

cority



cority

sustainability  
cloud

Research Report

# The Way Forward for ESG: Firms are Adapting Business Strategy and Boosting Technology Investment

*empower better tomorrows*



# Table of Contents

---

Introduction	03
Firms Are Responding to ESG By Evolving Business Strategies	04
Employees Becoming More Actively Engaged with Sustainability Strategies	11
Firms Are Leveraging Comprehensive Data Streams to Inform ESG Strategies	15
EHS Emerges as The Most Critical Business Unit For ESG Performance	19
Firms Plan Technology Investment to Improve ESG Performance	22
Final Thoughts	26

# Introduction

It's no secret that **Environmental, Social, and Governance (ESG) and sustainability are rising to the top of the priority list for many organizations.** As ESG performance continues to play a larger role in financial decisions and access to capital, more organizations than ever before are actively aligning overall business strategy with ESG goals to remain competitive and resilient.

**ESG and sustainability is a journey. To get a sense of how far along organizations are in this journey today, we engaged with independent research firm, Verdantix, to find out:**

- › Where 50 executives across 5 industries fall on the ESG maturity scale
- › The state of corporate sustainability culture
- › How executives are using operational data to define overall ESG and sustainability strategies
- › The role of Environmental, Health, and Safety (EHS) in supporting ESG performance
- › Which technologies firms are investing in to improve ESG performance



## Chapter 1

# Firms Are Responding to ESG By Evolving Business Strategies





ESG and sustainability are now top of mind for firms across industries and sectors. No longer the sole responsibility of marketing and communications business functions, ESG has become a core element of business strategy and integral to overall financial performance. Firms are under pressure from diverse stakeholders, including investors, customers, and employees to prove their ESG credentials and to ensure continued ESG performance improvements. Businesses that fail to adapt face losing access to both capital investment and commercial opportunities with sustainability-conscious firms, alongside reputational damage and investor backlash.

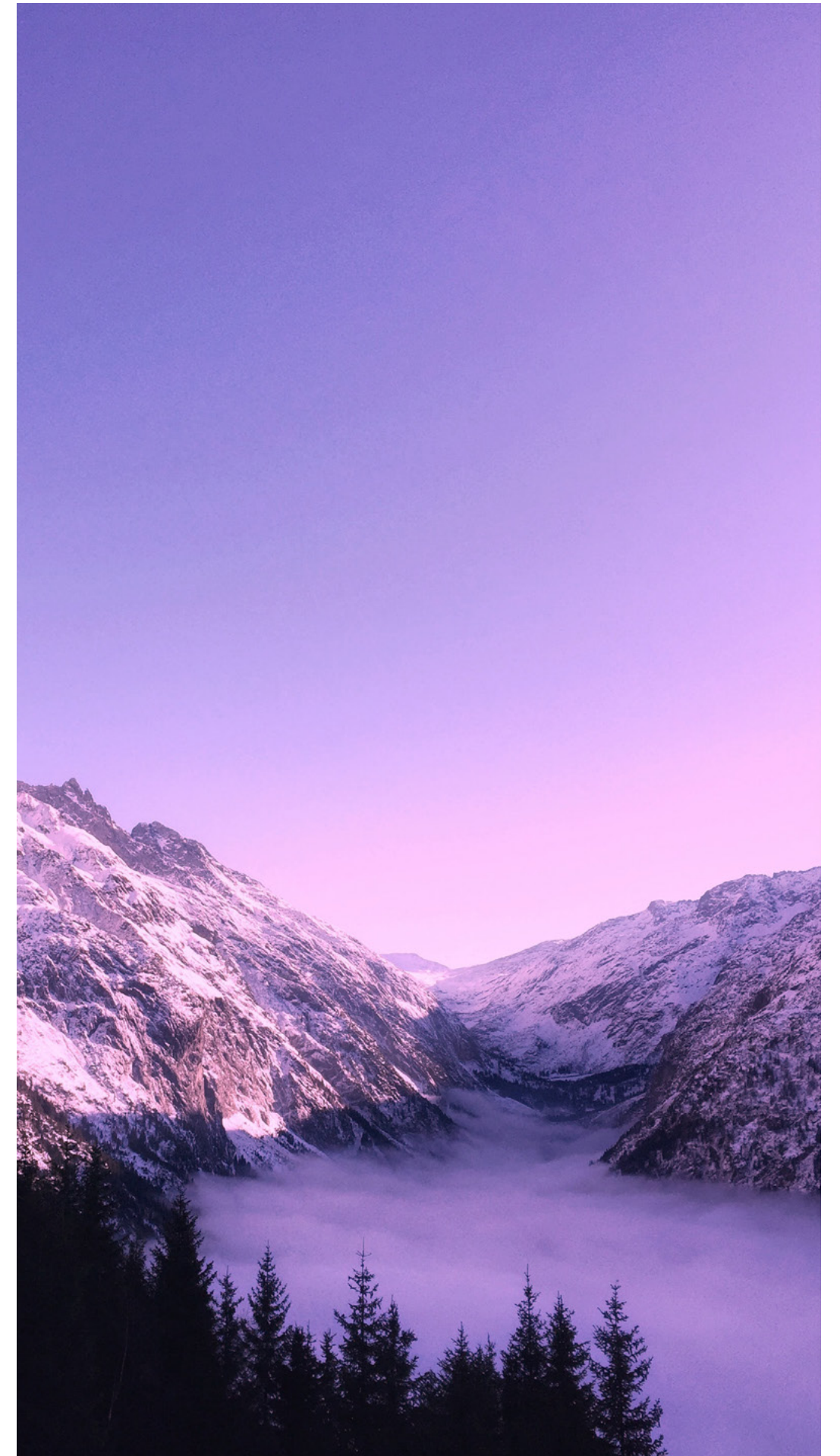
Firms are at different stages of ESG maturity. The least mature sustainability strategies focus on deliberate delay and minimalist mitigation. These strategies involve lobbying against sustainability, with the aims of protecting subsidies, jobs, and maintaining core business models. An increasing number of firms are shifting towards aligning business strategies with sustainability concepts, to actively engage in economies focused on sustainability (with particular emphasis

