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Prioritizing ESG Is Not Optional Anymore

How Successful Companies Leverage Dedicated ESG Capabilities To Transform Their Business

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Project Team:
Lane Abernathy,
Market Impact Consultant

Emily Stutzman,
Market Impact Associate Consultant

Contributing Research:
Forrester's Infrastructure & Operations and Security & Risk research groups

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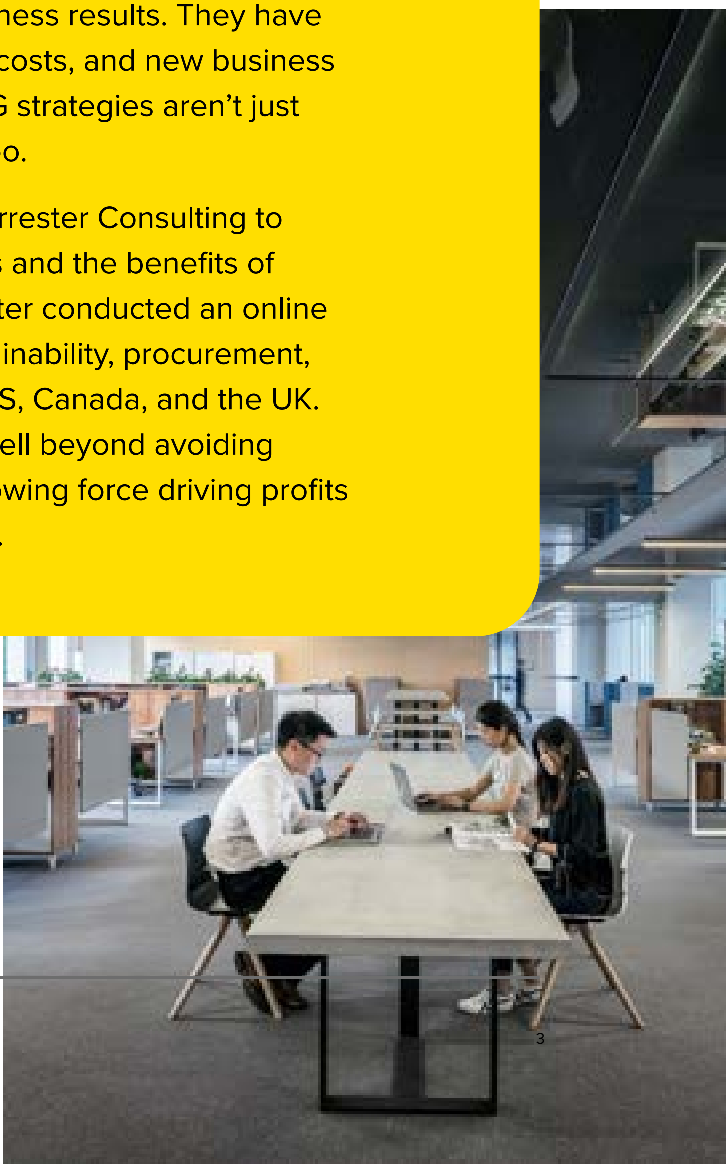
Executive Summary

Every business stakeholder — customers, employees, investors, communities, partners, and suppliers — is turning up the heat on the management, measurement, and performance of environmental, social, and governance (ESG) data and demanding more transparency, quality, and progress. As leaders adapt to the rapid evolution of these expectations, it's becoming clear to many that ESG represents more than a way to avoid penalties and risk; it represents a mechanism for innovation, competitive advantage, and business value.

But firms face many challenges when collecting, analyzing, applying, and reporting on ESG data and performance; some of this data isn't being collected at all and — when it is — it may be with any number of different systems or teams. And both internal and external stakeholders may resist acting on the data for any number of reasons.

Despite these challenges, companies committed to improving their ESG data analytics practices have seen remarkable business results. They have experienced more resilient supply chains, reduced costs, and new business opportunities. These benefits show that mature ESG strategies aren't just good for the environment, but good for business, too.

In March 2022, Dun & Bradstreet commissioned Forrester Consulting to evaluate the current state of ESG data and analytics and the benefits of mature ESG strategies. To explore this topic, Forrester conducted an online survey of 268 decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK. We found that the benefits of investing in ESG go well beyond avoiding fines for not complying with regulations and is a growing force driving profits through innovation and improved risk management.



Key Findings

Failing to meet ESG goals exposes firms to increased risks. The most common consequence companies face from not achieving ESG goals is increased levels of operational and financial risks. The more companies and their supply chains struggle to meet ESG goals, the more risk they're exposed to.

Insufficient ESG data is the most significant challenge for firms. If firms can't measure data, then they can't manage it. Without enough accurate, up-to-date, and transparent data, firms struggle to achieve their ESG goals due to varying degrees of lack of trust.

Immature internal ESG data management holds firms back. Most firms are still using generic office technology, such as spreadsheets and email, to collect, analyze, apply, and report ESG data. These immature data management practices severely limit their ability to derive meaningful insights at scale. Firms that invest in automated, advanced ESG data analytics reap well-earned rewards.

Investing in ESG yields transformational benefits. Not only does attention to ESG performance lead to reductions in supply chain, operational, and reputational risks, it also leads to process efficiencies, product and service innovation, attractive financing opportunities, and new partnerships.

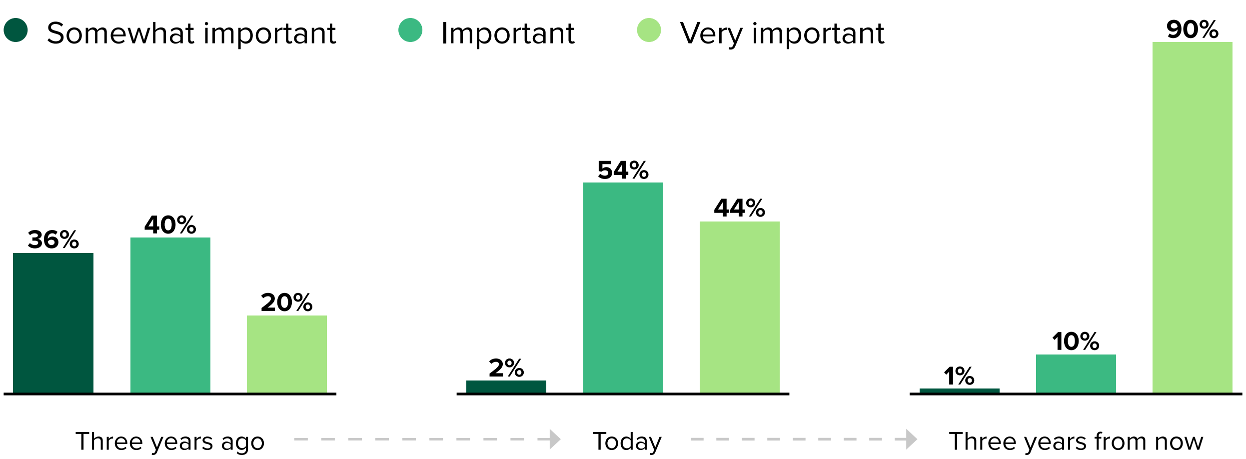
ESG Is Quickly Becoming A Top Priority

Environmental, social, and governance (ESG) data and its management has rapidly become a front-and-center global business concern. As business leaders come to recognize that the benefits of effective ESG strategies go well beyond compliance, companies that invest in maturing their ESG data and analytics practices stand to differentiate themselves in a changing business landscape. In surveying 268 ESG decision-makers at global enterprises in the US, Canada, and the UK, we found that:

- **ESG data is a critical asset.** As companies face new ESG-related reporting and disclosure rules coupled with growing pressure from investors, employees, customers, and partners, high-quality ESG data is an increasingly important asset. Only 20% of respondents said that using ESG data was very important to their company three years ago; 44% said it's very important today. Astoundingly, 90% said they expect it to be very important to their company three years from now (see Figure 1). **That's a 4.5x increase within six years.** Clearly, these decision-makers see a rising number of business contexts where ESG data will play a critical role.

Figure 1

"How important is using environmental, social, and governance (ESG) data to your organization today? How important was it three years ago? How important do you expect it to be in three years?"

