



ESG

THE UP (AND DOWN) SIDE OF ESG SCRUTINY

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Today, we are all being overwhelmed by a polycrisis. The list of crises is long. The weather (from heat waves to forest fires to floods and droughts) at home and around the globe. The relentless whittling away of our communities and declining social cohesion, driven at least in part by social media and a political elite who willingly play off these divisions for their advantage. Finally, the economy, inflation, and the ever-pending recession, which is widening the gap between the have and the have nots. The stage is being set for intergenerational conflicts as older citizens look to protect their way of life, and younger cohorts wonder about their future.

Twenty years ago, I would have assumed that all these pressures would fall squarely at the feet of governments. Elections would be fought over well-articulated and carefully crafted policies being proposed to convince people to vote for Party X or Y. But today it appears that governments may get a pass on having to tackle the tough issues.

Why? Well, not because voters are in a sympathetic mood or feel our governments are doing their best, but because people largely feel that governments are simply not up to the task of tackling these issues.

Enter the corporations, who have found a way to reach into our lives (if not our hearts)

and make themselves a part of our families. Successful businesses have focused on what consumers need and delivered on those needs in a timely, consistent fashion. Think about logistic and shipping challenges and Amazon comes to mind. Think about the climate and electric cars and Tesla comes to mind. Think about your need for fresh veggies and your desire to explore different cultures through food and all of the major grocery chains that fit that bill. Most companies recognized a long time ago what governments today have not. That is the need to match their offer with the needs of their constituency and deliver what they promise, making amends (rather than excuses) when things go wrong.

With the evolution of corporate purpose shifting toward a greater focus on ESG (Environmental, Social, Governance) issues, the stakes are getting higher for businesses.



The public have long wanted corporations to step into the capability breach left by government. This doesn't mean we want the privatization of core public services. It means we want businesses to be more than neutral. We want them to partner with us. We want them to be ethical and compassionate (not just legally compliant). We want them to do their part to make our environment and our society better.

As people become more aware of ESG reporting, businesses are going to be increasingly under the microscope for more than EBITDA and growth. They will be increasingly evaluated by their role in our communities and their efforts to improve our environment.

A recent Ipsos study (the ESG Watch, which measured the ESG perceptions of 30 companies in Canada and 30 companies US) points to some good news for most companies.

First and foremost, despite what corporate communications teams might be seeing in social media, company actions on ESG are generally considered by the public to be more positive than negative, and more likely to have improved over the last 12 months than worsened.

However, companies aren't out of the ESG woods just yet. For the public, the idea that corporations are going to do more than deliver good products on time is new. So, it's not surprising that 6 in 10 citizens say their views are neutral or that they don't know enough about a corporation's ESG activities to say whether they are having a positive or negative impact. With the rise of ESG activists on one side, and corporations looking to communicate their ESG accomplishments on the other, the next few years will be a battle for businesses to define themselves or be defined by their ESG efforts (or lack of them).

Despite the large blank space in public opinion yet to be formed, some companies are leading the perception challenge while others are struggling to establish their ESG credentials. In both Canada and the US, the best ESG performers outpace the worst in perception by a margin of more than 2 to 1. Even within sectors there is a wide variety of results. These data should give businesses the confidence that they can, through strong communications and even stronger actions, effectively demonstrate their ESG progress to stakeholders.

The polycrisis is pressuring governments and businesses alike, but the stakes are higher for businesses because for every business there is an alternative. People really don't see many options in government which is why it has become a battlefield of strong personalities, false promises, and divisive communications. For every company that is shown to be lacking on E, S or G in the news, there are many others demonstrating their ESG commitment who would gladly welcome consumers looking for a more socially and environmentally conscious option.

As climate change, economic strife, and community malaise hit closer to home, more and more people are expected to align their wallet with their social conscience. While price, product, and service will always be key, with 3 in 10 citizens saying that every company's main focus should be on ESG, how companies measure up is going to be a much bigger factor in future purchase decisions.

| Next up ESG reporting for our governments?

For more information on Ipsos ESG watch please contact:



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