on climate change). Firms seeking to differentiate offerings, and ultimately take advantage of sustainability performance as a market differentiator, are actively optimizing portfolios and business models to benefit from sustainability. The most mature ESG and sustainability strategies focus on sustainable innovation as a core tenet of company strategy, thereby adopting a leading role in the sustainability movement.

Strategies are therefore impacted by factors including corporate business priorities, current levels of technological adoption, and levels of data visibility into operations. Regardless of maturity, we see signs that sustainability is increasingly being woven into work culture, focus on managing ESG data is increasing, and there is a growing desire to leverage business functions - most notably environmental, health, and safety (EHS) – to improve ESG performance.

### **Research Methodology**

To examine the current state of corporate ESG and sustainability strategies, we engaged independent research firm Verdantix to







---

Our survey suggests that the modus operandi for firms has changed: ESG and sustainability are now integrated into core strategic decision making.

undertake a quantitative survey with senior executives in diverse industries, including the chemical, pharmaceutical and biotechnology, food and beverage, automotive, and energy sectors. The survey involved telephone interviews with 50 senior executives holding decision-making roles in EHS and ESG departments in Europe and North America.

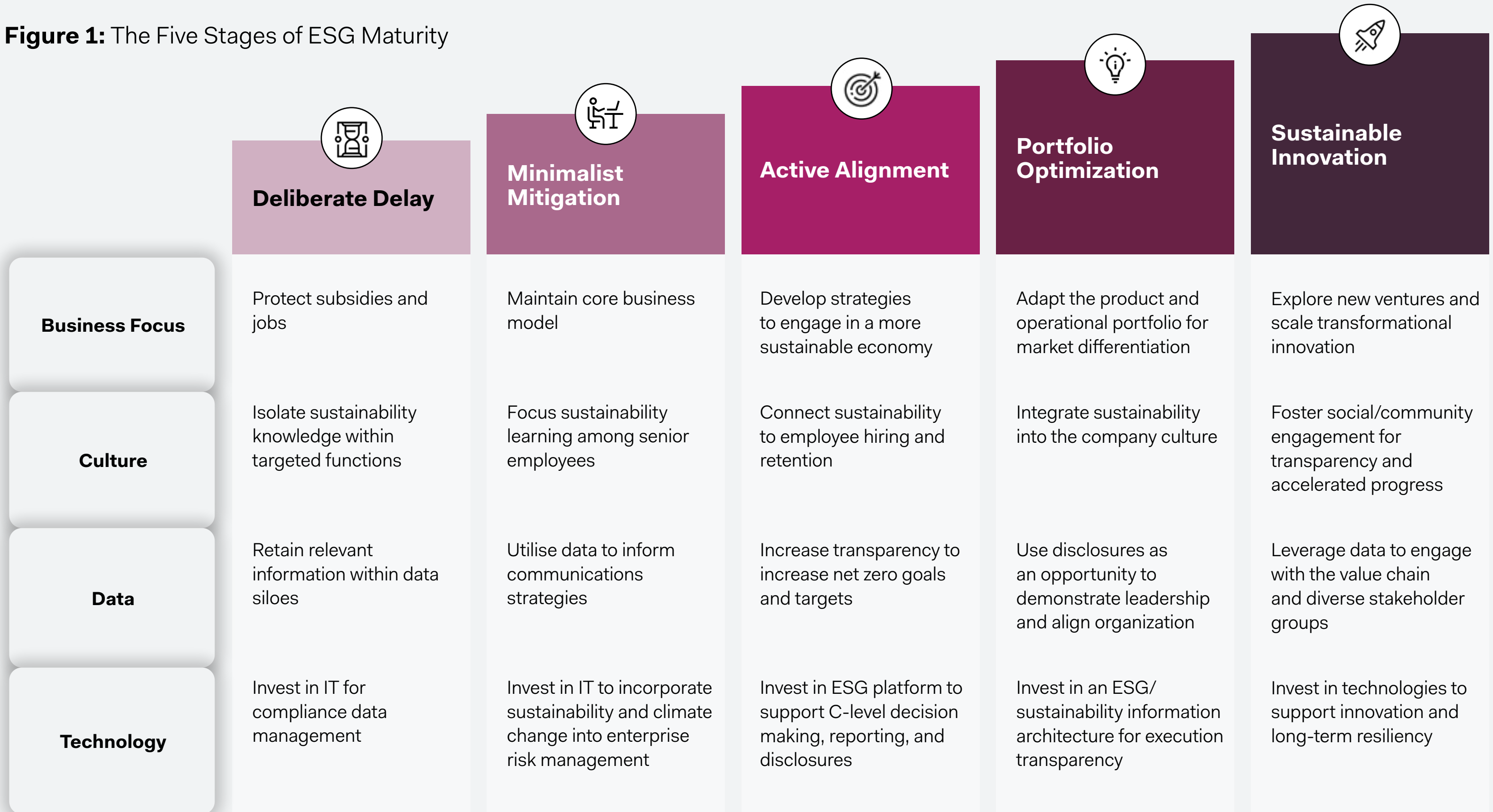
### **Business Strategies Are Increasingly Defined By ESG**

