ESG: BEYOND THE TIPPING POINT
CONTENTS

Page 3  Foreword
Page 4  Introduction
Page 7  Infographic

1. How businesses are beginning to embrace sustainability
Page 8

2. ESG takes center stage
Page 13

3. From challenge to opportunity: ESG payback
Page 19

4. Purpose matters to your people
Page 26

Page 32  Conclusion
Page 33  Acknowledgments
Page 34  Research demographics
A message from Masdar’s CEO

As the title of this report makes clear, today we are at a tipping point when it comes to executive attitudes towards Environment, Social and Governance (ESG) reporting.

Once the preserve of niche or specialist companies operating in recognizably green or ethical fields, ESG is now mainstream. And, fed by investor pressure and the popularity of purpose-led business strategies, ESG has reached enough of a critical mass that it seems very unlikely that we will be able to retreat to the old profits-above-all models of the past, even if we wanted to.

As this survey reveals, 87 percent of our respondents say that improving ESG performance is now one of their organization’s core strategic objectives.

This new focus on ESG is not without its challenges, however. As our survey also shows, one in five executives are worried about how they can build a business case for investing in ESG, while almost 80 percent say they need to get better at reporting on the effectiveness of their investments in ESG and the returns they are generating.

I am pleased to say that things are very different at Masdar: when we were founded 15 years ago, ESG was baked into our DNA. Our mandate was to seek quality investments in renewable energy and sustainable technologies. We invested in sectors that were still in their early stages at the time, taking an early-mover risk both with regards to technologies and also in terms of regulatory support schemes and competitive business models. Our pioneering journey was not easy but Masdar has stayed the course to deliver tangible results.

For those 20 percent who really are struggling to make the case for ESG, I would like to reassure them that the tipping point isn’t where we are in terms of the pressure on companies to incorporate ESG reporting; it’s the point at which ESG will deliver real returns for companies and their investors.

As we look to a new business landscape after the pandemic, that point is now. The opportunities presented by the Green Recovery will further fuel investor appetite for backing smart, sustainable companies. Those companies that ignore ESG, or simply pay it lip service, will lose their relevance in the post-COVID era. Those that integrate ESG properly into their strategies and daily processes will define a new, better, and more sustainable era of business.

Mohamed Jameel Al Ramahi
Chief Executive Officer, Masdar
INTRODUCTION

The pandemic has presented such an existential crisis – such a stark reminder of our fragility – that it has driven us to confront the global threat of climate change more forcefully and to consider how, like the pandemic, it will alter our lives. It has reminded us how the biggest crises, whether medical or environmental, demand a global and ambitious response.

BlackRock CEO Larry Fink in his 2021 letter to CEOs

For many consumers, employees, suppliers, investors and policymakers, Fink’s “ambitious response” means forcing sustainability to the top of the agenda.

In this report, we examine the results of a global survey of 525 executives to find out how businesses around the world are responding.

The survey results show that executives are aware they need to engage with Environmental, Social and Governance (ESG) issues, and they see the pandemic as a tipping point for investing in sustainability. Many have a personal commitment to managing businesses responsibly, which sits alongside a growing recognition of both the commercial and non-financial advantages of improved ESG performance. And ESG is set to become a competitive field as companies compete for the best talent, with growing numbers of individuals – including executives – now wanting to work for businesses that meet the highest standards.
Many businesses are also conscious of their constraints, and are focusing on how to overcome those obstacles. They are concerned about shortfalls in reporting, for instance, which make it more difficult to assess the return on investment. Many also feel they need to recruit new talent with specialist skills.

But businesses are determined to confront these challenges. It is clear that the momentum for ESG and sustainability is simply too powerful to ignore.

**THE KEY DATA AT A GLANCE**

87% of respondents say that improving ESG performance is now one of their organization’s core strategic objectives.

85% see the COVID-19 pandemic as a wake-up call on sustainability.

79% of respondents believe they need to improve their reporting on ESG returns on investment.

