

Morgan Lovell



Survey:

ESG in the Workplace

July 2021

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Overview

As we get closer to Covid restrictions being eased, Morgan Lovell used OnePulse to survey over 900 office workers in June about their thoughts on Environmental, Social and Governance (ESG) in the workplace – is it important, how can they determine a company's commitment, and should supply chains be part of ESG?





What is ESG?

ESG stands for Environmental, Social and Governance and represents the key factors that measure the sustainability and ethical impact of a company. Multiple factors comprise the three areas, including:

- **Environmental** – carbon footprint, climate change, waste management and resource management
- **Social** – workplace conditions, employee health and wellbeing and diversity and inclusion
- **Governance** – board diversity and structure, supply chain diversity, risk management and financial stability and transparency

ESG is growing in importance for current and future employees, customers, and investors, and this trend is expected to continue in the years ahead.

Employees care about ESG – and have been saying this for over a year

Nearly 50 percent of respondents say that a demonstrated commitment to ESG is important, while fewer than 8% say it is not. However, more than one in five do not understand what ESG is. There may be confusion about the acronym or what constitutes ESG in the workplace. Either way, this suggests that communication with employees must be very clear, otherwise companies risk seeing their ESG commitments go unnoticed or unappreciated.



Is it important that your workplace has demonstrated commitment to ESG?

Yes



No



Somewhat



I don't understand what ESG is



After the pandemic, if you could change your working environment, what would you like to see?
Please tick all that apply.

