The Ins & Outs of ESG

A Guide to Building a More Sustainable Organization

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Environmental Social Governance (ESG) programs have quickly gone from nice-to-have endeavors that earn goodwill from stockholders and potential investors to table-stakes business practices for brands of all shapes and sizes.

As of 2022, 88% of publicly traded companies had ESG initiatives, as did 79% of venture and private equity-backed companies and 67% of privately owned companies. Not only that, but 77% of small and mid-cap businesses have a formal purpose statement that directly relates to ESG goals.

The rapid introduction of these programs shouldn't come as a surprise—investors, consumers and potential employees all have an interest in the efforts companies make to create a more sustainable future. According to recent studies, 88% of consumers will prioritize spending more on a product with an ESG focus, and 86% of employees prefer to work for a company that shares their values.

Introducing a truly successful ESG program is complicated, requiring an ongoing commitment of time and strategic thinking to make an impact within your organization and on the world at large. Once you've achieved internal buy-in and launched a program, it is equally important to conduct ongoing measurements of the program's real-world impact and to develop a comprehensive communications strategy that clearly and transparently shares your company or brand's efforts with its audience.

In this e-book, we'll explore the entire process, helping you to better understand the most common ESG-related challenges, as well as some of the best practices for achieving success. Let's get started.

Understanding the Value of ESG

Despite ESG's rise to recent prominence, some organizations are still hesitant to invest the time, effort, and *funds* required to pursue a comprehensive program. In fact, often achieving internal buy-in can be the most challenging step in the process. In this section, we'll dive into some of the most common arguments against pursuing an ESG strategy, as well as a few of the most compelling reasons an organization shouldn't drag its feet on the subject.

ESG impacts revenue

Perhaps the most common challenge directed toward ESG initiatives is that they are expensive and offer little definable return on investment. And while the costs of building a new program aren't insignificant, there are several financial incentives that should encourage companies to make such an investment.

First and foremost, the impact of ESG initiatives is now directly correlated to real-world impact. According to McKinsey, the top ESG-performing companies grow 10–20% faster than competitors. Another recent study in Europe also found that organizations at the forefront of ESG initiatives are even seeing 12% higher stock returns.

Another concern for organizations without an existing ESG program is the rapid rise of ESG-related government regulations. Last year, the Securities and Exchange Commission (SEC) in the U.S. announced new ESG disclosure requirements for companies that demand public companies enhance and standardize climate-related disclosures. Similar government agencies around the globe are following the same path forward.

As a result of this increased scrutiny, hundreds of companies have faced recent fines for failure to follow policies and procedures related to ESG topics—a number that's likely to rise as the topic becomes more of a priority for government watchdogs. And while the cost of developing and launching an ESG program is high, the prospect of receiving regular fines for ignoring the subject is likely to cost far more in the long run.

ESG impacts business opportunities

Looking beyond these figures, it's important for organizations to consider the impact having—or *not* having—an ESG program has on the decision-making of potential partners and/or clients. In today's multi-faceted landscape, businesses look beyond the lowest price or flashiest branding when vetting partners. They also consider *how* a company does business.

Does a company practice animal testing? How does it treat employees? Do they employ a diverse workforce? Has it been impacted by sanctions? Is it taking steps toward a carbon-neutral future?

These are the questions being asked daily in boardrooms around the globe—and the responses can have billion-dollar implications on whom a company chooses to partner with, acquire or avoid. With so much at stake, pursuing a meaningful ESG strategy feels like a worthwhile investment after all.

> **24%** of respondents said there was a ‘high’ risk of losing business—or eligibility to bid for new business—if they failed to meet acceptable ESG standards.
>
> ~ Sustainability Magazine

Navigating political pushback.

For some organizations, introducing an ESG initiative can be a sensitive topic. While some executives may view the area as an excuse to push a political agenda onto businesses, the increasing government scrutiny and potential for lost revenue make a strong case that it’s still important for organizations to find a way to embrace ESG.

When facing political friction, the best path forward is often to find an area of focus that is comfortable for all parties involved. For instance, instead of setting sites on becoming carbon-neutral, consider starting with an action that resonates directly with the company, such as cleaning up an area of the city’s beaches or parks.

