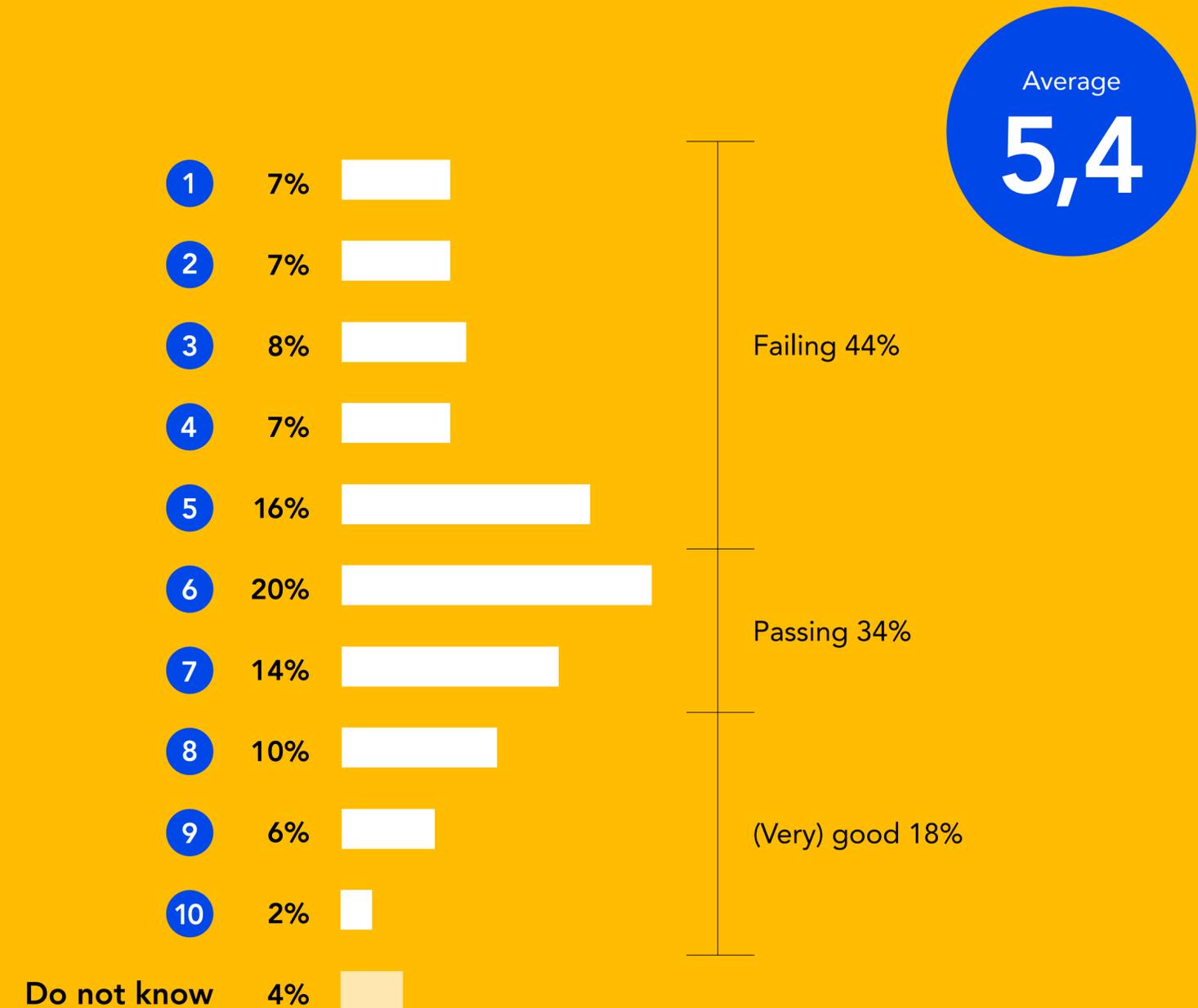
Failing grade for own ESG knowledge

On average, the decision makers give themselves a failing grade (rated: 5.4) with regards to their own ESG knowledge.

Nearly a fifth (18%) give themselves an eight (A/A-) or higher.

▲ Decision makers in an organisation with a turnover of more than 500 million more often give themselves a failing grade.

If you were to give your own ESG knowledge a grade, what would that be?



Time, capacity and complexity greatest challenges

Especially time and capacity are seen as challenges in terms of developing sustainability knowledge and skills. The complexity of the sustainability issue is also mentioned by almost a fourth (23%). A fifth of the respondents think that the lack of specialized knowledge in their own organisation plays a role. A large proportion (18%) do not know.

- ▼ Lack of time and sense of priority among current employees is relatively less recognized by decision makers within organisations with 1,000-5,000 employees (17%).