One more like a university campus, with a variety of different spaces



One that offers enhanced wellbeing and health facilities



One with sustainable / environmentally-friendly working practices



A social hub with spaces to meet clients, colleagues and mentors



A team space for collaboration on projects



I don't want it to change – my workplace is perfect already



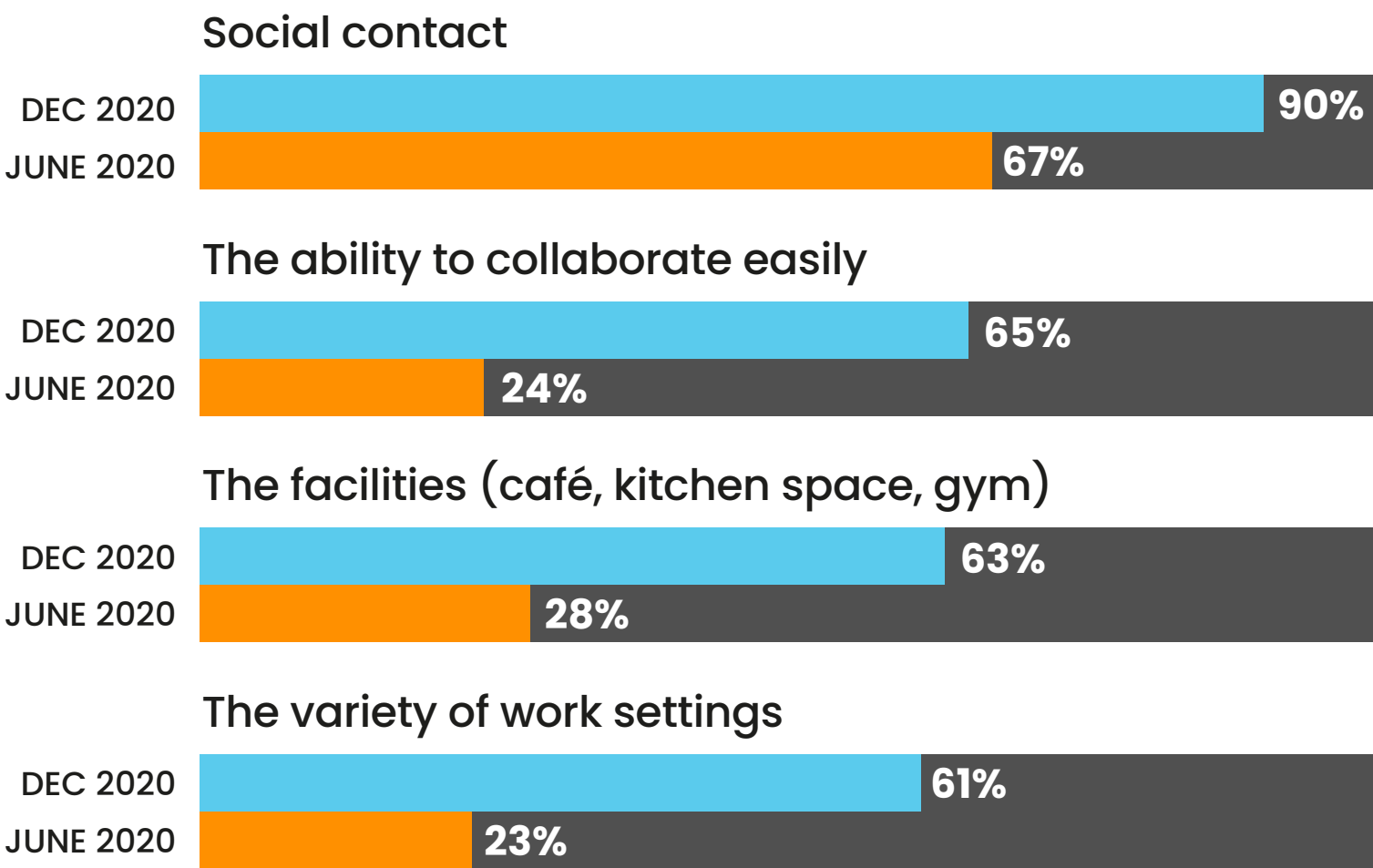
Other



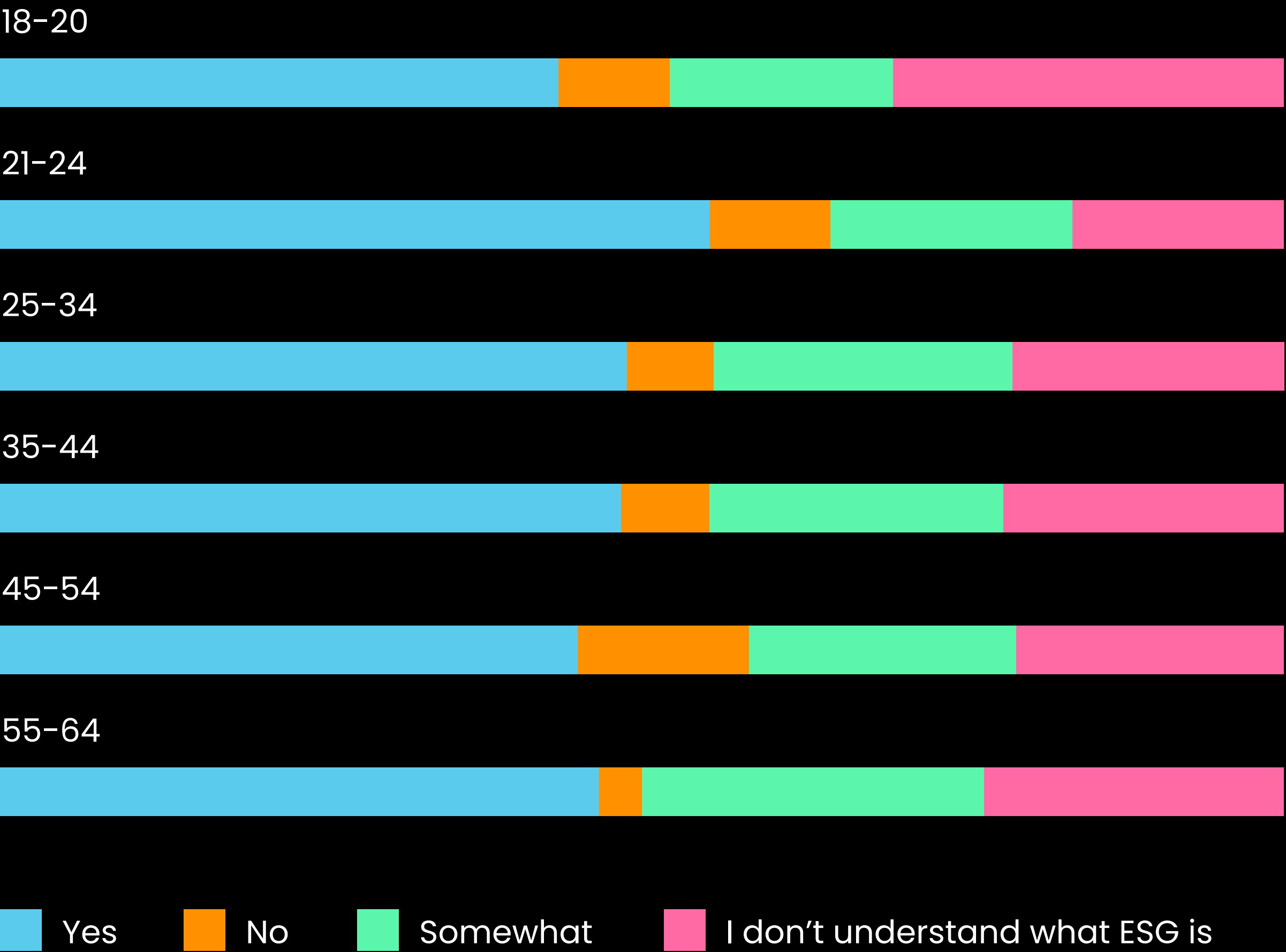
These responses back up what we've been hearing in surveys throughout the pandemic. In March 2021, we asked employees about changes they would like to see in their working environments post-pandemic. The top responses were all ESG related, including enhanced wellbeing facilities, social hubs, and sustainable working practices and construction methods.

