

ENFCO

EUROPEAN NETWORK FOR
COMPLIANCE OFFICERS

Survey-Results ESG & Compliance

Whitepaper

February 2024



Content

About ENFCO	2
Overview Key Findings	3
Method of the Survey	5
Definition & Framework	7
Responsibilities & Organisation	9
Implementation	11
Future Perspectives	12

About ENFCO

ENFCO (European Network for Compliance Officers) is a network of not-for-profit associations for in-house compliance professionals across Europe. The organisation facilitates the cooperation and communication between the participating associations and their incorporated professionals in the best spirit of a European community, according to the network's mission goals.

As their members share similar challenges, ENFCO's **mission** is to:

- facilitate the cooperation and communication on compliance between the European compliance associations,
- promote and strengthen the professionalization and the occupational profile of compliance professionals, and
- help improve the economic and institutional environment.

European Network for Compliance Officers (ENFCO)

- provides access to compliance professionals in other European countries,
- shares knowledge and information by exchanging best practice, tools & templates,
- exchanges knowledge and information on (upcoming) compliance regulation from the EU and individual states,
- provides relevant member benefits to the members of the other associations (e.g. reduced entry to conferences), and
- promotes associations' events taking place in other countries.

European Network for Compliance Officers (ENFCO) at

Berufsverband der Compliance Manager (BCM) e. V.

Oberwallstraße 24 | 10117 Berlin | Germany

Tel. +49 (0) 30 / 84 85 93 20 | info@bvdcmm.de | www.enfco.eu

Overview Key Findings

over **90 %** agree:
ESG is a **necessity for the future**



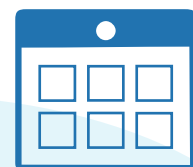
in **3/4** of the companies,
either **top management or**
the compliance function is
responsible for ESG



71 % dealing with ESG
primarily due to **legal necessity**,
followed by **external pressure (57 %)**
and **conviction from within (56 %)**



the majority of respondents
assume that the **scope**
of ESG will increase



Method of the Survey

Environmental Social Governance (ESG) is a term that is on everyone's lips and is currently very much on the minds of the compliance community. The aim of the 2023 survey was to get an overview of how differently ESG is perceived by the compliance functions and how it is dealt with in companies.

Survey period: Oct 2nd – Nov 17th 2023

Sample: n=505

The Respondents

505 people took part in the survey.

51 % of respondents were female, 48 % male and 1 % diverse.

70 % of the participants were between 36 and 55 years old.

74 % work in a compliance function, 17 % in a legal function.

The Companies

All company sizes are almost equally represented.

The survey was transmitted by the local Compliance associations, namely ASCO (Greece), ASCOM (Spain), BCM (Germany), Compliance Institute (Ireland), Compliance Por Register (Belgium), Cumplen (Spain), ECS (Switzerland), EICE (Slovenia), Le Cercle de la Compliance (France), ÖCOV (Austria), SCC (Slovakia) and VCO (Netherlands).

What it is about

Environmental Social Governance (ESG) is a term that is quite present nowadays and is also currently often on the agenda of the Compliance Community. **Purpose of the survey was to get an overview of how differently ESG is perceived by the Compliance functions and treated in the companies.**

The survey consisted of the following parts:

1. ESG Definition & Framework
2. Responsibilities & Organisation
3. Implementation
4. Future Perspectives
5. Demographic Data

Definition & Framework

“Everything is ESG.” This summarizes the opinion of the participants. The main subject areas covered by ESG are climate protection, human rights, environmental law, CSR and resources. However, working conditions and anti-discrimination were also among the top ten answers. Export control was mentioned least often. This is interesting because export control also plays an important role with regard to the extended supply chain.