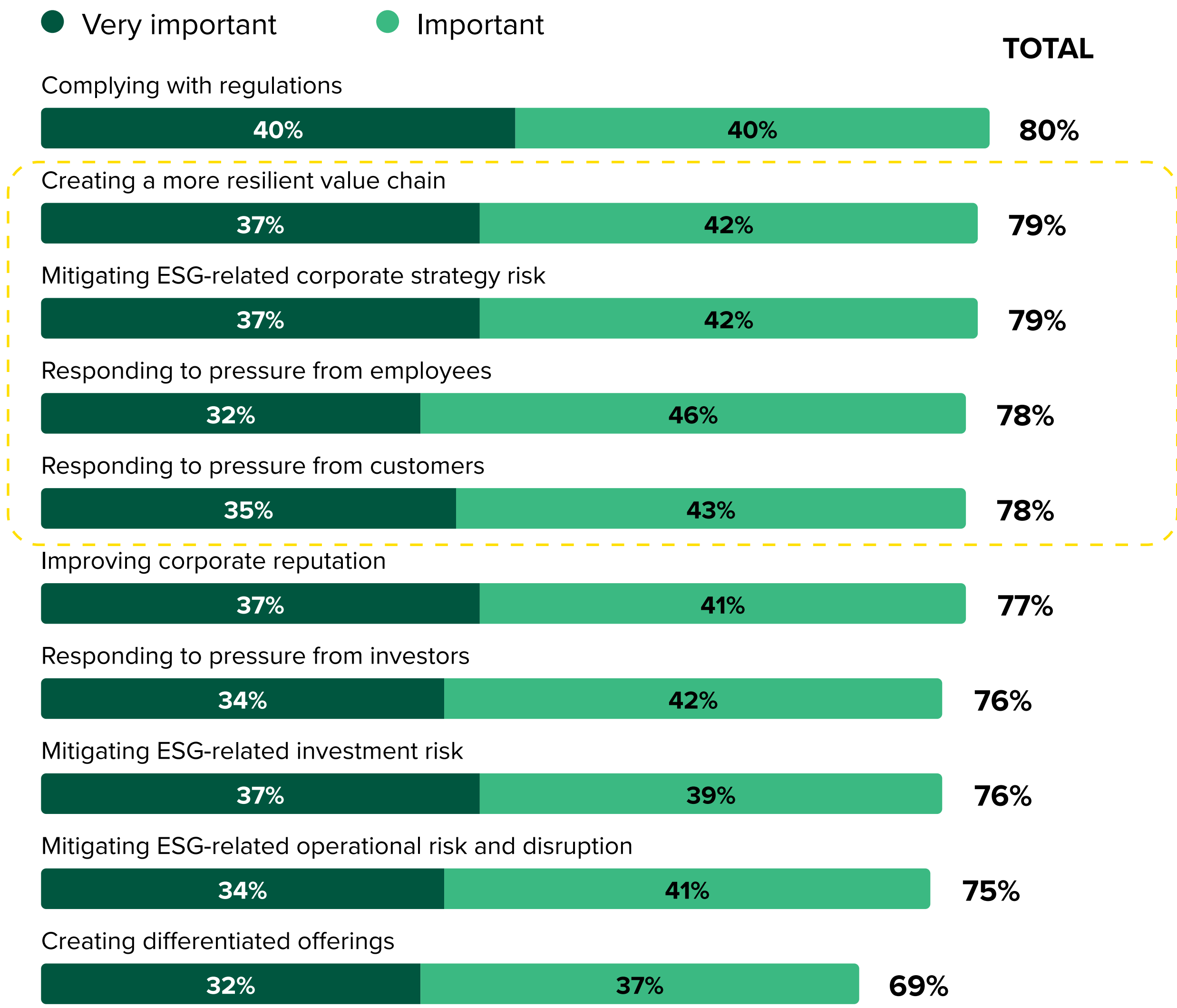


Base: 268 ESG performance decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK
Source: A commissioned study conducted by Forrester Consulting on behalf of Dun & Bradstreet, March 2022

- **Supply chain teams are turning to ESG to increase resilience.** As global supply chains face unprecedented disruptions, bolstering resilience has never been more important. To that end, 79% of respondents' companies use ESG data to create more resilient value chains, for example, by avoiding suppliers with unsustainable practices (see Figure 2). In fact, after compliance, creating a more resilient value chain was the second most important ESG goal in our survey.

Figure 2

"Thinking about your company's ESG strategy, how important are the following goals?"



Base: 268 ESG performance decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK

Note: Total percentages may not equal separate values due to rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Dun & Bradstreet, March 2022

- **Companies are relying on ESG data to mitigate risks across the business.** Beyond the supply chain, business leaders use ESG to understand and manage diverse risks. Looking internally, four in five respondents said their companies use ESG data to mitigate ESG-related corporate strategy risks, such as blind spots due to a lack of diversity among leaders. ESG mitigates ESG-related operational risks and disruption for 75% of respondents' firms and helps keep businesses running. But it doesn't stop there. Seventy-six percent of respondents reported that ESG data is an important tool to mitigate their companies' ESG-related investment risks.
- **ESG data bolsters innovation.** Though creating differentiated offerings was the least-cited priority, over two-thirds of respondents (69%) still reported it is an important or very important goal for their company. This order of priorities is in line with the relative immaturity of many ESG strategies and is to be expected. But we must note that such a strong emphasis, even if it's at the bottom of the list, reflects that many companies recognize the opportunity to create value by taking a forward-looking approach and embedding ESG performance in product design.

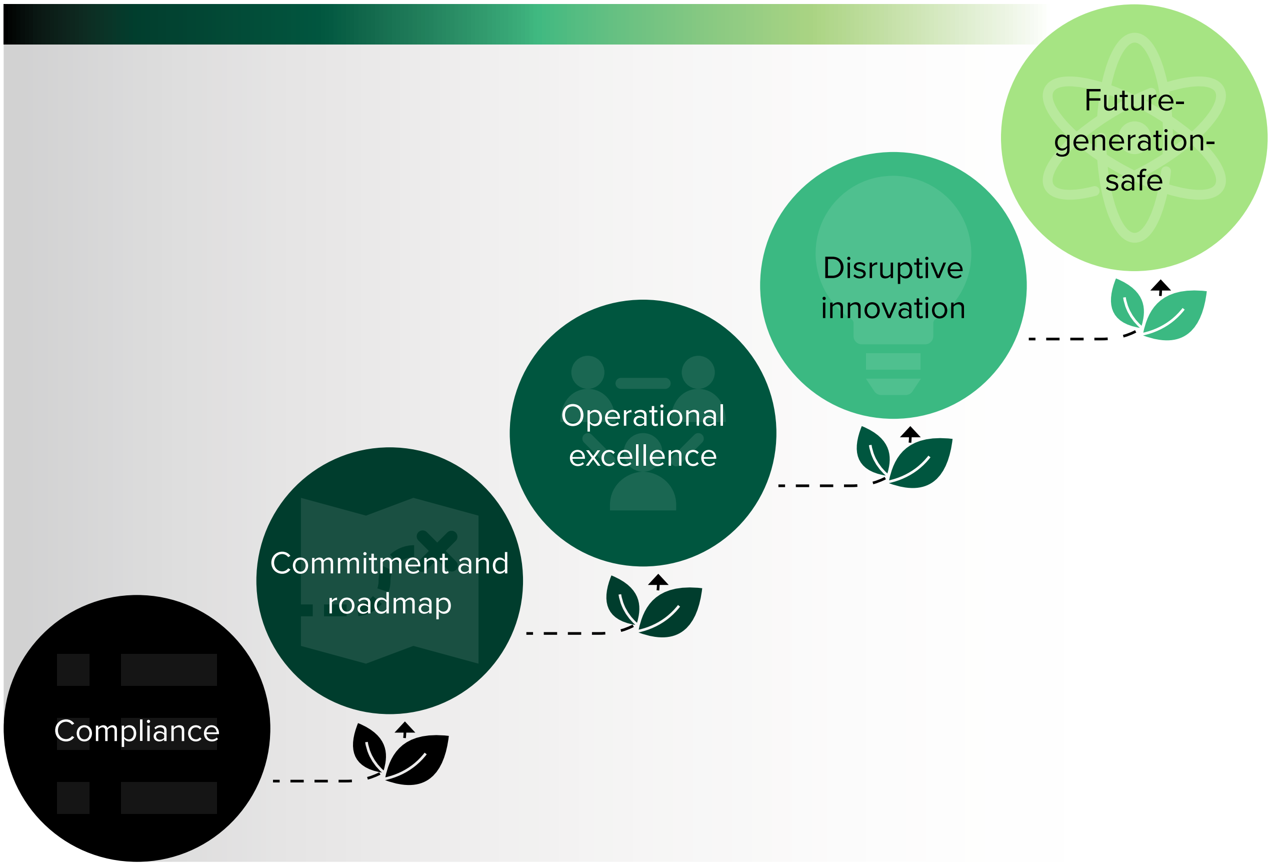
TODAY'S ESG GOAL-SETTING SUGGESTS ROOM FOR PROGRESS

If sustainability leaders are winning acceptance for ESG's importance within the company, they must now ramp up their work across the organization to establish ESG-related targets and collaborate with the right teams to hit them. Through this study, we found that:

- **Sustainability starts with compliance.** Regulatory requirements for compliance reporting will never go away, but it's only the beginning of the ESG journey. Forrester has a five-stage sustainability maturity model charting the course from simple compliance to a fully mature, future-generation-safe state (see Figure 3).[1] We found that, based on the company goals respondents cited, the market is broadly in its early and middle stages of maturity. Respondents ranked "compliance" as the most important priority and "creating differentiated offerings" at the bottom of the list. When ESG decision-makers can understand where their companies fall in terms of maturity, they can more effectively prioritize investment and develop more robust ESG strategies.