Until recently, firms only optionally engaged with ESG and sustainability. Our survey suggests that the modus operandi for firms has changed: ESG and sustainability are now integrated into core strategic decision making. Corporate strategies are moving away from minimizing risk exposure (**see Figure 1: The Five Stages of ESG Maturity**) and seeking to leverage ESG performance as a competitive differentiator. Firms are now:

- › **Moving away from ESG strategies focused primarily on mitigating risk**

We still see firms responding to ESG with strategies defined by deliberate delay and

**Figure 1:** The Five Stages of ESG Maturity



Source: Verdantix/Cority ESG and Sustainability Survey 2021





**Figure 2:** Respondents are Focused on Adapting Business Models and Strategy to Be More Sustainable



Source: Verdantix/Cority ESG and Sustainability Survey 2021

**Key:**

-  Selected
-  Not Selected

minimalist risk mitigation. Those who are focused on risk avoidance are creating systemic risks for themselves. Bloomberg data suggests global ESG assets are set to exceed \$25 trillion by 2025, representing a third of total projecting assets under management. Risk-focused firms are therefore at risk of losing access to significant sources of capital investment.

› **Actively aligning business strategies with ESG trends**

More firms are now capitalizing on the rise of ESG by actively aligning business strategies with ESG market opportunities. This shift is marked by corporate investment in technology solutions to improve ESG performance, with the ultimate aim of improving ESG ratings and access to capital. Across our survey respondents, 92% of firms noted that they were adapting their business strategy and model to be more sustainable (**see Figure 2: Respondents are Focused on Adapting Business Models and Strategy to Be More Sustainable**).



However, an equal number of firms were also focusing on risk mitigation, mandatory reporting, and cost-effective voluntary reporting. This focus on risk avoidance, and cost voluntary reporting, was more prevalent across North American than European respondents, indicating firms have a more mature sustainability strategy in the European region.

› **Beginning to embed sustainable innovation in the business**

The most mature corporate sustainability strategies are focusing on sustainable development across the value chain and are characterized by a view that sustainability is a critical market differentiator. Globally, 72% of our survey respondents indicated that they were focused on sustainability collaboration across the value chain; in Europe, this figure rose to 80%. Sustainability collaboration is a fundamental aspect to enabling significant corporate strategies including net zero emissions targets (see

---

Globally, 72% of our survey respondents indicated that they were focused on sustainability collaboration across the value chain; in Europe, this figure rose to 80%.







Verdantix: FTSE 100 Net Zero Emissions Targets Reveal Critical Success Factors).

› **Sustainably innovating to capitalize on ESG**

Mature ESG businesses are also undergoing proactive business portfolio optimization efforts; as an example, consider Nordic oil and gas firm Lundin Energy which, through investing in renewable energy generation assets, is set to achieve carbon neutrality by 2023. Enabling such portfolio optimization requires implementing ESG strategies across diverse business functions; 82% of our respondents indicated that their firms were currently doing so.