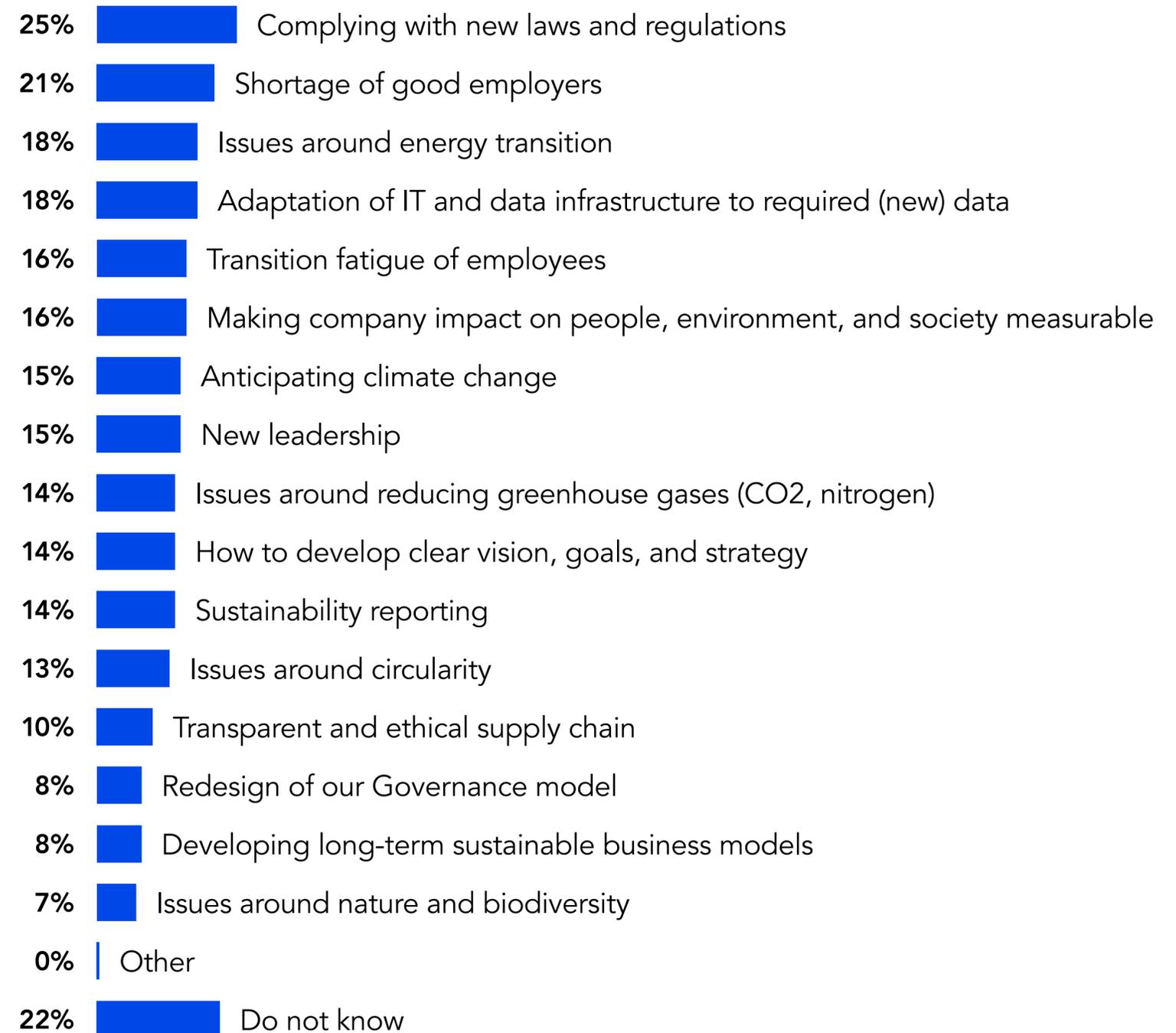
A fourth find compliance to new laws and regulations an ESG challenge within own role

Most encounter ESG challenges in their own role in the field of laws and regulations (25%), which is also where the majority (30%) believe the most knowledge will be needed over the next five years (see next slide).

It is striking that 22% do not know what ESG challenges they themselves face. Shortage of good employers (21%) is again mentioned as a challenge.

▼ Complying with new laws and regulations is less often identified as an ESG challenge within organisations with 1,000-5,000 employees (17%).

Which ESG challenge do you encounter in your own role?