Figure 3

Sustainability Maturity Starts With Compliance And Ends At Future-Generation-Safe



Source: "Guide Your Sustainability Program With The Forrester Sustainability Maturity Model," Forrester Research, Inc., October 27, 2021.

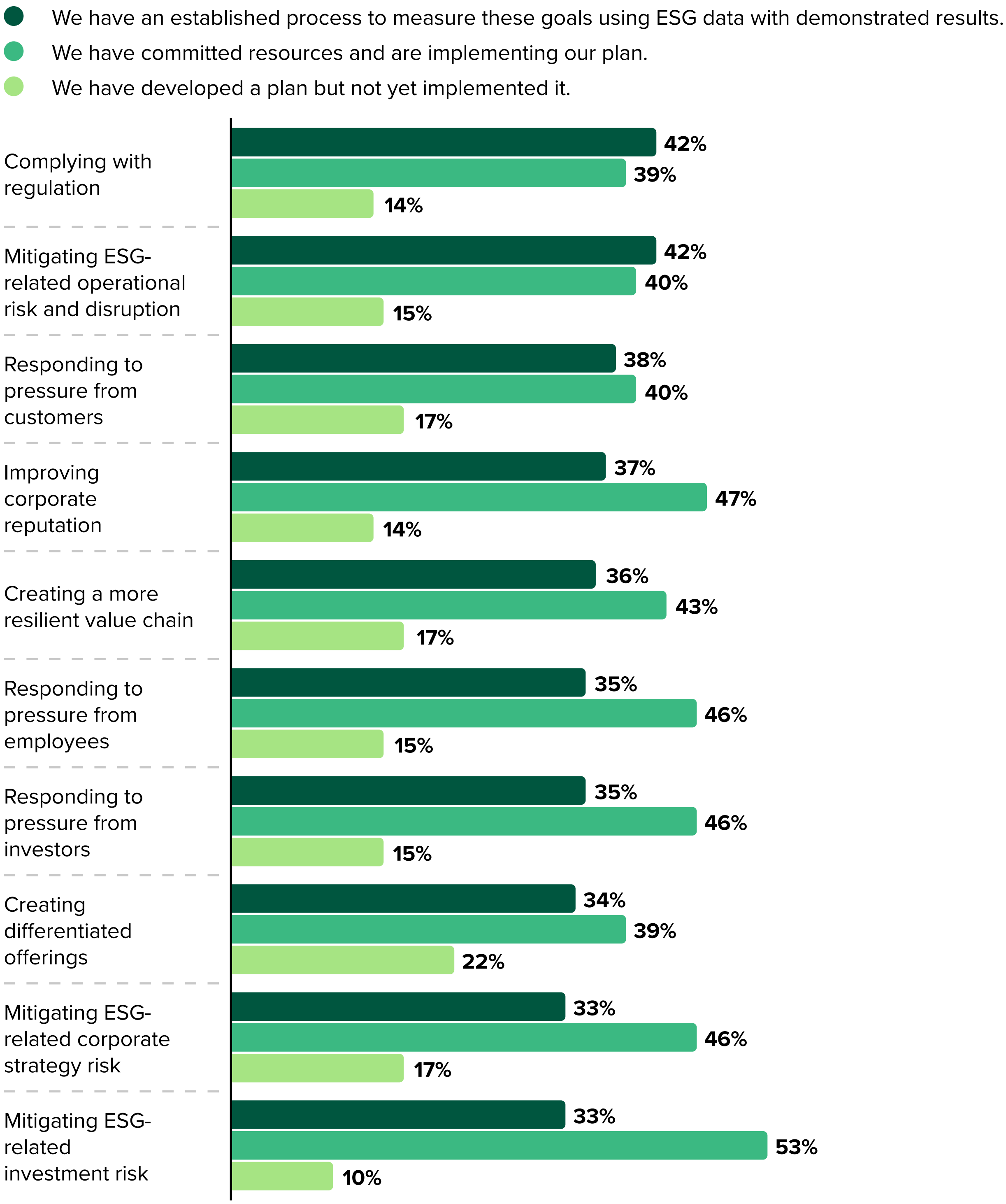
- **Companies are dedicating resources to ESG but have a lot of work to do.** When asked how much progress their firms have made on each of their ESG-related goals, nearly all respondents (99%) said their firms have committed resources and are implementing their plan for at least one ESG goal (see Figure 4). But looking broadly at progress, we see that companies are significantly less likely to have demonstrated results.

90%

of respondents expect ESG data to be very important to their company by 2025.

Figure 4

"How much progress has your organization made on each of these goals?"



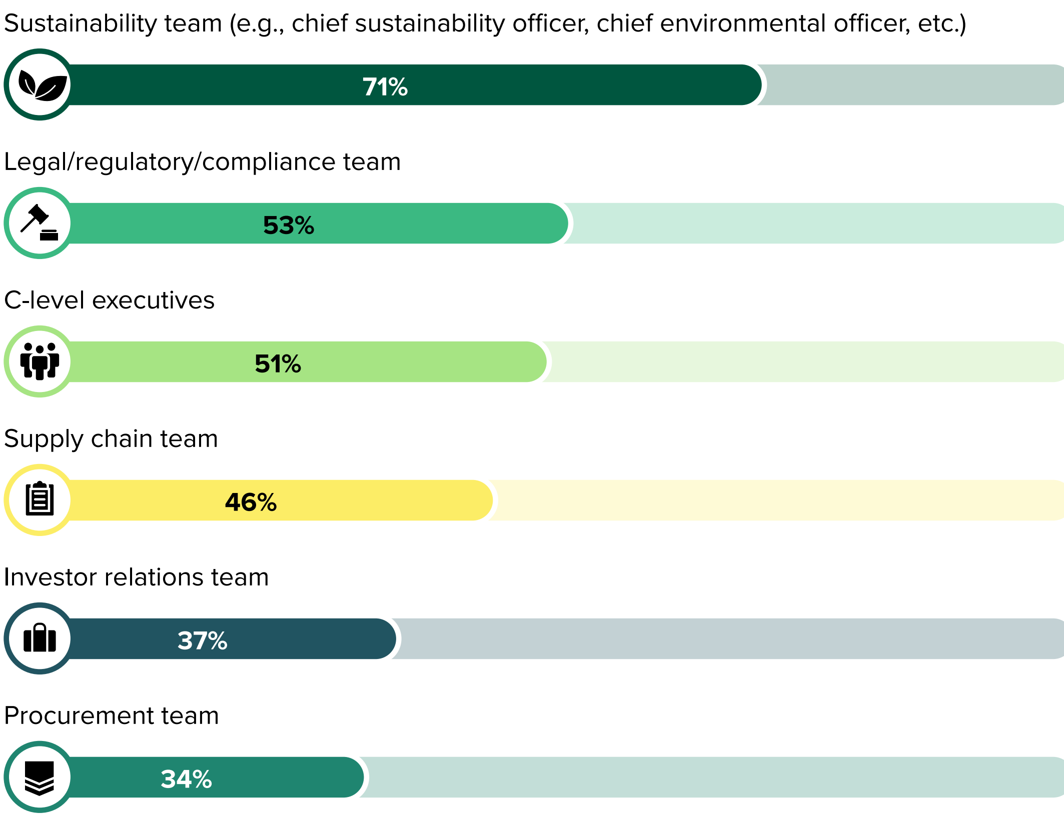
Base: Variable ESG performance decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK
Source: A commissioned study conducted by Forrester Consulting on behalf of Dun & Bradstreet, March 2022

- **Adopting ESG goals should be a group effort.** Implementing a successful ESG strategy is a daunting initiative for any company and requires concerted effort across departments. We found that sustainability teams are the most important partners leading the adoption of ESG goals (see Figure 5). We also found that supply chain teams play an important role and are leading adoption in nearly half of respondents' companies (46%).

  To ensure the success of their ESG strategies, companies need to find ways to align departments on common goals and increase visibility of ESG across the organization. Then, they need to communicate ESG progress to customers, employees, supplies, and other partners.

Figure 5

"Which of the following groups of people in your organization are involved with leading the adoption of ESG goals?"
(Select all that apply.)