The increased desire for a social workplace was highlighted in our social capital survey (December 2020). 67% of employees said they missed the social contact in June 2020, this increased to 90% by December. Improved facilities and a variety of work setting also grew in importance between June and December.

What do you miss most about the office?



Is it important that your workplace has a demonstrated commitment to ESG? (Response by age group)



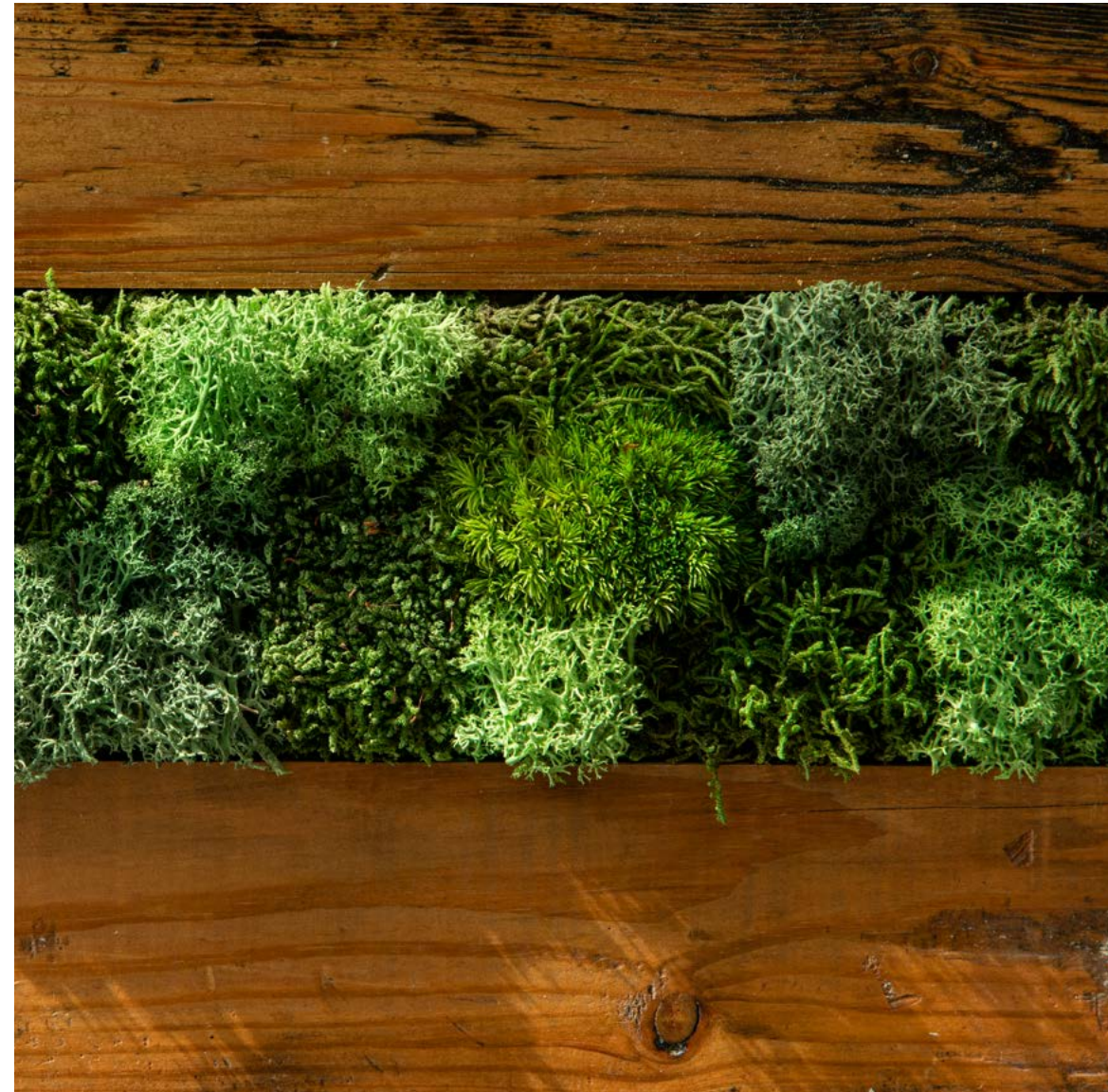
The 18 – 20 age group were the most likely not to understand what ESG is – about 30 percent of respondents in that age group selected that answer. Interestingly, the next age group (21 – 24) were the most likely to say that ESG is important – 55 percent said so. This suggests that there may be a lack of understanding that ESG is among the youngest age group, rather than a lack of appreciation.