Measuring and Refining

For an ESG program to have a true impact, it's critical to develop a clear measurement plan that can be used to follow progress—or failures—and to inform how an organization adjusts its efforts along the way. With an area as nuanced and expansive as ESG, understanding what to measure can be daunting. Thankfully, most of the factors your company should keep a watchful eye on fall into five specific areas, ranging from competitors and partners to suppliers and beyond.

In this section, we'll review each area of a five-point ESG monitoring program, exploring why each point is important and how your organization can leverage real-time news coverage and other information to stay ahead of potential problems or opportunities.

Measuring by E.S.G.

Once an ESG program and accompanying communications plan are in place, the last and perhaps most important step is to measure progress. Below are just a few of the key metrics to keep track of.[1]

Environmental:

- Greenhouse gas emissions
- Water consumption
- Energy use
- Deforestation
- Recycling and waste management
- Carbon footprint
- Energy consumption

Social:

- Customer sentiment
- Employee sentiment
- Safety record
- Accessibility
- Responsible sourcing/ Supply chain

Governance:

- Employee diversity
- Leadership diversity
- Compensation equality
- Employee Engagement
- Lawsuits
- Government fines or sanctions
- Secure data storage

[1] Nexis® Smart Indexing technology keeps tabs on all the relevant terms and trends with regards to ESG, tagging content so your searches are more relevant. Contact us for a full list of ESG-related search terms.

Point ONE:

SUPPLIERS

The actions of a company's suppliers can have a major impact on how its brand is perceived. Take, for instance, a manufacturer that uses raw materials from a mining company that has just been fined for bribery. While those fines don't directly impact the purchasing company's bottom line, news of their connection to a company in the media's crosshairs will affect how investors, future employees, and stockholders view its value.

Similarly, a retail chain that partners with a supplier guilty of unsavory practices or producing faulty products could result in fines, lawsuits, or, at the very least, costly product recalls.

To avoid these problems, you should monitor your major suppliers' daily news coverage for any ESG-related activity. Identifying problematic stories or those that don't align with your existing ESG goals as they emerge can provide valuable extra time to develop proactive messaging about an issue or, worst-case, to find a replacement vendor.

Point TWO:

PARTNERS

Your company's partner organizations can and should play a role in its ESG strategy. Choosing to work with brands with similar goals can not only avoid potential conflicts but actively enhance your own efforts. To that end, a successful ESG measurement program should keep tabs on the sustainability efforts of all partner companies…and be used to sever ties when appropriate.

If a partner organization is making great strides in the ESG space, these successes should be reported, in part, as your own. If, however, a business partner is receiving negative ESG-related news coverage, this can have a knock-on impact on your brand. To avoid this issue, your company should track partner coverage closely and address any issues early and head-on.

Point THREE:

EMERGING ESG TRENDS

Third-party media monitoring platforms like Nexis Newsdesk® can be invaluable because they allow users to monitor real-time news coverage by specific topics, keywords or industries. This leg-up can be key to understanding emerging ESG-related trends, such as supply chain changes, state and federal-level legislation being considered, and shifts in consumer sentiment regarding sustainability. Staying on top of these changes is critical and will allow you to quickly adjust your strategy to meet consumers where they are and to position your organization as a leader in the ESG space.

Point Four:

COMPETITORS

Understanding how your competitors' approach ESG can play an important role in how your company shapes its own strategy. What is their management structure? How are they approaching consumer protection, employee diversity and environmental sustainability?

If competing companies are ahead of you in any of these areas, it can become a significant setback for competitive RFPs that increasingly focus on sustainable business operations. At the same time, identifying where competitors are receiving negative ESG-related coverage can highlight future problems you should seek to avoid.

Point Five:

YOUR ORGANIZATION

The last, but certainly not least important organization your ESG monitoring strategy should prioritize is your own! Leveraging earned, owned and shared media channels to proactively communicate your company's plans is critical, but it's equally important to monitor news and social media platforms to better understand how those efforts are being received.