72% would be more likely to apply for a job at a company with strong ESG credentials, and 52 percent would take a pay cut to move to such a company.

65% of businesses expect to realize financial benefits from ESG investment within the next two years.

63% say that ESG has become more of a priority for their business since the outbreak of the pandemic.

49% are prioritizing ESG partly because investors have become more demanding on the issue.
In addition to the survey, we conducted in-depth interviews with the following experts to learn more about what their organizations are doing to drive long-term sustainability:

David Crofts  
Executive director, enterprise risk management, Mubadala Investment Company

Peter Harris  
Vice president for international sustainability, UPS

Derek Rozycki  
Head of responsible investing, Mubadala Investment Company

Dietmar Siersdorfer  
Managing director, Middle East & UAE, Siemens Energy

Josh Giegel  
Co-founder and CEO, Virgin Hyperloop

Rebecca Marmot  
Chief sustainability officer, Unilever

Gayle Schueller  
Vice president and chief sustainability officer, 3M
BUSINESSES ARE PRIORITIZING ESG AND SUSTAINABILITY

87% say that improving ESG performance is now among their core strategic objectives.

50% say they are actively involved in helping their organizations to achieve net-zero emissions targets.

85% say that the COVID-19 pandemic has been a sustainability wake-up call.

63% say that ESG principles or ESG strategies have become more of a priority for their business since the outbreak of the pandemic.

AND THEY EXPECT IT TO PAY OFF – FAST

When does your company expect the financial benefits from investing in ESG principles to materialize?

- 5+ years: 8%
- 3-5 years: 19%
- 1-2 years: 30%
- 12 months: 35%
- Never: 4%
- Don’t know | N/A: 3%

65% expect to see financial benefits from ESG investment within the next two years.
1. HOW BUSINESS ARE BEGINNING TO EMBRACE SUSTAINABILITY
ESG: Beyond the tipping point

1. How businesses are beginning to embrace sustainability
Businesses worldwide are embracing ESG goals: 87 percent of respondents in our research say that improving ESG performance is now one of their organization’s core strategic objectives.

**Nine in 10 companies say ESG issues are a core strategic objective**

Half of respondents say that their company is now committed to achieving net-zero emissions targets and that they personally are playing an active role in achieving this goal. Significantly more C-suite executives say this (63 percent) than those in general roles (39 percent).

The picture is also mixed in terms of regions. For example, while 70 percent of Asia-Pacific respondents say they are playing their part on climate change at a corporate level, only 33 percent of their counterparts in the Middle East & Africa do. But the pace of developments in the Middle East is likely to pick up: governments are encouraging state-owned entities to lead the charge in the region under initiatives such as the UN's Sustainable Development Goals, and as investors in the One Planet Sovereign Wealth Funds framework.

Derek Rozycki, head of responsible investing at UAE-based Mubadala Investment Company, says the sovereign wealth fund is in the process of increasing its understanding of the carbon footprint it has across its portfolio. “That’s a core goal for us in the foreseeable future,” he says. “And then in due course making decisions about how best to transition that in an appropriate way again, with the concept of improving our profile over time.”

**Executives in Asia-Pacific are more committed to helping their organizations achieve net-zero ambitions than those in other regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage Who Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>70%</td>
</tr>
<tr>
<td>North America</td>
<td>55%</td>
</tr>
<tr>
<td>Europe</td>
<td>42%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>33%</td>
</tr>
<tr>
<td>Average</td>
<td>50%</td>
</tr>
</tbody>
</table>

My company is committed to achieving net-zero emissions targets and I am actively involved in the process
(Percentage of respondents who agree)

Unilever is one company that has been on a transformative journey over the past decade to become sustainable and integrate profit with purpose. It understands that businesses that set clear targets and involve their leaders in achieving them will be repaid by consumers.
“We see all the time from our consumer research that consumers want to buy products from companies that reflect their values – purposeful brands that really put the sustainability message at the core of the consumer proposition,” says Rebecca Marmot, chief sustainability officer at Unilever. “We know that purpose really does drive brand power, and brand power does drive growth.”