Two locations had more than 50 percent of respondents say that a demonstrated commitment was important – Greater London and the Southwest. Workers in Yorkshire & the Humber and the East Midlands were most likely not to know what ESG is.

Gender and employer size did not seem to make a difference to the importance or understanding of ESG. Workers in not-for-profit, business and consulting, and marketing and PR place greater importance on ESG. Market research and creative arts and design workers found ESG less important.

Green credentials must not be neglected by businesses

We asked workers that said a demonstrated commitment to ESG in the workplace was important to tell us specifically how important green credentials are. About 60% said this was very important or essential. It may be that of the three components of ESG, Environmental is the easiest for people to understand. Just 5% of respondents said this was not at all or not very important, which is unsurprising given their response to the first question. Sustainability has been a trending topic in the workplace and in our personal lives for many years so it's easier to comprehend versus governance, for example.



How important is it that your workplace has green credentials

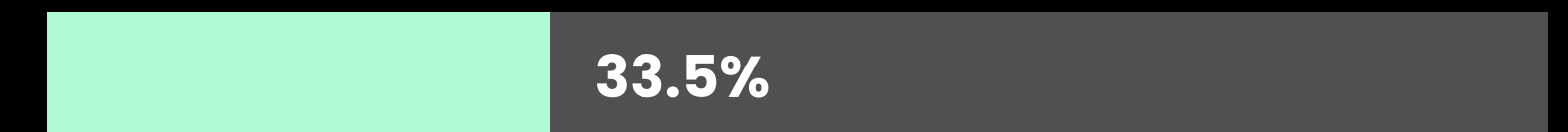
Essential



Very important



Somewhat important



Not very important



Not at all important



In our balanced workplace survey from March 2021, 33% of employees said they wanted their workplace to improve its sustainable / environmentally friendly working practices and construction methods. This could conceivably cover anything from waste management and pollution to sustainable building materials and energy efficient systems. It's clear that there is an increased expectation for companies to address their environmental practices.

Rating green credentials as essential tended to increase by age group, which is interesting considering we often think of younger generations driving the sustainability trend. That said, the differences between age groups were not so great that we can definitively declare that one segment cares more or less about green credentials than another.