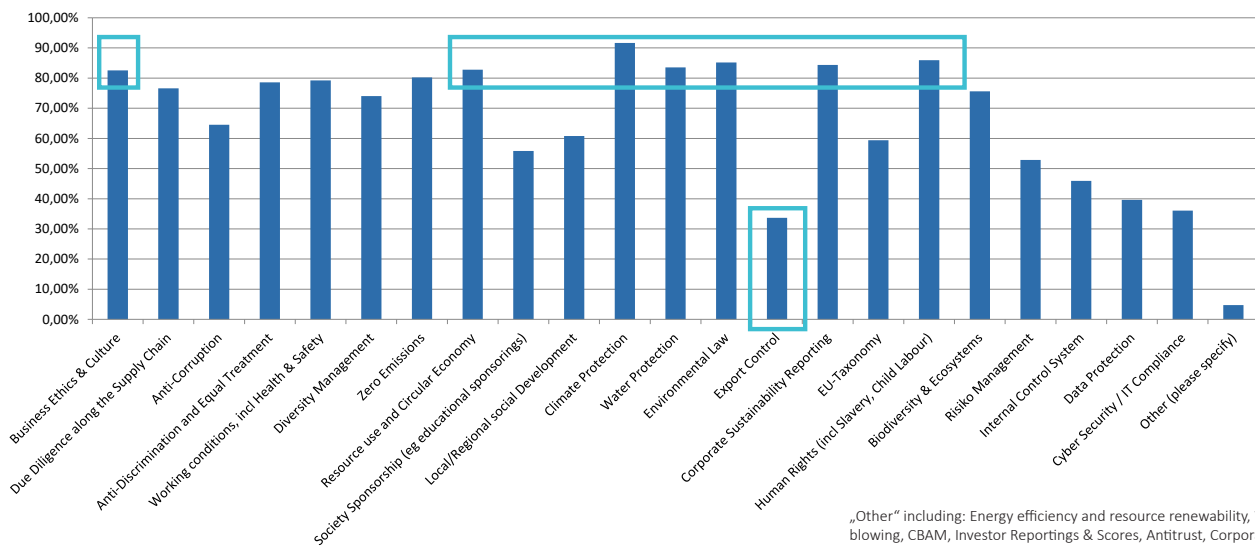
ESG and compliance are seen closely linked and extremely important if a company wants to survive in the future. Only 10 % of respondents believe that ESG will be less important in the future.

66 % do (strongly) agree with assigning responsibility to a single department, with half of respondents believing that the compliance department would be the right place for this topic.

Companies deal with ESG primarily due to legal necessity (71 %), external pressure (57 %), but also conviction from within (56 %). For only 6 %, ESG is not an issue in the company, with almost half of these stating that this is due to a lack of expertise or resources.

What it is about

The understanding of the term ESG is very broad. The majority selected almost all of the topics listed. Nevertheless, there are some peaks, such as Climate and Water Protection, Environmental Law, Circular Economy, CSR, Human Rights and Business Ethics & Culture.



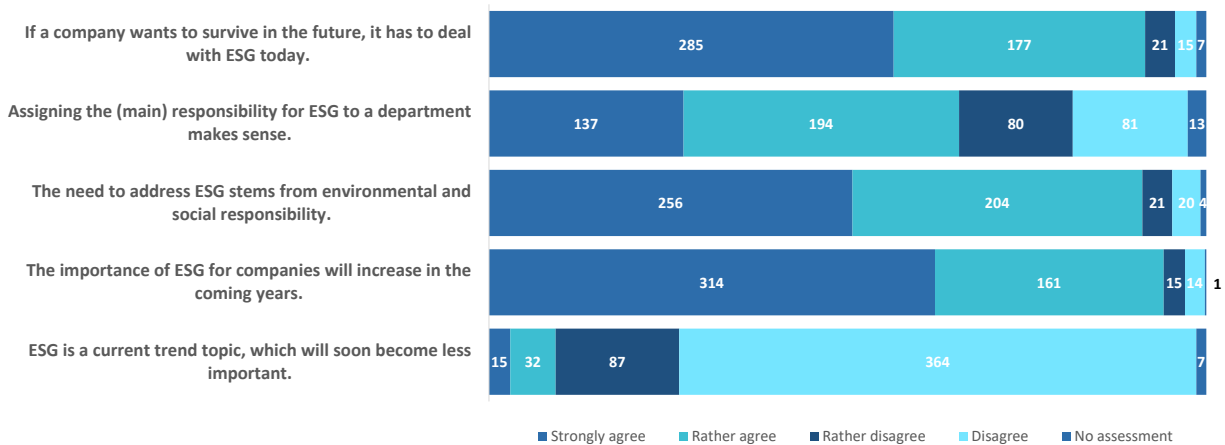
Classification of ESG and Compliance

ESG and compliance share a close relationship. There was no unanimous agreement on whether compliance is a component of ESG or if ESG falls under compliance. Both perspectives hold validity. Respondents believe that the Compliance function should also tackle ESG matters, but only around 12% believe that the Compliance function should primarily bear responsibility for ESG.