That is a powerful motivating factor for companies to make a difference. And 73 percent of respondents say that for the first time in their careers they believe there is enough positive momentum in business and finance to make a material contribution to tackling climate change.

**The majority of respondents agree that we are at a tipping point in fighting climate change**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>82%</td>
</tr>
<tr>
<td>APAC</td>
<td>76%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>70%</td>
</tr>
<tr>
<td>Europe</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>73%</td>
</tr>
</tbody>
</table>

For the first time in my career, I believe there is enough positive momentum in business/finance to make a material contribution to tackling climate change (Percentage of respondents who agree)

Dietmar Siersdorfer, Middle East and UAE managing director at Siemens Energy, believes that companies need a credible sustainability narrative. “If you do not have sustainability as a core part of your strategy, you are not credible in society, because the global community has identified that we need to become more sustainable,” he says. “If we, as a company, do not follow through and become leaders in that, we are not equipped for the future and we will not survive.”

**ESG MAKES COMMERCIAL SENSE**

Survey respondents agree on the need for the corporate world to tackle climate change and help build an equitable society, but companies also have to remain competitive and profitable. Nearly six in 10 (58 percent) warn that having to balance customer demands for sustainability with shareholder profit expectations is holding back progress on both fronts. For some companies, however, this is a more natural fit.

“For our case, it is about how we apply science to address the world’s biggest challenges,” says Gayle Schueller, vice president and chief sustainability officer at diversified manufacturing and technology company 3M. “Our customers expect that from us, our employees certainly expect it of us, and investors and other stakeholders are also asking for more in this space. It anchors purpose-driven innovation in our products.”
Balancing profit with sustainability is easier for some sectors than for others

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage Replying</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>Consumer goods</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Industrials/manufacturing</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>58%</td>
<td></td>
</tr>
</tbody>
</table>

Balancing customer demands for sustainability with shareholder profit expectations is holding back progress on both fronts (Percentage of respondents who agree)

Sustainability and profitability are not competing priorities, according to Peter Harris, vice president for international sustainability at global logistics provider UPS. “Rather, they are increasingly likely to go hand in hand,” he says. “If you look at the risks we face as an organization and the opportunities that we have, it is commercial common sense for us to strongly pursue ESG, or sustainability.”

Investors will be aware of the potential disruption from the energy transition and social justice movements. Business leaders who worry today about shareholders’ expectations may soon face difficult questions about ESG failures.

“We have seen the conversation shift significantly, and the focus is no longer purely on shareholder value, but also the broader stakeholder value,” says David Crofts, executive director, enterprise risk management at Mubadala Investment Company. “We are seeing an increased interest from many of the organizations we work and engage with, including the World Economic Forum. They are looking to long-term, institutional investors, including funds like Mubadala, to have a robust approach to understanding and managing the most material ESG topics as we deploy capital and manage our investments.”
2.

ESG TAKES CENTER STAGE
2. ESG takes center stage
The COVID-19 pandemic has reminded businesses of society’s fragility and their exposure to its disruption – particularly in an interconnected global marketplace.

In our research, 85 percent of respondents say that the crisis is a wake-up call for business leaders: it has shown that they need to make big changes to their operating models and ensure long-term sustainability.

Higher ESG ratings require better supply chain management and governance of employee practices. The organizations that perform less well in these areas have been more exposed to the crisis.

The pandemic is giving businesses a new perspective on ESG and resilience

![Pie chart showing the distribution of agreement with the statement: The pandemic is the wake-up call that business leaders need to make large changes to their operating models and ensure long-term sustainability.]

- **Strongly agree**: 42%
- **Somewhat agree**: 43%
- **Neutral**: 11%
- **Somewhat disagree**: 2%
- **Strongly disagree**: 2%
More than six in 10 respondents (63 percent) say that ESG principles or strategies have become more of a priority for their business since the outbreak of the pandemic. Only 18 percent of respondents in Europe say ESG principles have become much more of a priority, possibly due to a high existing standard. However, other regions are keen to catch up.