The suggestion that green credentials are essential is uniform across the UK, from city hubs like Greater London to rural areas like Yorkshire. Workers in the Scotland and the Southeast regions were more likely to say green credentials are not important, though these were not significantly above the average.

Workers from companies with more than 1,000 employees place a slightly higher importance on green credentials. This may be because larger companies have a bigger carbon footprint and employees recognise the importance of tempering this with strong environmental policies.

Respondents by top three locations who said green credentials are essential or very important

1= Yorkshire & the Humber
71.4%

1= Southwest
71.4%

2 Greater London
67.4%

3 Northeast
63%



Employees see strong commitments through design rather than policies

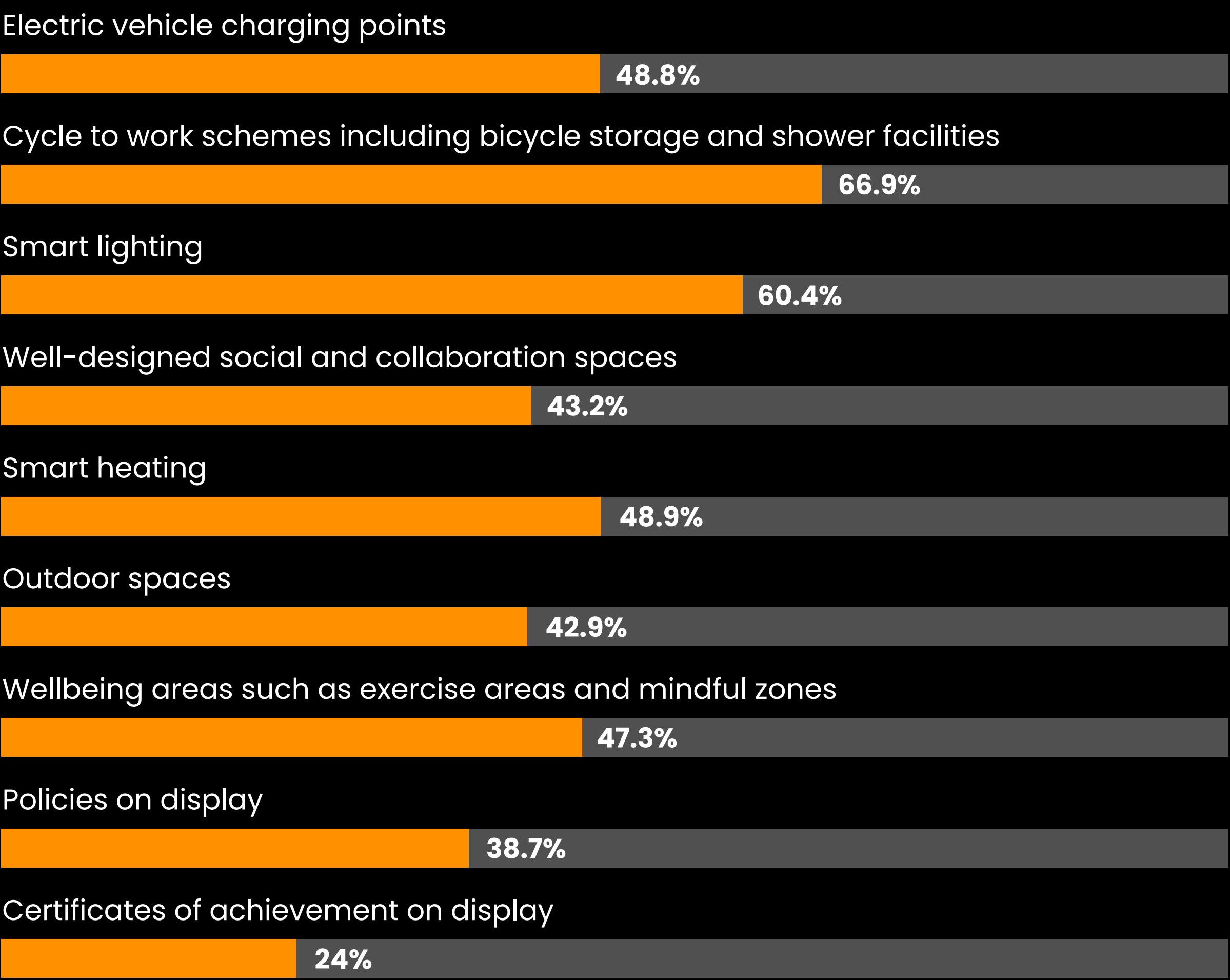
We asked our respondents what specifically showed a commitment to ESG. The responses can be put into three broad categories. The most popular answers were things that you can see, use, or interact with, such as cycle to work schemes and smart lighting. The second set of answers can be grouped into space – collaborative, outdoor and wellbeing areas. Finally, the two least popular answers were policies and certificates on display. This suggests that though policies may be needed from a business perspective, employees need to see those policies in practice for ESG to truly resonate with them.