Most ESG knowledge needed about laws and regulations

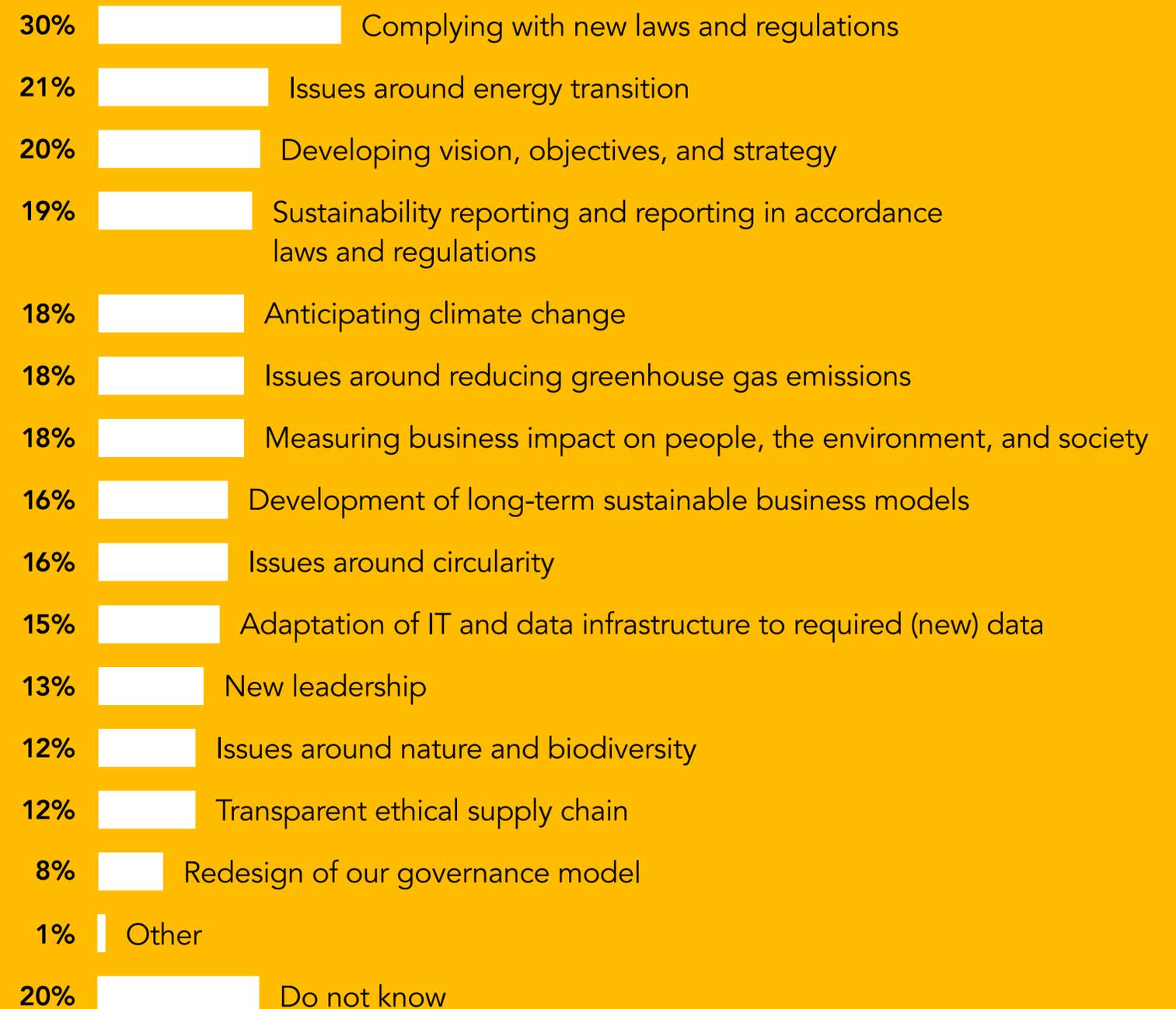
As mentioned earlier, in the coming years, 30% expect to need to develop the most ESG knowledge in relation to the new laws and regulations.

They also think they will need a lot of ESG knowledge on issues surrounding energy transition (21%), on developing vision, objectives and strategy (20%), and on reporting in accordance with laws and regulations (19%).

A fifth of them do not know in which area most ESG knowledge will be important in the next 5 years.

▲ Within organisations with 250-999 employees, most often cite issues surrounding energy transition as an area where the next 5 years will require the most ESG knowledge (27%).

In what areas do you expect to need the most ESG knowledge?