Base: 268 ESG performance decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK
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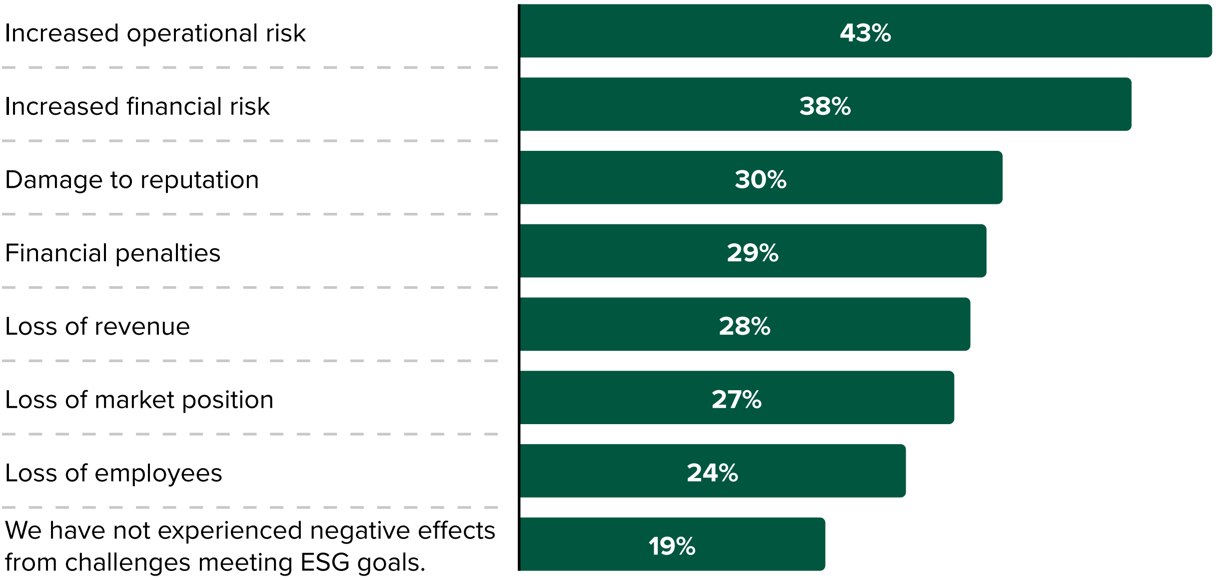
Insufficient ESG Data And Immature Internal Practices Lead To Higher Risk

Pressure to improve ESG performance is not a passing fad. Companies focused on sustainability outperformed their peers, even during the COVID-19 pandemic.[2] But still, firms face many significant challenges meeting their ESG goals, and those challenges can impact bottom lines. We found that:

- **Failing to meet ESG goals exposes firms to higher operational and financial risks.** Eighty-one percent of respondents told us their firms have experienced negative consequences by failing to meet their ESG goals. The two most common consequences of failing to meet ESG goals were increased operational risk and increased financial risk (see Figure 6). As the forces of geopolitics and global climate change impact the value chain and means of production, firms must bolster their bottom line and proactively leverage ESG data to strengthen their resilience against disruptive events.

Figure 6

"Which of the following effects, if any, has your organization experienced because of the challenges meeting ESG goals?"



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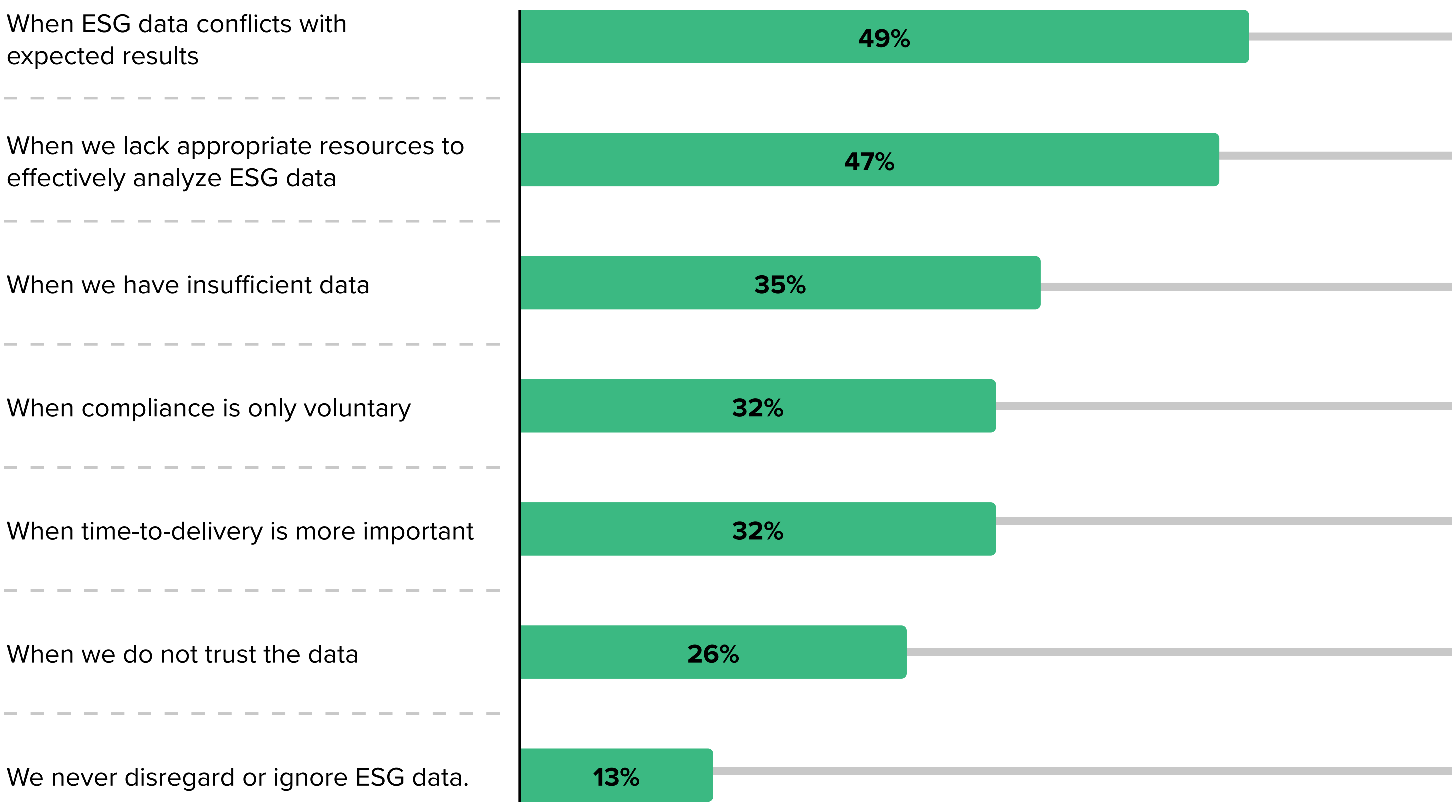
- **A lack of resources undermines ESG impact.** Collecting and analyzing ESG data is hard. Two-thirds of respondents agreed this means their firms struggle to quantify the impact of their current progress. And 63% agreed their companies are unable to measure the long-term impact of their ESG goals. We all know that if a company can't measure data, it can't manage it. Forty-seven percent of respondents said their firms would disregard ESG data when they lack the resources to effectively analyze it. And, when their companies lack confidence in the data, nearly half of respondents said they would ignore ESG data if it conflicts with business goals, such as hitting a revenue target (see Figure 7).

Figure 7

"When, if at all, would your organization choose to disregard or ignore ESG data?"
(Select all that apply.)