The understanding of the term ESG is very broad. The majority mentioned almost all of the topics listed. Nevertheless, there are some peaks.

Opinions on ESG

Over 90 % agree: ESG is a necessity for the future, out of environmental and social responsibility. There is less agreement as to whether it makes sense to assign ESG to one single department.



Is ESG an issue in your company and why (not)?

For most participants, ESG is an issue in their company. Most even state that it is already comprehensively relevant. The majority (71 %) responded that legal necessity is the main reason why ESG is an issue in the company. This is followed by external pressure from customers and investors (57 %), conviction from within (56 %) and considering ESG a competitive advantage for the company (53 %). This illustrates once again the two main motivators for companies: Pressure from legislators or pressure from external stakeholders.

Only 44 respondents (11 %) considered ESG not as an issue in the company. More than 40 % of those stated a lack of know-how and knowledge as the reason, and 27 % noted a lack of human or budgetary resources (multiple answers possible). Only 25 % do not see any external requirements to deal with ESG, and 16 % consider ESG for not relevant. This inversely indicates that ESG is by no means classified as irrelevant by the majority of these people, but that a lack of resources or knowledge is the main reason for postponing this topic.

Why is your company concerned with ESG?	
Legal necessity	327
External pressure (customers, investors etc)	261
Conviction from within (management, shareholders)	257
Considered a competitive advantage for the company	244
Attractiveness as an employer (Employer Branding)	183
Social pressure	116
It's a trending topic	92
Other	15

Why is ESG not an issue in your company?	
There is a lack of know-how and knowledge	19
There are no human / budgetary resources for this	12
Other	11
No need to deal with the topic is seen (no external requirements in this regard)	11
This topic is not relevant / relevant for the company	7

multiple choice / n= 44

„Other“ including: Appropriate measures, assessment, control and improvement programm is established; not applicable yet, and zero resources to address; there is a team which deals with CSRD; is not addressed; company is young and emerging. Will become increasingly important as we grow; is being built up.

„Other“ including: providing training / information on this topic; company leading in its industry and wants to leverage this advantage; company's "DNA"; conviction from a need/obligation as an organization; key to the company's success; Business sustainability as a result of capital growth; pressure from NGOs; doing the right thing

Responsibilities & Organisation

In **3/4 of the companies**, either **top management or the compliance function is responsible** for ESG, but 52 % are unsure whether this assignment will remain or change in the near future. This is also interesting because only 12 % are of the opinion that the compliance function should have the primary responsibility for ESG.

The majority of respondents assume that the **scope of ESG will increase**. Two thirds believe that more staff and budget will be available for this.

Who is responsible

Whether alone or in combination with other departments, in 3/4 of the companies, either top management or the compliance function is responsible for ESG.

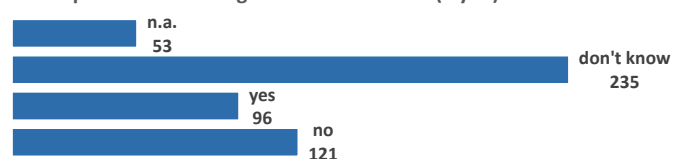
Around a third of respondents stated that a single department is responsible, half of which are the dedicated ESG department or top management. 52 % of participants don't know whether this assignment will remain or change in the near future.

Top Management	186
Compliance Department	151
Dedicated ESG-Officer	140
Sustainability Department	121
Risk Management	75
Other	67
not defined	62
Human Resources	60
Legal Department	53
Communications Department	53
Purchase Department	41
n.a.	53

„Other“ including: Reporting centralized, but responsibilities distributed; People & Culture; Supply Chain; Strategy; all listed departments contribute; Business Planning; Comittee; Facility Management; Project Team; Business Development; Logistics; Audit; Programming Team; Environment; Sustainability and Regulatory Affairs Manager; Finance; Reporting

Many of those who selected "Other" reported a division of tasks between several departments / functions.

Will responsibilities change in the near future (3 yrs.)?



Many of those who answered "yes" are of the opinion that a responsible person must be appointed. Compliance is a possible candidate.