Chapter 2

# Employees Becoming More Actively Engaged with Sustainability Strategies



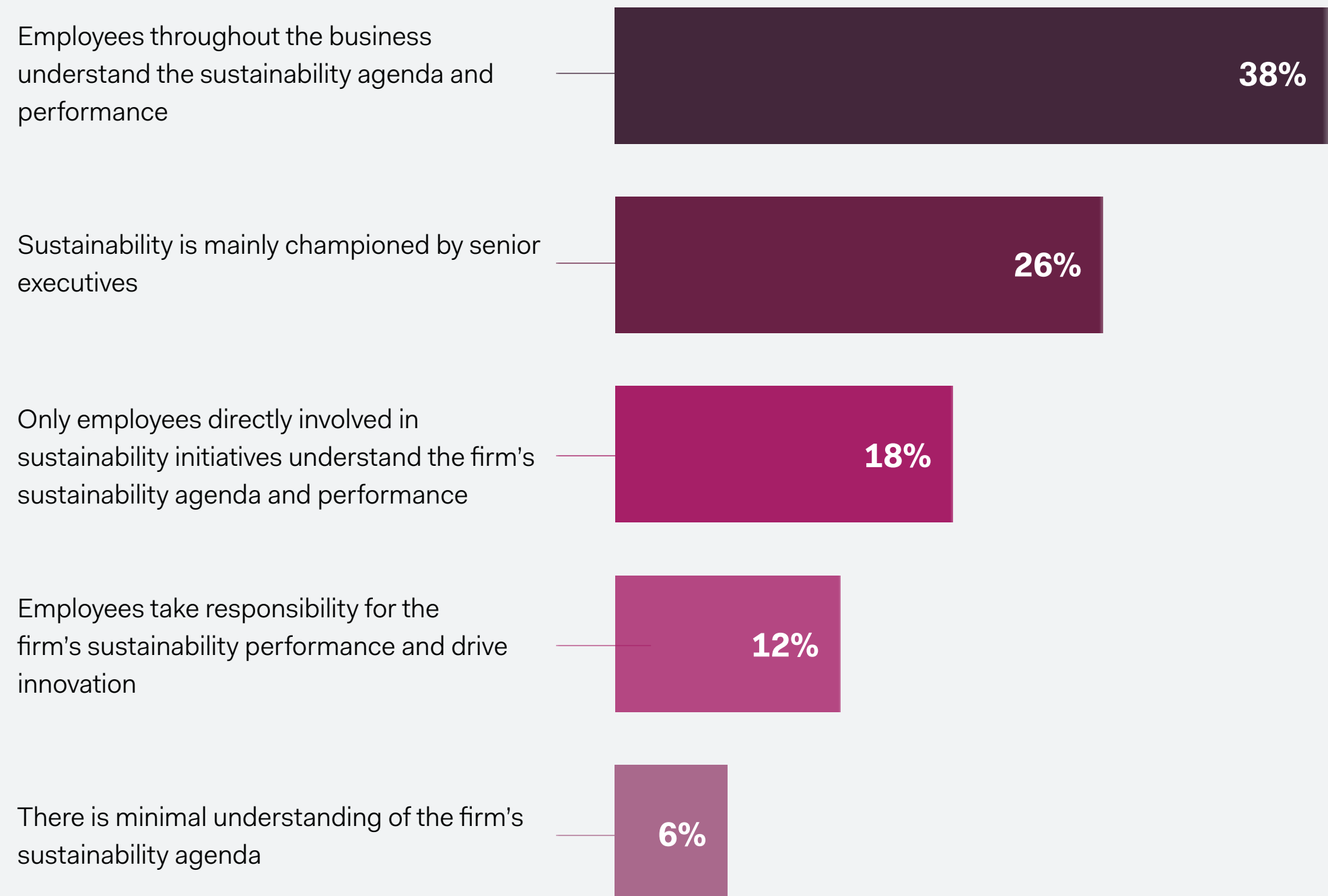


Employees at all levels of the organization are growing in their understanding and participation in corporate sustainability agendas. Firms which empower employees to engage with ESG and sustainability are set to benefit from increased satisfaction and support for ESG strategies. We found that:

- › **Just 6% of firms state there is minimal understanding of the sustainability agenda**

Corporate sustainability strategies are now widely engaged with across firms (see **Figure 3: Corporate Sustainability Cultures**). Our survey data suggests that just 6% of firms believe that there is minimal understanding of the firm's sustainability agenda; in Europe, this figure drops to 4%. Employees are now both involved in implementing ESG strategies within their day-to-day job responsibilities, but also understand broader, company-wide sustainability agendas.

**Figure 3: Corporate Sustainability Cultures**



Source: Verdantix/Cority ESG and Sustainability Survey 2021



› **Sustainability is becoming democratized across firms**

Understanding of corporate sustainability agendas is no longer reserved for the select few. The increasing democratization of sustainability (in which employees across business functions actively engage with sustainability initiatives) is supported by data; 38% of employees throughout the business understand both the sustainability agenda and performance. European firms display more employee engagement with sustainability agendas than North American counterparts.

› **Firms should continue to invest in developing sustainability cultures**

While increasing numbers of employees understand and engage with sustainability agendas, just 12% of respondents believed that employees took responsibility for their firm's sustainability performance or drove innovation in this area. Furthermore, half of the surveyed firms indicated that employees understood the sustainability

agenda and performance or took responsibility for the firm's sustainability performance. For the remaining 50% of firms, investing in solutions to increase employee engagement in sustainability initiatives represents a significant opportunity to improve performance.

**Diverse Business Functions Drive ESG Strategies**

Firms are increasingly leveraging varied business functions to inform ESG strategies and enable performance improvement. Data from the **Verdantix Global Corporate Survey: ESG & Sustainability Governance, Strategies, and Priorities** suggests that EHS, Production and Operations, Engineering and Maintenance, and Real Estate and Facilities departments are now playing an integral role in implementing ESG and sustainability strategies.