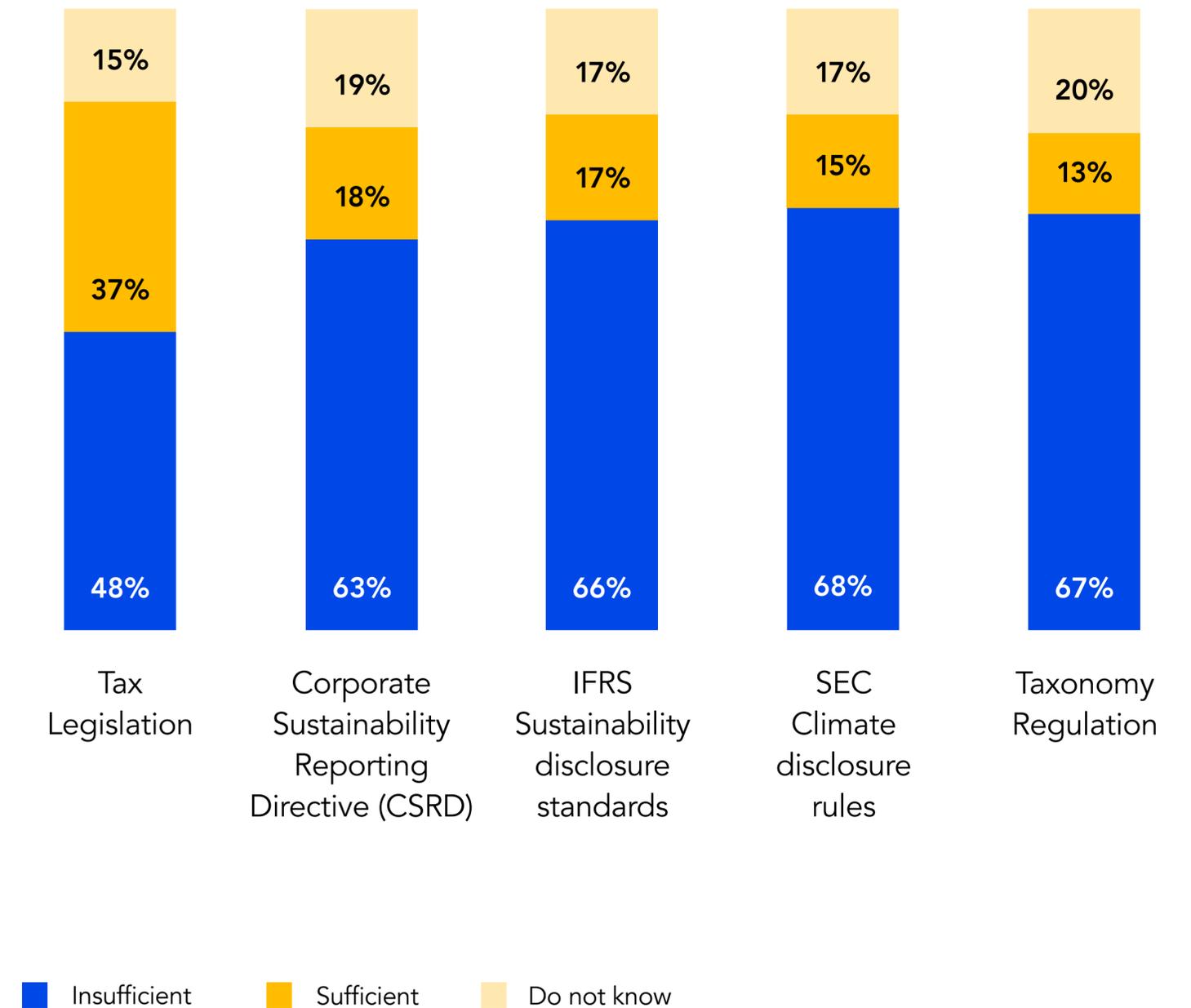


Insufficient knowledge about laws and regulations around sustainability

Nearly two-thirds of decision makers say they are not sufficiently aware of most of the laws and regulations surrounding the sustainability of organisations, including the Taxonomy Regulation (67%), SEC Climate disclosure rules (68%), IFRS Sustainability disclosure standards (66%), and CSRD (63%).

▲ Particularly in the largest organisations, decision makers feel they do not know enough about CSRD (78%) and IFRS (77%).

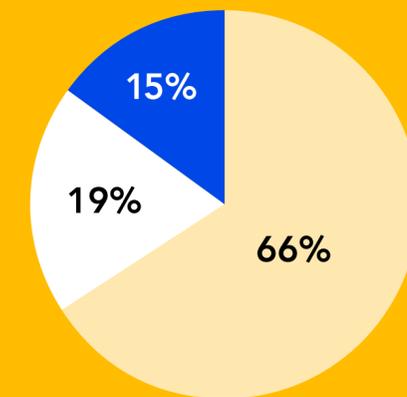
How much knowledge do you have on the following laws and regulations?



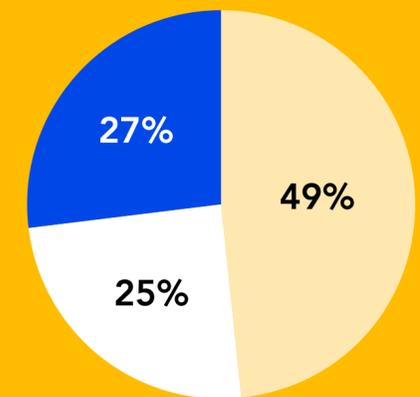
Majority agrees that knowledge is lacking to correctly interpret laws and regulations

Two-thirds (66%) agrees more than they disagree that there is a lack of knowledge to correctly interpret laws and regulations on organisational sustainability. Half do feel that current laws and regulations help their organisation become more sustainable, but 27% also disagree.

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



The knowledge is lacking to implement laws and regulations on the sustainability of organisations correctly



Current laws and regulations help my organisation to become more sustainable

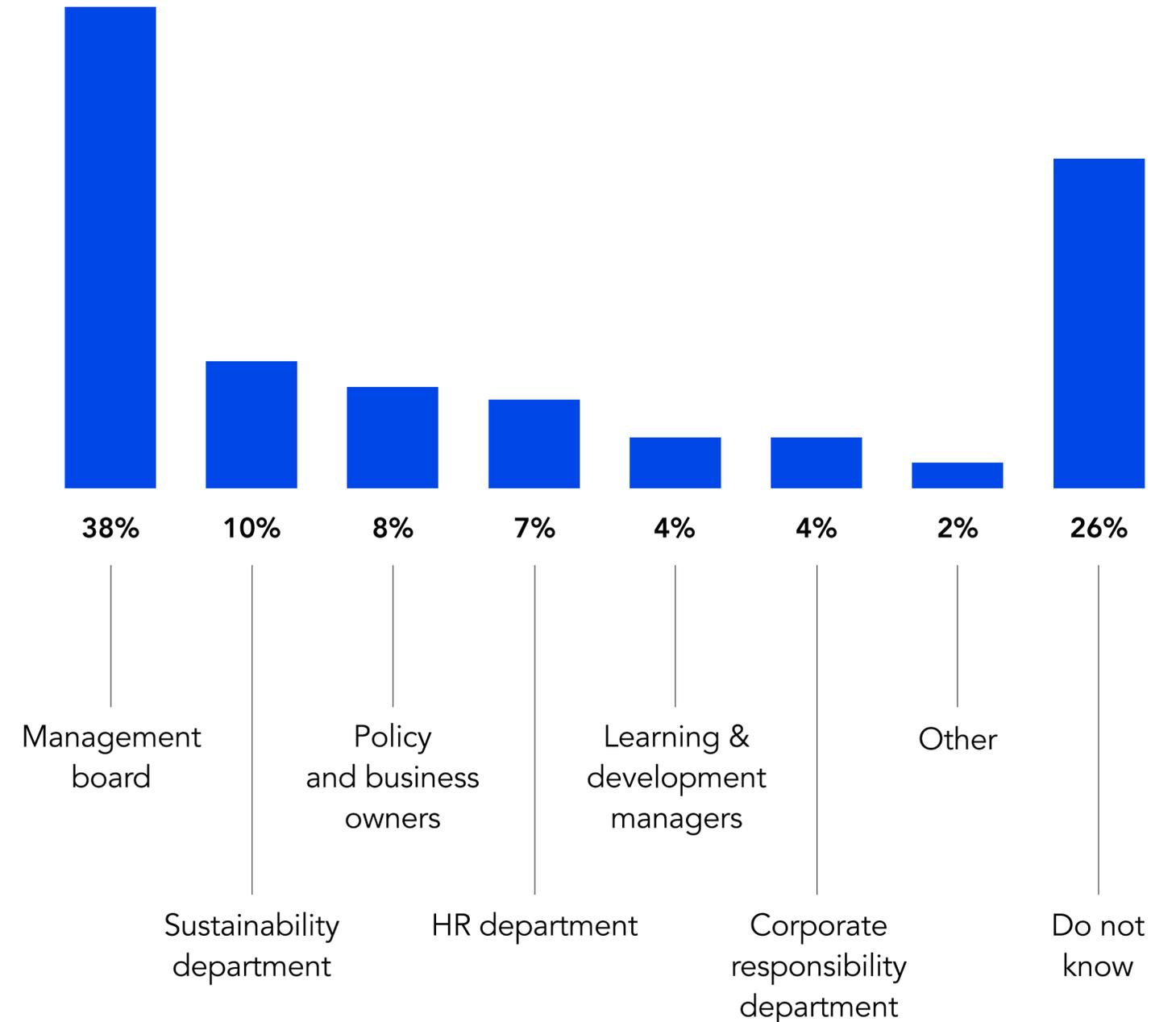
■ Disagree more than agree ■ Agree more than disagree ■ Do not know