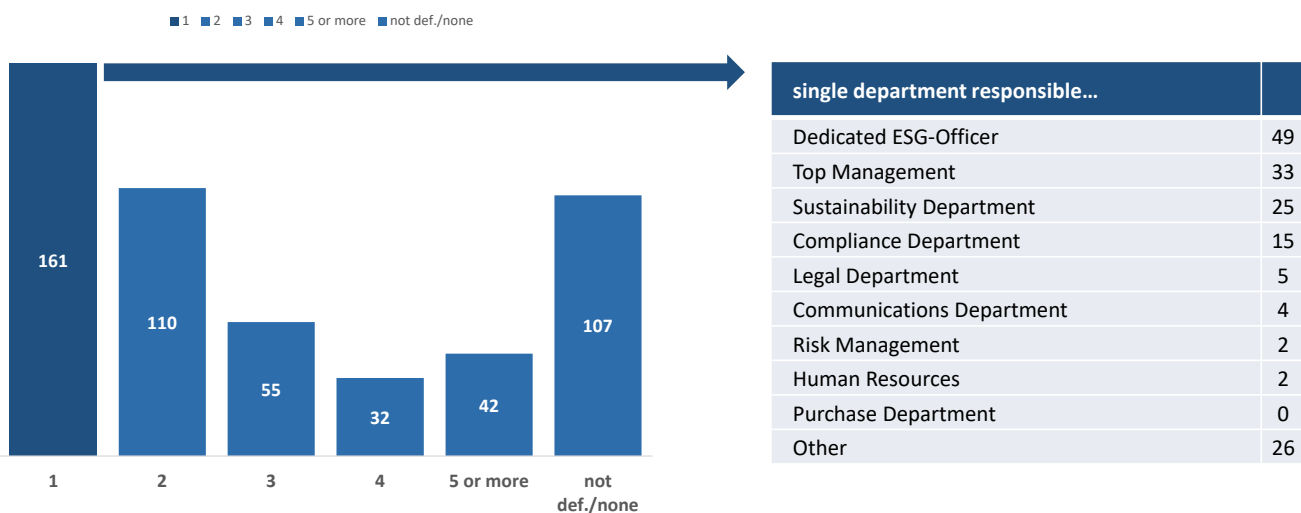
Common combinations

In most of the companies the responsibility for ESG is generally divided between various different departments.

The combination of Top Management and designated ESG Department has been indicated 61 times in total (which equals 12 % of all participants) but only 36 % of the answers stated that just these two are working together. They are supported by (multiple answers possible): Compliance Department (41 %), Legal Department (28 %), Risk Management (31 %), Sustainability Department (39 %), Human Resources (21 %), Communications Department (25 %) and Purchase Department (23 %).

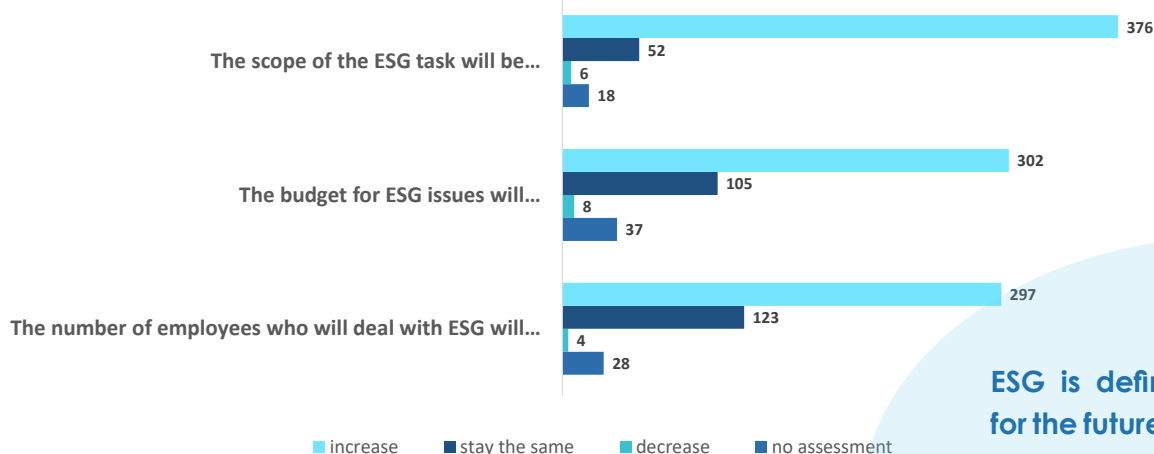
The combination Top Management and Sustainability Department has been indicated 51 times in total (10 % of all participants) but only 16 % stated that it is just them. Contributing: Compliance Department (59 %), Dedicated ESG Officer (47 %), Risk Management (43 %), Human Resources (41 %), Purchase Department (37 %) and Communications Department (33 %).