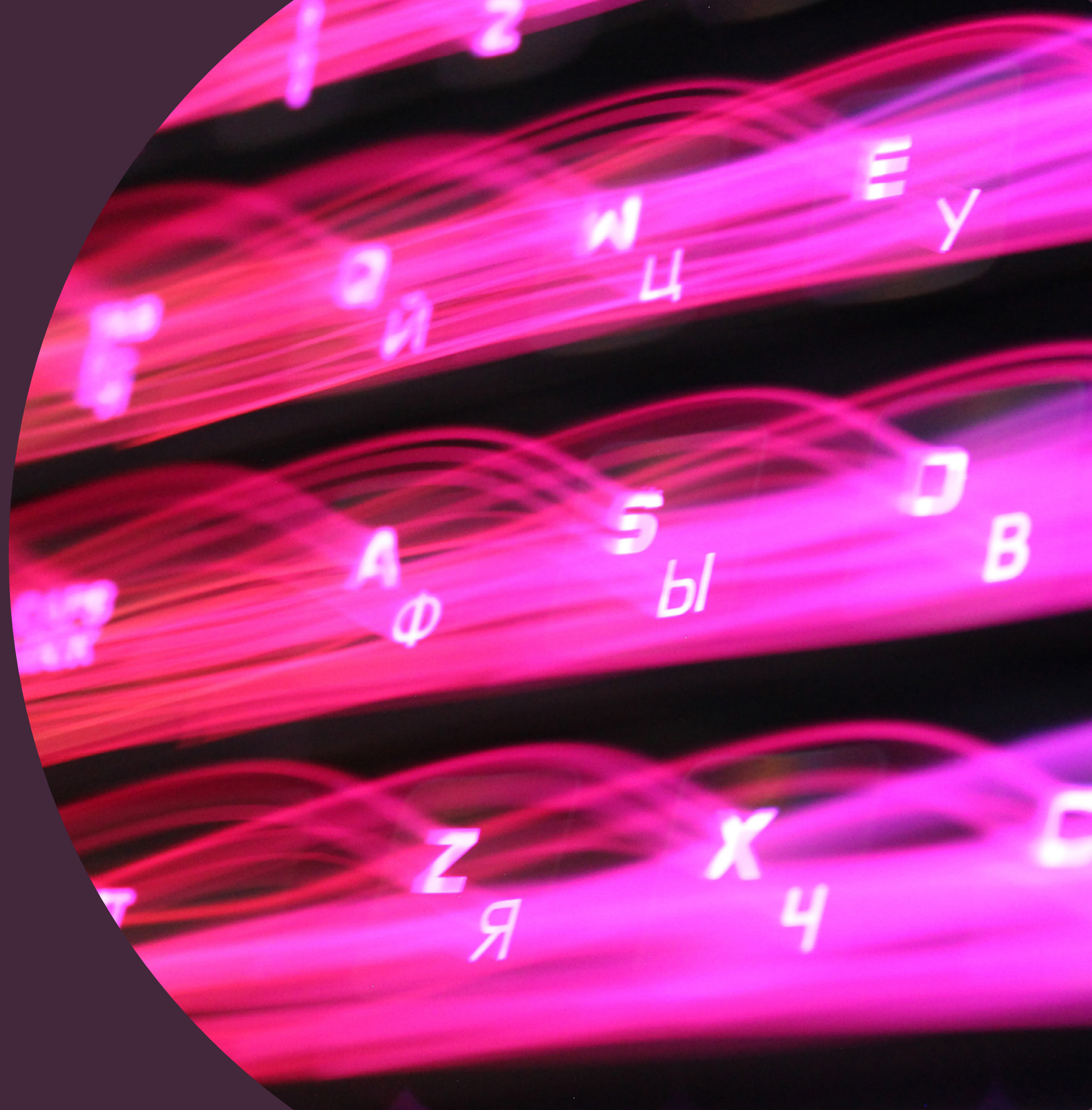
---

For the remaining 50% of firms, investing in solutions to increase employee engagement in sustainability initiatives represents a significant opportunity to improve performance.



## Chapter 3

# Firms Are Leveraging Comprehensive Data Streams to Inform ESG Strategies





The demands of managing and reporting ESG performance – encompassing wide ranging topics including environmental performance, occupational wellbeing, as well as governance metrics such as gender diversity – demands comprehensive information architectures to track and record relevant data. Our survey revealed that:

- › **EHS functions provide the most extensive data to support ESG**

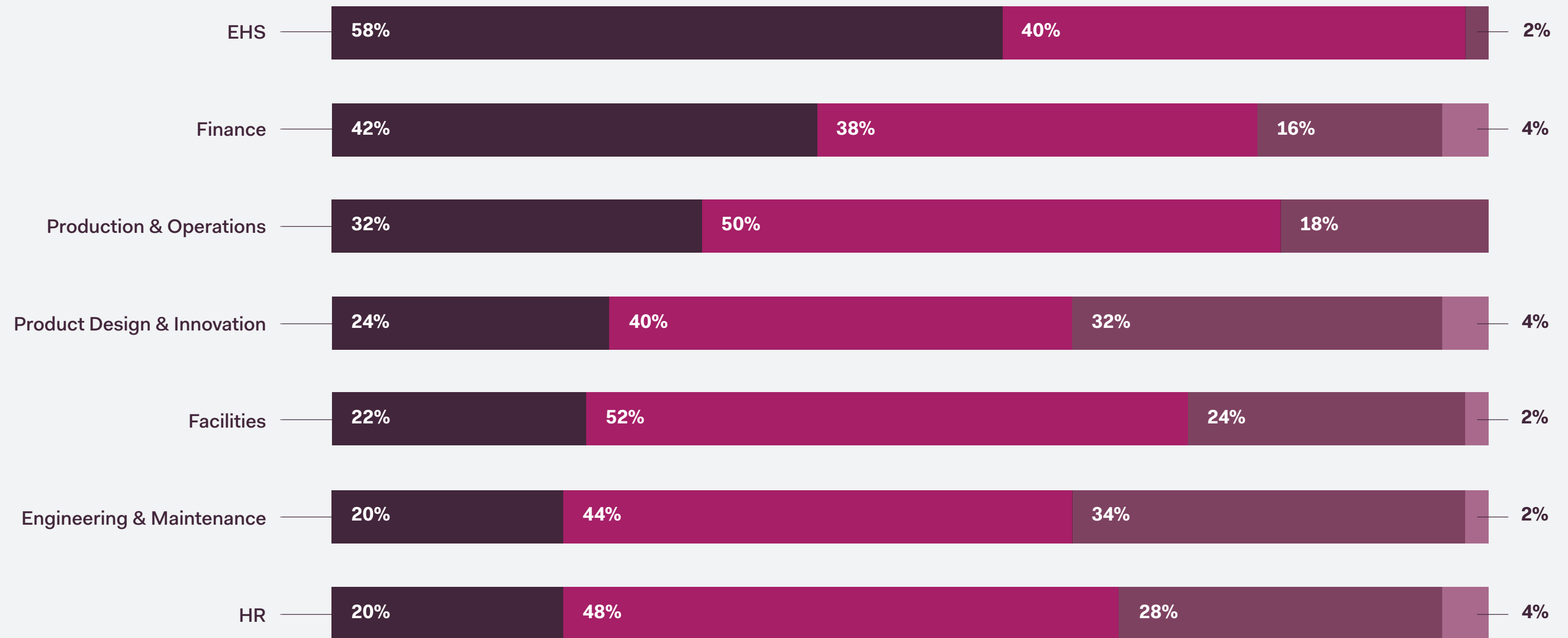
EHS emerged as the most significant source of data collected by firms with regards to ESG and sustainability strategies, across both North America and Europe (see **Figure 4: Data Collection Across Business Functions**). This reflects EHS' role as supporting key elements of ESG, including environmental and safety performance. Finance departments also emerged as significant contributors of data to ESG and sustainability performance; finance departments are likely to rise in prominence as more firms seek to produce integrated financial and sustainability reports, and submit





**Figure 4:** Data Collection Across Business Functions

To what extent is data collected across the following segments to support sustainability / ESG?



**Key:** Extensive data collection Targeted data collection Minimal data collection No data collection

Source: Verdantix/Cority ESG and Sustainability Survey 2021



---

With 88% of our respondents indicating core data gleaned from business functions was being used to define overall corporate ESG strategies, we see a shift away from defining strategies based on marketing or communications incentives.

disclosures aligned to the Taskforce for Climate Related Disclosures (TCFD), which require financial information.

› **Product related data is of key importance for ESG strategies**

As increasing numbers of firms – particularly those adopting advanced ESG strategies centred on portfolio optimization and sustainable innovation – engage with concepts such as the circular economy and supply chain related sustainability, production related data is becoming integral to ESG strategies. Our survey respondents identified Production & Operations and Product Design and Innovation as the third and fourth most significant providers of ESG and sustainability data.

› **Executives are using operational data to define overall ESG and sustainability strategies**

With 88% of our respondents indicating core data gleaned from business functions

was being used to define overall corporate ESG strategies, we see a shift away from defining strategies based on marketing or communications incentives. Operational data is likewise utilised for voluntary reporting requirements, including the CDP and GRI; beyond reporting, however, operational data is critical in identifying areas to reduce environmental impact and meet emissions abatement targets. In the food and beverage industry, for example, GHG emissions are highest in the land use and farm stages of production, while emissions from transport, retail, and packaging are comparatively low. Increasing numbers of firms, some 70% of our respondents, are also leveraging operational data to engage with supply and value chains – a telling sign that growing numbers of firms are moving towards sustainable innovation based corporate ESG strategies.





Chapter 4

# EHS Emerges as The Most Critical Business Unit For ESG Performance





---

EHS technologies, furthermore, play an extremely significant role in supporting ESG information strategies. Firms are additionally scheduling further investment in EHS systems to improve performance

Our survey data reveals that EHS is the most critical unit responsible for improving ESG performance, reflecting EHS' responsibility for managing and improving initiatives relating to environmental impact, resource use, and employee wellbeing. EHS technologies furthermore play an extremely significant role in ESG information strategies; firms are additionally scheduling further investment in EHS systems to improve performance. Our survey respondents revealed that:

› **EHS software solutions play a key role in ESG information management strategies**

Across our survey respondents, 84% highlighted that EHS was a driver for improved ESG and sustainability performance, compared to only 50% that stated EHS was mainly a compliance and regulatory issue. Significantly, firms are anticipating increased spend on EHS solutions to improve ESG performance. This is particularly the case in North America, and in select industries including food and beverage, and the energy sector.