Base: 268 ESG performance decision-makers in compliance, sustainability, procurement, finance, and risk roles at global enterprises in the US, Canada, and the UK
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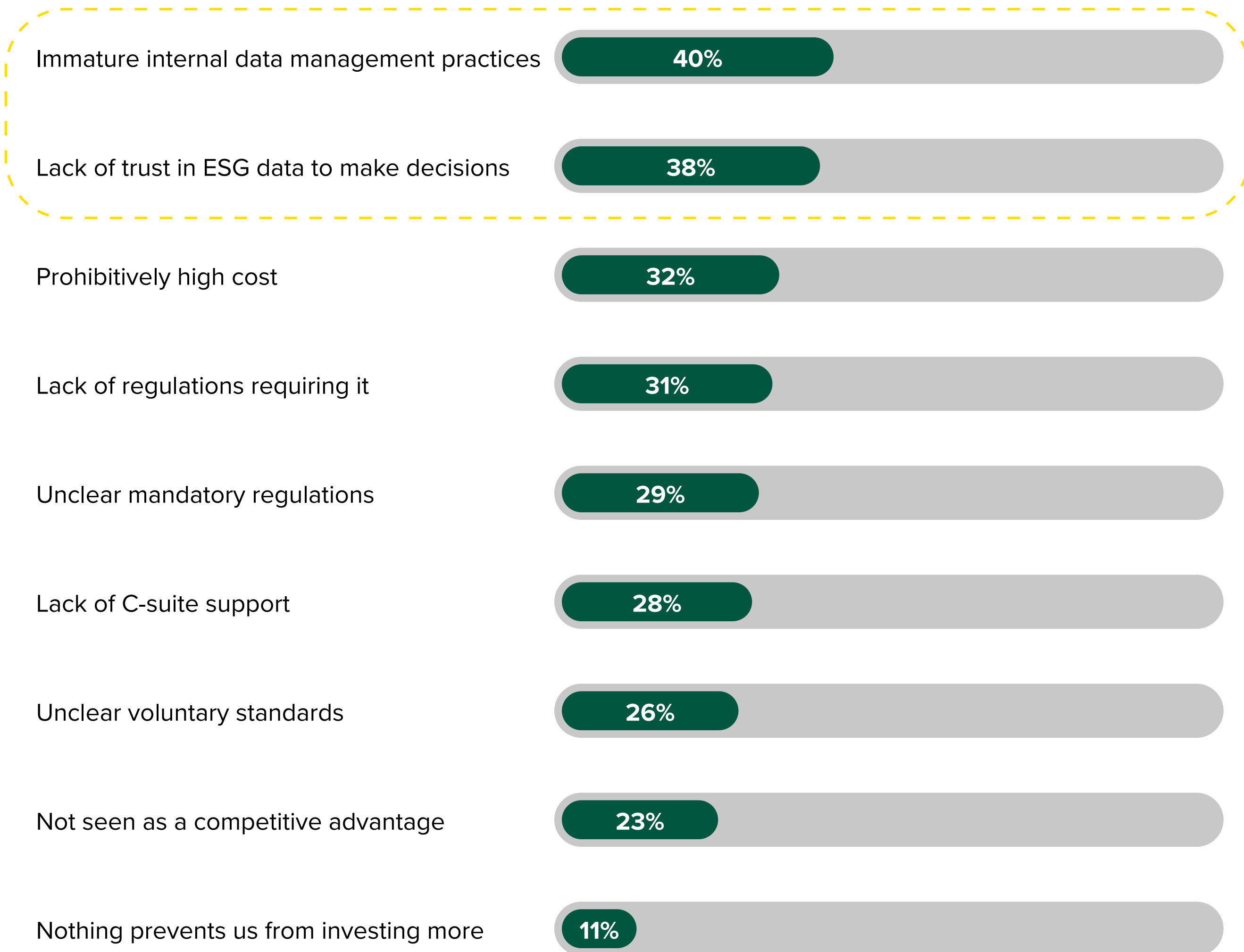
- **Companies want to invest more in ESG data analytics, but specific challenges are preventing it.** Nearly all respondents (89%) said their firms are holding back investment in their ESG capabilities for specific reasons. Unsurprisingly, the top two investment hurdles are immature internal data practices and a lack of trust in available ESG data to make decisions (see Figure 8). Firms must improve their internal data practices and find ways to bring more integrity to their ESG data so they can be more comfortable using it to make decisions.

Figure 8

"What prevents your organization from investing more in ESG data analytics?"



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Source: A commissioned study conducted by Forrester Consulting on behalf of Dun & Bradstreet, March 2022

COMPANIES STRUGGLE TO ACQUIRE SUFFICIENT ESG DATA

According to four out of five respondents, a successful ESG strategy requires effective data collection. But the most significant ESG-related challenges firms face are not having enough data (47%), the inability to validate and trust data (46%), and ESG data that is inconsistent or of poor quality (46%) (see Figure 9).

Without access to enough data that is trusted, accurate, and consistent, firms will continue to struggle making ESG-related decisions. To move beyond simple compliance and maximize the value their ESG strategies create, firms must find ways to acquire ESG data that they can trust — and acquire enough of it to effectively measure, monitor, and report against.

ESG data on privately held companies remains elusive. ESG strategies are incomplete without data on third parties, including privately held businesses. But due to the lack of disclosure requirements, ESG data for private companies is hard to acquire. Forty-two percent of respondents told us that an inability to acquire ESG data on privately held businesses prevents their firms from meeting ESG goals.

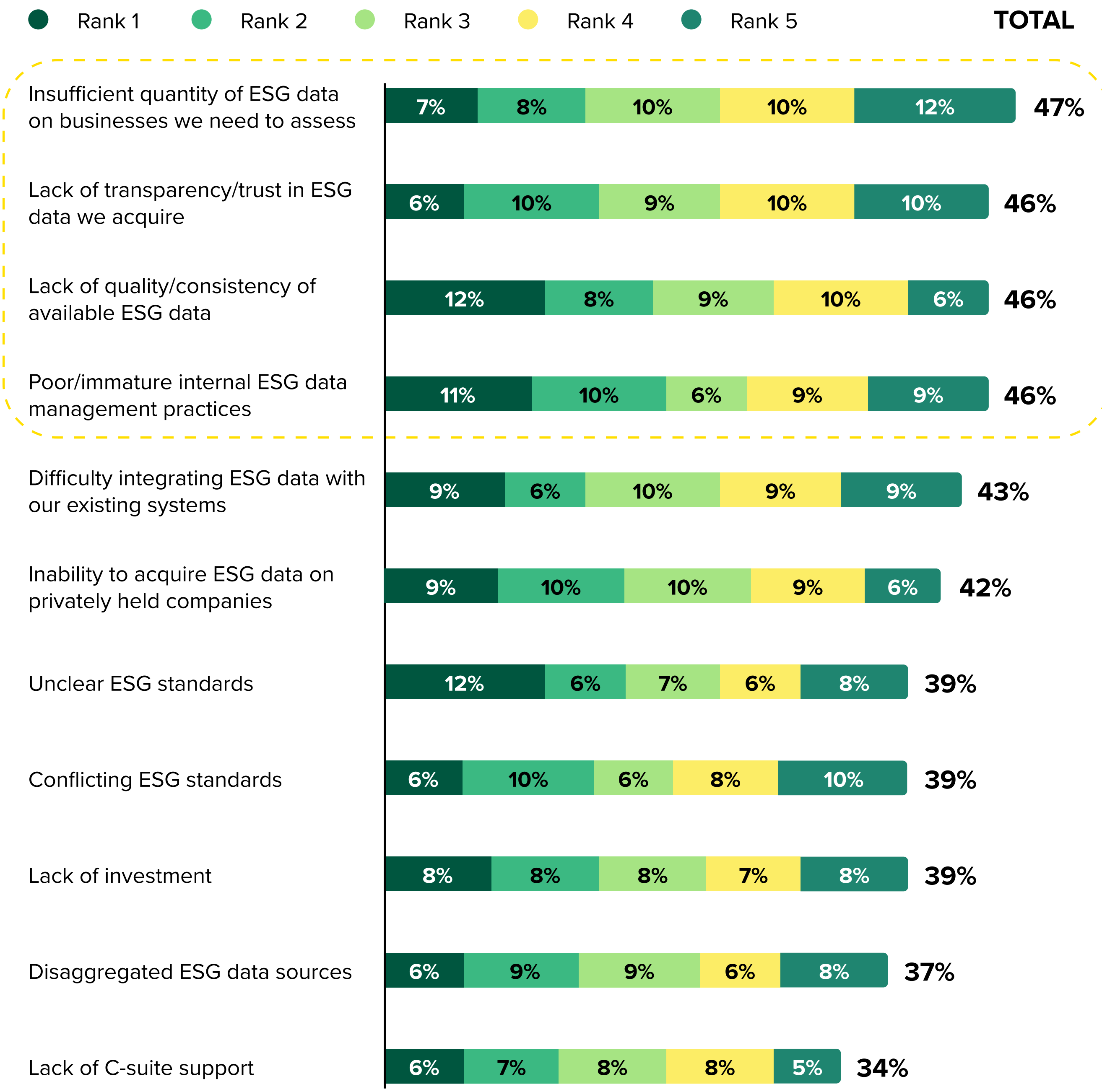
POOR INTERNAL ESG DATA MANAGEMENT CREATES PROFOUND PROBLEMS

Effective internal ESG-related data management is a mission-critical pillar of success, and a top-five challenge for nearly half of respondents' firms. Even in an ideal scenario of unfettered access to ESG data, companies will inevitably struggle to meet their ESG goals and thus face higher risk if they don't have the right data management processes and technology.

Digging deeper, we found that companies struggle to integrate ESG data with their existing systems (43%), which doesn't just cause problems when trying to make data-driven decisions, but also hinders them in the critical step of reporting ESG progress to stakeholders and regulators. Additionally, 37% said disaggregated ESG sources prevent their companies from achieving their ESG goals.

Figure 9

"What are the top five challenges preventing your organization from meeting its ESG goals?"



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Note: Total percentages may not equal separate values due to rounding.
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- **Spreadsheets aren't enough.** Inadequate technology that many firms use to manage, analyze, and report ESG data largely drive ESG-related problems. When asked how their companies collect and analyze data related to ESG today, seven out of ten respondents said their companies rely on generic office technology, such as spreadsheets and email (see Figure 10). With such low levels of automation and verification, many businesses will lose time, and sleep, from their ESG data collection process; further, teammates from the financial and audit parts of organizations won't trust the rigor of the process and may challenge the reporting.