The combinations Compliance / Risk Management (56 entries = 11 %, only 5 % of them just those two departments), Compliance / Sustainability (53 entries = 11 %, 15 % just the two of them) and ESG / Sustainability (38 = 7,5 % / 18 %) are other common combinations. They show similar results.



Future Development

Respondents were asked to give an assessment of how they believe the topic of ESG will develop in the future. The majority thinks that scope, budget and number of employees dealing with ESG will increase. The majority of respondents of the survey assume that the scope of ESG will increase. Two thirds believe that more staff and budget will be available for this.



ESG is definitely a topic for the future. The majority thinks that scope, budget and number of employees dealing with ESG will increase.

Implementation

Currently, the top 3 topics participants are dealing with are **Anti-Discrimination, Working Conditions and Business Ethics & Culture**. These „S“-topics are followed by „E“-topics, starting with Climate Protection. Usual “G”-topic Risk Management comes in 9th place.

When asked how far their company has come on the individual topics, respondents consider Fight against Corruption, Export Control, Working Conditions, Risk Management, Society Sponsorship and Internal Control System to be (very) well implemented. Implementation of the EU Taxonomy, Resource Use & Circular Economy and Climate Protection is in its early stage.

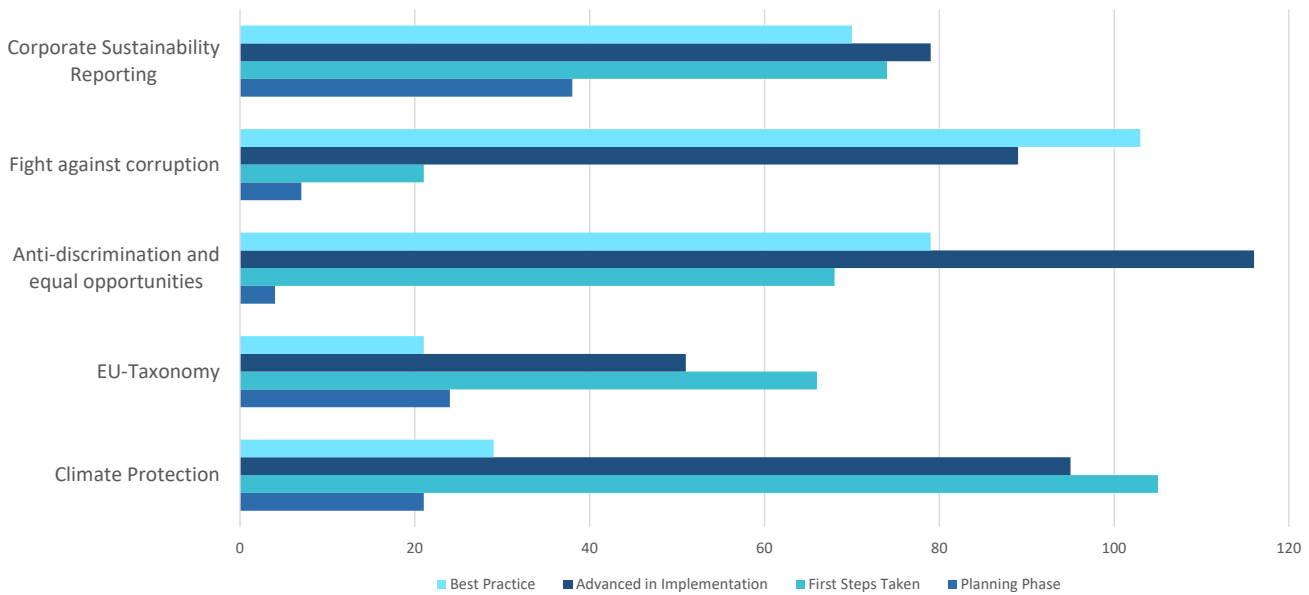
Only 13 % share the opinion that the topic of ESG is not taken seriously in the company.