Different sectors have also reacted differently to the pandemic. In the logistics sector, for example, companies experienced new risks, such as transportation bottlenecks, as well as new opportunities from the massive spike in e-commerce. For some firms, it has led to a new focus on sustainability.

This learning process is feeding into businesses’ increased emphasis on ESG: 54 percent of businesses say that during the crisis they discovered that improving social and governance standards enabled them to make more of a difference than they had previously realized. That is particularly true in the Asia-Pacific region, where 74 percent saw a larger than expected impact of their higher social and governance standards – much higher than elsewhere.

“We need companies to be doing their part to impact sustainability, addressing the environmental and social challenges of our lifetimes,” says Gayle Schueller, vice president and chief sustainability officer at 3M. “We expect countries to do that and we expect individuals and NGOs to do that, but companies have a unique ability to do that – both through their products and their own footprints.”

### ESG has risen in importance less dramatically in Europe than elsewhere

<table>
<thead>
<tr>
<th>Region</th>
<th>Much more of a priority</th>
<th>A little more of a priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td>North America</td>
<td>27%</td>
<td>32%</td>
</tr>
<tr>
<td>Europe</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Average</td>
<td>32%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Since the outbreak of the pandemic, would you say that ESG principles or ESG strategies have become more or less of a priority for your business? (Percentage of respondents who agree)
**ESG: Beyond the tipping point**

2. ESG takes center stage

Despite the shift of accountability to a broader stakeholder group, shareholders are a driving force for ESG across sectors and regions. Nearly half of all respondents (49 percent) say they are prioritizing ESG because it is important to investors. This reflects the fact that investors are now seeking out businesses with solid ESG credentials; 78 percent of respondents say that their own fund managers are more likely to invest in assets that emphasize ESG factors now, compared with 12 months ago.

**INVESTORS SHIFT TO A STRONGER POSITION**

Many companies were surprised by the immediate impact of improving ESG standards

- **54%**
  - We realized that we could make a more immediate difference than we thought by improving social and governance standards, and are building on the momentum

- **49%**
  - We expect ESG to become a bigger consideration for investors in the wake of the pandemic, and we need to meet inclusion criteria

- **47%**
  - Since the pandemic started our customers have been more interested in ESG, and we are responding to demand

- **47%**
  - We are taking steps to improve our resilience, and ESG performance is a critical part of this

- **41%**
  - Since the pandemic started there has been more pressure from employees for sustainability

- **33%**
  - We have seen financial benefits from our existing ESG strategies

You said that ESG has become more of a priority for your business since the outbreak of the pandemic. Why is that?

**Fund managers are pivoting toward ESG**

- **North America**
  - 84%

- **Middle East & Africa**
  - 80%

- **APAC**
  - 80%

- **Europe**
  - 68%

- **Average**
  - 78%

Our fund manager(s) is/are more likely to invest in assets that emphasize ESG factors than they were 12 months ago (Percentage of respondents who agree)
Energy company fund managers are keen to have ESG exposure

90% Energy  82% Industrials/ manufacturing  81% Technology  75% Financial services
71% Transport  67% Consumer goods  78% Average

Our fund manager(s) is/are more likely to invest in assets that emphasize ESG factors than they were 12 months ago (Percentage of respondents who agree)

So even if businesses themselves do not see the pandemic as an ESG tipping point, they do accept that investors feel this way.

Derek Rozycki, head of responsible investing at Mubadala Investment Company, says the sovereign wealth fund has always incorporated consideration of ESG metrics into its transactions on a deal-by-deal basis. “But now, there is a growing body of evidence that shows that by focusing on the right aspects of responsible investment and ESG initiatives you can significantly accelerate returns and value creation over time,” he says.

The pandemic might have been a wake-up call for many, but the foundations of ESG have long been in the making, and some businesses will find the pivot easier than others.
3.

