



Businesses Are Experts at Responding to Crisis.

So Why Are They Dragging Their Feet on ESG and Climate Initiatives?

Executive Summary

“In the midst of every crisis lies great opportunity,” Albert Einstein famously said.

For businesses large and small, crises can have a lasting positive influence, bringing out the best in staff, unearthing improvements in processes, and revealing new markets and innovations.

This research report set out to identify the current viewpoints of sustainability as a crisis, understand how organizations have responded to emergencies in the past, and how they can best leverage their experiences with past crises to design and implement ESG programs and initiatives moving forward.

This survey was fielded online and reached a total of 504 U.S. professionals with a job role of Manager or higher.

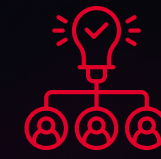


Key Findings



51%

The top perceived threat over the next five years was financial or economic stability, cited by 51% of all respondents.



84%

84% of respondents agree that a crisis has helped rally their people together towards a shared goal.



10%

Climate action failure and extreme weather conditions were mentioned by just 10% of respondents.



61%

61% said their company is now better off than it would have been if it had never faced the crisis.



10%

10% of respondents said a crisis over the past five years has threatened the existence of their organization.



75%

75% of respondents say their organization's sustainability strategy is critical to the overall success of their business but only half have a clearly defined sustainability strategy.

Executive Summary (cont'd)

SK Group, South Korea's second-largest conglomerate, is committed to being a reliable partner in solving various social problems and ushering in a sustainable future.

The company has committed to cutting 200 million tons of carbon emissions across its companies by 2030. SK, which has businesses in the semiconductor, energy and life sciences sectors, plans to invest an additional \$30 billion in the U.S. through 2025 with the majority of new investments focused on clean energy and technologies.

SK's investments support its strategy to build global businesses and technologies that follow ESG principles—a natural evolution of SK's long-held double-bottom line philosophy that businesses should deliver both financial returns and social good.

Intro: ESG in Crisis

In business, crisis is inevitable. All businesses are susceptible to crisis—whether it's a financial crisis like the Great Recession, a personnel crisis like the Great Resignation, or a natural crisis like the COVID-19 pandemic.

That's why businesses need to be prepared for anything that may come their way to avoid what could be their ultimate downfall. In fact, almost every leader has experienced at least one major crisis that threatened the existence of their business.

Today, the climate change crisis and the threat it poses should be a primary concern of every corporate leader. As the climate continues to worsen, it will have an increasingly devastating impact on the operations of organizations across the globe.

Climate change introduces a vast range of risk for businesses, from disrupted supply chains to rising insurance costs to labor challenges. Already, a warming planet and extreme weather events such as hurricanes, floods and fires are having a direct impact on nearly every economic sector worldwide.

The truth is that we're running out of time to solve the climate crisis, and businesses need to lead the charge—for their survival and the survival of planet Earth. U.N. Secretary-General Antonio Guterres recently called the climate crisis a code red for humanity and called on the private sector to take urgent action before it is too late.



Intro: ESG in Crisis (cont'd)

But the path forward isn't clear to everyone.

This research report set out to identify the current viewpoints of sustainability as a crisis, understand how organizations have responded to emergencies in the past, and how they can best leverage their experiences with past crises to design and implement ESG programs and initiatives moving forward.

The biggest shock, as revealed by this report, is that corporate leaders believe sustainability and climate change are low on the list of the biggest crises they currently face. What they really care about is keeping the lights on amidst rising inflation, supply chain disruptions and the ongoing impacts of the COVID pandemic.

In other words, bottom-line business issues still take precedence over humanistic issues such as ESG initiatives, sustainability and striving to be a better global citizen. This is true across the board, whether it's a small business or a multinational conglomerate.

So what is it going to take for businesses to really understand the impact of climate change and the need for greater sustainability? Will it take a cataclysmic event, which by that time may be too late? What will it take to change this mindset and truly make ESG and sustainability initiatives a priority for business?

What constitutes a business crisis?

When asked to describe in their own words a global issue or crisis that poses the most significant threat to their organization over the next five years, respondents were likely to mention the COVID-19 pandemic, supply chain disruptions, and inflation. Surprisingly, they were less likely to mention climate change or other ESG issues like a lack of diversity and equality.

“The biggest crisis is the rising cost of doing business and the lack of skilled labor to fill open higher level positions.”

“Inflation is making it difficult for us to stay profitable unless we hike prices quickly, which would turn customers away.”

“The supply chain crisis is without a doubt the most disruptive factor in our business. It has been devastating for us and our customers. We cannot even forecast a return to normalcy at this point.”