Management board considered primarily responsible for ESG knowledge development

According to 38% of decision makers, the organisation's management board is primarily responsible for ESG knowledge development. Furthermore, they say the primary responsibility is spread across different departments: sustainability (10%), policy and business owners (8%), and HR (7%). However, a fourth have no idea.

▲ In the largest organisations, decision makers indicate that the sustainability department is more often primarily responsible (20%) and less often the management board (27%).

Who in your organisation is primarily responsible for ESG knowledge development?



Due to rounding differences, percentages do not always add up to 100%.

ESG knowledge is allocated to different officials

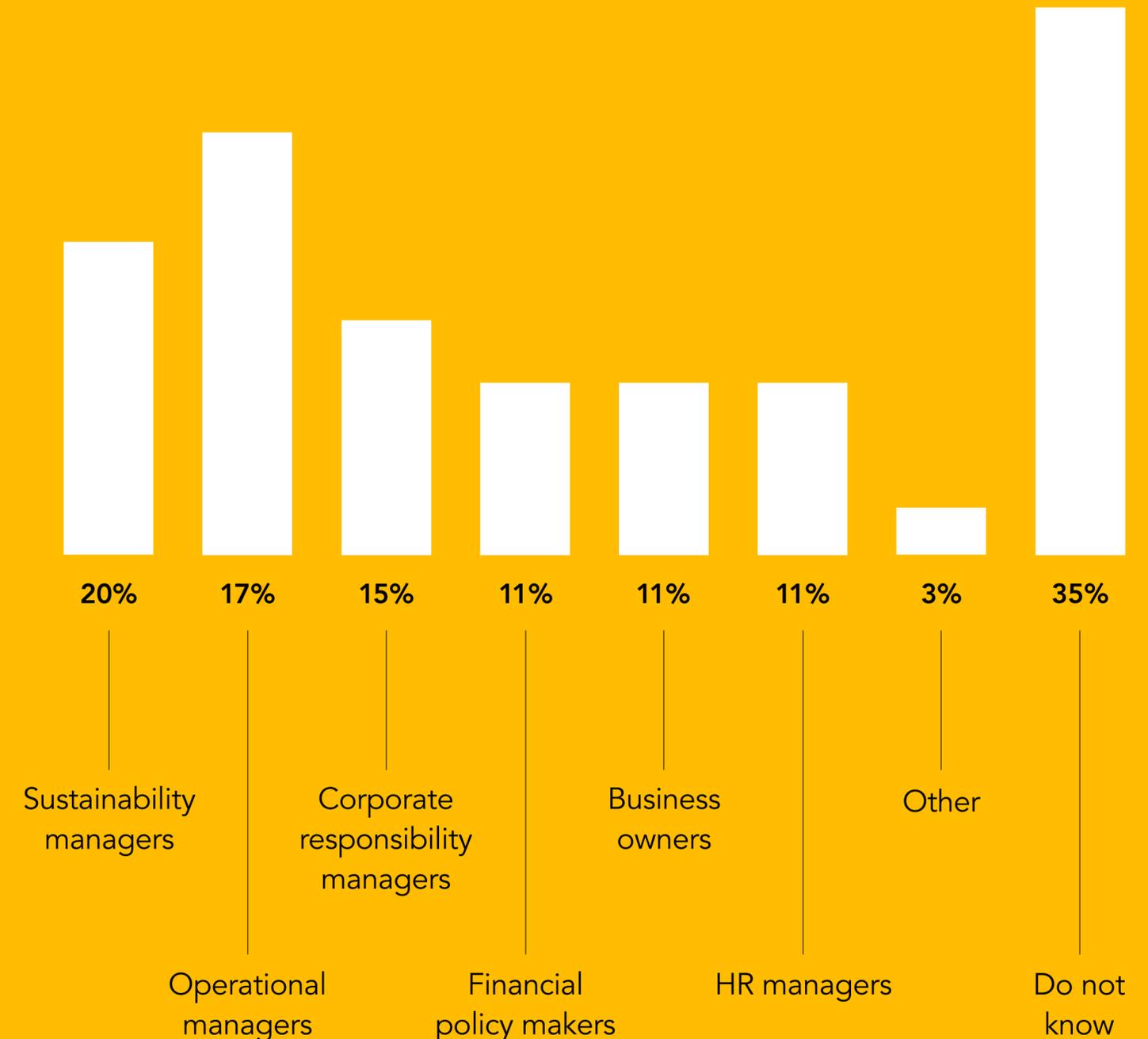
Decision makers indicate that most ESG knowledge is allocated to the different officials within the organisation, including among sustainability managers (20%), operations managers (17%), and corporate responsibility managers (15%).