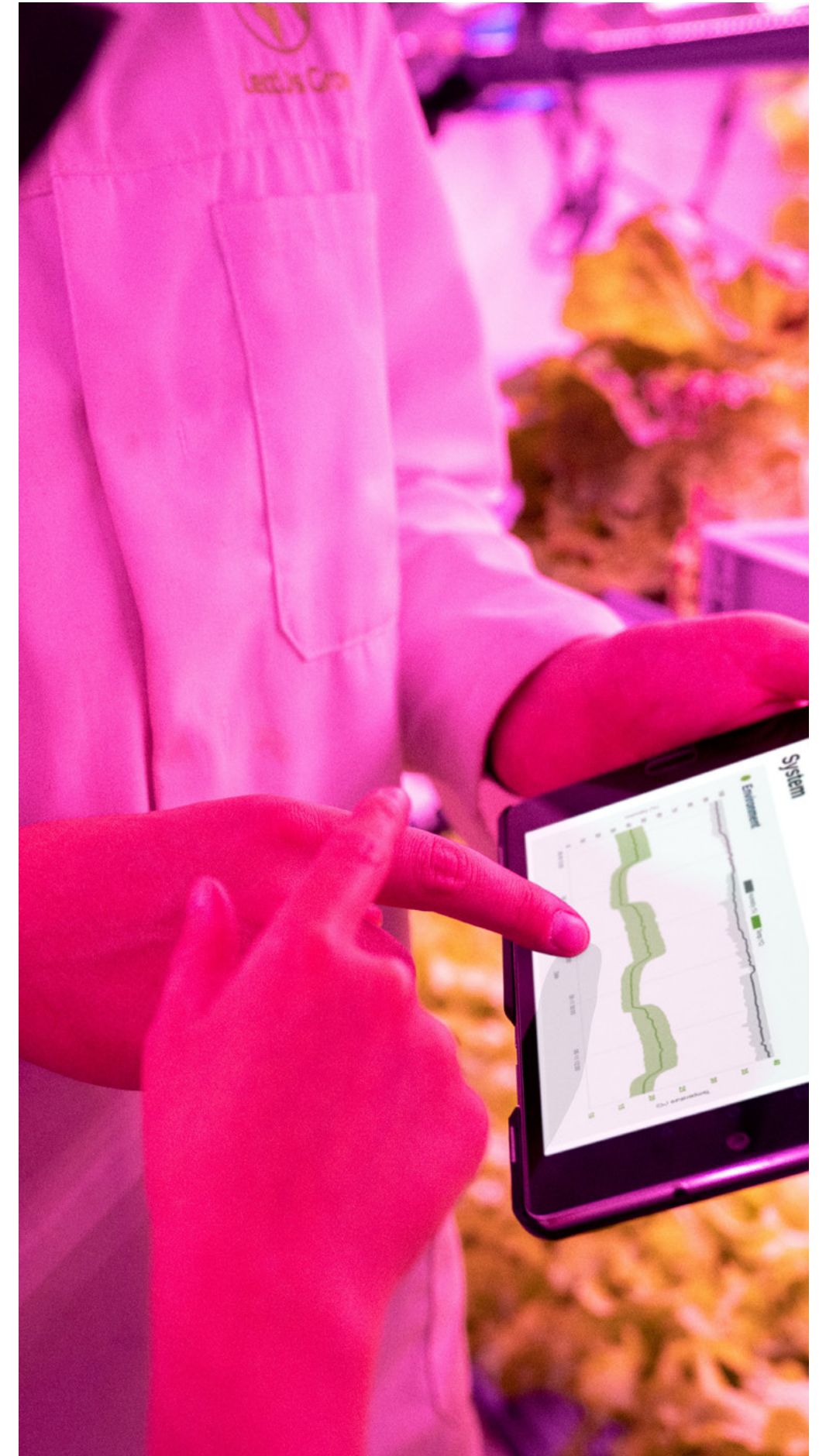


› **EHS solutions are supporting a range of ESG and sustainability initiatives**

Significant use cases for EHS technology include sustainability reporting, environmental compliance, and occupational health and safety management. In Europe, environmental compliance is a far more significant driver than in North America, reflecting increased regulatory requirements in the EU, including specific regulations such as the EU Waste Framework Directive. Expect the use cases for EHS solutions with regards to ESG to expand rapidly in the near future and adapt to fit the demands of a rapidly evolving disclosure ecosystem. Consider for example the SEC's anticipated ESG disclosure framework, and the upcoming EU corporate sustainability reporting directive.

---

Across our survey respondents, **84%** highlighted that EHS was a driver for improved ESG and sustainability performance, compared to only 50% that stated EHS was mainly a compliance and regulatory issue





## Chapter 5

# Firms Plan Technology Investment to Improve ESG Performance





Data from the Verdantix Global Corporate Survey suggests that ESG initiative budgets are set to rise dramatically in 2022, with 57% predicting significant double-digit increase in spend. Which digital projects are the priority for firms to invest in? We heard that:

› **Health & Safety, ESG, and environmental systems are the top digital priorities**

Globally, our survey respondents identified health and safety management systems as the top priority digital project for firms, followed by ESG and environmental management systems (**see Figure 5: Digital Projects Set to Receive Investment**). Across industries, priorities varied considerably; both chemicals, and the pharmaceutical and biotechnology industries identified ESG platforms as number one priorities. The data reveals that firms are aiming to actualize ESG performance improvement through technology investment in 2022 and beyond.