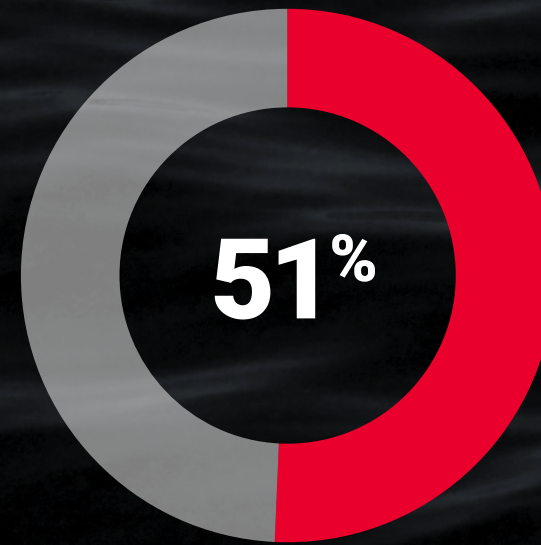
What constitutes a business crisis? (cont'd)

Mentioned far less often was climate change. In fact, the word “climate” was mentioned just 16 times among the 504 responses. Overall, climate action failure, extreme weather, natural resource scarcity, and biodiversity loss ranked dramatically lower among respondents – with less than one in ten seeing each of these items as a top threat to success over the next five years.

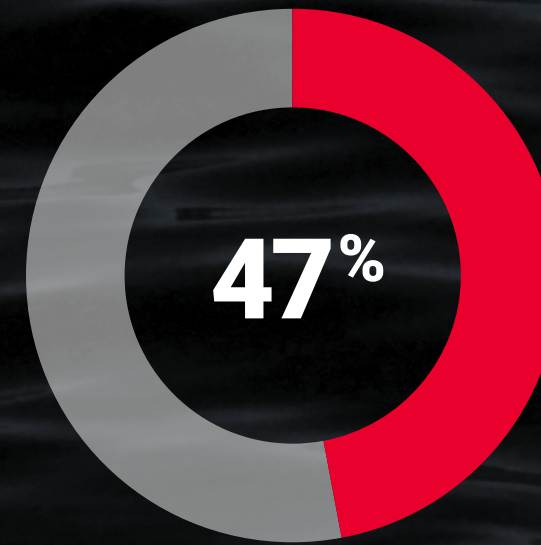
Specifically, climate action failure and extreme weather conditions were mentioned by 10% of respondents, respectively, followed by natural resource scarcity at 7%, digital inequality at 6%, and migration/refugee crisis at 5%. Interestingly, however, when asked to name the biggest threats to business over the next ten years, as opposed to the next five years, the word “climate” is mentioned nearly twice as much.

“The biggest threat in the next 10 years will be climate change and the migration of humans from areas of climate impact to those of less impact. This will result in disruptions in the economy.”

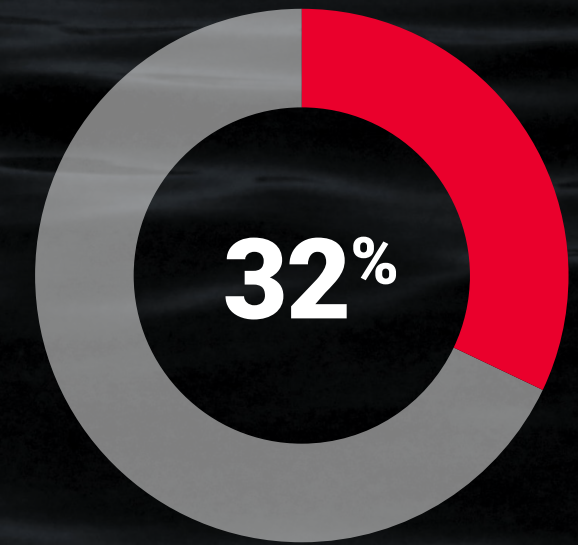
Top Perceived Threats Over The Next Five Years