ESG topics the company is currently dealing with

Top topic is anti-discrimination, followed by working conditions and business ethics & culture.

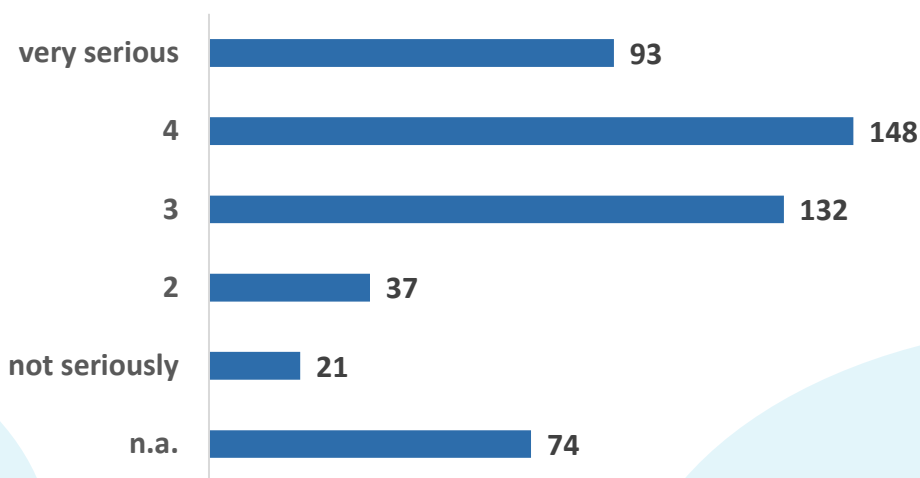
Anti-discrimination and equal opportunities	284
Working conditions, including health protection and occupational safety	280
Business Ethics & Culture	280
Corporate Sustainability Reporting	276
Climate Protection	262
Zero Emissions	251
Human Rights (incl slavery, child labour)	248
Diversity & Inclusion Management	247
Risk Management	238
Due diligence along the supply chain	236
Fight against corruption	235
Environmental Compliance	232
Resource use and circular economy	217
EU-Taxonomy	172
Internal control system	163
Water Protection	157
Society Sponsorship (eg educational sponsorings)	143
Local/Regional social Development	122
Biodiversity & Ecosystems	116
Export Control	89
Other	20

Top topic is Anti-Discrimination, followed by Working Conditions and Business Ethics & Culture.



When asked about the progress of their company on various topics, respondents perceive that the fight against corruption, export control, working conditions, risk management, societal sponsorship, and internal control systems are (very) well executed. However, the implementation of the EU Taxonomy, resource use & circular economy, and climate protection is still in its initial phase. Only 13 % of respondents believe that the company does not take the topic of ESG seriously.

Is ESG taken seriously in the company?



The respondents perceive the workload to be lower for well-known topics such as anti-corruption or anti-discrimination than for the new topics.

Future Perspectives

The respondents identify **CSR/ESG** (87 %), **Data Protection** (86 %), **IT compliance**, and **Anti-Corruption** (81 % each) as the most critical challenges for the compliance function. **Artificial Intelligence** follows closely at 77 %.