FROM CHALLENGE TO OPPORTUNITY: ESG PAYBACK
“When you innovate, you find that the risks start to turn themselves into opportunities,” says Peter Harris, vice president for international sustainability at UPS. “You can enhance the brand, connect with customers who are looking for future-minded solution providers, connect with investors and connect with employees. All those opportunities pay you back commercially.”

Like UPS, many businesses are looking forward to a range of benefits from investment in sustainability.

“The way you can get out of hopeless inevitability is by doing, building and creating,” says Josh Giegel, co-founder and CEO at Virgin Hyperloop, which is developing high-speed transport technology offering zero-direct-emissions travel.

“With the hyperloop, we want to enable a 21st-century lifestyle with 21st-century responsibilities for protecting the environment with 21st-century technology,” he adds. “That really resonates with a lot of people.”

COMPANIES PREDICT RAPID RESULTS

Many businesses anticipate that the pay-offs from strengthening ESG aspects in their organization, or in the case of financial services companies incorporating ESG data into their decision-making, will accrue quickly. In our research, 65 percent of respondents expect to realize the financial benefits of ESG investment within the next two years, including 35 percent who expect it within the next 12 months.

**ESG benefits are expected sooner rather than later**

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>In more than 5 years</td>
<td>8%</td>
</tr>
<tr>
<td>In 3–5 years</td>
<td>19%</td>
</tr>
<tr>
<td>In 1–2 years</td>
<td>30%</td>
</tr>
<tr>
<td>Within 12 months</td>
<td>35%</td>
</tr>
<tr>
<td>Not expecting any financial benefits</td>
<td>4%</td>
</tr>
<tr>
<td>Don’t know/not applicable</td>
<td>3%</td>
</tr>
</tbody>
</table>

When does your company expect the financial benefits from investing in ESG principles to materialize?
Increased emphasis on sustainability/ESG has led to wide-ranging non-financial benefits

- Enhanced operational efficiency: 26%
- Greater efficiency and cost-control: 26%
- More favorable public image/media coverage: 21%
- Improved customer retention: 20%
- New client base: 19%

Which of the following outcomes, if any, has your organization achieved as a by-product of its efforts to become more sustainable or embed ESG in its portfolio? (Top 5)

They have good reason to expect to win big. In his 2021 letter to CEOs, Larry Fink says that “companies with better ESG profiles are performing better than their peers,” and are enjoying a “sustainability premium.”

“During 2020, 81 percent of a globally representative selection of sustainable indexes outperformed their parent benchmarks,” says Fink. “This outperformance was even more pronounced during the first-quarter downturn, another instance of sustainable funds’ resilience that we have seen in prior downturns.”

But in addition to financial gains, many businesses are also seeing non-financial benefits: 26 percent of respondents to our research say they are experiencing enhanced operational efficiency, and 21 percent say they have benefitted from an improved public image and better media coverage.
Some sectors are doing even better. About a third of consumer goods companies (34 percent) say that ESG investment has enhanced their operational efficiency; 40 percent of respondents from industrial companies say their cost-control is in better shape; and 35 percent of respondents in the financial services sector say it has improved customer retention.

### Gains vary by sector

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Consumer goods</th>
<th>Energy</th>
<th>Financial services</th>
<th>Industrials/ manufacturing</th>
<th>Technology</th>
<th>Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced operational efficiency</td>
<td>34%</td>
<td>32%</td>
<td>24%</td>
<td>32%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Greater efficiency and cost-control</td>
<td>28%</td>
<td>38%</td>
<td>19%</td>
<td>40%</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>More favorable public image/media coverage</td>
<td>18%</td>
<td>13%</td>
<td>19%</td>
<td>31%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Improved customer retention</td>
<td>23%</td>
<td>15%</td>
<td>35%</td>
<td>13%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>New client base</td>
<td>15%</td>
<td>17%</td>
<td>21%</td>
<td>16%</td>
<td>18%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Which of the following outcomes, if any, has your organization achieved as a by-product of its efforts to become more sustainable or embed ESG in its portfolio? (Top 5)
Sustainability opens up a new client base for companies in the Middle East & Africa