There were no discernible differences in responses by any one audience segment. Whether filtering by age, location or employer sector, most responses match up with the overall percentages.

The responses of those who said that they did not know what ESG is aligned with the overall averages. The top three answers were the same, as was the bottom answer. The other five answers were in a slightly different order, but the percentages were very similar to the table on the next page.



How can you tell a company's commitment to good Environmental, Social and Corporate Governance policies in its workplace?



Workplace design and social spaces go hand in hand

A lot of these ESG options crossover with the future of workplace design. Much has been written about the future workplace being a place to collaborate and socialise, so employers that create suitable spaces will not only be ticking off an item on the ESG checklist, but creating a space that will support employees wellbeing and productivity.

In fact, many of these options have been raised by respondents in various surveys we have carried out over the last year. In our culture survey from April 2021, we asked workers which spaces help to create and communicate a strong workplace culture. Collaboration spaces, refreshments areas and wellbeing spaces like gyms were all popular suggestions.

Our social capital survey from December 2020 had similar findings. When asked how they would redesign the office, 45% of respondents said more outdoor areas to benefit from natural light, 44% said more relaxation areas for socialising, and 40% said more areas to promote physical activity.

The fact that these same answers keep coming up is a clear signal to business leaders about employee preferences.

Smart heating and lighting systems are expected to become more popular as businesses look to reduce the number of touchpoints in the workplace. Businesses should capitalise on these installations and ensure that they include ESG messaging when communicating new systems to employees.



Responsible procurement

It can be slightly harder to measure employee sentiment towards governance, especially in areas like tax strategies and anti-corruption. However, one area that employees can find it easier to relate to is supply chains and there is a clear consensus that they should be ethical and diverse.