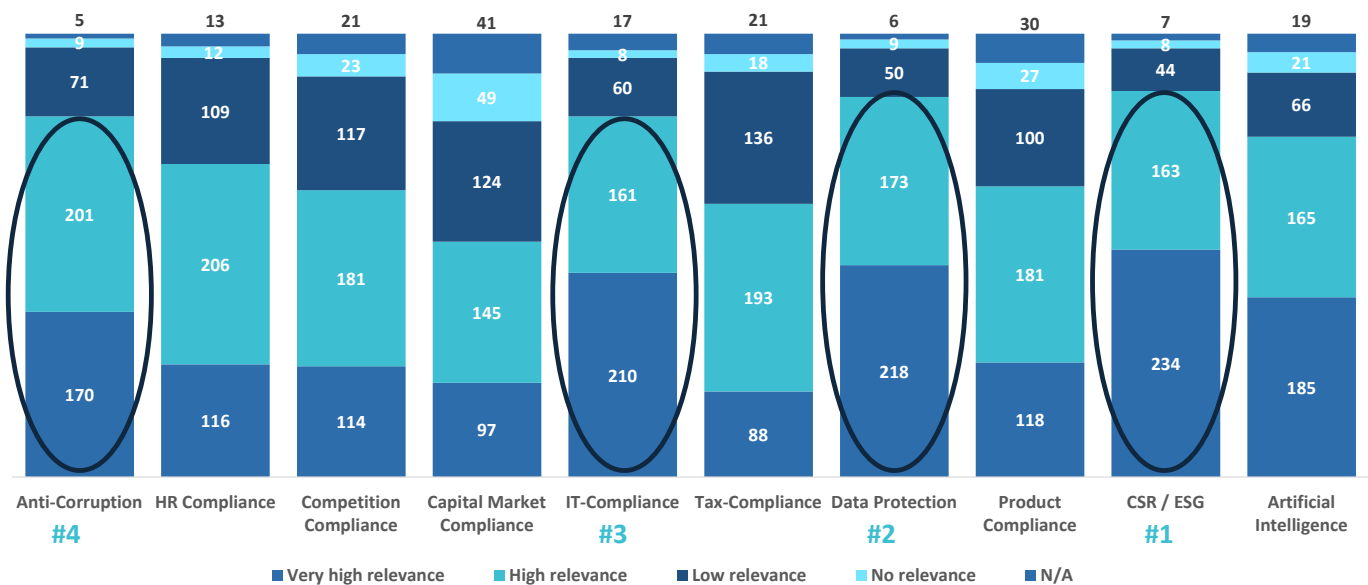
Half of the participants believe their company has initiated steps to address these challenges, while another 20 % believe their company is adequately prepared. **Only 2 % doubt their company's ability to manage this challenge.**

In assessing the readiness of the business environment, only 42 % believe that initial steps have been taken, and a mere 5 % view the environment as well prepared.

80 % of the respondents anticipate that both the technical requirements (professional knowledge) and personal requirements (required „Skill-Set“) for the Compliance Manager role, as well as the scope of Compliance-related tasks (core and interfacing), will increase over the next three years. However, only 48 % expect an increase in human resources, and just 46 % anticipate a budgetary increase.

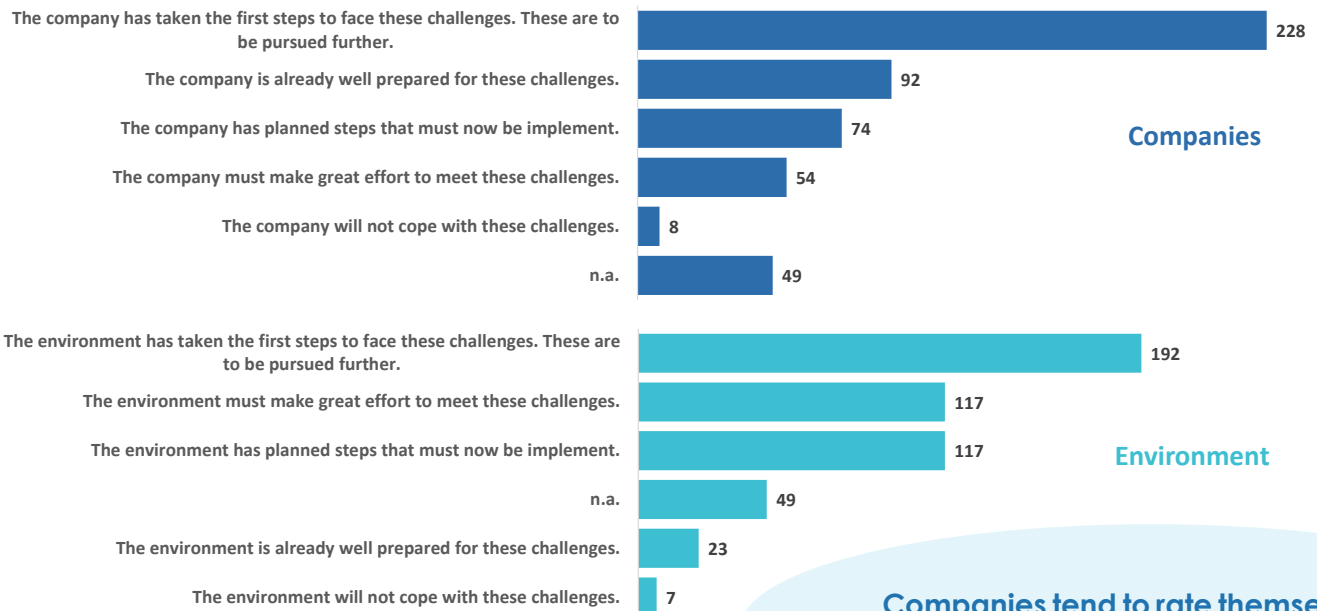
Future Topics on Compliance Agenda

The respondents see **CSR / ESG** (87 %), **Data Protection** (86 %) and **IT compliance** as well as **Anti-Corruption** (81 % each) as the most important challenges for the compliance function. **Artificial Intelligence** follows with 77 %.