<table>
<thead>
<tr>
<th>Outcome</th>
<th>APAC</th>
<th>Europe</th>
<th>Middle East &amp; Africa</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced operational efficiency</td>
<td>27%</td>
<td>28%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Greater efficiency and cost-control</td>
<td>29%</td>
<td>27%</td>
<td>14%</td>
<td>31%</td>
</tr>
<tr>
<td>More favorable public image/media</td>
<td>29%</td>
<td>18%</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>customer retention</td>
<td>19%</td>
<td>27%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>New client base</td>
<td>13%</td>
<td>18%</td>
<td>27%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Which of the following outcomes, if any, has your organization achieved as a by-product of its efforts to become more sustainable or embed ESG in its portfolio? (Top 5)
SOME CHALLENGES LINGER
If the benefits are so clear cut, what is holding some businesses back?

In the research, the biggest problem is sustainable sourcing: 24 percent of respondents worry about how to invest in sustainability while maintaining low prices for natural resources; in Asia-Pacific, the figure rises to 29 percent.

Unilever is working with the likes of WWF to create a level playing field for responsibly sourcing natural resources such as palm oil. “When Unilever was setting up sustainable sourcing for palm oil, we realized that if we brought others on board and did it at an industry level in a pre-competitive way, there is an opportunity to create a sustainable supply chain at scale,” says Rebecca Marmot, the firm’s chief sustainability officer.

Pressure to pay low prices for natural resources to remain competitive undermines long-term sustainability and environmental goals

| Market pressure to maintain low costs for natural resources | 24% |
| Uncertain business landscape due to pandemic | 22% |
| Establishing a business case for enhancing sustainability | 20% |
| Market pressure to maintain low costs for labor | 19% |
| Poor-quality environmental data and reporting | 18% |

What are the biggest challenges your organization faces in its efforts to become more sustainable or embed ESG in its portfolio? (Top 5)
ESG: Beyond the tipping point

REPORTING BECOMES ESSENTIAL

Many businesses may not yet generate good data on their return on ESG investment, which creates problems for budgeting and the business case. In our research, 79 percent of businesses say they need to get better at reporting on the effectiveness of their investments in ESG and the returns they are generating.

“If we were able to know that we had all the right data, and it was being all rolled up in the right way, and that every company was comparing apples to apples, then we could just focus on improvement and making things better,” says Gayle Schueller, vice president and chief sustainability officer at 3M. “Then we could just focus on improvement and making things better.”

BlackRock also urges standardization. “We appreciate that disclosure can be cumbersome and that the variety of reporting frameworks creates further complexity for companies,” says Larry Fink in his CEO letter. “We strongly support moving to a single global standard, which will enable investors to make more informed decisions about how to achieve durable long-term returns.”

Businesses need to set clear targets and monitor performance against them, but many are not collecting the ESG data they need and struggle to generate insight from what they do have. To build a business case for strengthening ESG, leading organizations will start pushing for and developing new reporting standards – and will invest in data analytics in order to turn insights into action.

Increased emphasis on sustainability/ESG has led to wide-ranging non-financial benefits

- **40% somewhat agree**
- **40% somewhat agree**
- **14% neutral**
- **3% somewhat disagree**
- **2% don’t know/not applicable**
- **1% strongly disagree**

We need to get much better at reporting on the effectiveness and ROI of our investments in ESG practices
4.

PURPOSE MATTERS TO YOUR PEOPLE
4. Purpose matters to your people
“When it comes to attracting young talent, they want to work for organizations that share their values and their enthusiasm,” says Derek Rozycki, head of responsible investing at Mubadala Investment Company. “And they see us contributing to impacting some of these significant challenges we face.”

Businesses cannot overlook the growing role of sustainability in the battle to recruit and retain high-quality talent at all levels of the company. The extent to which they embrace ESG is becoming a crucial factor in whether people want to work for them – even more than remuneration policies for some.