Figure 10

"Which of the following options best describes how your organization collects and analyzes data related to ESG today?"

15% ESG data is collected and analyzed only within specific pockets or units of the organization.

19% ESG data is collected and analyzed across the organization using generic office technology.

35% ESG data is collected and analyzed across the organization both with generic office technology and through some automation.

31% ESG data is collected and analyzed across the organization through a dedicated and comprehensive ESG data analytics solution.

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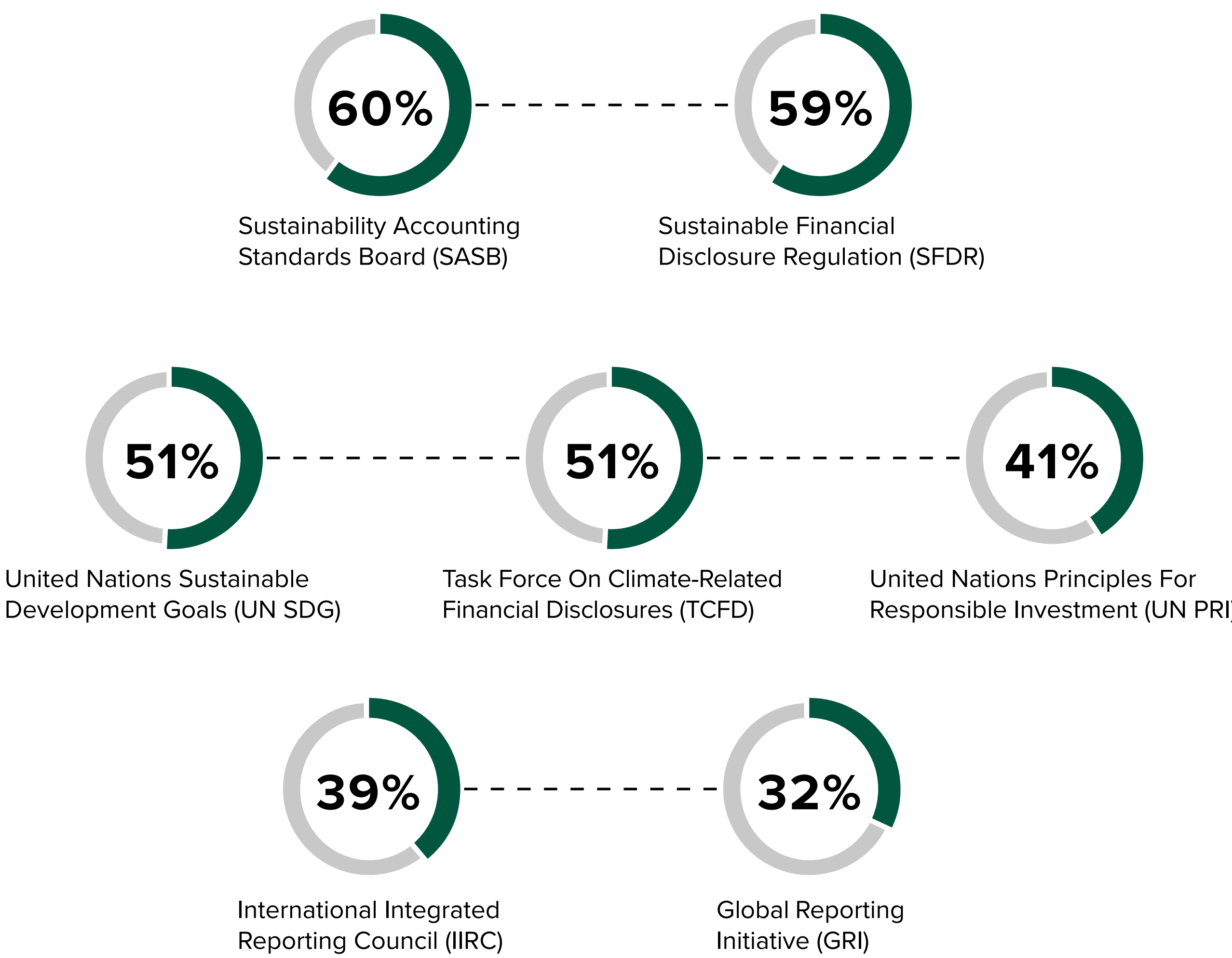
- **Standards and frameworks are a double-edged sword.** More than half of respondents said their firms use at least four different ESG standards or frameworks (see Figure 11). This means that, while 85% of respondents agreed that using these standards helps their firms meet ESG goals, 81% also agreed their companies struggle to transform ESG data from one framework to another. ESG leaders need technology in place so they can leverage these frameworks to their benefit without getting bogged down translating metrics and metadata from one standard to another.

Figure 11

"Which sustainability or ESG standards/frameworks, if any, does your organization use?"



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Effective ESG Strategies Generate Transformational Benefits

Despite the many challenges, firms have still seen transformational benefits from their ESG strategies. These benefits led to a diverse collection of business outcomes across organizations. At the core of these benefits is the improved ESG data transparency that 79% of respondents reported (see Figure 12). We found that:

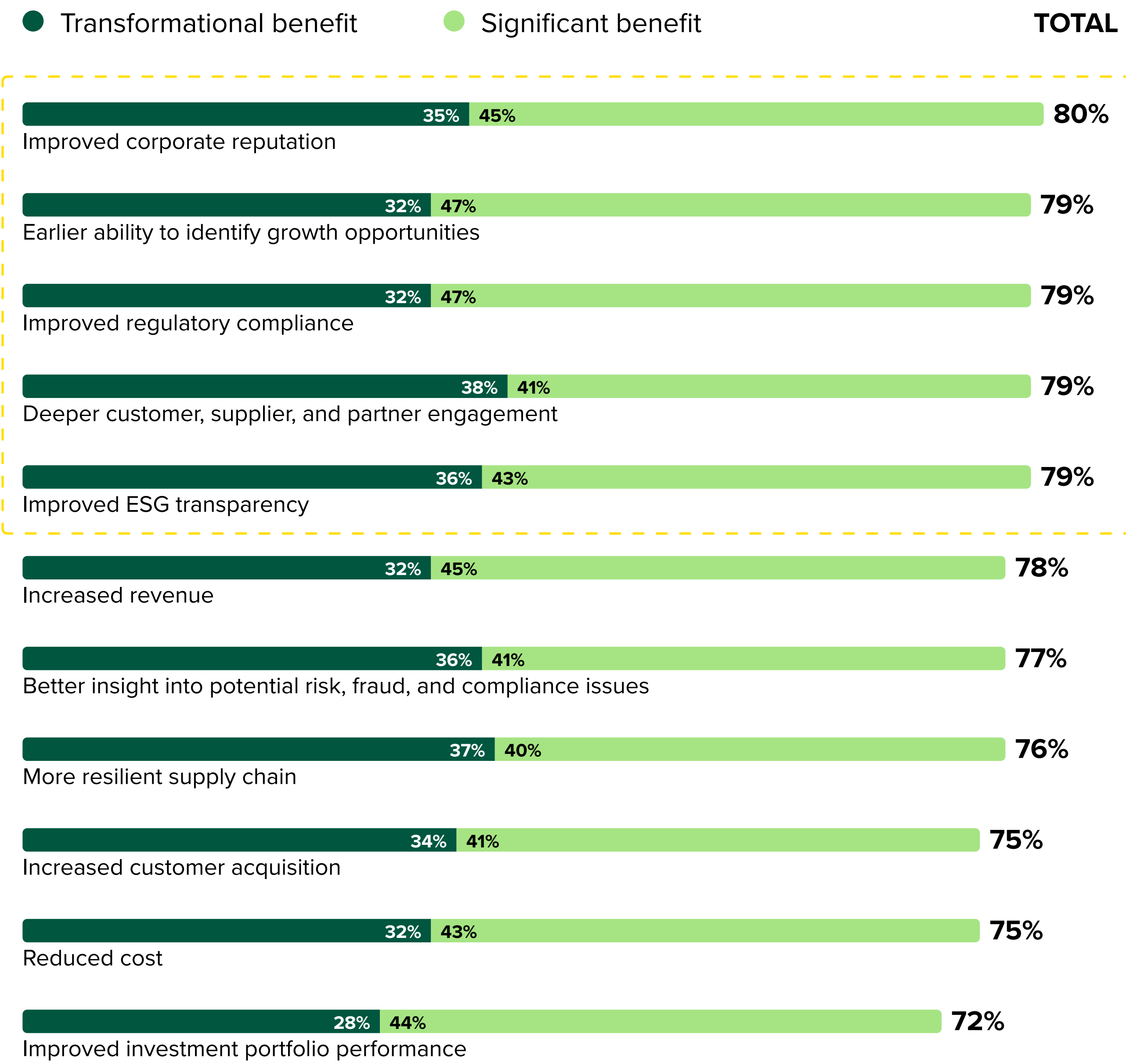
- **Improved ESG performance drives profit.** In a testament to how important ESG data is, four out of five respondents told us their company's current ESG strategy has created a significant or transformational increase in revenue. Further, 75% said the ESG-related reduction in costs was significant or transformational, not incremental. For example, businesses may find that ESG-related supply chain improvements lower the cost of procurement for many years to come. ESG-driven product innovation also opens up new products or avenues for business partnership.

of respondents' firms would invest more in ESG data analytics, but specific challenges are preventing it.