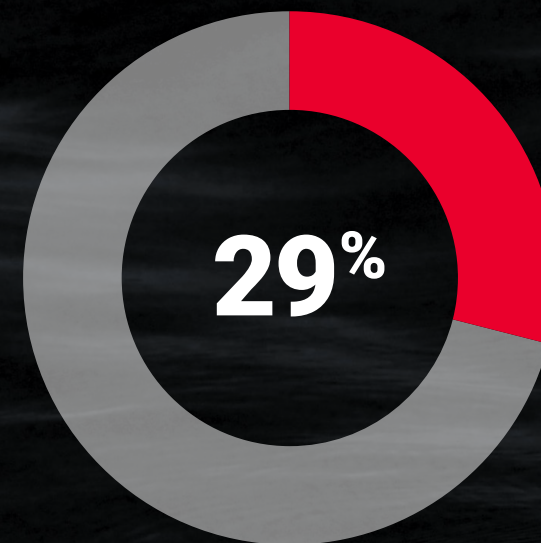
Financial & Economic Stability



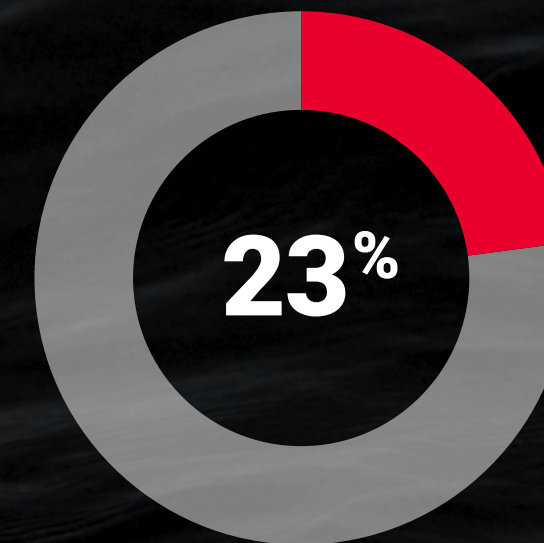
Supply Chain Disruptions



Employee Retention & Upskilling



Geopolitical Tensions



Cybersecurity

What doesn't kill us makes us stronger

Crises impact organizations differently. According to our survey, about one in 10 respondents said a crisis over the past five years threatened the existence of their organization. Additionally, 41% said the event significantly impacted the company's ability to operate or grow.

"COVID continues to be a major factor in how we operate, as we are a healthcare facility. Many staff members left the field, so there is a massive personnel shortage."

"We have been unable to focus on growth due to having to manage chaos on a day-to-day basis."

"I believe COVID has accelerated some cultural shifts that were already happening that profoundly affect the future for many of our clients. Many of our clients just can't change their organizations enough to survive long term without fundamentally changing who they are and what they do and it's just too much for many of them. The long-term survival rates are going to be brutal."



What doesn't kill us makes us stronger (cont'd)

Other crises were less severe, with 46% of respondents saying the problem only somewhat limited the company's ability to operate or grow. The reality is that any crisis can have a significant impact, dramatically changing the way most organizations and teams work. *Some of the biggest changes occurred in terms of budgets and both human and technological resources.*

"Within our business, we face a lot of challenges in regard to income and that will affect our budget and ability to retain workers. We also have to get leadership on board to fully adapt to the new changes regarding remote work and flexible scheduling."

"Competition is everywhere and we as a company need to stand apart from the crowd and make our tech favorable and above the rest."

What doesn't kill us makes us stronger (cont'd)

But crises can also leave a lasting positive impact. When businesses survive a major crisis, they can emerge stronger and more efficient than ever before. This is the idea of anti-fragility, or bouncing back stronger in the face of adversity.

In fact, 84% of respondents agree that a crisis has helped rally their people together towards a shared goal. Additionally, 70% said their organization's strategy implementation capabilities grew stronger as a result of the crisis and 61% said their company is now better off than it would have been if it had never faced the crisis.

"I think we have faced our worst and learned from it that we are nimble and can face most situations."

"The COVID-19 shutdown forced our company to act on launching projects that had been lingering for a better time. It made us pivot to online services rather than in person and forced the adoption of new technologies."

Drawing a conclusion between crisis and sustainability

ESG and business sustainability have had a problem with turning promises into actions because sustainability isn't viewed as a crisis. So what can be done to make companies better understand the connection between climate change and economic stability?

At some point, both investors and companies will come to the realization that being sustainable is not just good for the planet—it is also good for the bottom line. Indeed, the consequences of a changing climate will cause investors and businesses to lose trillions of dollars in the near future, according to the London School of Economics. That's because all businesses are built to operate in the world as it is now. So how can they operate effectively in a world that is utterly changed?

But, again, why have so many companies failed to take decisive action? Resistance to change is the most common challenge experienced by organizations looking to implement sustainability initiatives, cited by 37% of respondents. Additionally, lack of staff resources along with employee mindset/behavior are top concerns, cited by 31% of respondents, respectively.

Another striking finding from the study is that respondents feel that their organization is either often or sometimes adaptable to adopting sustainability strategies in the face of business challenges, *yet only 8% feel this way consistently.*



Drawing a conclusion between crisis and sustainability (cont'd)

The good news is that a majority of respondents believe that organizations bear the most responsibility for financing sustainability programs or initiatives. Another 26% said this responsibility falls on the government, while 12% said shareholders; only 6% believe this responsibility falls on the customer.

What's more, 75% say their organization's sustainability strategy is critical to the overall success of their business. About half of organizations have an existing clearly defined sustainability strategy and one-third do not.

And yet so many companies still only pay lip service to ESG and don't take concrete action. Why? It could be because they're thinking short-term about their own upfront capital commitments. Or it could be simple corporate inertia. After all, there is no real pressure, no mandates—from governments, investors or customers—to change.

But here's the thing. Sustainable companies can be successful companies. It's not an either-or proposition. Companies are discovering they can reduce their carbon footprint while also increasing their shareholder value. In fact, investors will ultimately reward companies that can overcome capital barriers and achieve true energy-saving benefits.



Final thoughts

In the long term, there will be more business growth and more profit, and just as importantly, it won't come at the expense of the planet. A strong ESG program offers many benefits, such as helping to power financial performance by attracting passionate consumers, partners and employees, as well as by helping to spur innovation and reduce operational costs.

By incorporating ESG into their business models, organizations can create a long-term vision for sustainability and make it part of their growth strategy. They can have a positive impact on both the environment and their bottom line. Ultimately, companies that embrace ESG principles will not only succeed—they *may be the only companies that survive*.