“People want to work for a company that is committed to creating a positive impact on the world,” says Dietmar Siersdorfer, Middle East and UAE managing director at Siemens Energy. “And it is not only the younger generation. So this has changed the job market. People do not want to be associated with companies that create a negative impact on climate.”

In our research, 72 percent of respondents say they would be more likely to apply for a job at a company with strong ESG credentials. Significantly, 80 percent of C-suite leaders say that a business’s ESG credentials would influence their willingness to work for it. Business leaders no longer want to run organizations that are not committed to sustainability.

Leadership candidates take note of businesses’ ESG credentials

- **80%** C-suite
- **66%** General roles
- **72%** Average

In the North American job market, strong ESG credentials are a big pull

- **North America**: 81%
- **Middle East & Africa**: 75%
- **APAC**: 67%
- **Europe**: 67%
- **Average**: 72%

I would be more likely to apply for a job at a company if it had strong ESG credentials (Percentage of respondents who agree)
The vast majority of respondents in the energy sector are drawn to companies with strong ESG credentials

88% Energy
75% Financial services
73% Industrials/mfg
69% Technology
67% Consumer goods
65% Transport

I would be more likely to apply for a job at a company if it had strong ESG credentials (Percentage of respondents who agree)

Business leaders will make personal sacrifices to drive ESG

Strikingly, 52 percent of respondents say they would be prepared to take a pay cut to move to a company with a better ESG performance. And 58 percent say they would be prepared to take a pay cut from their current employer if it were part of an initiative to free up funds for investment in sustainability. Two-thirds of C-suite leaders (66 percent) say the same.

I would take a voluntary pay cut as part of an initiative to free up funds for investments in sustainability

58% C-suite
46% General roles
52% Average

I would take a pay cut to move to a company with better ESG performance than my own

58% C-suite
46% General roles
52% Average
So the sustainability agenda really does matter to people – whatever their seniority. However, many organizations may need new talent to drive their ESG agenda in the first place.

At Virgin Hyperloop, co-founder and CEO Josh Giegel says that sustainability runs throughout the business. “The buck stops with me,” he says. “But sustainability is all of our responsibility.”

But what new skills do businesses need for strong ESG performance, and how will they get them?

More than half of the respondents (51 percent) intend to create new ESG-focused management positions in the next 12 months, which should support the leadership’s drive for improvement. Organizations based in Asia-Pacific and the Middle East & Africa are leading the way on this.
ESG is set to kick-start a hiring spree in Asia-Pacific and the Middle East & Africa

Create new ESG-focused management positions

- **APAC**: 62%
- **Middle East & Africa**: 60%
- **North America**: 44%
- **Europe**: 38%
- **Average**: 51%

Hire non-traditional talent focused on environment performance (e.g. NGO)

- **APAC**: 52%
- **Middle East & Africa**: 40%
- **North America**: 37%
- **Europe**: 26%
- **Average**: 39%

To the best of your knowledge, is your organization planning to do any of the following over the next 12 months to support its ESG strategy?

However, the research suggests that businesses might struggle to find the talent they need, because their search areas are too narrow. Just 39 percent of businesses plan to look to non-traditional sources such as sustainability consultancies to recruit ESG talent.

They need that talent, and the talent is getting more selective, so businesses should be careful not to limit their scope.
CONCLUSION

The COVID-19 pandemic has had a profound impact on businesses’ perceptions of ESG issues. Even before the pandemic, sustainability was rising up the corporate agenda, but this trend has accelerated dramatically during the crisis: improved ESG performance is now a core strategic objective for most organizations.

Crucially, the determination to embrace ESG principles is shared by all stakeholder groups, including investors, employees, customers and suppliers. And those organizations that are rising to the challenge are already reaping the rewards, securing clear financial and ESG-related benefits from these initiatives.

Nevertheless, this work is in its infancy and there are hurdles to overcome. Some companies are still struggling with the question of how to fund long-term investment in ESG, particularly in the wake of the crisis. Others are concerned about governance issues – how to report and monitor ESG performance, for example, and who should lead that work. And reaching a consensus on issues such as reporting standards will require collaboration between a broad range of actors.