Are your ESG-related key messages resonating with your audiences? Are ESG topics being discussed or covered that your company isn't prioritizing yet? Are your potential customers and future partners even aware of the efforts your company is undertaking to achieve its ESG goals?

Each of these are crucial questions to answer. Not only that, but the responses should be used to inform how your ESG program and accompanying communications strategy grow and change along the way.

How & Where to tell Your ESG Story

Earned Media:

- Leverage a news release distribution platform such as Nexis Newsdesk to ensure your company's key ESG-related milestones reach the broadest possible audience.
- Speak with news media about your program's specific, achievable sustainability goals.

Shared Media:

- Leverage social media to share ESG goals and progress in real-time.
- Identify ESG topics that resonate most with your audience.

Owned Media:

- Create an ESG-focused section on your website.
- Produce video content chronicling the program's progress and achievements.

Paid Media:

- Feature your ESG messaging in digital and traditional advertising campaigns.
- Leverage paid ad spending to promote key ESG milestones as they are achieved.

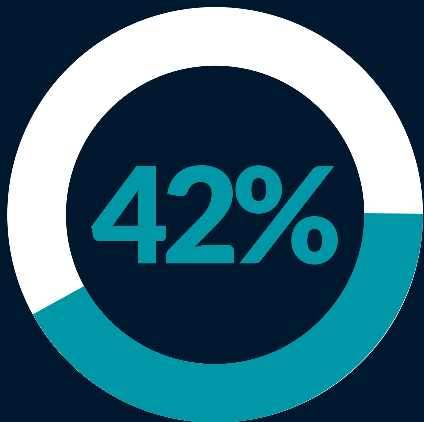
Sharing Your ESG Story

Introducing an ESG initiative is just the first step in what should be an ongoing journey. In addition to ongoing measurement of progress, developing a comprehensive communications strategy that clearly and transparently shares your company or brand's efforts with its audience is equally as important.

This is where communication professionals take the reins. Because consumers, investors, and potential employees all care so much about ESG, telling those audiences a brand's sustainability story has become a critical part of the job for PR and communication teams. ESG is arguably the most hot-button issue across all industries, and staying on top of the latest trends—and if your company is meeting the latest expectations—should be an important aspect of any crisis communications planning.

Proactive ESG communications

While ESG strategy is ultimately driven by executive leadership, communication professionals should be fighting for a seat at the table. After all, they are the ones who determine how widespread awareness for these initiatives is, as well as the people who can help to ensure the right key messages are seen by the *right* audience in the *right* place.



Research carried out in Europe found that **42%** of green claims were exaggerated, false, or deceptive, which points to greenwashing on an industrial scale.

Once any new ESG initiatives are in place at your organization, you shouldn't wait for target audiences to learn about them independently. Instead, you must intentionally spread the word, using a strategic mix of earned, owned, shared, and even paid media.

Reactive ESG communications

PR and comms professionals are also the first lines of defense when it comes to fielding questions about an organization's initiatives and understanding how a brand's target consumers, investors, or other key audiences are being impacted by them.