Although the HR department is placed in the top four of primary responsible, only 11% indicate that they have the most knowledge.

More than a third (35%) do not know which officials have the most ESG knowledge.

▲ Decision makers in smaller organisations (<1,000 employees) are more likely to indicate that business owners have the most ESG knowledge (18%).

Which officials have the most ESG knowledge in your organisation?

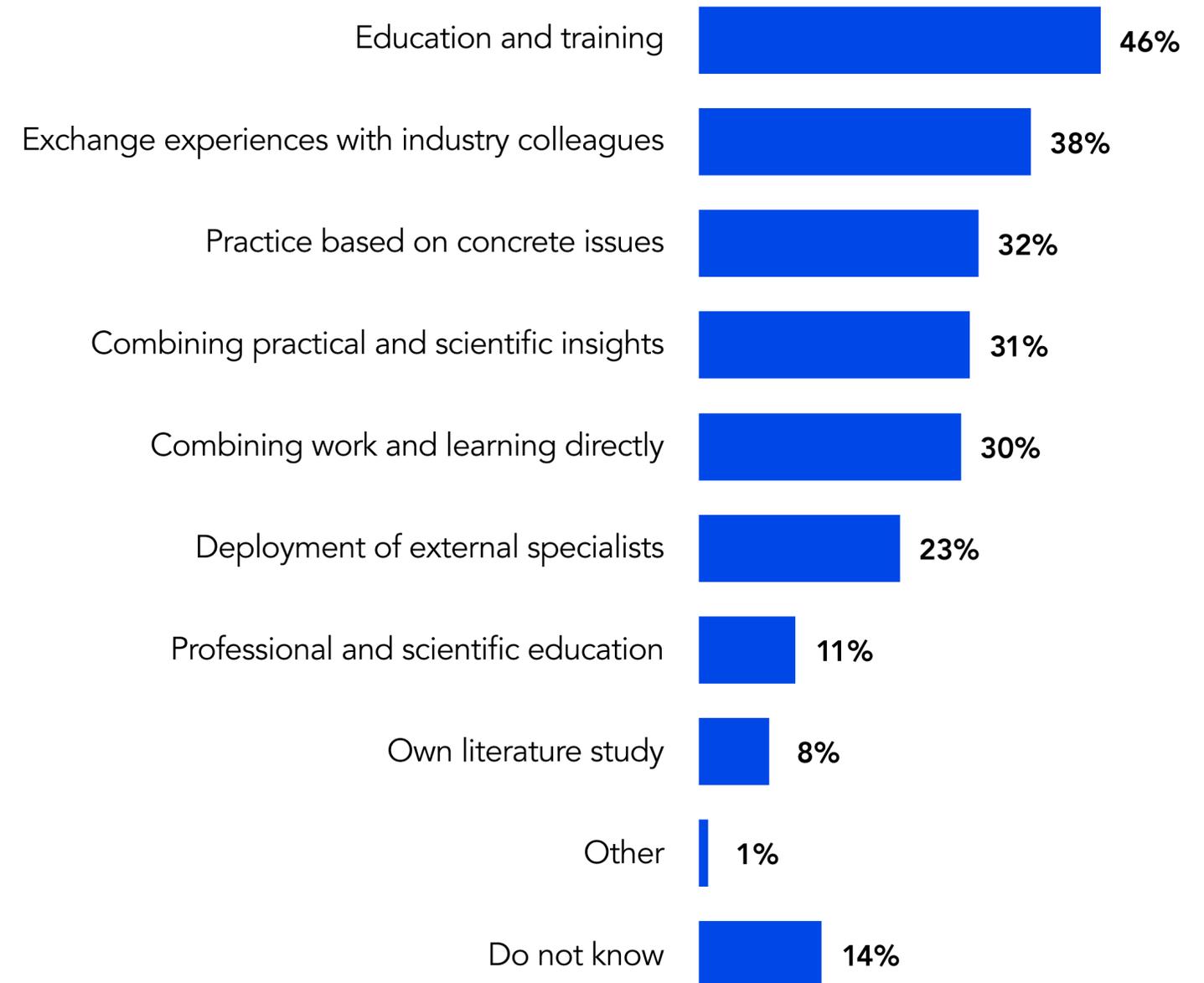


Training and sharing experiences important for ESG knowledge development

ESG knowledge, according to decision makers, is best developed through education and training (46%), exchanging experiences with industry colleagues (38%), and through learning in practice.