---

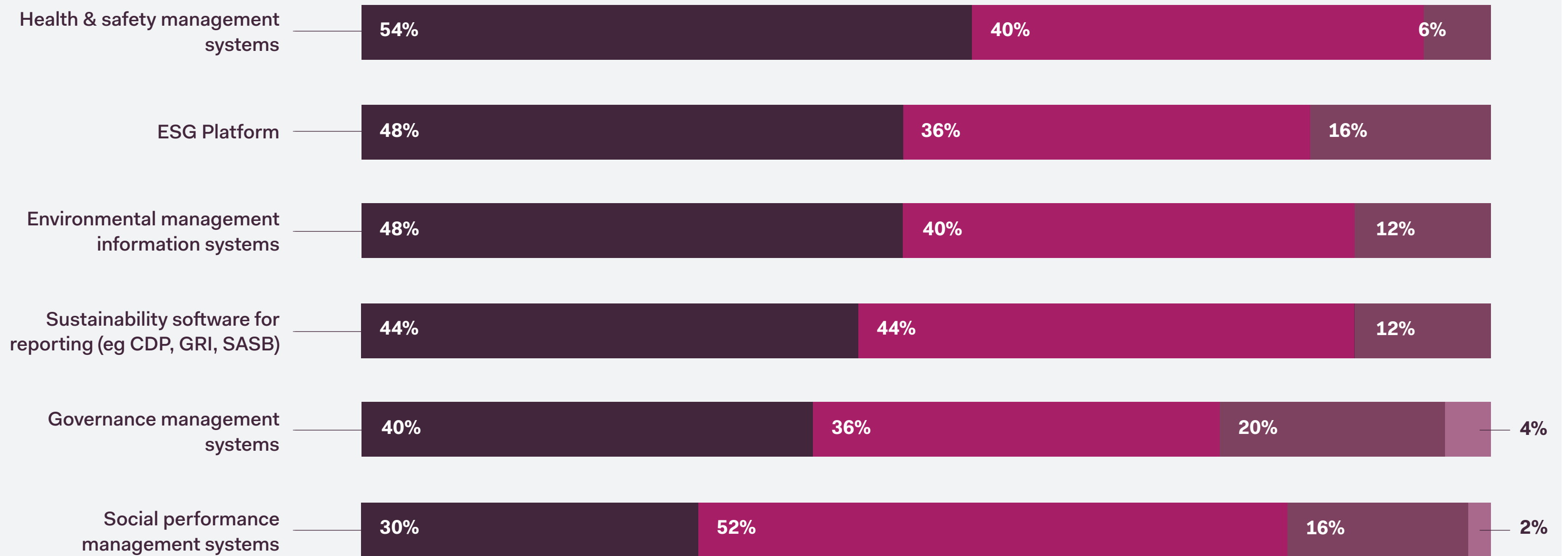
The data reveals that firms are aiming to actualize ESG performance improvement through technology investment in 2022 and beyond.





**Figure 4:** Digital Projects Set to Receive Investment

To what extent are the following digital projects a priority for your firm?



**Key:** High priority Moderate priority Low Priority Not sure

Source: Verdantix/Cority ESG and Sustainability Survey 2021





---

In the North American region, the most significant barrier facing firms is the fact that technology solutions have yet to be used to their full potential.

› **Firms facing diverse barriers to ESG and sustainability initiatives**

Although many firms are working to develop corporate ESG and sustainability strategies, and are becoming more mature in this regard, barriers remain which impact the further development of sustainability initiatives. In the North American region, the most significant barrier facing firms is the fact that technology solutions have yet to be used to their full potential. In Europe, the most significant barrier to further development of ESG and sustainability initiatives is the presence of competing business priorities.



# Final Thoughts

Firms with ESG and sustainability strategies that pay attention to improving cultures, leveraging data to improve performance, and investing in developing technologies are best placed to benefit from sustainable growth.

**Avoiding or delaying engagement with ESG and sustainability is no longer a tenable strategy for firms; the market and stakeholder pressure is too strong to ignore, and the benefits of active sustainable business strategies increasingly apparent.**

Forward thinking businesses – across geographies and industries – are now seeking not only to report on sustainable performance, but to integrate ESG and sustainability into core business models and decision-making.

We are a global enterprise EHS software provider that develops industry-leading technology. We make it easy to harness the power of our software to create higher levels of operational and sustainable performance to help people and businesses thrive.

**cority**





*empower better tomorrows*



**cority** sustainability  
cloud

From circular economy initiatives to carbon neutrality, sustainability performance and ESG ratings have never been more important throughout the supply chain. Sustainability is a journey that starts with auditable data and transparent reporting you can trust.

Cority's Sustainability Cloud makes that journey easier with powerful solutions designed to simplify data collection, inform decision-making, and measure and accurately report on the success of initiatives – so your organization can meet its sustainability and ESG targets, reduce carbon footprints, and empower better tomorrows.

[See Sustainability Cloud in Action](#)