Half of the participants believe their company has taken first steps to face the challenges, another 20 % believe their company is well prepared. Only 2 % believe their company will not cope with this challenge.

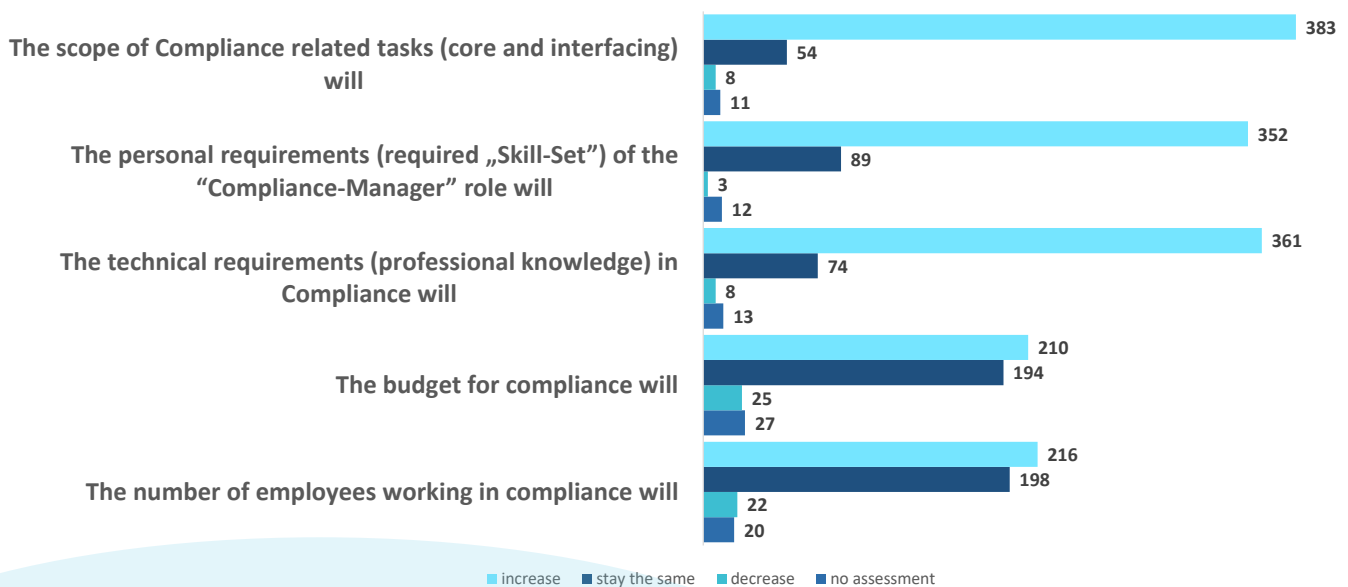
When rating the readiness of the business environment, only 42 % believe that the first steps have already been taken and only 5 % see the environment as well prepared.



Companies tend to rate themselves better than their environment.

How will resources of the Compliance Department evolve?

80 % of the respondents think that the technical requirements (professional knowledge) in Compliance as well as the personal requirements (required „Skill-Set“) of the “Compliance-Manager” role and that the scope of Compliance related tasks (core and interfacing) will increase over the course of the coming three years, but only 48 % expect more human resources and only 46 % expect an increase of budget.



The majority agrees: Tasks, needed skills and knowledge will increase.

However, the participants are more critical when it comes to the budget and human resources.

ENFCO

EUROPEAN NETWORK FOR
COMPLIANCE OFFICERS

European Network for Compliance Officers (ENFCO) at
Berufsverband der Compliance Manager (BCM) e. V.
Oberwallstraße 24 | 10117 Berlin | Germany
Tel. +49 (0) 30 / 84 85 93 20 | info@bvdcn.de | www.enfco.eu