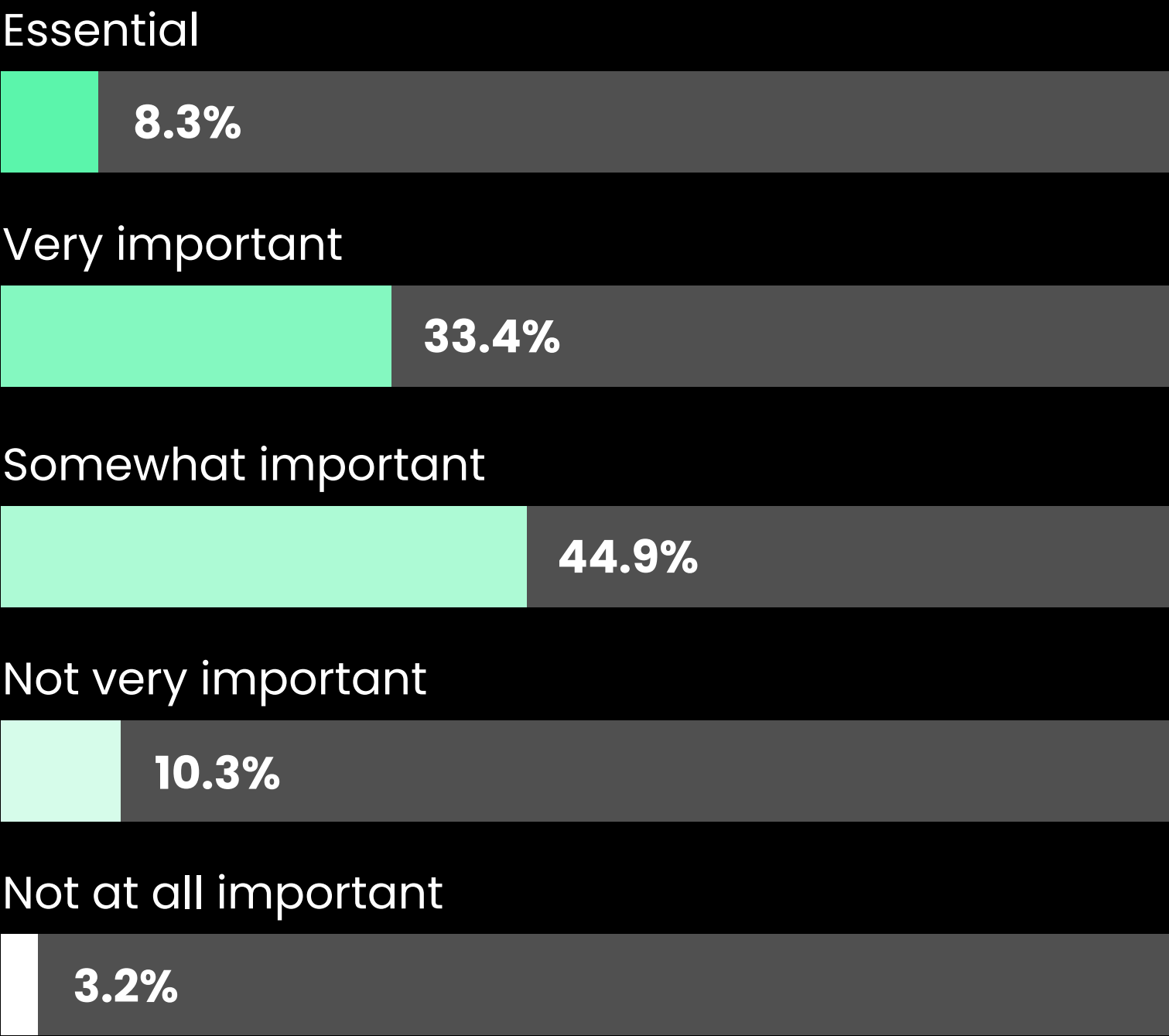
The responses trend towards supply chain ESG being important – fewer than 15 percent of respondents said it is not very or not at all important. This suggests that it could certainly be beneficial to companies to communicate with employees about how and why their supply chains meet ESG criteria.

The three age groups that were above average for in choosing 'essential' were 55 – 64 (16.7%), 21 – 24 (10.6%) and 18 – 20 (8.7%).