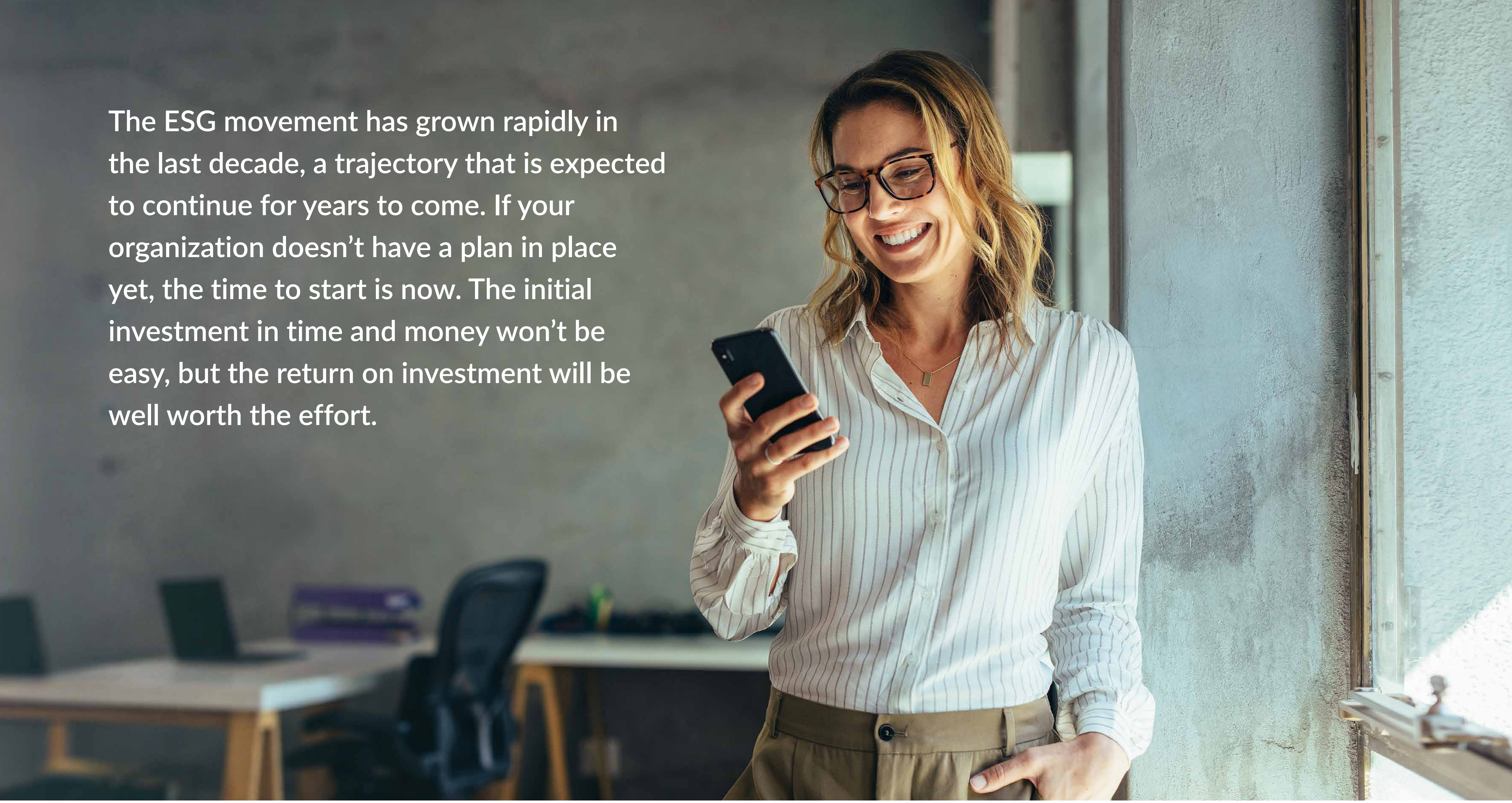
ESG-related topics have become a major focal point for negative news. As a result, doing too little or being too slow to adjust an ESG strategy to meet emerging industry expectations can be a major risk for future crises. Not only that, but overselling ESG efforts can quickly lead to accusations of "greenwashing," or using surface-level initiatives to earn good news coverage without solving other structural issues.

To mitigate these risks, communicators must deploy the right media monitoring and social listening tools to keep a finger on the public response—and to report that back to key decision-makers to adjust as needed.

What's Your Company's ESG Impact?

To help companies understand how their ESG efforts are resonating, LexisNexis recently launched a free-to-use ESG tracking tool that allows users to enter any company's name into a search bar and see how it factors into the media's discussion of key ESG-related topics.

The tracker also breaks down key governance topics like business ethics and lobbying, as well as top companies with diverse workplaces and more.



The ESG movement has grown rapidly in the last decade, a trajectory that is expected to continue for years to come. If your organization doesn't have a plan in place yet, the time to start is now. The initial investment in time and money won't be easy, but the return on investment will be well worth the effort.

Ready to take our ESG efforts to the next level?

Nexis® Media Intelligence can help! Contact us today to learn more.

LexisNexis.com/**Newsdesk** or call **1-888-466-3947**

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