▲ In organisations with more than 5,000 employees, there is more need for practice-based knowledge development on concrete issues (42%). Decision makers of smaller organisations (<1,000 employees) more often choose to use external specialists (29%).

What do you think is the best way to further develop ESG knowledge?

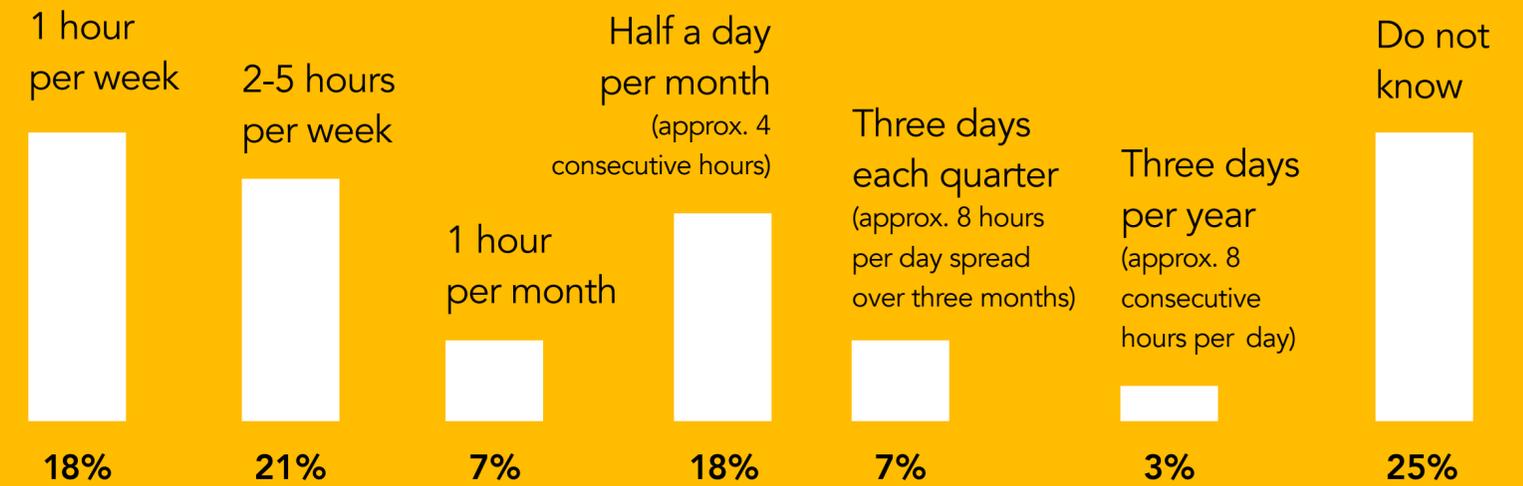


Time needed for ESG knowledge development

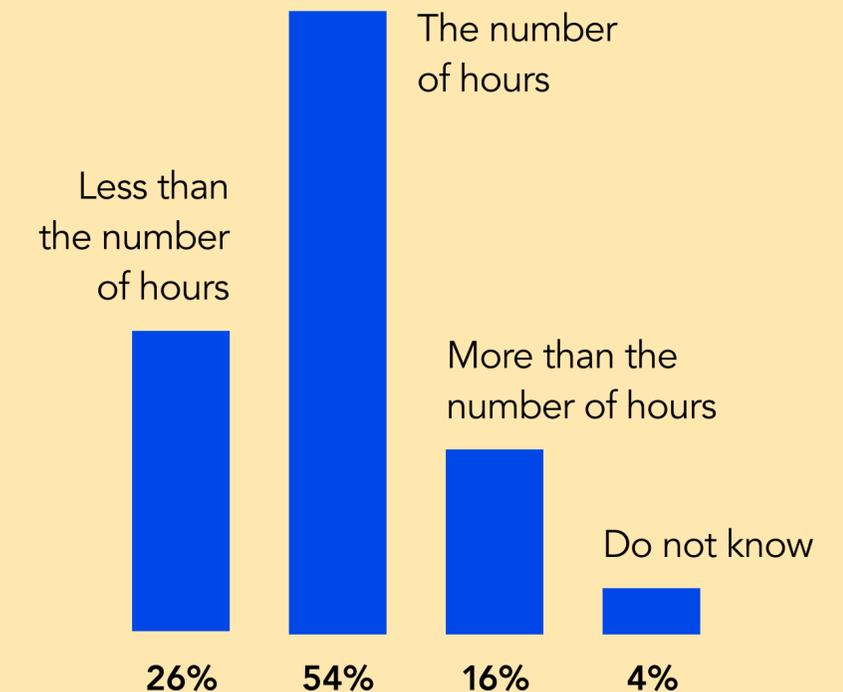
Most decision makers (39%) think they need between one to five hours for ESG knowledge development, and more than half (54%) of the decision makers, who indicated they would need a certain number of hours, are also willing to invest in the hours. A fourth (26%) is willing to spend less time on their own ESG knowledge development.

- ▲ In smaller organisations (<1,000 employees), the decision makers less often say they are willing to spend more than the number of hours to spend on ESG knowledge development. In medium-sized organisations (1,000-5,000 employees), usually more often.

How much time do you think you (will) need for your own ESG knowledge development?



How much time are you willing to spend on your own ESG knowledge development?