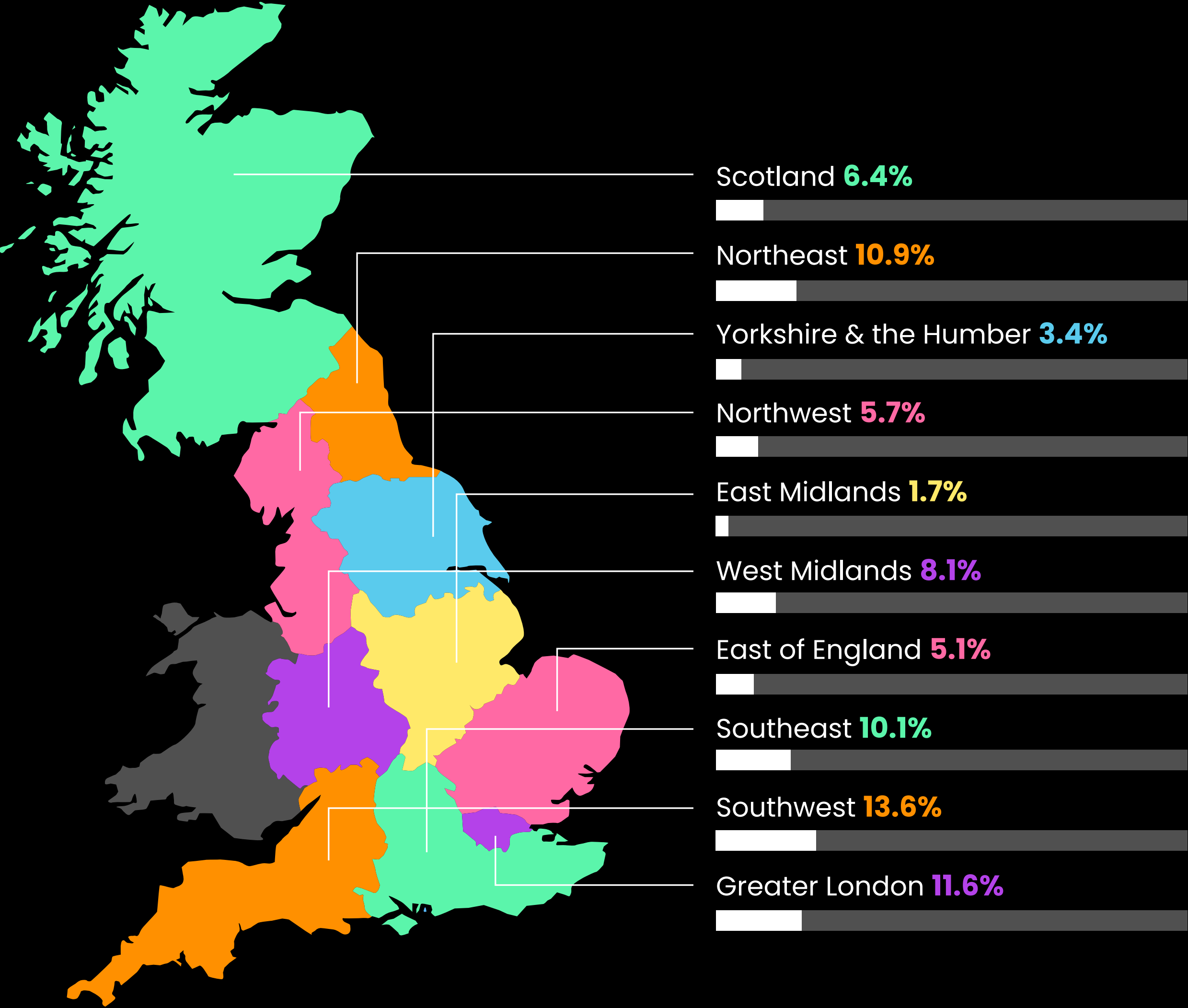
The 194 workers that did not understand ESG were more likely to say strong supply chain governance was not important. 5.1% said it was not at all important, and 14.9% said not very important – both above the averages. Just 6.7% said it was essential, and 22.7% said very important. This suggests that an awareness about ESG is a strong contributing factor to appreciating supply chain governance.



How important is it to you that your company's supply chain – the organisations they buy products and services from – is traceable, diverse, sustainable, and transparent?



Respondents by location who said supply chain ESG is essential



Perhaps unsurprisingly, there are similarities by location between this question and the question about if a demonstrated commitment is important. Greater London and the Southwest are two of the top three that deemed it essential, as they were in the first question. Conversely, the two locations that placed the lowest importance on a demonstrated commitment – East Midlands and Yorkshire & the Humber – were also the two locations that ranked lowest for importance of supply chain ESG.

A major theme of lockdown was a focus on local communities – shopping local, working in communal office spaces and even getting to know our neighbours better. That attitude may have translated to how employees view supply chains and a greater desire for their company to demonstrate ESG in all companies that they work with.



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Summary

This research demonstrates that ESG is important to the majority of workers – though strikingly, one fifth are unsure what ESG means. This may be down to confusion about the acronym or what exactly constitutes ESG, but either way it's clear that businesses must do more to communicate clearly with their employees. This communication must go beyond sharing what policies are in place and which certificates have been attained. Workers want to see action and things that make a genuine difference to their workplace experience, from cycle to work schemes to collaborative spaces. As more businesses open back up and look at how to attract workers to the office, they must ensure that ESG plays a key role in the future of the workplace.

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