The direction of travel is clear now that a business case for strategic investment in ESG has been established. Business leaders recognize that we have moved past the tipping point: ESG is now a key battleground in the competition for investment and talent – and, ultimately, to attract and retain customers.
ACKNOWLEDGMENTS

We would like to thank the following people for their contributions to our research:

---

**David Crofts**, executive director, enterprise risk management, Mubadala Investment Company

**Josh Giegel**, co-founder and CEO, Virgin Hyperloop

**Peter Harris**, vice president for international sustainability, UPS

**Rebecca Marmot**, chief sustainability officer, Unilever

**Derek Rozycki**, head of responsible investing, Mubadala Investment Company

**Gayle Schueller**, vice president and chief sustainability officer, 3M

**Dietmar Siersdorfer**, managing director, Middle East & UAE, Siemens Energy

---
# RESEARCH DEMOGRAPHICS

## 525 respondents

### REGIONS

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>27%</td>
</tr>
<tr>
<td>Europe</td>
<td>25%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>24%</td>
</tr>
<tr>
<td>North America</td>
<td>24%</td>
</tr>
</tbody>
</table>

### SECTORS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods</td>
<td>11%</td>
</tr>
<tr>
<td>Energy (excl. utilities)</td>
<td>11%</td>
</tr>
<tr>
<td>Financial services</td>
<td>14%</td>
</tr>
<tr>
<td>Industrials/ manufacturing</td>
<td>12%</td>
</tr>
<tr>
<td>Technology</td>
<td>15%</td>
</tr>
<tr>
<td>Transport</td>
<td>10%</td>
</tr>
<tr>
<td>Other*</td>
<td>27%</td>
</tr>
</tbody>
</table>

### COUNTRIES

- Canada
- China
- France
- Germany
- Hong Kong
- India
- Saudi Arabia
- Singapore
- South Africa
- UAE
- UK
- US

### SENIORITY

- C-suite: 48%
- General roles: 52%

### COMPANY SIZE

<table>
<thead>
<tr>
<th>Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small ($250m-$999m)</td>
<td>37%</td>
</tr>
<tr>
<td>Medium ($1bn-$9.99bn)</td>
<td>40%</td>
</tr>
<tr>
<td>Large ($10bn+)</td>
<td>23%</td>
</tr>
</tbody>
</table>

Please note that, due to rounding, data points may not always add up to 100 percent.

*The average includes the ‘other sectors’ category, which is not shown separately in this report. Sectors in the ‘other’ category include construction, healthcare & medical, hospitality, leisure, media, metals & mining, utilities.
Abu Dhabi Sustainability Week

Abu Dhabi Sustainability Week (ADSW) is a global platform for accelerating the world’s sustainable development. The week brings together a unique fusion of policymakers, industry specialists, technology pioneers and the next generation of sustainability leaders to engage in dialogue and take action to advance the global sustainability agenda.

Through initiatives and events, ADSW is committed to the sharing of knowledge, implementation of strategies and the delivery of real-world solutions that drive human progress.

As a manifestation of the United Arab Emirates’ (UAE) proactive, forward-thinking approach to sustainability and mitigating the impact of climate change, ADSW aims to further our understanding of the major social, economic and technology trends shaping the world today.

Masdar

Masdar is Abu Dhabi’s renewable energy company. Masdar is advancing the commercialization and deployment of renewable energy, sustainable urban development and clean technologies to address global sustainability challenges. Wholly owned by Mubadala Investment Company, the strategic investment company of the Government of Abu Dhabi, our mandate is to help maintain the UAE’s leadership in the global energy sector, while supporting the diversification of both its economy and energy sources for the benefit of future generations. Today, Masdar is active in more than 30 countries, including the UAE, Jordan, Saudi Arabia, Mauritania, Egypt, Morocco, the UK, the US, Australia, Spain, Serbia, India, Indonesia, Uzbekistan, and many more.

For more information, please visit: https://masdar.ae/