Knowledge transfer and (external) expertise needed for more sustainable policies

Decision makers mention a number of things they believe are needed to increase knowledge within their organisations on the way to a more sustainable policy:

- (Further) education: trainings, courses, workshops for internal employees.
- Hiring external expertise.
- Appoint more professional employees dealing with sustainability issues.
- Dedicated department dealing with sustainability and ESG development rather than scattered throughout the organisation.
- Learning from others (including outside the organisation), knowledge transfer, and sharing practical examples.
- A well-developed strategy and clear monitoring and reporting on progress.
- Larger budget, more time.

 “We have hired specialists, we hire knowledge, and more often, include this in our quotations, so I think we are pretty much on the right track.”

 “More training and setting up an action plan instead of just talking about strategy.”

 “Bringing in the right experts and training employees.”



Sustainability and new leadership

Leadership is in need of change

Over three-fourths (77%) of the decision makers believe that leadership changes when executives are held accountable for non-financial performance. In addition, two-thirds agree more than they disagree that managers should be held accountable for their business impact on people and the environment.

In line with the other results, 78% agree more than they disagree to the statement that lack of knowledge is a threat to the road to a fully sustainable economy. In addition, we can learn more from other organisations (76%).

**These are six of the 12 statements presented, in order of highest percentage of 'Agree more than disagree'.*

To what extent do you agree or disagree with the statements below?

Lack of knowledge is a threat to the road to a fully sustainable economy



Leadership changes when executives are also held accountable for non-financial performance



Learning from other organisations does not take place enough



There is limited connection between learning, application, and reflection on it



We must assess managers and organisations on their business impact on people and the environment



ESG knowledge is too fragmented inside and outside our organisation



■ Disagree more than agree ■ Agree more than disagree ■ Do not know

A third disagree that the Netherlands is leading the way towards a sustainable economy

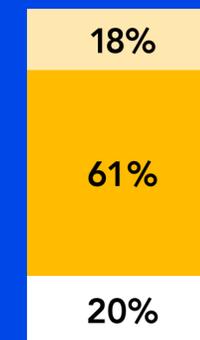
One-third (34%) disagrees more than they agree that the Netherlands prevails with regards to a sustainable economy. 46% do agree. A large group of decision makers (61%) see building ESG knowledge mainly as an investment, without knowing now what it will yield.

More ESG knowledge is associated by 61% with more opportunities of business success. 55% are concerned about the lack of knowledge about new laws and regulations.

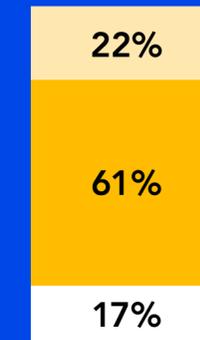
▼ Decision makers in large organisations (>5,000 employees) indicate less often that they are concerned about the lack of knowledge about new laws and regulations.

**These are six of the 12 statements presented, in order of highest percentage of 'Agree more than disagree'.*

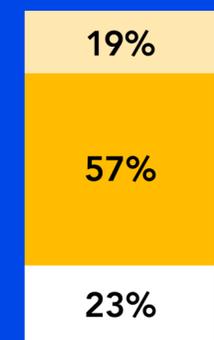
To what extent do you agree or disagree with the following statements?



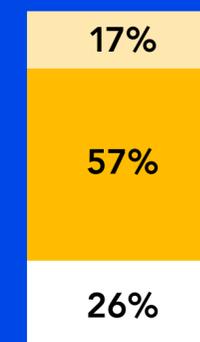
Building up ESG knowledge now means mostly investing without really knowing what it will yield



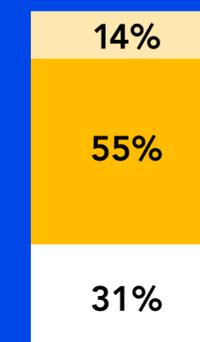
The more ESG knowledge my organisation has, the higher the chances of business success



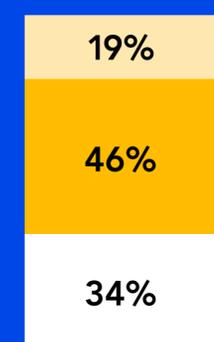
The Dutch education system is not ready to train professionals in a sustainable economy



Knowledge on climate change, biodiversity, and other nature and environmental issues should come mainly from secondary and higher education



I am concerned about the lack of knowledge about new laws and regulations regarding sustainability in our organisation



Netherlands is a country of knowledge and leading the way to a sustainable economy

Disagree more than agree
 Agree more than disagree
 Do not know

Leaders should take more risks

Decision makers come up with a number of (new) competencies they believe leaders need to make ESG part of all decision-making processes within the organisation.

Several decision makers mention that leaders should take more risks, even though it is not clear what it will yield or without being guided by the financial result. Sustainability is a complex and constantly changing field, so leaders must not be afraid to make choices without the certainty that these choices are the right ones. Decision makers do believe it is necessary to create a long-term perspective. The ability to build a base throughout the organisation is also a frequently mentioned competency, as is more collaboration inside and outside the organisation. We need to learn from each other, according to the decision makers.

Intrinsic motivation, the will, environmental awareness, and community involvement also seem to be necessary competencies to successfully make ESG part of all decision-making processes within the organisation.

-  “They have to dare to make choices without certainty, acting from vision and connect everything to it.”
-  “Vision and the will to really change - not just look at the financial result.”
-  “Being able to create support throughout the organisation.”

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