- **ESG data opens growth and investment opportunities.** Good ESG strategy is good business strategy. ESG-related insights allowed respondents' companies to identify growth opportunities earlier (79%) and improve the performance of their investment portfolio (72%).
- **Organizations that bring their value chain along on their ESG journey are likely to see benefits.** When firms execute a successful ESG strategy, they get deeper engagement with their customers, suppliers, and partners. We found that three out of four respondents have seen transformational or significant benefits from their ESG strategies in their supply chain resilience and value chain engagement. And this added engagement drove customer acquisition for 75% of respondents' firms.

Figure 12

“To what extent has your organization experienced the following benefits from its current ESG strategy?”



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- **Compliance never goes away.** Companies will always have to demonstrate regulatory compliance, regardless of ESG maturity. And, with the potential penalties for noncompliance, it's a critical priority. Nearly four in five respondents said their companies' ESG strategy has produced a significant to transformational improvement in their compliance.

- **Respondents need a solution that allows them to better understand their own companies and their supply chains.** When asked about an ideal dedicated ESG data solution, decision-makers said the most important capability is effective self-assessment of their own company to find potential gaps in their ESG strategy (74%) (see Figure 13). And, looking outside themselves, 68% of respondents need a solution that allows comparisons between third parties' or suppliers' individual ESG performance.

  Companies also need an ESG data solution that creates benchmarks with standardized metrics (72%), provides analysis and overview of their ESG-related investment portfolio data (68%), and provides access to ESG data for privately held companies (67%). But they also need help automating ESG data to streamline reporting (71%).

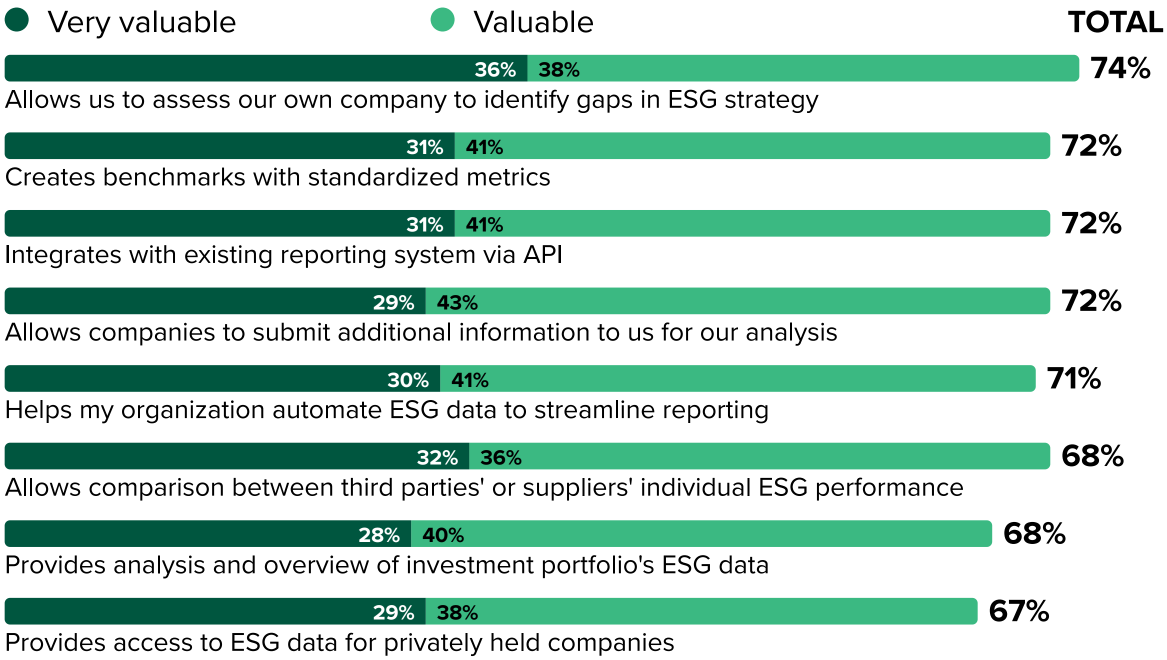
MATURE ESG STRATEGIES DRIVE SUCCESS ACROSS BUSINESSES

To help companies better prioritize their ESG investment, we developed a model for this study to understand the benefits of more mature ESG strategies. In this study, Forrester defines maturity by a company's level of ability or skill in the four pillars of ESG strategies: collecting, analyzing, applying, and reporting ESG data and performance.

Respondents' companies were divided into one of three maturity groups. About 33% were low maturity, about 33% were medium maturity, and about 33% were high maturity. Forrester found that high-maturity firms:

Figure 13

"Thinking about an ideal dedicated ESG data solution, how valuable do you believe each of the following capabilities would be for your organization?"



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- **Focus more on corporate strategy and reputation.** High-maturity firms have become more effective at complying with regulations and focus more of their resources on value-added benefits like mitigating corporate strategy risk and improving their reputation (see Figure 14). But more importantly, neither high- nor low-maturity firms prioritize the more mature goal of creating differentiated offerings, indicating the industry broadly speaking has much work to do to arrive at mature ESG practices. But this immaturity also translates into opportunity for those willing to invest in their ESG performance.

- **Lack access to data on privately held companies.** For both high-and low-maturity firms, data quality is a problem; however, more mature firms' top challenge around meeting their ESG goals is not having enough access to data on private firms (see Figure 15). This missing puzzle piece is critical for companies that want to grow beyond a minimum viable ESG strategy to truly measure and manage their value chain, which will lead to reduced risk.

Figure 14

“Thinking about your company’s ESG strategy, how important are the following goals?”

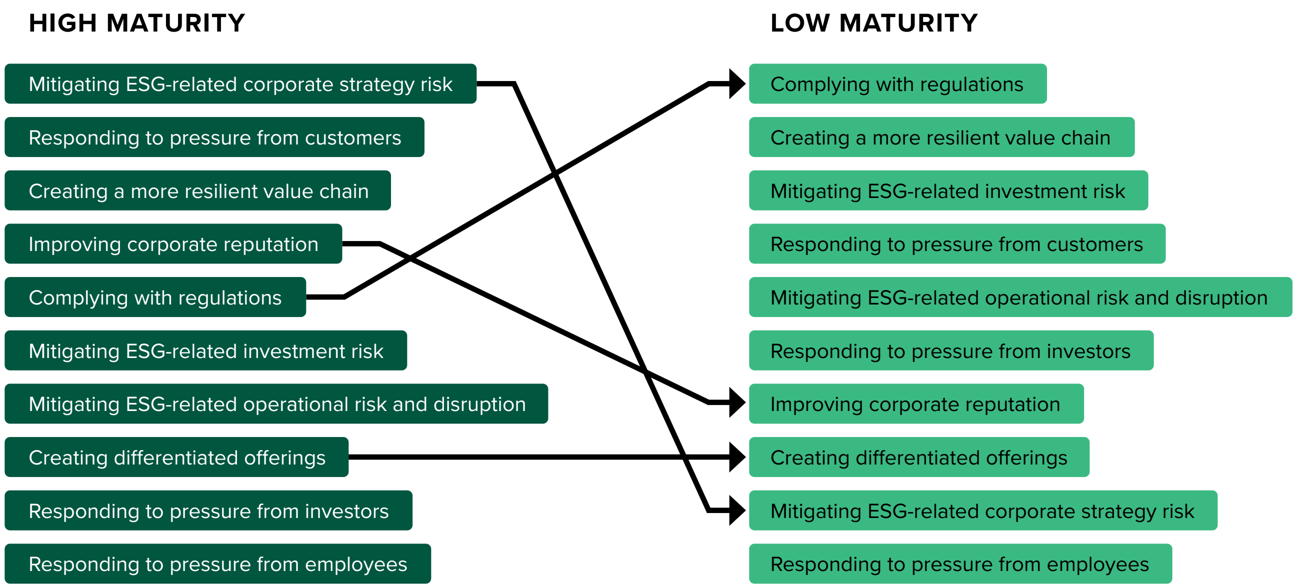

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Figure 15

“What are the top five challenges preventing your organization from meeting its ESG goals?”

HIGH MATURITY	LOW MATURITY
Inability to acquire ESG data on privately held companies	Lack of quality/consistency of available ESG data
Lack of quality/consistency of available ESG data	Lack of transparency/trust in ESG data we acquire
Poor/immature internal ESG data management practices	Lack of investment
Unclear ESG standards	Insufficient quantity of ESG data on businesses we need to assess
Disaggregated ESG data sources	Poor/immature internal ESG data management practices

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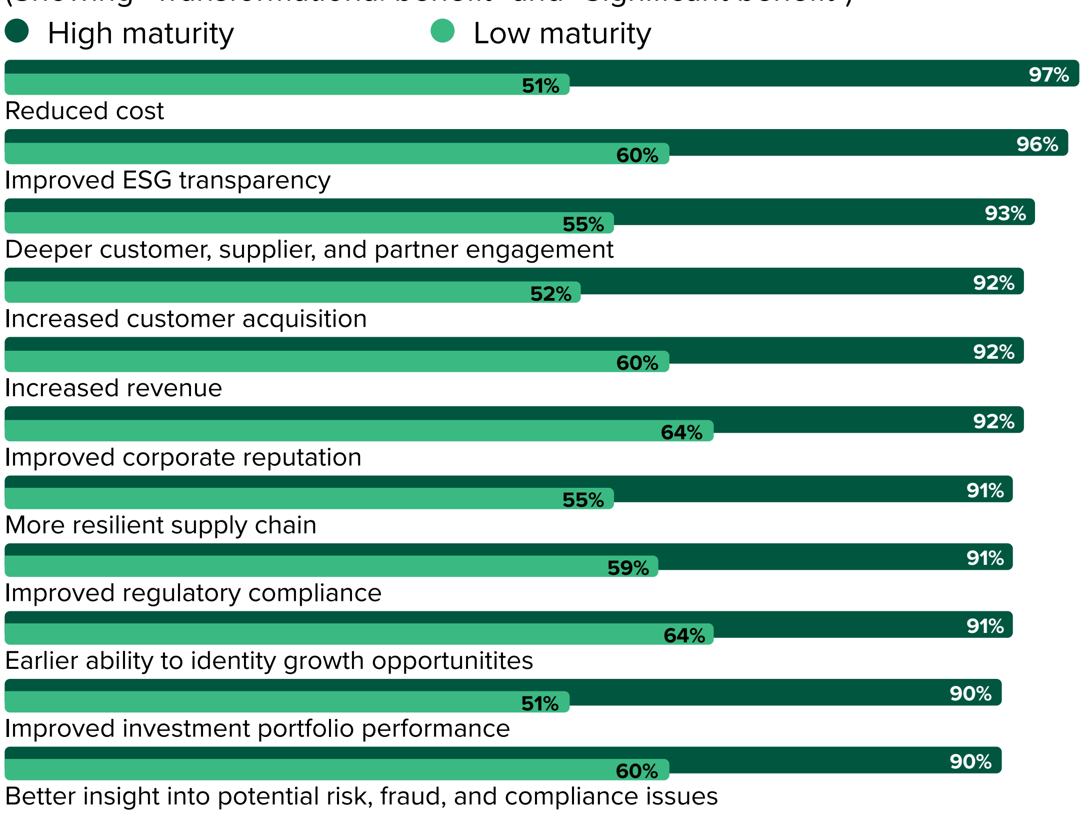
MATURITY IS WORTH THE INVESTMENT

The benefits that high-maturity firms achieve by investing in their ESG data analytics strategies reverberate across their companies. The impact of more mature ESG strategies is impressive, and we don't have enough space to enumerate the stark differences between high and low maturity, but some of the increased ROI of mature ESG strategies include:

- **More resilient value chains.** Bolstering supply chain resilience is critical to sustaining business operations, and 91% of high-maturity firms see more resilience in their supply chain from their ESG strategies (see Figure 16). But the benefits of high-maturity ESG strategies persist across the entire value chain, and 93% of respondents from high-maturity firms reported a deeper customer, supplier, and partner engagement from their ESG strategies.

Figure 16

"To what extent has your organization experienced the following benefits from its current ESG strategy?"
(Showing "Transformational benefit" and "Significant benefit")



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- **Reduced costs.** Not only did 97% of respondents from high-maturity firms report a significant or transformational benefit from reduced costs because of their ESG strategies, it was the benefit where high- and low-maturity firms differed the most.
- **Increased customer acquisition.** Compared to half of respondents from low-maturity firms, 92% of high-maturity firms saw a significant or transformational increase in customer acquisition due to their ESG strategies. This is no doubt driven by the fact that responding to pressure from customers is the second most important goal for high-maturity ESG strategies.
- **Improved investment portfolio performance.** Investment performance is subject to a wide variety of risks. But we found that high-maturity companies are 1.8 times more likely (90% versus 51% of low-maturity companies) to experience significant or transformational benefits from improved investment portfolio performance when leveraging ESG data to choose portfolio makeup.
- **Increased revenue.** Ninety-two percent of respondents from high-maturity firms reported a significant or transformational benefit from increased revenue on account of their ESG strategies, 1.5 times that of low-maturity respondents.

The reported benefits of a more mature ESG strategy are remarkable. But notably, low-maturity firms still see significant improvements as well. Taking a step back, we found that even firms whose ESG strategies are in the early stages of maturity realize positive returns on investment across many metrics. This finding clearly indicates that ESG is not simply a mandatory burden, but an integral part of sound business strategies.

Key Recommendations

ESG is having more and more impact in businesses, across all departments, from product to finance, marketing, procurement, and risk. The expectations of ESG transparency are also felt through each layer of supply chains, from investors considering loans to a business, and even new hires. Leaders working with ESG understand that this is not just data, but the key to tomorrow's competitiveness and innovation.

Forrester's in-depth survey of 268 ESG decision-makers about their ESG-related challenges and goals yielded several important recommendations:

Understand your business's actual ESG exposure.

Compliance addresses regulators' ESG concerns (which are increasing), but a broader perspective is required to capture the ESG expectations of other stakeholders. Materiality mapping and assessing external and internal stakeholders' ESG expectations helps businesses look beyond compliance to the real ESG risks and opportunities facing the business.

Make ESG excellence part of everyone's job.

A sustainability or ESG lead working in isolation will not improve a company's performance. Many boards have pushed ESG-related targets into executives' performance reviews; ESG leaders have gone one step further and made these KPIs part of everyone's success criteria across the business. This motivates the desired improvements, and pushes the organization to improve how it tracks ESG.

Apply the same rigor to ESG data that is dedicated to financial data.

Regulators, investors, and business partners are, and will be, scrutinizing ESG data; in many organizations, auditors are getting involved to improve the rigor and hygiene. Businesses need to bring a higher degree of focus to ESG data management and reporting through dedicated improvement programs and partnering with IT and operations leaders.

Invest in ESG-related people, processes, and technologies.

Achieving the benefits of ESG excellence depends on the right inputs to produce accurate and actionable ESG data. Dedicated managers, bespoke automation, and improved workflows all tee up the business to succeed with its ESG initiatives. Given the business value reflected in respondents' answers to this survey, there is ample foundation for a business case to support these investments.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 268 ESG performance decision-makers at organizations in the US, CA, and UK to evaluate environmental, social, and governance performance. Survey participants included decision-makers in compliance, sustainability, procurement, finance, and risk roles. Questions provided to the participants asked about the current state, challenges, benefits, and maturity of ESG performance. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in February 2022 and was completed in March 2022.

Appendix B: Demographics

COMPANY REVENUE	
More than $5B	**26%**
$1B to $5B	**25%**
$500M to $999M	**22%**
$250M to $499M	**26%**

TOP 8 INDUSTRIES	
Manufacturing	**18%**
Automotive	**14%**
Energy/utilities	**11%**
Real estate	**6%**
Pharmaceuticals/medical	**5%**
Banking/insurance/leasing	**5%**
Media	**4%**
Business retail	**4%**

DEPARTMENT	
Sustainability	**44%**
Risk and compliance	**37%**
Purchasing and operations	**12%**
Finance and accounting	**8%**

COMPANY SIZE	
500 to 999 employees	**25%**
1,000 to 4,999 employees	**27%**
5,000 to 19,999 employees	**24%**
20,000 or more employees	**24%**

RESPONDENT LEVEL	
Director	**54%**
Vice president	**22%**
Manager	**15%**
C-level executive	**9%**

COUNTRY	
Canada	**21%**
United Kingdom	**47%**
United States	**32%**

RESPONSIBILITY	
I am the final decision-maker for my organization's ESG strategy.	**23%**
I am part of a team making decisions for my organization's ESG strategy.	**76%**

Note: Percentages may not total 100 because of rounding.

Appendix D: Endnotes

[1] Source: "Guide Your Sustainability Program With The Forrester Sustainability Maturity Model," Forrester Research, Inc., October 27, 2021.
[2] Source: "Factors Driving The ROI Of Sustainability," Forrester Research, Inc., April 22, 2021.


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